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Confirmation of Your Representation: You have accessed the attached documents on the basis that you have confirmed your representation to each of Barclays Bank PLC, Citigroup Global Markets Inc., The Hongkong and Shanghai Banking Corporation Limited and UBS AG, Singapore Branch that (i) you are not resident in the United States nor a U.S. person, as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the "Securities Act"), nor acting on behalf of a U.S. person and, to the extent you purchase the securities described in the attached offering memorandum, you will be doing so pursuant to Regulation S under the Securities Act **OR** (ii) you are acting on behalf of, or you are, a qualified institutional buyer, as defined in Rule 144A under the Securities Act **AND** (2) that you consent to delivery of the attached offering memorandum and any amendments or supplements thereto by electronic transmission.

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Restrictions: The attached offering memorandum and notice are being furnished in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described in the offering memorandum.

THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE STATE OR LOCAL SECURITIES LAWS.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

Except with respect to eligible investors in jurisdictions where such offer is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of either the issuer or any of Barclays Bank PLC, Citigroup Global Markets Inc., The Hongkong and Shanghai Banking Corporation Limited or UBS AG, Singapore Branch to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute a "general advertisement" or "general solicitation" (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act) in the United States or elsewhere. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealers or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by Barclays Bank PLC, Citigroup Global Markets Inc., The Hongkong and Shanghai Banking Corporation Limited and UBS AG, Singapore Branch or their eligible affiliates on behalf of the issuer in such jurisdiction.

You are reminded that you have accessed the attached offering memorandum on the basis that you are a person into whose possession this offering memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorized to deliver or forward this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

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PERUSAHAAN PERSEROAN (PERSERO)
PT PERUSAHAAN LISTRIK NEGARA

(incorporated in the Republic of Indonesia with limited liability)

U.S.$2,000,000,000
Global Medium Term Note Program

Under this U.S.$2,000,000,000 Global Medium Term Note Program established on September 21, 2011 (the "Program"), Perusahaan Perseroan (Persero) PT Perusahaan Listrik Negara (the "Company"), subject to compliance with all relevant laws, regulations and directives, may, from time to time, issue notes in bearer or registered form (the "Notes").

The maximum aggregate principal amount of all Notes from time to time outstanding under the Program will not exceed U.S.$2,000,000,000 (or its equivalent in other currencies determined at the time of the agreement to issue), subject to any duly authorized increase. The Notes may be denominated in U.S. dollars, Euros and such other currencies as may be agreed between the Company and the Relevant Dealers (as defined below) subject to all legal and regulatory requirements applicable to issuances in particular currencies. The Notes may bear interest on a fixed or floating rate basis, be issued on a fully discounted basis and not bear interest, or be indexed.

The Notes may be issued on a continuing basis to the Dealers and any additional Dealer(s) appointed under the Program from time to time pursuant to the terms of a Program Agreement dated September 21, 2011 (as same may be amended from time to time, the "Program Agreement"), which appointment may be for a specific issue or on an ongoing basis (each, a "Dealer" and, together, the "Dealers"). References in this Offering Memorandum to the "Relevant Dealer", in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, shall be to all Dealers agreeing to subscribe for such Notes.

Notes will be issued in Series (each, a "Series"), with all Notes in a Series having the same maturity date and terms otherwise identical (except in relation to issue dates, interest commencement dates, issue prices and related matters). Notes of each Series may be issued in one or more tranches (each, a "Tranche") on different issue dates. Details applicable to each particular Series or Tranche will be supplied in a pricing supplement to this Offering Memorandum (each, a "Pricing Supplement"), which will contain the aggregate principal amount of the Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche. This Offering Memorandum may not be used to consummate sales of Notes, unless accompanied by a Pricing Supplement.

The price and amount of Notes to be issued under the Program will be determined by the Company and the Relevant Dealer at the time of issue in accordance with prevailing market conditions.

Application will be made to the Singapore Exchange Securities Trading Limited (the "SGX-ST") for permission to deal in and quotation of any Notes that may be issued pursuant to the Program and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. The approval in-principle from, and the admission of any Notes to the Official List of, the SGX-ST is not to be taken as an indication of the merits of the Company and its respective subsidiaries and associated companies, the Program or the Notes. Unlisted Notes may be issued under the Program. The relevant Pricing Supplement in respect of any Series will specify whether or not such Notes will be listed and, if so, on which exchange(s) the Notes are to be listed. There is no assurance that the application will be approved.

Notes of each Series to be issued in bearer form ("Bearer Notes") will initially be represented by interests in a temporary global Note or by a permanent global Note, in either case in bearer form (each a "Temporary Global Note" and a "Permanent Global Note", respectively), without interest coupons, which may be deposited on the relevant date of issue (the "Issue Date") with a common depositary on behalf of Clearstream Banking, société anonyme ("Clearstream") and Euroclear Bank S.A./N.V. ("Euroclear") (the "Common Depositary") or any other agreed clearance system compatible with Euroclear and Clearstream and will be sold in an "offshore transaction" within the meaning of Regulation S ("Regulation S") under the United States Securities Act of 1933, as amended (the "Securities Act"). The provisions governing the exchange of interests in Temporary Global Notes and Permanent Global Notes (each, a "Bearer Global Note") for other Bearer Global Notes and individual definitive Bearer Notes ("Definitive Bearer Notes") are described in "Forms of the Notes". Definitive Bearer Notes will only be available in the limited circumstances as described herein.

Notes of each Series to be issued in registered form ("Registered Notes") sold in an offshore transaction will initially be represented by interests in a global unrestricted Note, without interest coupons (each an "Unrestricted Global Security"), which may be deposited on the issue date with the Common Depositary unless otherwise specified in the applicable Pricing Supplement. Beneficial interests in an Unrestricted Global Security will be shown on, and transfers thereof will be effected only through, records maintained by, Euroclear or Clearstream unless otherwise specified in the applicable Pricing Supplement. Notes of each Series sold to a qualified institutional buyer ("QIB") within the meaning of Rule 144A under the Securities Act ("Rule 144A"), as referred to in, and subject to the transfer restrictions described in, "Subscription and Sale" and "Transfer Restrictions" will initially be represented by interests in a global restricted Note, without interest coupons (each a "Restricted Global Security" and together with any Unrestricted Global Security, the "Registered Global Securities"), which will be deposited on the relevant issue date with a custodian for, and registered in the name of a nominee of, The Depository Trust Company ("DTC"). Beneficial interests in a Restricted Global Security will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its participants. See "Global Clearance and Settlement Systems".

Notes in definitive registered form will be represented by registered certificates (each, a "Certificated Security"), one Certificated Security being issued in respect of each Noteholder's entire holding of Notes of one Series and will only be available in the limited circumstances as described herein.

The Program has been rated BBB- by Fitch Ratings Ltd. ("Fitch"), Baa3 by Moody's Investor Services, Inc. ("Moody's") and BB by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's"). Notes of any Series issued under the Program may be rated or unrated. When an issue of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Program. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, revision, downgrade or withdrawal at any time by the assigning rating agency.

Prospective investors should have regard to the factors described under the section headed "Risk Factors" in this Offering Memorandum.

The Notes have not been and will not be registered under the Securities Act nor with any securities regulatory authority of any state or other jurisdiction and the Notes may include Bearer Notes that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or (in the case of Bearer Notes) delivered within the United States or (in the case of Bearer Notes) to, or for the account or benefit of, U.S. persons (as defined in the U.S. Internal Revenue Code of 1986, as amended (the "Internal Revenue Code")). Prospective purchasers are hereby notified that sellers of Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. See "Transfer Restrictions".

Arrangers

BARCLAYS **CITIGROUP**

Dealers

BARCLAYS **CITIGROUP**

HSBC **UBS**

The date of this Offering Memorandum is October 8, 2012

This document is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "Documents Incorporated by Reference" below).

Our Company accepts responsibility for the information contained in this Offering Memorandum. To the best of the knowledge and belief of our Company (having taken all reasonable care to ensure that such is the case) the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information. Our Company accepts responsibility accordingly.

No person has been authorized to give any information or to make any representation other than those contained in this Offering Memorandum and, if given or made, such information or representations must not be relied upon as having been authorized by our Company, the Arrangers, any of the Dealers, the Trustee, the Paying Agent or the Registrar (each as defined herein) or any other person. Neither the delivery of this Offering Memorandum nor any sale in connection therewith shall, under any circumstances, constitute a representation or create any implication that the information contained herein is correct as of any time subsequent to the date hereof or that there has been no change in the affairs of any party mentioned herein since that date.

In the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive (2003/71/EC), the minimum specified denomination shall be U.S.$100,000 (or its equivalent in any other currency as at the date of issue of the Notes) or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, the minimum specified denomination shall be U.S.$200,000 (or its equivalent in any other currency as of the date of issue of the Notes).

The distribution of this Offering Memorandum and the offer or sale of Notes may be restricted by law in certain jurisdictions. Neither our Company nor any of the Dealers represents that this Offering Memorandum may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by our Company or the Dealers (except, where Notes are to be listed, for the approval of this document as listing particulars by the SGX-ST) which would permit a public offering of any Notes or distribution of this Offering Memorandum in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations and the Dealers have represented that all offer and sales by them will be made on the same terms. Persons into whose possession this Offering Memorandum or any Notes come must inform themselves about and observe any such restrictions. In particular, there are restrictions on the distribution of this Offering Memorandum and the offer or sale of Notes in the United States, the European Economic Area, the United Kingdom, Singapore, Hong Kong and Japan. For a description of these and certain further restrictions on offers and sales of the Notes and distribution of this Offering Memorandum, see "Subscription and Sale" and "Transfer Restrictions" below.

This document does not constitute an offer of, or an invitation by or on behalf of our Company, the Arrangers or any of the Dealers to subscribe for or purchase, any Notes.

Subject as provided in the applicable Pricing Supplement, the only persons authorized to use this Offering Memorandum in connection with an offer of Notes are the persons named in the applicable Pricing Supplement as the Relevant Dealer or any other persons named in the section "Non-exempt Offer" of the Pricing Supplement (if any), as the case may be.

None of the Arrangers, any of the Dealers, the Paying Agent, the Registrar or the Trustee (in such capacity) has verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any thereof to the accuracy, adequacy, reasonableness or completeness of the information contained in this Offering Memorandum or any other information provided to us in connection with the Notes, their distribution or their future performance.

Neither this Offering Memorandum nor any other information supplied in connection with the Program or any Notes is intended to provide the basis of any credit or other evaluation or should be considered as a recommendation or constituting an offer by our Company, the Arrangers, any of the Dealers, the Trustee, the Paying Agent or the Registrar that any recipient of this Offering Memorandum should purchase any of the Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of our Company. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Offering Memorandum and its purchase of Notes should be based on such investigation as it deems necessary.

We have not authorized anyone to provide prospective investors with information that is different. This Offering Memorandum may only be used where it is legal to sell these securities. The information in this Offering Memorandum may only be accurate on the date of this Offering Memorandum.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT NOR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND THE NOTES MAY INCLUDE BEARER NOTES THAT ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. SUBJECT TO CERTAIN EXCEPTIONS, THE NOTES MAY NOT BE OFFERED OR SOLD OR, IN THE CASE OF BEARER NOTES, DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S).

THIS OFFERING MEMORANDUM HAS BEEN PREPARED BY THE COMPANY FOR USE IN CONNECTION WITH THE OFFER AND SALE OF NOTES OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN RELIANCE ON REGULATION S AND IN THE CASE OF REGISTERED NOTES, IF PROVIDED IN THE RELEVANT PRICING SUPPLEMENT, WITHIN THE UNITED STATES TO QIBS IN RELIANCE ON RULE 144A. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT SELLERS OF REGISTERED NOTES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A. FOR A DESCRIPTION OF THESE AND CERTAIN FURTHER RESTRICTIONS ON OFFERS, SALES AND TRANSFERS OF NOTES AND THE DISTRIBUTION OF THIS DOCUMENT, SEE "SUBSCRIPTION AND SALE" AND "TRANSFER RESTRICTIONS".

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAS ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE ACCURACY OR ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED IA55, AS AMENDED ("RSA") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA CHAPTER 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE

FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

AVAILABLE INFORMATION

In the event that Notes are offered and sold in reliance on Rule 144A, we will agree that, for so long as any of the Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, we will, during any period in which we are neither subject to Section 13 or 15(d) under the U.S. Securities Exchange Act of 1934 (the "Exchange Act"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities, or to any prospective purchaser of restricted securities designated by such holder or beneficial owner, upon the request of such holder, beneficial owner or prospective purchaser, the information specified in Rule 144A(d)(4) under the Securities Act.

CERTAIN DEFINED TERMS AND CONDITIONS

As used in this Offering Memorandum, unless the context otherwise requires, the terms "we," "us," "our," "the Company," "our Company" and "PLN" refer to Perusahaan Perseroan (Persero) PT Perusahaan Listrik Negara and our consolidated subsidiaries.

Market data used throughout this Offering Memorandum have been obtained from Bank Indonesia, the Economist Economic Intelligence Unit (the "EIU"), Badan Perencanaan Pembangunan Nasional (National Development Planning Agency) ("BAPPENAS"), Statistik Ekonomi dan Keuangan Indonesia (Indonesian Financial Statistics), Biro Pusat Statistik, market research, publicly available information and industry publications. Industry publications generally state that the information that they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of that information is not guaranteed. Similarly, market research, while believed to be reliable, has not been independently verified, and none of our Company or the Arrangers or any of the Dealers makes any representation as to the accuracy of that information.

In this Offering Memorandum, unless otherwise specified or the context otherwise requires, all references to "Indonesia" are references to the Republic of Indonesia. All references to the "Government" herein are references to the Government of the Republic of Indonesia. All references to "United States" or "U.S." herein are references to the United States of America.

Statistical information included in "Overview of Indonesia" of this Offering Memorandum is official data publicly available as of the date of this Offering Memorandum, and, in most cases, the latest official data publicly available. Financial data with respect to Indonesia provided in this Offering Memorandum may be subsequently revised in accordance with Indonesia's ongoing maintenance of its economic data, and such revised data will not be distributed by our Company to any holder of the Notes.

In connection with the issue of Notes in any Series or Tranche under the Program, the Dealer or Dealers (if any) named as the stabilizing manager(s) (the "Stabilizing Manager(s)") (or persons acting on behalf of any Stabilizing Manager(s)) in the applicable Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes in such Series at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Manager(s) (or persons acting on behalf of any Stabilizing Manager(s)) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the Pricing Supplement of the offer of the relevant Tranche is made and, if begun, may be ended at any time, but it must end no later than

the earlier of 30 days after the Issue Date of the relevant Tranche and 60 days after the date of the allotment of the relevant Tranche. Any stabilization action or over-allotment must be conducted by the relevant Stabilizing Manager(s) (or persons acting on behalf of any Stabilizing Manager(s)) in accordance with all applicable laws and rules. See "Subscription and Sale".

DOCUMENTS INCORPORATED BY REFERENCE

This Offering Memorandum should be read and construed in conjunction with each relevant Pricing Supplement and all other documents which are deemed to be incorporated by reference in the relevant Offering Memorandum and in the relevant Pricing Supplement. The relevant supplemental Offering Memorandum and the relevant Pricing Supplement shall, save as specified herein and therein, be read and construed on the basis that such documents are so incorporated by reference and form part of the relevant supplemental Offering Memorandum and the relevant Pricing Supplement.

This Offering Memorandum should also be read and construed in conjunction with the most recently published audited annual accounts, and any interim accounts (whether audited or unaudited) published subsequently to such annual accounts, of our Company from time to time, which shall be deemed to be incorporated in, and to form part of, this Offering Memorandum and which shall be deemed to modify or supersede the contents of this Offering Memorandum to the extent that a statement contained in any such document is inconsistent with such contents.

Copies of documents deemed to be incorporated by reference in this Offering Memorandum may be obtained without charge from the registered office of our Company.

SUPPLEMENTAL OFFERING MEMORANDUM

If at any time we shall be required to prepare a supplemental Offering Memorandum, we will prepare and make available an appropriate amendment or supplement to this Offering Memorandum or a further Offering Memorandum.

FORWARD-LOOKING STATEMENTS AND ASSOCIATED RISKS

This Offering Memorandum includes, and any accompanying supplemental offering memorandum may include, forward-looking statements. All statements other than statements of historical facts included in this Offering Memorandum and any supplemental Offering Memorandum regarding, among other things, Indonesia's economy, fiscal condition, debt or prospects and our business may constitute forward-looking statements. Forward-looking statements can generally be identified by the use of forward-looking terminology such as "may," "will," "expect," "intend," "estimate," "anticipate," "believe," "continue" or similar terminology. Although our Company believes that the expectations reflected in our forward-looking statements are reasonable at this time, there can be no assurance that these expectations will prove to be correct. Specifically, statements under the captions "Summary", "Risk factors" and "Our business" relating to the following matters may include forward-looking statements:

- our financial condition, business strategy, budgets and projected financial and operating data;
- our anticipated capital expenditures;
- our ability to be and remain competitive;
- our plans and objectives of management for future operations;
- generation of future receivables; and
- environmental compliance and remediation.

Such statements are subject to certain risks and uncertainties, including:

- economic, social and political conditions in Indonesia;
- increases in regulatory burdens in Indonesia, including environmental regulations and compliance costs; and
- fluctuations in foreign currency exchange rates.

Should one or more of these uncertainties or risks, among others, materialize, actual results may vary materially from those estimated, anticipated or projected. Specifically, but without limitation, capital costs could increase, projects could be delayed and anticipated improvements in production, capacity or performance might not be fully realized. Although we believe that the expectations of our management as reflected by such forward-looking statements are reasonable based on information currently available to us, no assurances can be given that such expectations will prove to be correct. Accordingly, prospective purchasers are cautioned not to place undue reliance on forward-looking statements. In any event, these statements speak only as of their dates, and we undertake no obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

EXCHANGE RATES

In this Offering Memorandum, references to "U.S.$", "$" and "U.S. dollars" are to United States dollars, references to "Rupiah" and "Rp" are to the currency of Indonesia and references to "JPY" are to the currency of Japan. Our Company publishes our consolidated financial statements in Rupiah. This Offering Memorandum contains translations of certain Rupiah amounts into U.S. dollar amounts at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the Rupiah amounts represent such U.S. dollar amounts or could be, or could have been, converted into U.S. dollars at the rates indicated or at all. Translations from Rupiah to U.S. dollars have been made, for convenience purposes only, at a rate of Rp9,480 = U.S.$1.00 being the average of the buying and selling rates of exchange for Rupiah against U.S. dollars quoted by Bank Indonesia as at June 30, 2012. See "Exchange Rates and Exchange Controls" for further information regarding the rates of exchange between the Rupiah and the U.S. dollar.

PRESENTATION OF FINANCIAL INFORMATION

The financial information for the years ended December 31, 2009, 2010 and 2011 included in this Offering Memorandum has been derived from the audited restated consolidated financial statements of our Company. The financial information for the six months ended June 30, 2011 and 2012 has been derived from the unaudited consolidated interim financial statements. With respect to the unaudited interim financial information for the six-month periods ended June 30, 2011 and 2012, included in this Offering Memorandum, the independent accountants have reported that they applied limited procedures for the review of such information in accordance with the standards established by the Indonesian Institute of Certified Public Accountants. However, their separate review report included in this Offering Memorandum states that they did not audit and they do not express such opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. Unless otherwise indicated, financial information in this Offering Memorandum has been prepared in accordance with generally accepted accounting principles in Indonesia ("Indonesian GAAP"), which differ in certain respects from generally accepted accounting principles in the United States ("U.S. GAAP"), and are not comparable to financial statements prepared under U.S. GAAP.

Restatement of Prior Year Comparative Consolidated Financial Statements

On January 1, 2008, the revised Statement of Financial Accounting Standards (PSAK) No. 30, Leases, became effective and, on September 16, 2008, the Financial Accounting Standards Board Interpretation of Financial Accounting Standard (IFAS) No. 8 ("ISAK 8 Interpretation"), became effective. The ISAK 8 Interpretation provided, among other things, guidance for determining whether an arrangement is or contains a lease that should be accounted for as a finance lease for financial reporting purposes in accordance with PSAK 30 (Revised 2007), Leases, under Indonesian GAAP. Prior to January 1, 2012, certain of our PPAs and Energy Sales Contracts ("ESC") with IPPs (together referred to as " IPP Power Supply Contracts with IPPs ") were exempted from the scope of the ISAK 8 Interpretation, based on the letter No. S-2366/BL/2009 dated March 30, 2009 from the Chairman of Capital Market and Financial Institutions Supervisory Agency (Bapepam-LK) (the "Bapepam Letter"), since the purpose of the IPP Power Supply Contracts was to enable the Government, through our operations, to carry out its undertaking of supplying electricity as a public service. As a result, we continued to follow our existing accounting policy pursuant to which IPP Power Supply Contracts had been accounted for as a normal purchase of a commodity.

Upon the effectiveness of ISAK 16 on January 1, 2012 that exempted certain IPP Power Supply Contracts from being required to be capitalized as finance leases, we reassessed the impact of the ISAK 8 Interpretation on our IPP Power Supply Contracts and determined that our IPP Power Supply Contracts did not qualify under the exemption from the scope of the ISAK 8 Interpretation, as set out in the Bapepam Letter. As a result, we changed our accounting policy and began applying the provisions of the ISAK 8 Interpretation in respect of our IPP Power Supply Contracts beginning January 1, 2012.

We adopted a retrospective application of the ISAK 8 Interpretation, resulting in a restatement of our consolidated financial statements as of and for the years ended December 31, 2009, 2010 and 2011 and for the six months ended June 30, 2011. The details of the related reclassification contained in our restated consolidated financial statements are set forth in "Management's Discussion and Analysis of Financial Condition and Results of Operation—Restatement of Prior Year Comparative Consolidated Financial Statements" and Note 59 to our restated consolidated financial statements included elsewhere in this Offering Memorandum.

Each investor should consult its professional advisors for an understanding of the differences between Indonesian GAAP and U.S. GAAP, and how those differences could affect the financial information contained in this Offering Memorandum. For a summary of the certain principal differences between Indonesian GAAP and U.S. GAAP, see "Summary of Certain Principal Differences between Indonesian GAAP and U.S. GAAP".

Rounding adjustments have been made in calculating some of the financial information included in this Offering Memorandum. As a result, numerical figures shown as totals in some tables may not be exact arithmetic aggregations of the figures that precede them.

NON-GAAP FINANCIAL MEASURES

Our Company's Adjusted EBITDA refers to its income before financial and other items plus depreciation expense, amortization expense and actuarial employee benefit expense — net of payments made during the period. Our Company's Adjusted EBITDA and Adjusted EBITDA excluding the effects of ISAK 8 presented in this Offering Memorandum are supplemental measures of our performance and liquidity that are not required by, or presented in accordance with, Indonesian GAAP or U.S. GAAP. Furthermore, our Company's Adjusted EBITDA and Adjusted EBITDA excluding the effects of ISAK 8 are not measurements of our financial performance or liquidity under Indonesian GAAP or U.S. GAAP and should not be considered as alternatives to net profit, operating income or any other performance measures derived in accordance with Indonesian GAAP or as alternatives to our Company's cash flows or as a measure of our Company's liquidity. We believe the presentation of our Company's Adjusted EBITDA and Adjusted EBITDA excluding the effects of ISAK 8 facilitate comparisons of operating performance from period to period and from company to company by eliminating potential differences caused by variations in capital structures (affecting interest expense), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses) and the age and book depreciation of tangible assets and deferred charges (affecting relative depreciation and amortization expense). In particular, presentation of our Company's Adjusted EBITDA eliminates non-cash items such as amortization of deferred charges, actuarial employee benefit expense — net of payments made during the period that arise from actuarial assumptions and depreciation expense that arises from the capital intensive nature of the utilities industry and the presentation of our Company's Adjusted EBITDA excluding the effects of ISAK 8 further eliminates components of purchased electricity expense that have been allocated to other line items outside of operating expense in our Company's consolidated statement of comprehensive income and consolidated statement of financial position due to the adoption of the ISAK 8 Interpretation in our Company's accounting policies. We also believe that the presentation of our Company's Adjusted EBITDA and Adjusted EBITDA excluding the effects of ISAK 8 are useful supplemental measures of our ability to service debt. Finally, we present our Company's Adjusted EBITDA and Adjusted EBITDA excluding the effects of ISAK 8 because we believe they are frequently used by securities analysts and investors in evaluating similar companies. Nevertheless, Adjusted EBITDA and Adjusted EBITDA excluding the effects of ISAK 8 have limitations as analytical tools, and you should not consider them in isolation from, or as a substitute for, analysis of our financial condition or results of operations, as reported under Indonesian GAAP. Because of these limitations, Adjusted EBITDA and Adjusted EBITDA excluding the effects of ISAK 8 should not be considered as measures of discretionary cash available to invest in the growth of our business.

ENFORCEABILITY OF FOREIGN JUDGMENTS IN INDONESIA

Our Company is established in Indonesia. All of our Company's commissioners, directors and executive officers (and certain experts named in this Offering Memorandum) reside in Indonesia. As a result, it may be difficult for investors to effect service of process upon such persons, or to enforce against us in court, judgments obtained in courts outside of Indonesia.

We have been advised by our Indonesian legal advisor, Hadiputranto, Hadinoto & Partners, that judgments of courts outside Indonesia are not enforceable in Indonesian courts. A foreign court judgment could be offered and accepted into evidence in a proceeding on the underlying claim in an Indonesian court and may be given such evidentiary weight as the Indonesian court may deem appropriate in its sole discretion. A claimant may be required to pursue claims in Indonesian courts on the basis of Indonesian law.

ENFORCEABILITY OF THE NOTE GUARANTEES IN INDONESIA

Under the Indonesian Civil Code, a guarantor may waive its right to require the obligee to exhaust its legal remedies against the obligor's assets on a guaranteed obligation prior to the obligee exercising its rights under the related guarantee, and the waiver is enforceable against the guarantor. Any Note Guarantees provided in relation to any Notes issued under the Program and provided by the Subsidiary Guarantors will contain a waiver of this right. Paragraph 1 of the Article 1832 of the Indonesian Civil Code stipulates that once a guarantor has waived its rights to require a lender to exhaust its legal remedy against the obligor, such guarantor may no longer claim otherwise. Although a guarantee contains such waiver, the Subsidiary Guarantors (if any) may be able to argue successfully that the Subsidiary Guarantors can nonetheless require the obligee to exhaust such remedies before acting against the Subsidiary Guarantors. Accordingly, if such request is granted, the Subsidiary Guarantors may not be required to comply with their obligations under the Note Guarantees in respect of the Notes until all legal remedies against the Company have been exhausted.

OFFSHORE BORROWINGS

Under Presidential Decree No. 59/1972, as amended by Presidential Decree No. 120/1998 ("PD No. 59/1972"), offshore borrowings by a state-owned enterprise must be approved by the Minister of Finance of Indonesia. Further, under Presidential Decree No. 39/1991, the application to obtain approval for offshore borrowings by a state-owned enterprise must be submitted to the Team of Offshore Commercial Borrowing ("PKLN Team"), whose members among others include the Minister of Finance of Indonesia and Bank Indonesia.

Under PD No. 59/1972, our Company is also required to report particulars of its offshore borrowings to the Minister of Finance of Indonesia and Bank Indonesia, on the acceptance, implementation, and repayment of principal and interest. Ministry of Finance Regulation No. KEP-261/MK/IV/5/73, as amended by the Ministry of Finance Regulation No. 279/KMK.01/1991, as the implementing regulation of this PD No. 59/1972, further requires that we submit periodic reports to the Minister of Finance of Indonesia and Bank Indonesia on the effective date of the contract and each subsequent three-month period. In addition, under Presidential Decree No. 39/1991, all offshore commercial borrowers must submit periodic reports to the PKLN Team upon the implementation of their offshore commercial borrowing. Presidential Decree No. 39/1991 does not stipulate either the time frame or the format and the content of the periodic reports that must be submitted. According to Bank Indonesia, Regulation No. 12/24/PBI/2010 and the Circular Letter of the Directors of Bank Indonesia No. 13/1/DInt dated January 20, 2011, any person or legal entity that is domiciled in Indonesia obtaining offshore commercial loans or issuing debt securities in any foreign currency and/or in Rupiah must submit reports to Bank Indonesia. These reports consist of the main data report and the monthly realization data report. The main data report must be submitted to Bank Indonesia no later than 10 days of the following month after the signing of the loan agreement or the issuance of the debt securities, and a monthly realization data report must be submitted to Bank Indonesia no later than the tenth day of each month, until the offshore commercial borrowing has been repaid in full. We have been advised by our Indonesian legal advisor that any failure to submit the required reports will subject us to certain administrative sanctions in the form of fines. However, the outcome of specific cases in the Indonesian legal system is subject to considerable discretion and uncertainty.

Under Bank Indonesia Regulation No. 12/1/PBI/2010 dated January 28, 2010 on Offshore Borrowings of Non-Bank Companies ("BI Regulation 12/2010") a company intending to obtain long-term offshore loan, namely loans with tenor of more than one year, is required to submit reports to Bank Indonesia on its financial ratio, financial statement, rating assessment (where applicable), an offshore loan plan and management risk analysis at the latest by March 10 of the current year. The procedure to submit such reports is stipulated in Circular Letter of Bank of Indonesia (Surat Edaran Bank Indonesia) No. 12/37/Dint. In addition, a company who is incurring an offshore loan (regardless of the length of tenor) is required to submit reports on its financial ratio and financial statements to Bank Indonesia at the latest by June 10 and December 10 of each year. Failure to submit the report will result in administrative sanctions.

On June 23, 2011, Bank Indonesia issued Regulation No. 13/15/PBI/2011 dated June 23, 2011 on supervision of Foreign Exchange Traffic Activities of Non-Bank Institutions, which amended by BI Regulation No.14/4/PBI/2012 dated 7 June 2012 ("BI Regulation No. 13/2011"). Pursuant to BI Regulation No. 13/2011, Non-Bank institutions (Lembaga Bukan Bank, as defined in therein), which have an offshore loan, must report their foreign exchange activities using an online system at the latest by the 15th day of the following month. Under BI Regulation No. 13/2011, the foreign exchange activities report shall cover: trading transaction of goods, services and other transactions between residents and non-residents; and/or offshore financial assets and/or liabilities.

On September 30, 2011, Bank Indonesia issued Regulation No. 13/20/PBI/2011 on Export Revenues and Offshore Loan Withdrawal, which was amended by BI Regulation No.14/11/2012 dated 28 August 2012 ("PBI 13/20") and Regulation No.13/22/PBI/2011 on Reporting Obligations of Offshore Loan Withdrawal ("PBI 13/22"). These regulations were issued due to the volatility of exchange rates as a result of instability of foreign currency in the domestic market. Any offshore loan which involves, among other things, debt securities (i.e. bonds, medium-term notes, floating rate notes, promissory notes and commercial paper) must be withdrawn through accounts with Indonesia banks (which also includes Indonesian branches of offshore banks) (each an "Onshore Account"). Any withdrawal of the above-mentioned offshore loans will have to be reported to Bank Indonesia on the first to tenth day of the following month where supporting documents must be provided evidencing that the withdrawal has been made through an Onshore Account. The aggregate amount of the offshore loan withdrawal should be equal to the total commitment provided on the loan. In the event that the aggregate amount drawn down through an Onshore Account is less that the committed amount under the loan (e.g. as a result of deduction for any fees or costs), the debtor must submit a written explanation to Bank Indonesia on such shortfall. The requirement to withdraw an offshore borrowing through an Onshore Account also applies to any amendment of principal offshore amount dated after January 2, 2012 which relates to offshore borrowing agreements executed prior to January 2, 2012.

PBI 13/20 and PBI 13/22 do not specifically require the foreign currency brought into Indonesia to be converted into Rupiah be kept in Indonesia for a specified period of time. This suggests that the foreign currency can be brought into an Onshore Account on one day and transferred out of Indonesia the very next day.

The following sanctions apply to failures to comply with the requirement under PBI 13/20 and PBI 13/22:

(a) If the debtor does not withdraw the offshore borrowing through an Onshore Account, the debtor shall be subject to administrative sanctions in the form of penalties amounting to Rp. 10 million for each non-compliant withdrawal of the offshore borrowing; and/or

(b) If the debtor is late in submitting the report of the offshore borrowing withdrawal as well as the supporting documents on the tenth day of the month following the offshore borrowing withdrawal, the debtor is subject to administrative sanctions in the form of penalties amounting to Rp. 100,000 for each day of delay, up to a maximum penalty of Rp. 10 Million. The debtor will be deemed to have failed to submit the report if it is submitted more than six months after the deadline and shall be subject to administrative sanctions in the form of penalties of Rp. 10 million.

LANGUAGE OF TRANSACTION DOCUMENTS

Pursuant to Law No. 24 of 2009 regarding Flag, Language, Coat of Arms and National Anthem enacted on July 9, 2009 ("Law 24/2009"), agreements to which Indonesian entities are a party must be executed in Bahasa Indonesia, although dual language documents are permitted when a foreign entity is a party provided that the agreement in the foreign language and the agreement in Bahasa Indonesia are equally authoritative. We agree, at our own costs, to procure and execute the bilingual versions of the Indenture and the Program Agreement (the "Transaction Documents"). In the event of any conflict between the English version and the Bahasa Indonesia version, to the extent permitted by law, the English version will prevail and the Bahasa Indonesia version will be deemed as and read as amended to conform with the provisions of the English version. Some concepts in English may not have corresponding terms in Bahasa Indonesia and thus the exact meaning of the English version may not be fully captured by the Bahasa Indonesia version. If this occurs, we cannot assure you that the terms of the Notes, the Indenture and the Program Agreement, will be as described in this Offering Memorandum or will be interpreted and enforced by the Indonesian courts as described in this Offering Memorandum. There exists substantial uncertainty regarding how Law 24/2009 will be interpreted and applied, and it is not certain whether an Indonesian court would permit the English version of the Transaction Documents to prevail or even consider the English version. Article 40 of

Law 24/2009 states that the use of Bahasa Indonesia shall be regulated by implementing regulations which should have been issued by July 2011. However, until now, no implementing regulations have been issued. Accordingly, until such implementing regulations are issued, it is unclear whether Bahasa Indonesia will be stipulated as the governing language of agreements related to the Notes. If and until such implementing regulations are issued, there is a possibility that the choice by the parties of the English version as the governing language of the Transaction Documents may not be recognized, even if agreed by the contracting parties. Law 24/2009 does not specify the consequence if an agreement is not prepared in Bahasa Indonesia. In addition, in accordance with Indonesian law on civil procedure, documents executed in foreign language must be translated to Bahasa Indonesia before it can be submitted to the court. See "Risk Factors — Risk Relating to Indonesia — Agreements related to our Business or to the Notes may be required to be executed in Bahasa Indonesia and the rights of the respective parties may ultimately be governed by the Bahasa Indonesia version of the documents".

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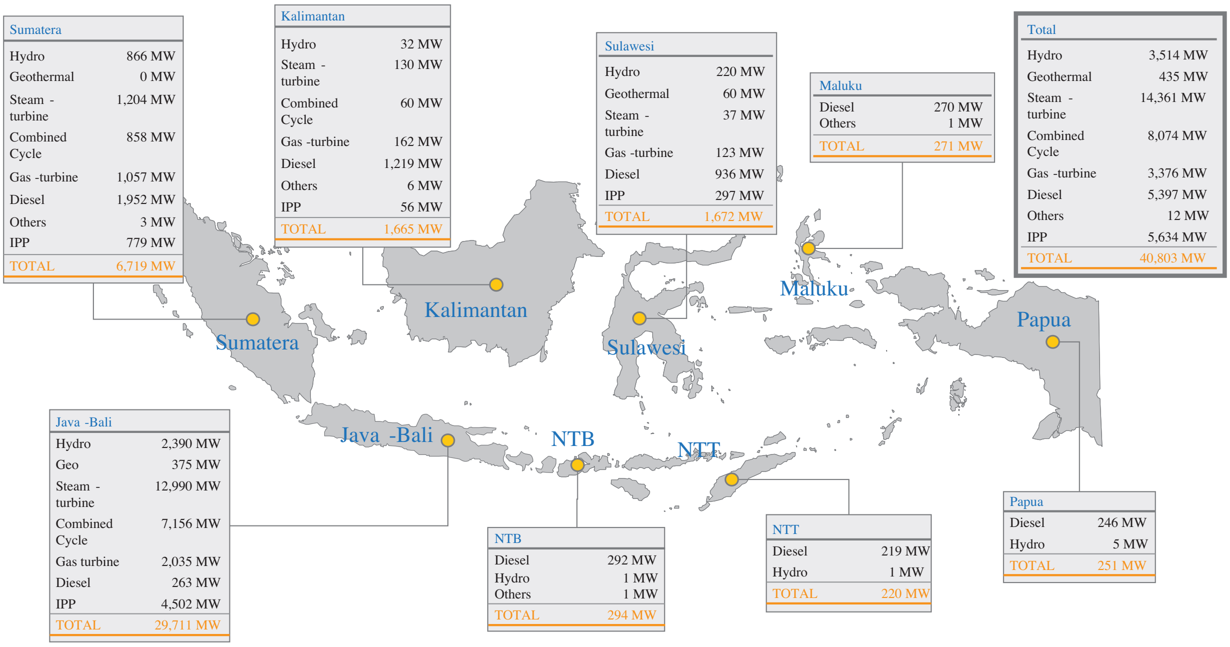
SUMMARY

This summary highlights information contained elsewhere in this Offering Memorandum. This summary is qualified by, and must be read in conjunction with, the more detailed information and the historical restated consolidated financial statements appearing elsewhere in this Offering Memorandum. We urge you to read this entire Offering Memorandum carefully, including our restated consolidated financial statements and related notes, "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations".

We are Indonesia's state-owned electric utility company and are wholly-owned by the Republic of Indonesia, which is represented by the Ministry of State-Owned Enterprises. We are the major provider of all public electricity and electricity infrastructure in Indonesia, including construction of power plants, power generation, transmission, distribution and retail sales of electricity. We are the largest electricity producer in Indonesia, and as of June 30, 2012 had a power generation capacity of approximately 35,169 MW that accounts for over 86.2% of total capacity in Indonesia and served approximately 47.8 million customers. As of June 30, 2012, we owned and operated 1,537 electricity generating plants comprising 5,554 electricity generating units in Indonesia, including fuel oil-fired, natural gas-fired, coal-fired, geothermal and hydroelectric plants. We also purchase most of the electricity produced in Indonesia by independent power producers ("**IPPs**"), which are private companies that own electricity generating plants. As of June 30, 2012, there were 26 IPPs (excluding IPPs treated as operating leases and captive power producers) operating in Indonesia with a contractual capacity of 5,634 MW.



We operate four main grids in Java-Bali, North Sumatra, South Sumatra and South Sulawesi, which are the most populated regions in Indonesia. Approximately 58.9% of the total population of Indonesia (approximately 142 million people) live on Java and Bali, and the region uses approximately 76.5% of our total customers' power consumption. As of June 30, 2012, we controlled approximately 38,626 kilometers-circuits of transmission lines and approximately 728,603 kilometers-circuits of distribution lines.

Our charges for electricity are based on electricity tariff rates which are set by the Government. See "Regulation of the Indonesian Electricity Sector". Pursuant to Presidential Regulation No. 8/2011, the Government increased the electricity tariff by an average of 10.0% with retroactive effect from July

1, 2010. As a result of the protests from some of our customers, in particular our industrial customers, the Government decided to cap the maximum tariff increase at 18.0%, which was effective until December 31, 2010. Since January 2011, there has not been any cap on the tariff increase and we have billed all of our customers based on the tariffs prescribed by Presidential Regulation No. 8/2011.

There are four types of charges that we can levy on our customers: (i) demand charge; (ii) variable energy charge; (iii) minimum payment; and (iv) special service tariff. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Overview".

The tariff rates set by the Government have, for some time, been inadequate to cover our cost of producing the electricity we sell. However, because we perform a PSO within the meaning of Law No. 19/2003, the Government is obligated to subsidize us for the difference between our cost to produce the electricity we sell and the price we are permitted to charge for that electricity under the tariff rates set by the Government. The subsidy mechanism is defined in Regulation 111 and Regulation 162. See "Relationship with the Government" and "Regulation of the Indonesian Electricity Sector". The amount of these subsidies has risen significantly since 2005 as a result of rising fuel costs.

In order to reduce our reliance on fuel oil, and pursuant to Presidential Regulation No. 71/2006, the Government introduced an infrastructure development program known as the Fast Track Program, the first phase (the "Fast Track Program I") of which originally mandated us to build coal-fired electricity generating plants at 40 locations in Indonesia, including 10 plants with an aggregate capacity of 6,900 MW in Java-Bali and 30 plants with an aggregate capacity of 2,022 MW outside Java-Bali. This was subsequently amended by Presidential Regulation No. 59/2009 and President Regulation No. 47/2011, which increased the mandate to 42 locations, including 10 plants with an aggregate capacity of 6,900 MW in Java-Bali and 32 plants with an aggregate capacity of 2,422 MW outside Java-Bali. We are currently developing coal-fired electricity generating plants at 34 locations with an aggregate capacity of 9,857 MW pursuant to this mandate, including 10 locations in Java-Bali with an aggregate capacity of 7,490 MW and 24 locations outside Java-Bali with an aggregate capacity of 2,417 MW. Of the 42 originally mandated locations, two of the planned locations have been combined into one location, with the same aggregate capacity. Furthermore, the tender and negotiation process for the location in Timika, Papua was not successful as a result of the bidder being unable to fulfill certain designated requirements relating to the location and two EPC contracts have been terminated due to the conditions of the sites. In addition, with respect to five of the additional locations, we have an option to tender which remains open, reflecting an aggregate potential capacity of 104 MW. Finally, as of June 30, 2012, one location has been transferred out of the Fast Track Program but is still under development.

Substantially all of these electricity generating plants under the Fast Track Program I are expected to be built and in operation by 2014 and not by 2011 as originally planned due to the availability of land and the underperformance by a majority of our EPC contractors. See "Risk Factors — Risks Relating to our Business and Operations — We may not be able to successfully implement the Fast Track Programs". Pursuant to Presidential Regulation No. 4/2010 as amended by Presidential Regulation No. 48/2011, the Government subsequently mandated us in the second phase of the Fast Track Program (the "Fast Track Program II") to procure 10,047 MW of renewable energy, gas and coal-fired plants in order to fulfill increasing electricity demand in Indonesia beyond that provided by completion of the Fast Track Program I above. The private sector will be invited to participate in electricity development under the Fast Track Program II as IPPs will be responsible for providing approximately half of the 10,047 MW of energy mandated to be procured. We have started the construction of coal-fired electricity generating plants in three locations with an aggregate capacity of 140 MW and we have entered into EPC contracts in relation to these three locations. We are currently in various stages of planning and negotiation of the EPC contracts in relation to the remaining mandated locations. The Government has formally extended the completion year for the Fast Track Program II to 2020, which was previously scheduled to be in 2014. The Fast Track Programs are likely to result in the development of 132 plants with a total capacity of approximately 19,954 MW in order to reduce our reliance on fuel oil and the Government's subsidy burden and meet rising electricity demand in Indonesia. See "Relationship with the Government — Government as Customer — The Fast Track Programs" and "Risk Factors — Risks Relating to our Business and Operations — We may not be able to successfully implement the Fast Track Programs".

We had total revenues of Rp208,018 billion (U.S.$21,943 million) for the year ended December 31, 2011 and Rp111,372 billion (U.S.$11,748 million) for the six months ended June 30, 2012. We had Adjusted EBITDA excluding the effects of ISAK 8 of Rp31,455 billion (U.S.$3,318 million) for the year ended December 31, 2011 and Rp21,472 billion (U.S.$2,265 million) for the six months ended June 30, 2012. We had income for the period and total comprehensive income of Rp5,426 billion (U.S.$572 million) for the year ended December 31, 2011 and Rp31 billion (U.S.$3 million) for the six months ended June 30, 2012. We had total assets of Rp467,783 billion (U.S.$49,344 million) and Rp510,964 billion (U.S.$53,899 million) as of December 31, 2011 and June 30, 2012, respectively.

The volume of electricity we transmitted and distributed in 2011 increased by 7.3% to 157,993 GWh from 147,297 GWh in 2010. From 2007 through 2011, our average annual increase in volume of electricity transmitted and distributed was 7.0%. In the year ended December 31, 2011, we achieved a SAIDI and a SAIFI of 4.7 hours per consumer per year and 4.9 interruptions per consumer per year, respectively.

On September 23, 2009, the Government issued the New Electricity Law, which may materially affect the electricity supply and supporting businesses in Indonesia, including our Company. For a more detailed description of this New Electricity Law and its potential impact, see "Regulation of the Indonesian Electricity Sector — Regulation" and "Risk Factors — Risks Relating to our Business and Operations".

Our corporate offices are located at Jalan Trunojoyo Blok M 1/135, Kebayoran Baru Jakarta Selatan, Indonesia.

Our History

The electric utility industry in Indonesia began at the end of the 1800s, when several Dutch companies established electrical generators in Indonesia. These electrical energy enterprises later formed the public interest company NV.NIGM. Following the independence of Indonesia in August 1945, the Government assumed control of these electrical companies. On October 27, 1945, President Soekarno established the Jawatan Listrik dan Gas (Bureau of Electricity and Gas), with a total generation capacity of 157.5 MW.

On January 1, 1961, the Bureau of Electricity and Gas was converted into BPU-PLN (Badan Pimpinan Umum Perusahaan Listrik Negara), which focused on electricity, gas and kokas (a type of fuel derived from coal).

On May 13, 1965, BPU-PLN was split into two separate companies, Perusahaan Listrik Negara (PLN) for electrical energy and PGN for natural gas. At such time, PLN's total generation capacity was 300 MW.

In 1972, the Government changed our status from Perusahaan Listrik Negara to a public service company (known as Perusahaan Umum Listrik Negara (PLN)). In 1985, the enactment of Law No. 15/1985 of the Electricity Act gave us exclusive control over the business of providing electricity in Indonesia. In 1990, by Government Regulation No. 17/1990, the Government appointed PERUM PLN as the exclusive owner of Indonesia's entire electricity generating business.

In 1989, the Government opened up the electricity supply business to the private sector. In line with this policy, in July 1994, we changed our status from Perusahaan Umum to a limited liability state-owned enterprise (known as Perusahaan Perseroan (Persero)).

In 1998, in response to the Asian financial crisis, we entered into negotiations to restructure our power purchase agreements ("PPAs") with our IPPs, and completed the restructuring in 2003 which resulted in some write-offs, partial cash payment, and conversion of payables into long-term debt. As part of the restructuring schemes, we renegotiated the main terms and conditions and period of PPAs. We completed the restructuring of certain Government subordinated loans in 2001.

In 2003, the Government enacted Law No. 19/2003 to provide state-owned enterprises that are assigned to provide public service obligations the right to compensation from the Government of all their costs, as well as the expected margin, if the assignment is not feasible.

In 2006, the Government introduced the Fast Track Program I, pursuant to Presidential Regulation No. 71/2006 as amended by Presidential Regulation No. 59/2009 and Presidential Regulation No. 47/2011, which mandated us to build 42 coal-fired electricity generating plants.

On September 23, 2009, the Government issued the New Electricity Law. Prior to the enactment of the New Electricity Law, the supply of electricity in Indonesia was the responsibility of the state and was carried out by us at the direction of the Government. On September 30, 2011, we obtained an Electricity Supply Business License ("IUPTL") under which we operate as an integrated electricity supply company with a business area covering all of the territory of the Republic of Indonesia.

In 2010, the Government introduced the Fast Track Program II, pursuant to Presidential Regulation No. 4/2010 as amended by Presidential Regulation No.48/2011 and supplemented by Ministry of Energy and Mineral Resources Regulation No.15/2010, as amended by Ministry of Energy and Mineral Resources Regulation No. 1/2012, which mandated us to build six geothermal, three hydroelectric, eight coal-fired, eight coal gasification and one natural gas-fired electricity generating plants as well as the relevant transmission lines.

Business Strengths

Our Company performs strategic functions that are integral to the development of the economy and the electricity sector of Indonesia. We believe that the following are our key business strengths:

Strong relationship with the Government

We are wholly-owned by the Republic of Indonesia which is represented by the Ministry of State-Owned Enterprises. We believe that the Government is committed to our financial soundness as part of its objective to ensure a stable electricity supply in Indonesia. As part of the Government support, the Government provides us with compensation to cover the excess of our costs incurred and the expected PSO Margin over certain electricity tariff rates determined by the Government. Electricity subsidies are included in the state budget, and, since we perform a PSO within the meaning of Law No. 19/2003, the Government is required to cover losses we incur because electricity tariff rates we charge our customers are inadequate to cover our cost of providing electricity to customers. For more details on our strong relationship with the Government, see "Relationship with the Government".

Dominant provider of electricity in Indonesia's fast-growing electricity market

We are the dominant provider of electricity in Indonesia's growing electricity market. By regulation, we had been the sole provider for the transmission and distribution of electricity in Indonesia and we controlled over 86.2% of generation capacity in Indonesia as of June 30, 2012. We also have an extensive presence across the different regions in Indonesia.

Further, we believe that the Indonesian electricity demand is closely linked to the country's economic growth and that the demand for electricity in Indonesia will continue to grow. Indonesia's real GDP increased by 6.5% in 2011 over 2010 and 6.1% in 2010 over 2009. In addition, we believe Indonesia offers a significant potential for growth in the electricity sector as its electricity consumption per capita and power generation capacity per capita are significantly lower than those of the other Asian emerging economies. As such, the Government has projected in its expansion plan report in 2008 that there will be a growth in demand for electricity of more than 9.0% per annum over the next five years, and total electricity demand will more than double between 2011 and 2019. As the major provider of electricity in Indonesia, we expect to benefit from such growth. See "Industry Overview" and "Risk Factors — Risks Relating to Indonesia".

Focus on improving our operating efficiency and reducing our costs

Over the last few years, we have focused on improving our operating efficiency and reducing our costs. Transmission losses have remained relatively constant at 2.2% in 2009, 2.3% in 2010 and 2.3% in 2011, and our distribution losses decreased slightly from 7.9% in 2009, 7.6% in 2010 to 7.3% in 2011. Through the introduction and implementation of a new prepayment system and online payment technology, we have improved our customer collection mechanism. We continue to reduce our reliance on fuel oil, diversifying our energy mix to lower marginal cost fuel to reduce costs. See "Our Business — Power Interruption and System Loss".

Experienced Board of Directors, Board of Commissioners and management team

Most of the members of our Board of Directors each have over 25 years of experience in the electricity sector. We believe our management team has complementary skill sets and a strong understanding of the local electricity market. The members of our Board of Commissioners are well respected and have been appointed by the Ministry of State-Owned Enterprises, with several of them having strong ties with the Government.

Stable financial profile

We believe we have a stable financial profile based on our Adjusted EBITDA excluding the effects of ISAK 8 to Adjusted Financial Cost, relatively modest Total Borrowings to Equity Ratio and the state of our consolidated statement of financial position. For the year ended December 31, 2010, our Adjusted EBITDA excluding the effects of ISAK 8 to Adjusted Financial Cost was 4.7 and our Total Borrowings to Equity Ratio was 98.2%, and, for the year ended December 31, 2011, our Adjusted EBITDA excluding the effects of ISAK 8 to Adjusted Financial Cost was 4.1 and our Total Borrowings to Equity Ratio was 119.4%. In addition, between 2009 and mid-2012, our Adjusted EBITDA excluding the effects of ISAK 8 grew steadily from Rp23,366 billion for the year ended December 31, 2009, to Rp28,315 billion for the year ended December 31, 2010, to Rp31,455 billion (U.S.$3,318 million) for the year ended December 31, 2011 and to Rp21,472 billion (U.S.$2,265 million) for the six months ended June 30, 2012, which has been consistently supported by subsidies from the Government. While our Adjusted EBITDA margin excluding the effects of ISAK 8, which is calculated by dividing Adjusted EBITDA excluding the effects of ISAK 8 over Total Revenues, has decreased from 17.4% for the year ended December 31, 2010 to 15.1% for the year ended December 31, 2011, it increased to 19.3% for the six months ended June 30, 2012.

Strategy

We have the following strategic objectives:

Successful implementation of the Fast Track Programs

Pursuant to Presidential Regulation No. 71/2006 as amended by Presidential Regulation No. 59/2009 and Presidential Regulation No. 47/2011, the Government has mandated us to accelerate the development of coal-fired electricity generating capacity in Indonesia through the Fast Track Program I. In addition, pursuant to Presidential Regulation No. 4/2010 as amended by Presidential Regulation No. 48/2011, the Government has mandated us to procure 10,047 MW of renewable energy, gas and coal-fired plants in order to fulfill increasing electricity demand in Indonesia through the Fast Track Program II. The Fast Track Programs are expected to result in the development of 132 plants with a total capacity of approximately 19,954 MW in order to reduce our reliance on fuel oil and the Government's subsidy burden and meet rising electricity demand in Indonesia. In relation to the Fast Track Program I, we have already signed the EPC contracts and obtained financing for a large majority of the 31 planned locations which we are currently developing. In connection with the Fast Track Program II, we have signed three EPC contracts. We expect that the building and construction of all plants under the Fast Track Program I will be substantially completed and in operation by 2014. This strategy will reduce our exposure to fuel oil-based production and increase our electricity production capacity that is necessary to satisfy the growing demand we expect in the next few years. See "Relationship with the Government — Government as Customer — The Fast Track Program" and "Risk Factors — Risks Relating to our Business and Operations — We may not be able to successfully implement the Fast Track Programs".

Continue our efforts to raise the electricity tariffs we charge our customers in order to reduce our reliance on Government electricity subsidies

The Government raised electricity tariffs by an average of 10.0% with effect from July 2010. However, the difference between the electricity tariffs we are able to charge our customers and our operating costs remain substantial. In addition, all customers are currently provided with electricity at subsidized rates.

We intend to continue to seek to raise the electricity tariffs we charge our customers to make our business profitable and reduce our reliance on Government electricity subsidies through our initiative to encourage business-to-business electricity sale at market rates and the implementation of regional electricity tariffs. We will continue to request subsidies to the Government when average selling prices are under our costs of electricity provision and raise funds to support our investment programs.

Focus on reducing our operating costs

We intend to reduce operating costs by:

(i) reducing our reliance on fuel oil-based generation and increasing our reliance on coal-based generation as part of the Fast Track Programs. In comparison to other types of fuel, Indonesia has an abundant supply of coal which is a significantly cheaper source of fuel. This strategy is also intended to meet the growing demand from our existing and new customers by developing new electricity generating plants and transmission and distribution facilities that are cost-effective as part of the Fast Track Programs; and

(ii) reducing generation costs through supply side management, which involves buying excess capacity from captive non-fuel oil generators during peak load hours, shutting down certain generating units during low-demand periods and shutting down certain fuel oil-fired generating units during weekends.

Introduce initiatives to improve the efficiency of our business operations

In order to improve our operating efficiency, we intend to further reduce network losses, improve our maintenance system, improve generation production efficiency, improve our inventory turnover/cycle and decrease our collection period. We are also seeking to improve several other operating efficiency measures such as the equivalent forced outage rate, capacity factor and number of customers per employee. In addition, we intend to further improve our financial efficiency through cash pooling by implementing a centralized online payment of electricity bills using the P2APST (Centralized Management and Supervisory of Revenue) system.

THE OVERVIEW OF THE PROGRAM

The following overview does not purport to be complete and is taken from and is qualified in its entirety by, the remainder of this Offering Memorandum and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Words and expressions defined in "Forms of the Notes" and "Description of the Notes" shall have the same meanings in this summary.

Under the Program, the Company may, from time to time, issue Notes denominated in U.S. dollars, Euros or in any other currency, subject to the terms more fully set forth herein. A summary of the terms and conditions of the Program and the Notes appears below. The applicable terms of any Notes will be agreed upon by and between the Company and the relevant Dealer(s) prior to the issue of the Notes and will be set forth in the Description of the Notes endorsed on, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Pricing Supplement attached to, or endorsed on, such Notes, as more fully described under "Forms of Notes" below.

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Memorandum and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Words and expressions defined in "Forms of the Notes" and "Description of the Notes" shall have the same meanings in this summary.

Summary of the Program and Description of the Notes

Company:	Perusahaan Perseroan (Persero) PT Perusahaan Listrik Negara.
Arrangers:	Barclays Bank PLC and Citigroup Global Markets Inc.
Description:	Global Medium Term Note Program.
Dealers:	Barclays Bank PLC, Citigroup Global Markets Inc., The Hongkong and Shanghai Banking Corporation Limited, and UBS AG, Singapore Branch. The Company may issue Notes to persons other than Dealers and may terminate the appointment of any Dealer or appoint new dealers for a particular Series of Notes or for the Program.
Trustee:	Deutsche Bank Trust Company Americas.
Paying Agent:	Deutsche Bank Trust Company Americas (for Notes denominated in U.S. dollars that are not Bearer Notes) and Deutsche Bank AG, Hong Kong Branch (for Notes not denominated in U.S. dollars or for Bearer Notes).
Registrar:	Deutsche Bank Trust Company Americas (for Notes denominated in U.S. dollars that are not Bearer Notes) and Deutsche Bank Luxembourg S.A. (for Notes not denominated in U.S. dollars or for Bearer Notes).
Transfer Agent:	Deutsche Bank Trust Company Americas (for Notes denominated in U.S. dollars that are not Bearer Notes) and Deutsche Bank AG, Hong Kong Branch (for Notes not denominated in U.S. dollars or for Bearer Notes).

Program Size:	Up to U.S.$2,000,000,000 (or its equivalent in any other currency (the "Program Limit") in aggregate nominal amount of Notes outstanding at any one time). The Company may increase the amount of the Program Limit in accordance with the terms of the Program Agreement. As of the date of this Offering Memorandum, U.S.$1 billion in aggregate nominal amount of Notes are outstanding under the Program.
Method of Issue:	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each, a "Series") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest and their Issue Price), the Notes of each Series being intended to be fungible with all other Notes of that Series. Each Series may be issued in tranches (each, a "Tranche") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be specified in the pricing supplement (the "Pricing Supplement").
Issue Price:	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more installments.
Form of Notes:	The Notes may be issued in bearer or registered form, as specified in the applicable Pricing Supplement. Certificates representing the Notes that are registered in the name of a nominee for one or more clearing systems are referred to as "Global Securities". Each Series of Bearer Notes will initially be represented by a Temporary Global Note or a Permanent Global Note which, in each case, will be deposited on the Issue Date with a common depositary for Euroclear, Clearstream or any other agreed clearance system compatible with Euroclear and Clearstream. Interests in a Temporary Global Note will be exchangeable, upon request as described therein, for either interests in a Permanent Global Note or Definitive Bearer Notes (as indicated in the applicable Pricing Supplement and subject, in the case of Definitive Bearer Notes, to such notice period as is specified in the applicable Pricing Supplement) upon certification of non-U.S. beneficial ownership as required by United States Treasury regulations ("U.S. Treasury Regulations"). Interests in a Permanent Global Note will be exchangeable, unless otherwise specified in the applicable Pricing Supplement, only in the limited circumstances described therein, in whole but not in part for Definitive Bearer Notes, upon written notice to the Trustee. Any interest in a Temporary Global Note or a Permanent Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream and/or any other agreed clearance system, as appropriate.

	Notes may be issued with the benefit of a guarantee. Details of any guarantee and the guarantor will be set out in the applicable Pricing Supplement.
	Each Series of Registered Notes, which are sold outside the United States in reliance on Regulation S, will, unless otherwise specified in the applicable Pricing Supplement, be represented by an Unrestricted Global Security, which will be deposited on or about its Issue Date with a common depositary for, and registered in the name of a nominee, of Euroclear and Clearstream. Unrestricted Global Securities will be exchangeable for Certificated Securities only in the limited circumstances more fully described herein.
	Any Series of Registered Notes sold in private transactions to QIBs and subject to the transfer restrictions described in "Transfer Restrictions" will, unless otherwise specified in the applicable Pricing Supplement, be represented by a Restricted Global Security, which will be deposited on or about its Issue Date with a custodian for, and registered in the name of a nominee of, DTC. Persons holding beneficial interests in Registered Global Securities will be entitled or required, as the case may be, under the circumstances described in the Indenture, to receive physical delivery of Certificated Securities. Registered Notes initially offered and sold in the United States to institutional accredited investors pursuant to Section 4(2) of the Securities Act or in a transaction otherwise exempt from registration under the Securities Act and subject to the transfer restrictions described in "Transfer Restrictions" will be issued only in definitive registered form and will not be represented by a Global Security. Bearer Notes will not be exchangeable for Registered Notes, and Registered Notes will not be exchangeable for Bearer Notes.
Clearing Systems:	DTC, Clearstream, Euroclear and, in relation to any Tranche, such other clearing system as may be agreed between the Company, the Trustee and the relevant Dealer. See "Global Clearance and Settlement Systems".
Currencies:	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Company and the relevant Dealer(s).
Maturities:	Subject to compliance with all relevant laws, regulations and directives, any maturity.

Specified Denomination:	Notes will be in such denominations as may be specified in the relevant Pricing Supplement save that (i) in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in an EEA State in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum specified denomination shall be U.S.$100,000 (or its equivalent in any other currency as of the date of issue of the Notes) or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, the minimum specified denomination shall be U.S.$200,000 (or its equivalent in any other currency as of the date of issue of the Notes); and (ii) unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year will have a minimum denomination of £100,000 (or its equivalent in other currencies).
Fixed Rate Notes:	Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Pricing Supplement.
Floating Rate Notes:	Floating Rate Notes will bear interest determined separately for each Series as set out in the Description of the Notes and the relevant Pricing Supplement.
Zero Coupon Notes:	Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.
Dual Currency Notes:	Payments in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange as may be specified in the relevant Pricing Supplement.
Index Linked Notes:	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula as may be specified in the relevant Pricing Supplement.
Interest Periods and Interest Rates:	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. All such information will be set out in the relevant Pricing Supplement.
Redemption:	The relevant Pricing Supplement will specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).
Redemption by Installments:	The Pricing Supplement issued in respect of each issue of Notes that are redeemable in two or more installments will set out the dates on which, and the amounts in which, such Notes may be redeemed.

Optional Redemption:	The Pricing Supplement issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Company (either in whole or in part) and/or the Holders, and if so the terms applicable to such redemption.
Redemption upon a Change of Control Triggering Event:	Unless otherwise stated in the relevant Pricing Supplement and unless the Notes are previously redeemed, repurchased and cancelled, the Company will, no later than 30 days following a Change of Control Triggering Event (as defined in the indenture governing the Notes), make an Offer to Purchase (as defined in the Notes of the relevant Series) all outstanding Notes of any Series at a purchase price of 101% of their principal amount, together with accrued and unpaid interest, if any.
Status of Notes:	Senior Notes will constitute unsubordinated and unsecured obligations of the Company.
Certain Covenants:	Unless otherwise stated in the relevant Pricing Supplement, the Company will agree in the terms and conditions of the Notes of any Series to observe certain covenants, including, among other things: the incurrence of additional debt; the incurrence of liens; the payment of dividends; mergers, acquisitions and disposals and certain other covenants. See "Description of the Notes".
Events of Default:	Certain events will permit acceleration of the principal of the Notes (together with all interest and additional amounts accrued and unpaid thereon). These events include default with respect to the payment of principal of, premium, if any, or interest on, the Notes.
Ratings:	Tranches of Notes will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Pricing Supplement. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Withholding Tax:	All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of Indonesia, subject to customary exceptions, all as described in "Description of the Notes — Taxation".
Selling Restrictions:	The United States, Hong Kong, Singapore, Japan, Indonesia, the Public Offer Selling Restriction under the Prospectus Directive (in respect of Notes having a specified denomination of less than U.S.$100,000 or its equivalent in any other currency as of the date of issue of the Notes) or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, U.S.$200,000 or its equivalent in any other currency as of the date of issue of the Notes and the United Kingdom. See "Subscription and Sale".

	Bearer Notes will be issued in compliance with U.S. Treasury Regulations §1.163-5(c)(2)(i)(D) or identical rules to be issued under Section 4701 of the Internal Revenue Code (the "D Rules") unless (i) the relevant Pricing Supplement states that Bearer Notes are issued in compliance with U.S. Treasury Regulations §1.163-5(c)(2)(i)(C) or identical rules to be issued under Section 4701 of the Internal Revenue Code (the "C Rules") or (ii) Bearer Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute "registration required obligations" for U.S. federal income tax purposes, which circumstances will be referred to in the relevant Pricing Supplement as a transaction to which the Tax Equity and Fiscal Responsibility Act of 1982 ("TEFRA") is not applicable.
Listing:	Application will be made to the SGX-ST for permission to deal in and quotation of any Notes that may be issued pursuant to the Program and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. There is no assurance that the application to the Official List of the SGX-ST for the listing of a particular Series will be approved. For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Notes will be traded on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in any other currency). The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the Company and the relevant Dealer in relation to each Series. Unlisted Notes may also be issued under the Program. The relevant Pricing Supplement will state whether or not the Notes of a Series will be listed on any exchange(s) and, if so, on which exchange(s) the Notes are to be listed.
Governing Law:	The Notes will be governed by, and construed in accordance with, the laws of the State of New York.

SUMMARY FINANCIAL INFORMATION

The following tables present our summary restated consolidated financial information and operating data as of the dates and for each of the years and periods indicated. We have derived the summary restated consolidated statements of comprehensive income data for the years ended December 31, 2009, 2010 and 2011, and our summary restated consolidated statements of financial position data as of December 31, 2009, 2010 and 2011 in the tables below from our historical restated consolidated financial statements, which have been audited by Osman Bing Satrio & Rekan (an affiliate of Deloitte Southeast Asia Ltd, a member of Deloitte Touche Tohmatsu Limited), independent auditors. We have derived the summary consolidated statements of comprehensive income data for the six months ended June 30, 2011 (restated) and 2012 and our summary consolidated statement of financial position as of June 30, 2012 and 2011 (restated), in the tables below from our unaudited historical interim consolidated financial statements. With respect to the unaudited interim financial information as of and for the six-month periods ended June 30, 2011 and 2012, included in this offering memorandum, the independent accountants have reported that they applied limited procedures for the review of such information in accordance with the standards established by the Indonesian Institute of Certified Public Accountants. However, their separate review report included in this offering memorandum states that they did not audit and they do not express such opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. Our restated consolidated financial statements have been prepared and presented in accordance with Indonesian GAAP, which differs in certain respects from U.S. GAAP. See "Summary of Certain Principal Differences between Indonesian GAAP and U.S. GAAP".

Restatement of Prior Year Comparative Consolidated Financial Statements

On January 1, 2008, the revised Statement of Financial Accounting Standards (PSAK) No. 30, Leases, became effective and, on September 16, 2008, the Financial Accounting Standards Board Interpretation of Financial Accounting Standard (IFAS) No. 8 ("ISAK 8 Interpretation"), became effective. The ISAK 8 Interpretation provided, among other things, guidance for determining whether an arrangement is or contains a lease that should be accounted for as a finance lease for financial reporting purposes in accordance with PSAK 30 (Revised 2007), Leases, under Indonesian GAAP. Prior to January 1, 2012, certain of our PPAs and Energy Sales Contracts ("ESC") with IPPs (together referred to as "IPP Power Supply Contracts") were exempted from the scope of the ISAK 8 Interpretation, based on the letter No. S-2366/BL/2009 dated March 30, 2009 from the Chairman of the Capital Market and Financial Institutions Supervisory Agency (Bapepam-LK) (the "Bapepam Letter"), since the purpose of the IPP Power Supply Contracts was to enable the Government, through our operations, to carry out its undertaking of supplying electricity as a public service. As a result, we continued to follow our existing accounting policy pursuant to which the IPP Power Supply Contracts had been accounted for as a normal purchase of a commodity.

Upon the effectiveness of ISAK 16 on January 1, 2012 that exempted certain IPP Power Supply Contracts from being required to be capitalized as finance leases, we reassessed the impact of the ISAK 8 Interpretation on our IPP Power Supply Contracts and determined that our IPP Power Supply Contracts did not qualify under the exemption from the scope of the ISAK 8 Interpretation, as set out in the Bapepam Letter. As a result, we changed our accounting policy and began applying the provisions of the ISAK 8 Interpretation in respect of our IPP Power Supply Contracts beginning January 1, 2012.

We adopted a retrospective application of the ISAK 8 Interpretation, resulting in a restatement of our consolidated financial statements as of and for the years ended December 31, 2009, 2010 and 2011 and for the six months ended June 30, 2011. The details of the related reclassification contained in our restated consolidated financial statements are set forth in Note 59 to our restated consolidated financial statements included elsewhere in this Offering Memorandum. See also "Management's Discussion and Analysis of Financial Condition and Results of Operation — Restatement of Prior Year Comparable Consolidated Financial Statements."

Statements of Comprehensive Income Data

	Year ended December 31,				Six months ended June 30,		
	2009	2010	2011	2011	2011	2012	2012
	Rp	Rp	Rp	U.S.$	Rp	Rp	U.S.$
	(Rp billions and U.S.$ millions)						
Revenues							
Sale of electricity	90,172	102,974	112,845	11,903	56,930	62,181	6,559
Government's electricity subsidy	53,720	58,108	93,178	9,829	40,862	48,088	5,073
Customer connection fees	652	761	1,009	106	511	664	70
Others	679	533	987	104	263	438	46
Total Revenues	145,222	162,375	208,018	21,943	98,565	111,372	11,748
Operating Expenses							
Fuel and lubricants	85,499	93,899	131,158	13,835	63,017	65,549	6,914
Purchased electricity	809	893	1,257	133	566	1,384	146
Lease	2,851	3,228	5,776	609	2,423	3,101	327
Maintenance	9,940	11,741	13,593	1,434	5,796	6,831	721
Personnel	9,758	12,954	13,197	1,392	5,491	6,280	662
Depreciation	13,921	14,692	16,255	1,715	7,667	9,464	998
Others	4,036	4,286	4,405	465	1,840	2,304	243
Total Operating Expenses	126,814	141,693	185,640	19,582	86,799	94,914	10,012
Income before Financial and Other Items	18,408	20,683	22,378	2,361	11,765	16,458	1,736
Net Financial and Other Items							
Interest income	367	753	504	53	333	221	23
Gain (Loss) on foreign exchange — net	15,666	4,336	(1,833)	(193)	5,596	(6,741)	(711)
Financial cost	(16,149)	(15,177)	(17,361)	(1,831)	(8,152)	(11,459)	(1,209)
Others — net	259	1,159	1,827	193	1,735	732	77
Net Financial and Other Items	143	(8,929)	(16,863)	(1,779)	(488)	(17,247)	(1,819)
Profit (Loss) before Tax	18,550	11,754	5,515	582	11,277	(789)	(83)
Tax Benefit/Expense	(3,984)	(1,406)	(89)	(9)	(919)	820	87
Income for the Period and Total Comprehensive Income	14,567	10,347	5,426	572	10,358	31	3

Statements of Financial Position Data

	As of December 31,				As of June 30,	
	2009	2010	2011	2011	2012	2012
	Rp	Rp	Rp	U.S.$	Rp	U.S.$
	(Rp billions and U.S.$ millions)					
Assets						
Noncurrent Assets						
Property, plant and equipment — net of accumulated depreciation	246,024	247,562	302,490	31,908	328,272	34,628
Construction in progress	78,482	106,840	98,057	10,344	105,251	11,102
Investment properties	138	145	153	16	158	17
Investments in associates	788	883	1,143	121	1,453	153
Deferred tax assets	8	11	18	2	19	2
Assets not used in operations	1,021	1,300	1,714	181	1,175	124
Receivables from related parties	1,194	232	213	22	217	23
Restricted cash in banks and time deposits	3,210	2,408	3,890	410	5,055	533
Other receivables	491	320	355	37	336	35
Other noncurrent assets	3,714	1,627	1,498	158	1,895	200
Total Noncurrent Assets	335,071	361,327	409,530	43,199	443,831	46,818
Current Assets						
Cash and cash equivalents	13,043	19,717	22,088	2,330	19,377	2,044
Short-term investments	1,716	829	636	67	441	46
Trade accounts receivable — net of allowance for doubtful accounts	2,555	2,875	3,505	370	4,336	457
Receivables on electricity subsidy	8,580	9,359	12,102	1,277	24,436	2,578
Other receivables	213	624	599	63	701	74
Inventories — net of allowance for decline in value	9,721	9,927	15,654	1,651	14,264	1,505
Prepaid taxes	236	551	2,397	253	2,378	251
Prepaid expenses and advances	668	827	1,204	127	1,131	119
Receivables from related parties	—	65	67	7	68	7
Total Current Assets	36,734	44,773	58,252	6,145	67,132	7,081
Total Assets	371,806	406,100	467,783	49,344	510,964	53,899
Equity						
Equity attributable to owners of the Company						
Capital stock — par value of Rp1,000,000 per share						
Authorized — 63,000,000 shares						
Subscribed and paid-up — 46,197,380 shares in 2012 and 2011 and 46,107,154 shares in 2010 and 2009	46,107	46,107	46,197	4,873	46,197	4,873
Additional paid-in capital	34,819	37,122	40,050	4,225	40,847	4,309
Retained earnings						
Appropriated	1,894	8,248	13,720	1,447	17,344	1,830
Unappropriated	50,553	50,539	45,949	4,847	38,851	4,098
Non-controlling interests	92	97	96	10	101	11
Total Equity	133,465	142,114	146,013	15,402	143,341	15,120

	As of December 31,				As of June 30,	
	2009	2010	2011	2011	2012	2012
	Rp	Rp	Rp	U.S.$	Rp	U.S.$
	(Rp billions and U.S.$ millions)					
Noncurrent Liabilities						
Deferred revenue	8,297	10,126	14,588	1,539	16,828	1,775
Deferred tax liabilities — net	6,610	7,285	6,385	673	4,942	521
Long-term liabilities — net of current maturities						
Two-step loans	19,112	22,804	27,037	2,852	28,797	3,038
Government loans	2,938	2,017	6,017	635	8,942	943
Lease liabilities	63,508	61,406	77,690	8,195	98,619	10,403
Bank loans and medium term notes	23,705	36,400	46,003	4,853	47,669	5,028
Bonds payable	46,246	46,656	55,908	5,898	56,877	6,000
Electricity purchase payable	5,956	5,536	5,413	571	5,567	587
Payable to related parties	18	—	14	1	11	1
Employee benefits obligation	13,903	16,359	18,967	2,001	20,587	2,172
Other payables	47	1	197	21	175	18
Total Noncurrent Liabilities	190,340	208,590	258,219	27,238	289,015	30,487
Current Liabilities						
Trade accounts payable						
Related parties	8,832	5,713	14,071	1,484	10,856	1,145
Third parties	4,879	5,699	7,876	831	11,834	1,248
Taxes payable	557	906	956	101	704	74
Accrued expenses	5,809	6,310	6,060	639	5,509	581
Customers' security deposits	5,961	6,544	6,511	687	6,489	685
Project cost payable	3,800	3,689	2,467	260	1,878	198
Current maturities of long-term liabilities						
Two-step loans	2,083	2,088	2,236	236	2,146	226
Government loans	349	344	346	37	294	31
Lease liabilities	1,607	1,901	2,804	296	3,566	376
Bank loans and medium term notes	1,843	3,343	4,695	495	12,260	1,293
Bonds payable	—	4,046	—	—	—	—
Electricity purchase payable	173	174	184	19	197	21
Payable to related parties	435	577	663	70	4,214	444
Employee benefits obligation	1,567	1,439	1,612	170	1,561	165
Other payables	10,108	12,623	13,070	1,379	17,101	1,804
Total Current Liabilities	48,001	55,397	63,550	6,704	78,608	8,292
Total Liabilities	238,341	263,987	321,770	33,942	367,623	38,779
Total Equity and Liabilities	371,806	406,100	467,783	49,344	510,964	53,899

Selected Financial Data

	Year ended December 31,				Six months ended June 30,		
	2009	2010	2011	2011	2011	2012	2012
	Rp	Rp	Rp	U.S.$	Rp	Rp	U.S.$
	(Rp billions and U.S.$ millions unless otherwise indicated)						
Income before Financial and Other Items	18,408	20,683	22,378	2,361	11,765	16,458	1,736
Add							
Depreciation	13,921	14,692	16,255	1,715	7,667	9,464	998
Amortization	325	161	137	14	68	71	7
Actuarial employee benefit expense-net of payments	1,260	2,328	2,781	293	1,377	1,569	165
Adjusted EBITDA [(1)]	33,914	37,864	41,551	4,383	20,877	27,562	2,907
Adjustments related to implementation of ISAK 8	(10,548)	(9,549)	(10,096)	(1,065)	(4,918)	(6,090)	(642)
Adjusted EBITDA excluding the effects of ISAK 8[(2)]	23,366	28,315	31,455	3,318	15,959	21,472	2,265
Financial Cost	16,149	15,177	17,361	1,831	8,152	11,459	1,209
Adjustments related to implementation of ISAK 8	(10,207)	(9,167)	(9,607)	(1,013)	(4,694)	(5,728)	(604)
Adjusted Financial Cost[(3)]	5,942	6,011	7,754	818	3,458	5,731	605
Income before financial and other items/ Revenue (%)	12.7	12.7	10.8	—	11.9	14.8	—
Adjusted EBITDA margin[(4)]	23.4	23.3	20.0	—	21.2	24.7	—
Adjusted EBITDA margin excluding the effects of ISAK 8 [(5)] (%)	16.1	17.4	15.1	—	16.2	19.3	—
Total Borrowings[(6)] to (Total Borrowings plus Total Equity) (%)	47.0	49.5	54.4	—	49.8	58.3	—
Total Borrowings to Equity (%)	88.8	98.2	119.4	—	99.4	139.5	—
Adjusted EBITDA excluding the effects of ISAK 8 / Adjusted Financial Cost (times)	3.9	4.7	4.1	—	4.6	3.7	—
Total Borrowings to Adjusted EBITDA excluding the effects of ISAK 8 (times)	5.1	4.9	5.5	—	—	—	—
Total Net Borrowings[(7)] to Adjusted EBITDA excluding the effects of ISAK 8 (times)	4.5	4.2	4.8	—	—	—	—

Notes:

(1) Our Company's Adjusted EBITDA refers to its income before financial and other items plus depreciation expense, amortization expense and actuarial employee benefit expense — net of payments made during the period. Our Company's Adjusted EBITDA and Adjusted EBITDA excluding the effects of ISAK 8 presented in this Offering Memorandum are supplemental measures of our performance and liquidity that are not required by, or presented in accordance with, Indonesian GAAP or U.S. GAAP. Furthermore, our Company's Adjusted EBITDA and Adjusted EBITDA excluding the effects of ISAK 8 are not measurements of our financial performance or liquidity under Indonesian GAAP or U.S. GAAP and should not be considered as alternatives to net profit, operating income or any other performance measures derived in accordance with Indonesian GAAP or as alternatives to our Company's cash flows or as a measure of our Company's liquidity. We believe the presentation of our Company's Adjusted EBITDA and Adjusted EBITDA excluding the effects of ISAK 8 facilitate comparisons of operating performance from period to period and from company to company byeliminating potential differences caused by variations in capital structures (affecting interest expense), tax positions

(such as the impact on periods or companies of changes in effective tax rates or net operating losses) and the age and book depreciation of tangible assets and deferred charges (affecting relative depreciation and amortization expense). In particular, presentation of our Company's Adjusted EBITDA eliminates non-cash items such as amortization of deferred charges, actuarial employee benefit expense — net of payments made during the period that arise from actuarial assumptions and depreciation expense that arises from the capital intensive nature of the utilities industry and the presentation of our Company's Adjusted EBITDA excluding the effects of ISAK 8 further eliminates components of purchased electricity expense that have been allocated to other line items outside of operating expense in our Company's consolidated statement of comprehensive income and consolidated statement of financial position due to the adoption of the ISAK 8 Interpretation in our Company's accounting policies. We also believe that the presentation of our Company's Adjusted EBITDA and Adjusted EBITDA excluding the effects of ISAK 8 are useful supplemental measures of our ability to service debt. Finally, we present our Company's Adjusted EBITDA and Adjusted EBITDA excluding the effects of ISAK 8 because we believe they are frequently used by securities analysts and investors in evaluating similar companies.

(2) Our Company's Adjusted EBITDA excluding the effects of ISAK 8 is derived by eliminating from our Company's Adjusted EBITDA the components of purchased electricity expense that have been allocated to other line items outside of operating expense in our Company's consolidated statement of comprehensive income and consolidated statement of financial position due to the adoption of the ISAK 8 Interpretation in our Company's accounting policies. These components of purchased electricity expense include components relating to payment of lease principal payments, lease interest payments, components relating to inflation and price index, and realized gain or loss of foreign exchange under the PPA of certain IPPs. For further information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Restatement of Prior Year Comparative Consolidated Financial Statements".

(3) Our Company's Adjusted Financial cost is derived by deducting away the components of financial cost that are considered as part of purchased electricity expense prior to the adoption of the ISAK 8 Interpretation.

(4) Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA over Total Revenues.

(5) Adjusted EBITDA margin excluding the effects of ISAK 8 is calculated by dividing Adjusted EBITDA excluding the effects of ISAK 8 over Total Revenues.

(6) Total Borrowings include two-step loans, Government loans, bonds payable, bank loans and medium term notes, certain lease liabilities and electricity purchase payable, but excludes certain lease liabilities and electricity purchase payable that were recognized due to the adoption of the ISAK 8 Intrepretation.

(7) Total Net Borrowings refers to Total Borrowings minus cash and cash equivalents.

Selected Operating Data

	Year ended December 31,					Six months ended June 30,
	2007	2008	2009	2010	2011	2012
	(MW except percentages, GWh and average selling price)					
Installed Capacity [1]						
PLN	25,223	25,594	25,637	26,895	32,479	35,169
IPPs[2]	4,484	4,606	4,718	4,761	4,693[3]	5,634
Total system installed capacity[4]	29,543	29,987	30,355	31,656	37,172	40,803
Peak demand[5][10]	21,301	21,120	23,438	24,917	26,665	29,207
Net dependable capacity[6]	26,537	26,186	26,766	28,302	32,843	35,637
Reserve capacity	8,401	9,080	6,917	6,739	10,507	11,596
Reserve margin[7]	39.0%	43.0%	30.0%	27.0%	39.4%	39.7%
Operating reserve margin[8]	25.0%	24.0%	14.0%	14.0%	23.2%	22.0%
Average demand[9]	12,698	17,059	17,813	19,380	20,940	22,295
Units of electricity sold (GWh)[11]	121,247	129,019	134,582	147,297	157,993	84,737
Average selling price (Rp/kWh)[12]	Rp629	Rp653	Rp670	Rp699	Rp714	Rp734

Notes:

(1) Installed capacity represents the combined level of output that may be sustained continuously without significant risk of damage to plant and equipment.

(2) Represents the contractual capacity as specified in the relevant IPP contracts.

(3) Excluding IPPs treated as operating leases and captive power plants.

(4) Total system installed capacity represents our capacity and those of IPPs.

(5) Peak demand represents the aggregate actual maximum peak demand on every system at any single time during the period.

(6) Net dependable capacity represents the rated capacity and the contractual capacity of the IPPs as specified in the relevant IPP contracts.

(7) Reserve margin is equal to the difference between total system installed capacity and peak demand as a percentage of peak demand.

(8) Operating reserve margin is equal to the difference between net dependable capacity and peak demand as a percentage of a peak demand.

(9) Average demand is equal to the average demand on our system during the period.

(10) For the six months ended June 30, 2011, peak demand totaled 25,691 MW.

(11) For the six months ended June 30, 2011, the number of units of electricity sold totaled 77,491 GWh.

(12) For the six months ended June 30, 2011, the average selling price was Rp735.

Selected Operating Performance Data

	Year ended December 31,					Six months ended June 30,
	2007	2008	2009	2010	2011	2012
Equivalent forced outage rate (%)[(1)]	12.1	12.4	8.9	8.1	3.7	3.3
Capacity factor (%)	48.9	50.6	53.7	55.9	55.7	53.4
Transmission and distribution losses (%)	11.1	10.5	9.9	9.7	9.4	9.3
Distribution losses (%)	9.1	8.5	7.9	7.6	7.3	7.2
Transmission losses (%)	2.2	2.2	2.2	2.3	2.3	2.3
SAIFI (frequency/customer)	12.8	80.9	10.8	6.8	4.9	1.9
SAIDI (hour/customer)	28.9	13.3	16.7	7.0	4.7	1.8
Number of customers per employee	814	862	892	917	964	1,011

Note:

(1) Java-Bali only.

An investment in the Notes involves certain risks. You should carefully consider all of the following factors, in addition to the matters set forth in this Offering Memorandum, prior to investing in the Notes. In general, investing in securities of companies in emerging market countries such as Indonesia involves risks not typically associated with investing in the securities of companies in more developed economies. To the extent the description in this section relates to Government or Indonesian macroeconomic data, such information has been extracted from official Government publications or other third-party sources and has not been independently verified by us.

Risks Relating to Indonesia

We are established in Indonesia and a substantial portion of our assets and operations are located in Indonesia. As a result, future political, economic, legal and social conditions in Indonesia, as well as certain actions and policies that the Government may, or may not, take or adopt could materially adversely affect our business, financial condition, results of operations and prospects, and our ability to make payments under the Notes.

Political and social instability in Indonesia may materially and adversely our business, financial condition, results of operations and prospects

Since the collapse of President Soeharto's regime in 1998, Indonesia has experienced a process of democratic change, resulting in political and social events that have highlighted the unpredictable nature of Indonesia's changing political landscape. These events have resulted in political instability, as well as general social and civil unrest on certain occasions in recent years.

For example, since 2000, thousands of Indonesians have participated in demonstrations in Jakarta and other Indonesian cities both for and against the Government and Government officials, as well as in response to specific issues, including fuel subsidy reductions, privatization of state assets, anti-corruption measures, decentralization and provincial autonomy, actions of former Government officials and their family members, the U.S. led military campaigns in Afghanistan and Iraq and potential increases in electricity tariffs. Although these demonstrations were generally peaceful, some have turned violent. In June 2001, demonstrations and strikes affected at least 19 cities after the Government mandated a 30.0% increase in fuel prices. Similar demonstrations occurred in January 2003, when the Government again tried to increase fuel prices, as well as electricity rates and telephone charges. In both instances, the Government was forced to drop or substantially reduce the proposed increases. In March 2005, the Government implemented an approximately 29.0% increase in fuel prices. In October 2005, the Government implemented a new policy that resulted in a 120.0% increase in fuel prices. In response, several non-violent, mass protests were organized in opposition to the increases in oil-related fuel prices, and political tensions have resulted from the Government's decision. There can be no assurance that this situation will not lead to further political and social instability. Pursuant to Presidential Regulation No. 8/2011, the Government increased electricity tariffs by 10.0% on average with retroactive effect from July 1, 2010. Some of our customers, particularly industrial customers, protested against the increased tariff. As a result, the Government decided to cap the maximum tariff increase at 18.0%, which was effective until December 31, 2010. Since January 2011, there has not been any cap on the tariff and we have billed all of our customers based on the tariffs prescribed by Presidential Regulation No. 8/2011. There can be no assurance that the increased tariff will not be subject to further protests and revision. Additional tariff increases may result in similar protests and/or a reduction in the demand for electricity by certain of our customers. Separatist movements and clashes between religious and ethnic groups have resulted in social and civil unrest in parts of Indonesia. In the provinces of Aceh and Papua (formerly Irian Jaya), there have been clashes between supporters of those separatist movements and the Indonesian military. In Papua, continued activity by separatist rebels has led to violent incidents, in Maluku, clashes between religious groups have resulted in casualties and displaced persons and in the province of Kalimantan, clashes between ethnic groups have produced fatalities and refugees over the past several years. In recent years, the Government has made progress in negotiations with these troubled regions (including the peace agreement signed in Helsinki by the Government and the leaders of the Aceh separatist movement in August 2005), but has not been able to reach a successful resolution of all of the outstanding issues and there is no guarantee that the terms of any agreement reached between the Government and the separatists will be upheld. Human rights violators, including those from high-ranking military positions, have recently begun to be more actively prosecuted in Indonesia, most notably with respect to alleged violations occurring in Timor Leste (formerly East Timor), Aceh, Papua and Maluku. However, the success of these prosecutions has been mixed, and many public commentators and demonstrators have criticized the Government's failure to prosecute human rights violations in Indonesia more vigorously.

In 2004, Indonesians directly elected the President, Vice-President and representatives in the Indonesian Parliament (the "Parliament") for the first time through proportional voting with an open list of candidates. At the lower governmental level, Indonesians have started directly electing their respective heads of local governments. Upon taking office in 2004, the President appointed a new cabinet and announced plans to improve economic conditions. However, past political instability continued to have an adverse effect on investor confidence in the Indonesian economy during the first part of the President's term. In 2009, another set of elections was held in Indonesia to elect the President, Vice-President and representatives in the Parliament and the President was re-elected. The Indonesian Constitution limits presidential tenure to two five-year terms. As a result, the current President will not be eligible to run for president in the 2014 elections. Political campaigns by new presidential candidates in Indonesia may increase political and social uncertainty. Although the 2004 and 2009 elections were conducted peacefully, future political campaigns and elections may bring a degree of political and social uncertainty to Indonesia. Political and social unrest may occur if the results of future elections are disputed or unpopular.

Political and social developments in Indonesia have been unpredictable in the past and, as a result, confidence in the Indonesian economy has remained low. Any resurgence of political instability could adversely affect the Indonesian economy, which could adversely affect our business. There can be no assurance that social and civil disturbances will not occur in the future and on a wider scale, or that any such disturbances will not, directly or indirectly, materially and adversely, affect our business, financial condition, results of operations and prospects, and our ability to make payments under the Notes.

Indonesia is located in an earthquake zone and is subject to significant geological risk that could lead to social unrest and economic loss

The Indonesian archipelago is one of the most volcanically active regions in the world. Because it is located in the convergence zone of three major lithospheric plates, it is subject to significant seismic activity that can lead to destructive earthquakes and tsunamis, or tidal waves. On December 26, 2004, an underwater earthquake off the coast of Sumatra released a tsunami that devastated coastal communities in Indonesia, Thailand and Sri Lanka (the "December 2004 tsunami"). In Indonesia, more than 220,000 people died or were recorded as missing in the disaster. Earthquakes subsequent to the December 2004 tsunami have also claimed casualties. On Nias Island, as well as nearby Simeuleu and the Banyak islands, including an aftershock measuring 8.7 on the Richter Scale left more than 140,000 people homeless and killed approximately 650 people on March 28, 2005. On May 27, 2006, an earthquake measuring 6.3 on the Richter Scale struck approximately 40 kilometers south of the Central Javanese city of Yogyakarta. More than 5,700 people were killed and more than two million people were displaced as a consequence of the earthquake. On September 2, 2009, the island of Java experienced an earthquake measuring 7.0 on the Richter Scale, which killed 57 people. In September and October 2009, a series of earthquakes measuring up to 7.6 on the Richter Scale struck various parts of Indonesia. More than 1,000 people died as a result, and many more were displaced by mudslides and collapsed buildings. There were three large-scale natural disasters in 2010: the flash flood in the Gulf Wondama, West Papua where as many as 291 people died with total damages and losses of Rp478.7 billion, an earthquake and tsunami in the Mentawai Islands, West Sumatra with 509 deaths and total damages and losses of Rp1.2 trillion and the eruption of Mount Merapi in Central Java and D.I. Yogyakarta, which claimed the lives of 386 victims and with total damage and losses were estimated to be approximately Rp7 trillion.

While neither the December 2004 tsunami nor these earthquakes or other natural disasters had a significant economic impact on Indonesia, the Government has had to expend significant amounts of resources on emergency aid and resettlement efforts. A significant portion of these costs has been underwritten by foreign governments and international aid agencies. However, there can be no assurance that such aid will continue to be forthcoming, or that it will be delivered to recipients on a timely basis. If the Government is unable to timely deliver foreign aid to affected communities, political and social unrest could result. Additionally, recovery and relief efforts are likely to continue to strain the Government's finances and may affect its ability to meet its obligations on its sovereign debt. Any such failure on the part of the Government, or declaration by it of a moratorium on its sovereign debt, could potentially trigger an event of default under numerous private-sector borrowings, including ours, thereby materially and adversely affecting our business, financial condition, results of operations and prospects, and our ability to make payments under the Notes.

In addition, there can be no assurance that future geological occurrences will not significantly impact the Indonesian economy. A significant earthquake or other geological disturbance in any of Indonesia's more populated cities and financial centers could severely disrupt the Indonesian economy and undermine investor confidence, thereby materially and adversely affecting our business, financial condition, results of operations and prospects, and our ability to make payments under the Notes.

Terrorist attacks on the United States and other countries and responses of the United States and/or its allies thereto, terrorist activities in Indonesia and certain destabilizing events in Southeast Asia have led to substantial and continuing economic and social volatility, which may materially and adversely affect us

The terrorist attacks in the United States, the United Kingdom, Moscow, Mumbai, Bali, Thailand and Jakarta, together with the military response by the United States and its allies in Afghanistan and continuing military activities in Iraq, have resulted in substantial and continuing economic volatility and social unrest in Southeast Asia. Further developments stemming from these events or other similar events could cause further volatility. Any additional significant military or other response by the United States and/or its allies or any further terrorist activities could also materially and adversely affect international financial markets and the Indonesian economy.

In Indonesia, during the last ten years, there have been various bombing incidents directed toward the Government and foreign governments, and public and commercial buildings frequented by foreigners, including international hotels, the Jakarta Stock Exchange Building and Jakarta's Soekarno-Hatta International Airport. On October 12, 2002, over 200 people were killed in a bombing at a tourist area in Bali. On August 5, 2003, a bomb exploded at the JW Marriott Hotel in Jakarta, killing at least 13 people and injuring 149 others. On September 9, 2004, a car bomb exploded at the Australian Embassy in Jakarta, killing more than six people. On May 28, 2005, bomb blasts in Central Sulawesi killed at least 21 people and injured at least 60 people. On October 1, 2005, bomb blasts in Bali killed at least 23 people and injured at least 101 others. Most recently, on July 17, 2009, bomb blasts at the JW Marriott Hotel and Ritz-Carlton Hotel in Jakarta killed a total of nine people and wounded 53 people. Indonesian, Australian and U.S. government officials have indicated that these bombings may be linked to an international terrorist organization. Demonstrations have also taken place in Indonesia in response to plans for and subsequent to U.S., British and Australian military action in Iraq. The Indonesian authorities are still investigating these incidents, but have suggested that they may be linked to the activities of certain Islamic militant groups.

There can be no assurance that further terrorist acts will not occur in the future. Following the military involvement of the United States and its allies in Iraq, a number of governments have issued warnings to their citizens in relation to a perceived increase in the possibility of terrorist activities in Indonesia, targeting foreign, particularly U.S., interests. Such terrorist acts could destabilize Indonesia and increase internal divisions within the Government as it considers responses to such instability and unrest, thereby adversely affecting investors' confidence in Indonesia and the Indonesian economy. Violent acts arising from and leading to instability and unrest have in the past had, and could continue to have, a material adverse effect on investment and confidence in, and the performance of, the Indonesian economy, and in turn our business. Any of the events described above, including damage to our assets, could cause interruption to parts of our business and materially and adversely affect our financial condition, results of operations and prospects and our ability to make payments under the Notes.

Outbreak of an infectious disease or any other serious public health concerns in Asia (including Indonesia) and elsewhere may adversely impact our business and financial condition

The outbreak of an infectious disease in Asia (including Indonesia) and elsewhere, together with any resulting restrictions on travel or quarantines imposed, could have a negative impact on the economy and business activity in Indonesia and thereby adversely impact our revenue. Examples are the outbreak in 2003 of Severe Acute Respiratory Syndrome in Asia, the outbreak in 2004 and 2005 of Avian influenza, or bird flu, in Asia and the recent outbreak in 2009 of Influenza A (H1N1). In addition, the World Health Organization announced in June 2006 that human-to-human transmission of avian flu had been confirmed in Sumatra, Indonesia. According to the United Nations Food and Agricultural Organization, the avian flu virus is entrenched in 31 of Indonesia's 33 provinces and efforts to contain avian flu are failing in Indonesia, increasing the possibility that the virus may mutate into a deadlier form. No fully effective avian flu vaccine has been developed and an effective vaccine may not be discovered in time to protect against a potential avian flu pandemic. A future outbreak of these or another contagious or infectious diseases or any other serious public health concern in Indonesia may adversely affect our business, financial condition, results of operations and prospects. The perception that an outbreak of a contagious disease may occur may also have an adverse effect on the economic conditions of countries in Asia, including Indonesia.

Labor activism and unrest may materially and adversely affect us

In March 2003, the Government enacted Law No. 13/2003 (the "Labor Law") and has subsequently issued implementing regulations allowing employees to form unions and preventing unwanted interference from employers. The liberalization of regulations permitting the formation of labor unions combined with weak economic conditions has resulted, and will likely continue to result in, labor unrest and activism in Indonesia.

Labor unrest and activism in Indonesia could disrupt our operations, our suppliers or contractors and could affect the financial condition of Indonesian companies in general, depressing the prices of Indonesian securities on the Jakarta or other stock exchanges and the value of the Rupiah relative to other currencies. Such events could materially and adversely affect our business, financial condition, results of operations and prospects, and our ability to make payments under the Notes.

Regional or global economic changes may materially and adversely affect the Indonesian economy and our business

The economic crisis that affected Southeast Asia, including Indonesia, from mid-1997 was characterized in Indonesia by, among other effects, currency depreciation, a significant decline in real gross domestic product ("GDP"), high interest rates, social unrest and extraordinary political developments. These conditions had a material adverse effect on Indonesian businesses, including our business and financial conditions. Indonesia entered a recessionary phase with relatively low levels of growth in 1999, 2000, 2001 and 2002. Indonesia's GDP growth rate was 5.5% in 2006, 6.3% in 2007, 6.1% in 2008, 4.6% in 2009, 6.1% in 2010, 6.5% in 2011 and 6.4 in the first half of 2012. Indonesia's economy was severely affected by the Asian economic crisis, and more recently has been affected by the global economic crisis that began in late 2007, as evidenced by the decrease in its rate of growth to 6.1% in 2008 and 4.6% in 2009 due to a slowdown in the global economic growth rate. The Government has had to rely on the support of international agencies and governments to prevent sovereign debt defaults.

The global financial markets have experienced, and may continue to experience, significant turbulence originating from the liquidity shortfalls experienced in the United States credit and sub-prime residential mortgage markets since 2008, which resulted in the bankruptcy of, and in major government bailout packages for, banks and other institutions. The global financial crisis has also resulted in a reduction in foreign direct investment, volatility in the value of global stock markets, a slowdown in global economic growth and a drop in demand for certain commodities.

In addition, in 2010, a financial crisis emerged in Europe, triggered by high budget deficits and rising direct and contingent sovereign debt in Greece, Ireland, Italy, Portugal and Spain, which created concerns about the ability of these EU nations to continue to service their sovereign debt obligations. These conditions impacted financial markets and resulted in high and volatile bond yields on the sovereign debt of many EU nations. Certain European nations continue to experience varying degrees of financial stress, and yields on government-issued bonds in Greece, Ireland, Italy, Portugal and Spain have risen and remain volatile. Despite assistance packages to Greece, Ireland and Portugal, the creation of a joint EU-IMF European Financial Stability Facility in May 2010, and a recently announced plan to expand financial assistance to Greece, uncertainty over the outcome of the EU governments' financial support programs and worries about sovereign finances persist.

On August 5, 2011, Standard & Poor's downgraded its sovereign credit rating of the U.S. government from AAA to AA+. On July 13, 2011, Moody's placed the U.S. government under review for a possible credit ratings downgrade, and, on August 2, 2011, Moody's confirmed the U.S. government's existing sovereign rating, but stated that the rating outlook is negative. On August 2, 2011, Fitch affirmed its existing sovereign rating of the U.S. government, but stated that the rating is under review. There continues to be the perceived risk of a further sovereign credit ratings downgrade of the U.S. government, including the rating of U.S. Treasury securities and the rating of certain government sponsored enterprises such as Fannie Mae and Freddie Mac. It is foreseeable that the ratings and perceived creditworthiness of instruments issued, insured or guaranteed by institutions, agencies or instrumentalities directly linked to the U.S. government could also be correspondingly affected by any such downgrade.

In addition, on August 24, 2011, Moody's also downgraded its sovereign credit rating of Japan from Aa2 to Aa3. On May 22, 2012, Fitch Ratings placed Japan's credit rating on negative outlook.

Indonesia and other Association of Southeast Asian Nationals ("ASEAN") countries have been negatively affected, along with developing market countries globally, by the unprecedented financial and economic conditions in developed markets. Although the Government has taken a number of responses to these unprecedented conditions with the aim of maintaining economic stability and public confidence in the Indonesian economy, continuation of these unprecedented conditions may negatively impact economic growth, the Government's fiscal position, the Rupiah's exchange rate and other facets of the Indonesian economy.

In addition, the Government continues to have a large fiscal deficit and a high level of sovereign debt, its foreign currency reserves are modest, the Rupiah continues to be volatile and has poor liquidity, and the banking sector is weak and suffers from high levels of non-performing loans. Government funding requirements to areas affected by the December 2004 tsunami and other natural disasters, as well as increasing oil prices, may increase the Government's fiscal deficits. The economic difficulties faced by Indonesia during the Asian economic crisis that began in 1997 resulted in, among other things, volatility in interest rates, which had a material adverse impact on the ability of many Indonesian companies to service their existing indebtedness. While the interest rate for one-month Jakarta Interbank Offered Rate has declined from a peak of 70.8% in August 1998 to 4.6% on September 2012, there can be no assurance that the recent improvement in economic condition will continue or the previous adverse economic condition in Indonesia and the rest of the Asia-Pacific region will not occur in the future. In particular, a loss of investor confidence in the financial systems of emerging and other markets, or other factors, may cause increased volatility in the Indonesian financial markets and inhibit or reverse the growth of the Indonesian economy. Any such increased volatility, slowdown or negative growth could materially and adversely affect our business, financial condition, results of operations and prospects and our ability to make payments under the Notes.

Downgrades of credit ratings of Indonesia and Indonesian companies could materially and adversely affect us and the market price of the Notes

In 1997, certain recognized statistical rating organizations, including Moody's and Standard & Poor's, downgraded Indonesia's sovereign rating and the credit ratings of various credit instruments of the Government and a large number of Indonesian banks and other companies. Currently, Indonesia's sovereign foreign currency long-term debt is rated "Baa3" by Moody's, upgraded from "Ba1" on January 18, 2012, "BB+" by Standard & Poor's, upgraded from "BB" on April 8, 2011, and "BBB-" by Fitch, upgraded from "BB+" on December 15, 2011, and its short-term foreign currency debt is rated "NP" by Moody's, "B" by Standard & Poor's and "F3" by Fitch. On April 8, 2011, Standard & Poor's revised its outlook on the sovereign rating for Indonesia from stable to positive. As of the date of this Offering Memorandum, both Moody's and Fitch have the outlook of the sovereign rating of Indonesia on stable outlook. These ratings reflect an assessment of the Government's overall financial capacity to pay its obligations and its ability or willingness to meet its financial commitments as they become due.

No assurance can be given that Moody's, Standard & Poor's, Fitch or any other statistical rating organization will not downgrade the credit ratings of Indonesia or Indonesian companies. Any such downgrade could have an adverse impact on liquidity in the Indonesian financial markets, the ability of the Government and Indonesian companies, including us, to raise additional financing and the interest rates and other commercial terms at which such additional financing is available and could have a material adverse effect on us.

Indonesian accounting standards differ in certain material respects from those in the United States

We prepare our consolidated financial statements in accordance with Indonesian GAAP, which differs in certain material respects from accounting principles and auditing standards with which prospective investors may be familiar in other countries, such as U.S. GAAP. As a result, our restated consolidated financial statements and reported earnings could be significantly different from those that would be reported under U.S. GAAP. This Offering Memorandum does not contain a reconciliation of our restated consolidated financial statements to U.S. GAAP, and there can be no assurance that such reconciliation would not reveal material differences as significant differences exist between Indonesian GAAP and U.S. GAAP which may be material to the financial information prepared and presented in accordance with Indonesian GAAP contained in this Offering Memorandum. In making an investment decision, investors must rely upon their own examination of us, the terms of the Notes and the financial information contained in this Offering Memorandum. See "Summary of Certain Principal Differences between Indonesian GAAP and U.S. GAAP" for a summary of certain principal accounting differences that may be applicable.

Agreements related to our business or to the Notes may be required to be prepared and executed in Bahasa Indonesia and the rights of the respective parties may ultimately be governed by the Bahasa Indonesia version of the documents

On July 9, 2009, the Government of Indonesia enacted Law 24/2009. Law 24/2009 requires an implementing regulation to be issued within two years of the date of its enactment. Article 31 of the Law 24/2009 obliges the use of Bahasa Indonesia in memoranda of understanding and agreements involving, among others, Indonesian private institutions or individuals. The elucidation of Article 31 of Law 24/2009 states that an agreement in this context includes international agreements made within the framework of public international law. Law 24/2009 does not specify whether: (i) the term "Indonesian private institutions" includes Indonesian companies or Indonesian branches of foreign companies; or (ii) the term "agreements" includes private commercial agreements.

Article 31 of Law 24/2009 further states that, if the agreements or memoranda of understanding involve foreign parties, the national language of those foreign parties and/or the English language can also be used. We presume that this means in addition to Bahasa Indonesia. The elucidation of Article 31 states that each version of an agreement executed in multiple languages is equally original.

However, Law 24/2009 is silent on the governing language, if there is more than one language used in a single agreement. Article 40 of the Law 24/2009 states that further stipulation on the use of Bahasa Indonesia shall be regulated by Presidential Regulation to be issued within two years of the date of the enactment of Law 24/2009. Three years have lapsed since the enactment of Law 24/2009 but no implementing regulation has been issued to date in relation to the use of the Bahasa Indonesia language in agreements involving Indonesian parties. The Indenture and Program Agreement entered into in connection with the Notes will be prepared in English and in Bahasa Indonesia pursuant to Law No. 24/2009 in bilingual documents.

If agreements related to our business or to the Notes, including the Indenture governing the Notes, are governed by translations into Bahasa Indonesia, even if there is an English version available, the interpretation of those documents may differ from the interpretation that would normally be expected based on the English version. There can be no assurance that the English version will accurately reflect the meaning of the Bahasa Indonesia translation or that the Bahasa Indonesia translation will accurately reflect the meaning of the English version. There can also be no assurance that, in the event of inconsistency between the Bahasa Indonesia and English language translations of these documents, an Indonesian court would hold that the English language version of such documents would prevail. Some concepts in the English language may not have a corresponding term in Bahasa Indonesia, or may not be fully captured by the Bahasa Indonesia translation. If this occurs, there can be no assurance that the terms in the Indenture, Program Agreement and certain other documents entered into in connection with the Notes will be as described in this Offering Memorandum, or will be interpreted by the Indonesian court as intended.

Although Law 24/2009 does not provide for sanctions for failure to comply, it is possible that future implementing regulations or court interpretations of existing law may invalidate or render null and void agreements that are not in compliance or could impose sanctions for failure to comply (which could include sanctions for entering into agreements that are not in the Indonesian language). Such invalidation or voiding of existing agreements or potential sanctions may materially adversely affect our business, financial condition, results of operations and prospects, as well as the ability of holders of the Notes to enforce their rights under the Notes.

Our payment obligations within Indonesia which are denominated in foreign currencies may be subject to sanctions

On June 28, 2011, the Government of Indonesia enacted Law No. 7 of 2011 on Currency (the "Currency Law"). The Currency Law requires an implementing regulation to be issued within one year of the date of its enactment. Article 21(1) of the Currency Law obliges the mandatory use of the Rupiah in each transaction that is intended as a payment, for the settlement of other obligations that must be fulfilled with the use of money and/or in other financial transactions, which are conducted within Indonesia. Article 23 further prohibits any party from refusing to accept Rupiah as payment or in fulfillment of its obligations, which must be satisfied in Rupiah, and/or for other financial transactions in Indonesia except where there is doubt as to the authenticity of the Rupiah paid. Article 21(2) contains certain exceptions to the mandatory use of Rupiah for (i) specific transactions in the framework of implementing the state budget, (ii) grants to be given to or received from offshore sources, (iii) international trade transactions, (iv) foreign currency bank deposits and (v) international financing transactions. Article 23(2) contains an additional exemption from the mandatory use of Rupiah where payments or settlements of obligations in foreign currencies have been agreed in writing. Failure to comply with the above may result in an imprisonment of up to one year and fines of up to Rp200 million for any violation and, if the violation is committed by a company, the imprisonment term and fines will be increased by one-third.

We have payment obligations denominated in U.S. dollars within Indonesia under two-step loans, the lease agreement for Pembangkitan Tanjung Jati B, as well as certain gas supply agreements, PPAs and contracts for spare parts. If we are required by the Currency Law to make such payments in Rupiah, we may be in breach of our payment obligations under these contracts.

As the Currency Law is new as of the date of this Offering Memorandum, the implementing regulation of the Currency Law has not been issued yet, therefore its implementation and impact, including the scope of the exemptions contained in Article 21(2) and Article 23(2), remain uncertain. Until the implementing regulations are issued for the Currency Law, we cannot be certain how it will be implemented or interpreted by the Indonesian courts. There can be no assurance that the Currency Law will not materially and adversely affect our contractual obligations which are denominated in U.S. dollars within Indonesia.

It may not be possible for investors to effect service of process or to enforce certain judgments on us outside of Indonesia

We are a limited liability company incorporated in Indonesia and our assets and operations are located in Indonesia. In addition, all of our commissioners and directors reside in Indonesia. As a result, it may be difficult for investors to effect service of process, including judgments, on us or our commissioners and directors outside Indonesia, or to enforce against us or our commissioners and directors judgments obtained in non-Indonesian courts.

We have been advised by our Indonesian legal advisors that judgments of non-Indonesian courts are not enforceable in Indonesian courts, although such judgments could be admissible as non-conclusive evidence in a proceeding on the underlying claim in an Indonesian court. There is doubt as to whether Indonesian courts will enter judgments in original actions brought in Indonesian courts predicated solely upon the civil liability or jurisdictions other than Indonesia. As a result, Noteholders would be required to pursue claims against us or our commissioners and directors in Indonesian courts. There can be no assurance that the claims or remedies available under Indonesian law will be the same, or as extensive, as those available in other jurisdictions.

Indonesian legal principles or their practical implementation by Indonesian courts differ materially from those that would apply within the United States or the European Union. Indonesia's legal system is a civil law system based on written statutes, and decided legal cases do not constitute binding precedent and are not systematically published. Indonesia's commercial and civil laws were historically based on Dutch law as in effect prior to Indonesia's independence in 1945, and some have not been revised to reflect the complexities of modern financial transactions and instruments. Indonesian courts do not necessarily have the same level of experience of courts of other countries with respect to the complexities of modern financial transactions and instruments and may be unfamiliar with sophisticated commercial or financial transactions, leading in practice to uncertainty in the interpretation and application of Indonesian legal principles. The application of Indonesian law depends upon subjective criteria such as the good faith of the parties to the transaction and principles of public policy, the practical effect of which is difficult or impossible to predict. The administration of laws and regulations by courts and government agencies may be subject to considerable discretion. There is no certainty as to how long it will take for proceedings in Indonesian courts to be concluded, and the outcome of proceedings in Indonesian courts may be more uncertain than that of similar proceedings in other jurisdictions. Indonesian judges operate in an inquisitorial system, have very broad fact-finding powers and a high level of discretion in relation to the manner in which those powers are exercised. In practice, Indonesian court decisions may omit a clear articulation of the legal and factual analysis of the issues presented in a case. As a result, the administration and enforcement of laws and regulations by Indonesian courts and Indonesian governmental agencies may be subject to considerable discretion and uncertainty.

Furthermore, corruption in the court system in Indonesia has been widely reported in publicly available sources. Accordingly, it may not be possible for investors to obtain timely and equitable enforcement of their legal rights.

The interpretation and implementation of legislation on regional governance in Indonesia is uncertain and may adversely affect us

During the administration of former President Soeharto, the central Government controlled almost all aspects of national and regional administration. Following the end of his administration in 1998, the Government enacted a number of laws to increase regional autonomy. Under these laws, regional governments have greater powers and responsibilities over the use of national assets to create a more balanced and equitable financial relationship with the central Government. Any new regulations, and the interpretation and implementation of those new regulations, may differ materially from the current legislative and regulatory framework and its current interpretation and implementation. We may also face conflicting claims between the central Government and regional governments regarding, among other things, jurisdiction over our operations and new or increased local taxes. The regional governments where our operations are located could adopt regulations, or interpret or implement the regional autonomy laws in a manner, that adversely affects our business operations and prospects.

Corporate governance standards in Indonesia may differ from those in certain other countries

Corporate governance standards in Indonesia may differ from those applicable in other jurisdictions in significant ways, including the independence of the board of directors, the board of commissioners and the audit committee, and internal and external reporting standards. Accordingly, the directors and commissioners of Indonesian companies may be more likely to have interests that conflict with the interests of shareholders generally, which may result in them taking actions that are contrary to the interests of Noteholders.

Risks Relating to our Business and Operations

We are subject to the control of the Government

The Republic of Indonesia is our sole shareholder and, through its agencies, it is likely to continue to retain control over us. We have historically operated as a Government service provider and, accordingly, the Government has historically influenced, and is likely to continue to influence, our strategy and operations. The Government also has the ability to influence and control other Government-related entities we conduct business with, including PT Pertamina (Persero) (“Pertamina”), the Indonesian state oil and gas company, which, until recently, was our primary supplier of fuel oil. The Government is likely to retain control of us through majority ownership, which gives the Government powers with respect to approving matters such as the election and removal of Commissioners and Directors, amendments to our Articles of Association, changes in our capital structure and mergers and acquisitions, consolidation or liquidation.

There can be no assurance that the Government will exercise its control and influence to our benefit. If we are required to act in the Government’s interests and those interests differ from our interests, or if the Government favors the interests of others, such action could have a material adverse effect on our business, financial condition, results of operations and prospects and our ability to make payments under the Notes.

We are exposed to certain risks associated with developing additional electricity generating plants and acquiring other power generation assets

The Government adopted the Fast Track Program pursuant to Presidential Regulation No. 71/2006 as amended by Presidential Regulation No. 59/2009 and Presidential Regulation No. 47/2011 (the “Fast Track Program I”), which mandated us to build coal-fired electricity generating plants at 42 locations in Indonesia, including 10 plants with an aggregate capacity of 6,900 MW in Java-Bali and 32 plants with an aggregate capacity of 2,422 MW outside Java-Bali. Of the 42 originally mandated locations, two of the planned locations have been combined into one location, with the same aggregate capacity. Furthermore, the tender and negotiation process for the location in Timika, Papua was not successful as a result of the bidder being unable to fulfill certain designated requirements for the location. In addition, with respect to five of the additional locations, we have an option to tender which remains open, reflecting an aggregate potential capacity of 104 MW. As of June 30, 2012, we had signed 34 engineering, procurement and construction ("EPC") contracts for a total of 34 coal-fired electricity generating plants in 10 locations in Java-Bali and 24 locations outside Java-Bali. See "Relationship with the Government — The Government as Customer — The Fast Track Programs".

Under the terms of all of the current 34 EPC contracts we are required to directly pay the contractor approximately 15.0% of the contract price ourselves and we are required to obtain the remaining approximately 85.0% of the contract price through export credit or other bank financing from one or more banks, generally within 90 or 120 days of the contract date. As of the date of this Offering Memorandum, we had obtained such financing for 32 of these locations and we expect to obtain financing for the remaining location during the remainder of 2013.

We estimate the total investment required by the EPC contracts for the Fast Track Program I (including Value Added Tax at 10.0%) will amount to approximately Rp27,778 billion plus U.S.$8,887 million for generation development projects and approximately Rp6,303 billion plus U.S.$150 million for transmission development projects. As of June 30, 2012, we had incurred a total of Rp105,774 billion (U.S.$11,158 million) in costs related to the Fast Track Program I, pertaining to construction and renovation of generation development projects, transmission development projects and the related capitalized borrowing costs.

Pursuant to Presidential Regulation No. 4/2010 as amended by Presidential Regulation No. 48/2011, we have been mandated to procure 10,047 MW of renewable energy, gas and coal-fired plants in order to fulfill increasing electricity demand in Indonesia beyond that provided by completion of the Fast Track Program I (the "Fast Track Program II" and together with the Fast Track Program I, the "Fast Track Programs"). Over half of the construction required under the Fast Track Program II are expected to be built by IPPs, with the remaining locations to be constructed by us. Funding for these locations will be provided through a combination of allocations from the state budget, two-step loans, bank loans, capital markets and internal sources. In addition, the Government has provided an irrevocable and unconditional guarantee on loans we incurred to finance our development projects in connection with the Fast Track Program I pursuant to Presidential Regulation No. 86 year 2006 of Acceleration of Contraction of Coal Power Generator as amended by Presidential Regulation No. 91 year 2007.

In accordance with Presidential Regulation No. 4/2010 as amended by Presidential Regulation No. 48/2011, the Government shall provide guarantees over our business viability when dealing with IPPs. In response to these Presidential Regulations, MOF has issued Regulation No. 77/PMK.01/2011 Year 2011 which has been revoked and replaced by MOF Regulation No. 139/PMK.01/2011 Year 2011 ("MOF Regulation 139") which stipulates that the Government shall issue guarantees, directly to IPP(s), over our ability to perform our financial obligation to the IPP(s) related to the risk of default based on the relevant PPA(s) entered into between us and the said IPP(s). The guarantee shall be in form of issued Business Viability Guarantee Letters ("BVGLs") which are signed by the MOF and addressed to the relevant IPP(s). However, any BVLG shall cease to be valid in the event the IPP fails to secure the remaining financing for the power generation project within 12 months after the said BVLG is issued, for non-geothermal power plants, and 48 months after the BVLG is issued, for the geothermal power plants.

We estimate the total investment required by the EPC contracts for both our Company and the IPPs under the Fast Track Program II to amount to approximately U.S.$17,833 million for generation development projects and approximately U.S.$265 million for transmission development projects. As of June 30, 2012, we had drawn down JPY1,439,414,226 under loans relating to the Fast Track Program II (excluding IPPs). For the year ended December 31, 2011, we had incurred Rp64,560 billion (U.S.$6,810 million) in capital expenditures and we expect to incur additional substantial capital expenditures to undertake new projects, including those under the Fast Track Programs, as well as for the replacement of operating assets and infrastructure. These capital expenditures are expected to be funded through a combination of internally generated cash and other external financing. See "Relationship with the Government — Government as Customer — The Fast Track Programs".

We are also exposed to certain risks associated with developing additional electricity generating plants and acquiring other power generation assets, such as the following:

We may not be able to successfully implement the Fast Track Programs

The Fast Track Programs may place a strain on our management, operational and financial resources. We may face difficulties with this expansion in the integration of our operations, technologies and personnel. Our ability to implement and obtain funding for the Fast Track Programs will depend on our ability to effectively monitor operations, control costs, maintain effective quality controls and strengthen our internal management, technical and accounting systems.

The success of the Fast Track Programs will largely depend on our ability to source sufficient supplies of coal domestically at lower prices than would be available if we had to import coal from abroad. If we are unable to source the required amount of coal for these plants at reasonable prices or at all, we may not be able to meet our forecasts and targets in connection with the Fast Track Programs. See "— We may not be able to secure sufficient supplies of natural gas or coal".

Further, the success of the Fast Track Programs also depends on the construction of transmission and distribution facilities to support new electricity generating plants. There can be no assurance that we will be able to construct the necessary facilities.

In addition, the EPC contracts require that we acquire and obtain the relevant land titles to land required for the relevant location. There can be no assurance that we will be able to obtain all required land ownership.

If we are not able to implement the Fast Track Programs according to schedule or at all, our business, financial condition or results of operations may be adversely affected. In addition, we may not be able to meet the rising demand for electricity in Indonesia.

As of June 30, 2012, 4,450 MW of additional capacity has come into operation as a result of the progress under the Fast Track Program I and no additional capacity has yet come into operation from the Fast Track Program II.

We face construction and start-up risks

The construction of a power plant involves many risks, including shortages of equipment and materials; work stoppages; weather interferences; unforeseen engineering, design, environmental and geological problems; delays in receiving requisite licenses or permits, strikes or labor unrest, injuries and unanticipated cost increases, any of which could give rise to delays or cost overruns. Construction delays may result in the loss of revenues. No assurance can be given that construction of electricity generating plants or construction of other projects under development will be completed on schedule and within budget.

We may experience delays or other difficulties in obtaining Government approvals

We are required to secure appropriate Government approvals associated with developing additional electricity generating plants and the process of obtaining such Government approvals is complex and can be lengthy. Establishing new electricity generating plants and expanding existing electricity generating plants in Indonesia principally require us to obtain the following approvals from the relevant regulatory authorities:

- approval of a project proposal;
- approval of a feasibility study (and an initial design and project budget in the case of key projects); and
- approval of a construction commencement report.

In the course of developing an electricity generating plant, numerous permits, approvals and consents must also be obtained from relevant national, provincial and local governmental authorities relating to siting, construction, environmental matters, operating licenses and other matters. In addition, Government approvals must be obtained with respect to the development and construction of ancillary infrastructure required to support new power projects. There can be no assurance that additional electricity generating plants or expansions of existing electricity generating plants will receive all necessary approvals in a timely manner or at all.

In addition, in order to enter into any contract of one year or longer in duration that exceeds certain value thresholds, we must also secure shareholder approval.

We may have difficulty securing necessary financing for our projects

Each of the electricity generating plants that we intend to develop, as well as those that we may decide to develop in the future, will require substantial capital investment. As we are owned by the Republic of Indonesia, in the past we have been able to obtain long-term borrowings either from the Government itself or through the Government and sourced from foreign quasi-governmental institutions, such as the International Bank for Reconstruction and Development ("IBRD" or the "World Bank"), Asian Development Bank ("ADB"), the Japan International Cooperation Agency ("JICA"), the Japan Bank for International Cooperation ("JBIC") or Kreditanstalt für Wiederaufbau ("KfW"), on more favorable terms than would otherwise be available commercially. There can be no assurance that in the future we will be able to source further funding from either the Government or such foreign quasi-governmental institutions on similar terms or at all. In addition, the Government's policy is for state-owned enterprises to gradually reduce their reliance on such loans.

The terms of all of the EPC contracts for the Fast Track Program I we have signed to date provide, and those that we will sign in the future are also expected to provide, that we will finance approximately 85.0% of the contract price through export credit agency ("ECA") lenders or other bank financing, which, on an aggregate basis, we estimate will be approximately Rp26.6 trillion of Rp34.4 trillion and U.S.$5.3 billion of nearly U.S.$6.9 billion (which we estimate to be the total cost of the Fast Track Program I). Several lenders have requested, and other lenders may in the future request, the Government to provide financial support, in the form of a full and unconditional guarantee, of our obligations under credit financing obligations in connection with the Fast Track Program I. Although it is the general policy of the Government not to guarantee private loans to state-owned enterprises, as the Fast Track Program I is an initiative of the Government, specific Government regulations allow the Government to provide full guarantees of our obligations to lenders related to the Fast Track Program I. In this respect, the Government, through the Ministry of Finance, has provided unconditional and irrevocable guarantees to lenders in connection with the financings we have obtained for the relevant Fast Track Program I locations. The guarantees provide for payments by the

Government in respect of these obligations in the event of a payment default by us. Under the Fast Track Program II, the Government is also required to provide viability guarantees to guarantee our ability to meet our financial obligations to the IPPs as stated in the invoices for the purchase of electricity under the PPAs upon a proposal submitted by us and subject to certain conditions.

Further, if we do not obtain such export credit financing in accordance with the terms of the relevant EPC contract, we will need to enter into negotiations with the relevant contractor to agree on how financing will be obtained. In the event that we are unable to reach an agreement with the contractor on financing or are unable to agree with the lenders on terms that are acceptable to us, we may experience substantial delays in the development of our Fast Track Programs locations, which could adversely affect our business, financial condition and results of operations and prospects.

If adequate long-term funding is not available on satisfactory terms or at all, we may have to delay or abandon future capital-intensive projects, a number of which are fundamental to the future prospects and development of our business. Moreover, our future business activities and expansion plans may require us to alter our capital structure. If we are unable to access sufficient capital for our operations, this could have a material adverse effect on our prospects and growth strategy. This may also, over time, reduce the quality and reliability of the service we provide, as well as adversely affect future profitability.

Our ability to arrange financing is dependent on numerous factors, including general economic and capital market conditions, credit availability from banks or other lenders, our credit ratings and financial performance, receipt of necessary Government approvals, the extent of restrictions on foreign investment in Indonesia and applicable Indonesian tax provisions, company and securities laws. There can be no assurance that we will be able to obtain financing from our usual or alternative sources, that such financing will be on terms acceptable to us or that such financing plans will not be delayed.

Negative public sentiment may have an impact on our development plans

We have encountered in the past, and may continue to encounter in the future, negative public sentiment and disagreement regarding the development or operation of our electric power plants and other facilities. For instance, members of the public have criticized our plans to develop extra-high voltage transmission (500 kV) or high voltage transmission (150 kV) due to health concerns. Disagreements with the public may prevent the construction of new electricity generating plants, plant expansions or transmission infrastructure.

We cannot guarantee that in the future the Government will continue to provide us with subsidies that cover our costs to produce electricity, or that any subsidy will be provided in a timely manner

Our tariff rates for electricity sales are regulated by the Government. As the electricity tariff rates we are permitted to charge our customers have historically been lower than our costs of production for the electricity we sell, we have relied on Government subsidies to partially cover the gap between our costs and revenues. In the past, the manner of calculating and disbursing Government subsidies has been amended from time to time. In the past, our previously approved annual budgeted subsidy has been subsequently adjusted to a lower amount based on audits from the state auditor. These revisions resulted in receipt of subsidies significantly lower than our actual costs. These revisions may materially adversely affect our business, financial condition, results of operations and prospects, as well as the ability of holders of the Notes to enforce their rights under the Notes.

The Ministry of Finance Regulation No. 111/PMK.02/2007 ("Regulation 111"), adopted by the Ministry of Finance in September 2007, as amended by the Ministry of Finance Regulation No. 162/PMK.02/2007 which was enacted on December 17, 2007 and has retroactive effect from October 1, 2007 ("Regulation 162"), makes allowances for any under-estimation in the calculation of subsidies and allow quicker disbursement of subsidy payments. There can be no assurance, however, that future subsidy payments will be disbursed in a timely manner or at all. Further, the method of calculating or disbursing subsidies may be revised from time to time in a manner that is not favorable to us. These revisions may materially adversely affect our business, financial condition, results of operations and prospects, as well as the ability of holders of the Notes to enforce their rights under the Notes. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Factors that Affect Our Financial Performance” and “Regulation of the Indonesian Electricity Sector — Subsidies”.

We operated at a loss from 1997 to 2008, in part due to the constraints placed on our pricing of electricity under the Government-regulated tariff regime and may face additional losses in the future if the maximum tariff rates we are allowed to charge remain at current levels or are reduced

The Government sets the level of the tariffs we can charge for the electricity we sell. Tariffs for electricity sales are proposed by the Ministry of Energy and Mineral Resources and approved by the President. Pursuant to Presidential Regulation No. 8/2011, the Government increased electricity tariffs by 10.0% on average with retroactive effect from July 1, 2010. The Government also announced public service obligations margins (“PSO Margin”)[1] of 5.0%, 8.0%, 8.0% and 7.0% of the total costs of supply in connection with the calculation of the subsidies provided to us for 2009, 2010, 2011 and 2012, respectively. As a result, we had income for the period and total comprehensive income of Rp14,567 billion, Rp10,347 billion, Rp5,426 billion (U.S.$572 million) and Rp 31 billion (U.S.$3 million) in the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012 respectively.

There is no assurance that the Government will maintain the current levels of PSO margins in the future. In addition, if the Government continues to maintain tariff rates at current rates, reduces them or does not sufficiently increase them, we may face future losses, especially if our operating expenses remain the same or continue to rise. There can be no assurance that the Government will approve future increases in the Tarif Dasar Listrik (“TDL”) which is known as the basic electricity tariff, especially during economic downturns. In the past, negative public sentiment has influenced the Government to maintain low tariff rates. Although our implementation of the Fast Track Programs, as discussed in the section entitled “Relationship with the Government”, is expected to reduce our costs of production for the electricity we sell, if electricity tariffs remain at current levels, are reduced or not sufficiently increased, or if we do not successfully implement the Fast Track Programs, it could materially and adversely affect our business, financial condition, results of operations and prospects. See “Relationship with the Government” and “Regulation of the Indonesian Electricity Sector”.

Under the New Electricity Law, the procedure for setting tariffs has changed, and tariffs may be less uniform, resulting in lower revenues

Under the terms of Law No. 15 of 1985 on Electricity (the “Old Electricity Law”), the electricity tariffs charged by us were required to be approved by the President of the Republic of Indonesia based on a proposal by the Minister of Energy and Mineral Resources. However, under the New Electricity Law, as we are a holder of an IUPTL, the electricity tariffs we may charge will be determined by the President of the Republic of Indonesia with the prior approval of the Indonesian House of Representatives (“DPR”), which is required to consider the balance between the national, regional, consumers’ and electricity business players’ interests. There is a risk that the change in the process for setting tariffs may delay decisions on tariff changes, which could delay our ability to take advantage of any increased tariffs.

Additionally, the New Electricity Law permits the Government to set multiple tariffs for different areas within a single Business Area. Given that we currently charge tariffs that are less than our costs, if tariffs are further reduced in geographical areas where our costs are relatively high, our results of operations attributable to such geographical areas could be materially and adversely affected.

[1] PSO Margin is a government mandated fee that we receive in respect of our public service obligations. It is not a profit margin.

To the extent that any reduction or change in tariff further increases the difference between our cost to produce the electricity we sell and the price we are permitted to charge for that electricity which is not covered by the Government subsidy, our business, financial condition, results of operations and prospects, and our ability to make payments under the Notes could be materially and adversely affected. For further discussion of this issue, see "Regulation of the Indonesian Electricity Sector — Tariff Structures".

We may be exposed to liabilities arising out of our contracts

We may be exposed to liabilities under certain contracts we have entered into, as well as those we may enter into in the future. As of June 30, 2012, we have one PPA with an IPP that has been terminated and one PPA with an IPP that is pending due to internal problems between the consortium members. In addition, the Government has completed the review of 23 PPAs. As a result of these reviews, we have signed 15 of the PPAs reflecting a total capacity of 977 MW on amended terms, which resulted in higher prices of the contracts. With respect to the remaining eight PPAs reflecting a total capacity of 710 MW, we are currently waiting for the IPPs to fulfill the conditions before signing the amendments to the PPAs, but the forms of these amendments which we have agreed with the IPPs similarly have higher pricing.

In addition, we have been advised by our Indonesian counsel that, due to the manner in which certain of our current EPC contracts (relating to the Fast Track Programs) have been drafted, some of these EPC contracts are effective and binding as of the date they were signed, while others are effective and binding only upon the fulfillment of certain conditions precedent, such as our successful obtaining of the requisite export credit financing. In the event that we do not obtain such financing in a timely manner or at all, and the other party to the contract brings a claim against us, it may be difficult for us to enforce the terms of the contract, including the governing law provisions, which could expose us to liability for costs and potential damages and/or an unfamiliar legal regime.

We may suffer an uninsured loss

The operation of our business carries a risk of loss caused by adverse weather conditions, environmental mishaps, fire, mechanical failure, war, terrorism, natural disasters and other circumstances or events. Any such event may result in loss of property, loss of revenues and/or increased costs that may not be fully compensated by insurance proceeds. In addition, certain types of risks (such as war risk and terrorist acts and certain disasters) may be uninsurable or the cost of insurance may be prohibitive when compared to the risk. Should an uninsured loss or a loss in excess of insured limits occur or if we do not receive insurance proceeds in a timely manner or at all, we could be required to pay compensation and/or lose capital invested in the affected property as well as anticipated future revenue from the property.

In addition, under the terms of our EPC contracts for the Fast Track Program I, the contractor is required to obtain insurance policies to our satisfaction and approval and for our benefit, including builders' risk insurance, third-party liability insurance and marine and cargo insurance. As of the date of this Offering Memorandum, we have received some of such insurance policies, which are effective. The remaining insurance policies are not yet effective as the conditions under the EPC contracts to which they relate have not been fulfilled by the EPC contractors. Should an uninsured loss or a loss in excess of insured limits occur, the relevant contractor could be exposed to considerable losses which could compromise its ability to complete the relevant project, and, as a result, we could lose our capital investment in the project.

No assurance can be given that material losses in excess of insurance proceeds will not occur or that adequate insurance coverage will be available in the future on commercially reasonable terms or at commercially reasonable rates. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Insurance".

If the price of fuel oil, natural gas or coal increases, our future operating expenses will increase, which could have a material adverse effect on our results of operations

Our profitability can be significantly impacted by prices of fuel oil, natural gas and coal. For example, 29.0%, 26.0%, 29.0% and 21.0% of our GWh production was generated using fuel oil for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, respectively, but the cost of fuel oil was 56.4%, 58.4%, 66.8% and 57.3% of our total fuel and lubricants expenses during the same periods. If the price of fuel oil, natural gas and/or coal increases, it will increase our operational expenses and could materially and adversely affect our business, financial condition, results of operations and prospects.

Since the Government ceased providing fuel subsidies in October 2005, the price we have paid for fuel oil has fluctuated monthly, based on the market price, which is the daily mean (average of the high and low quotations in Singapore) of the particular oil product in the previous month (the "Mid-Oil Platts Singapore" or "MOPS"). This has resulted in our paying higher prices for fuel oil. For example, in January 2005, when fuel prices were subsidized by the Government, our price was fixed at Rp1,650 per liter for high-speed diesel oil, which is the most expensive type of fuel oil we require and which accounted for approximately 79.0% of our fuel oil expenses in the year ended December 31, 2005. By October 2005, when the Government stopped subsidizing fuel oil, our price for high-speed diesel oil had increased to Rp6,000 per liter, reflecting the market price of oil. In the year ended December 31, 2011, the average price we paid for high-speed diesel oil across our regions of coverage ranged from a low of Rp7,833 per liter to a high of Rp11,309 per liter, during which period high-speed diesel oil accounted for approximately 80.5% of our fuel oil expenses.

The price of fuel oil per liter in Rupiah fluctuates in accordance with the price of fuel oil in the world market and is affected by the exchange rate of the U.S. dollar against the Rupiah. The price of fuel oil in the world market is subject to a variety of factors that are beyond our control. These factors, among others, include: international events and circumstances, as well as political developments and instability, in petroleum-producing regions; policies of the Organization of the Petroleum Exporting Countries and other petroleum-producing nations that seek to set and maintain production levels and influence market prices; domestic and foreign government regulations with respect to the oil and energy industries in general; level and scope of activity of oil speculators; weather conditions and seasonality, and overall domestic and regional economic conditions.

Due to Government regulations with respect to electricity tariff rates, in recent years, we have been unable to pass on increases in fuel prices to consumers through increased tariffs. We also procure a portion of the coal we need on the spot or short-term market at the prevailing market price, which increases our risk of buying at high prices.

We may not be able to secure sufficient supplies of natural gas or coal

Part of our electricity generation business is dependent on natural gas supplies. We have experienced difficulty in the past in obtaining adequate supplies of natural gas to meet our demand due to lack of availability and/or the volume delivered from our suppliers being less than the contracted volumes. Since 2003, we have faced a shortage of natural gas supply which has caused us to shut down certain electricity generating plants and to utilize fuel oil for certain dual-fired electricity generating plants. In addition, we understand from suppliers that a number of the natural gas fields from which we currently receive supplies are becoming depleted. As our contracts for natural gas have a limited duration (such as five years), we believe we can switch to other energy sources or alternative suppliers of natural gas if needed, but we may face delays in implementation of such a change or may need to procure natural gas from suppliers at greater distances from our plants. Although we continually negotiate with additional suppliers and are expanding our generation network to reduce our dependence on natural gas, there can be no assurance that we will be able to establish or maintain the necessary infrastructure and supply contracts to secure sufficient additional supplies of natural gas for our existing electricity generating plants or to implement our growth strategy.

Part of our electricity generation business is dependent on coal suppliers. In order to successfully implement the plan to build 45 coal-fired electricity generating plants under the Fast Track Programs, we will need to ensure a stable supply of coal at reasonable prices. It is a fundamental assumption under the Fast Track Programs that the abundance of Indonesia's coal reserves will allow us to source coal locally at lower prices than would be available if we had to import coal from abroad. In order to meet the projected needs of our planned expansion, however, the current level of coal available will need to at least more than double during the implementation period of the Fast Track Programs. If we are unable to source the required coal for these plants at reasonable prices or at all, we may not be able to meet our forecasts and targets in connection with the Fast Track Programs.

For example, PT Adaro Indonesia, the primary coal supplier to our subsidiary PT PJB for our Paiton coal-fired power plant, stopped its coal supply to PT PJB in April 2009 due to a dispute over the price of coal. On July 1, 2009, the Indonesian National Board of Arbitration (BANI) issued a final and binding opinion stating that a price increase for PT Adaro Indonesia was fair and that the contract price must be adjusted with effect as of July 1, 2009. As a result of this ruling, PT PJB expects that it will be required to pay approximately U.S.$100 million additionally for the supply of coal from PT Adaro Indonesia for the next two years. An addendum to the agreement between the parties reflecting the new price was signed on July 23, 2009, pursuant to which PT PJB is receiving coal from PT Adaro Indonesia. Although the price of coal has been regulated by MEMR Regulation No. 17 on 2010 of Procedures for Stipulating Benchmark of Mineral and Coal Sales since September 2010 and the Government since March 2011 pursuant to Director General of Mineral and Coal No. 515.k/32/DJB/2011 of Formula for Determining of Coal Benchmark Price, there can be no assurance that such a dispute over the price of coal will not occur in the future.

Our actual results may vary significantly from forecasts and estimates set forth herein

This Offering Memorandum includes certain forecasts estimates and other forward-looking information. This information is based on both assumptions and estimates made by our Board of Directors and management and on industry and other publicly available data. Furthermore, it reflects the current judgment of our Board of Directors and management regarding expected conditions and our expected course of action, which are subject to change.

These forecasts and estimates are based on a number of assumptions, which are inherently subject to uncertainty due to factors including, but not limited to, those identified in "Forward-Looking Statements and Associated Risks". Many of these factors are not within our control and some of the assumptions with respect to future business decisions, strategies and industry growth are subject to change. Should one or more of these or other uncertainties or risks materialize, actual results may vary materially from those estimated or anticipated and such differences may be material and may affect the market price of the Notes. Specifically, but without limitation, capital costs could increase, projects could be delayed and anticipated improvements in production, capacity or performance might not be fully realized. Although we believe that the expectations of our management as reflected by such forward-looking statements are reasonable based on information currently available to us, no assurances can be given that such expectations will prove to be correct. There can be no assurance that our actual results will not vary significantly from forecasts and estimates set forth herein.

The forecasts and estimates included in this Offering Memorandum have not been prepared with a view to complying with published guidelines of the SEC or the American Institute of Certified Public Accountants ("AICPA") regarding forecasts or estimates or U.S. GAAP and have not been examined or otherwise reported upon by our independent auditors under the AICPA guidelines regarding forecasts or estimates.

We do not intend to provide updated or otherwise revised forecasts or estimates. Accordingly, prospective purchasers are cautioned not to place undue reliance on such information.

Our facilities may be subject to the effects of natural disasters, which may have a material adverse effect on our financial condition

Our facilities and equipment may be exposed to the effects of natural disasters. Events such as fires, floods, earthquakes or other similar events may result in personal injury, loss of life, severe damage or destruction of our assets, pollution or environmental damage or suspension of operations. For example, in November 2008, we experienced significant black-outs in the Java-Bali region, as a result of severe flooding in the area. See "Risk Factors — Indonesia is located in an earthquake zone and is subject to significant geological risk that could lead to social unrest and economic loss". Although we maintain insurance against certain of these risks, the proceeds of such insurance may not be adequate to cover reduced revenue, increased expenses or other liabilities arising from such events. We do not carry business interruption insurance.

As we are dependent upon the integrity and operation of our facilities for the conduct of our business, any further natural disasters may adversely affect our business, financial condition or results of operations.

Depreciation in the value of the Rupiah may have a material adverse effect on our business, financial condition or results of operations and our ability to make payments under the Notes

Depreciation in the value of the Rupiah has in the past had, and may in the future have, a materially adverse effect on our business, financial condition or results of operations and on our ability to make payments under the Notes. One of the most significant immediate causes of the economic crisis that began in Indonesia in mid-1997 was the depreciation and volatility of the value of the Rupiah as measured against other currencies, such as the U.S. dollar. Although the Rupiah has appreciated considerably from its low point of approximately Rp17,000 per U.S. dollar in January 1998 to Rp9,480 per U.S. dollar on June 30, 2012, the Rupiah continues to experience significant volatility. See "Exchange Rates and Exchange Controls" for further information on changes in the value of the Rupiah as measured against the U.S. dollar in recent periods.

The Rupiah has generally been freely convertible and transferable (except that Indonesian banks may not transfer Rupiah to accounts held by non-Indonesians at a bank within or outside of Indonesia who lack a bona fide trade or investment purpose). However, from time to time, Bank Indonesia has intervened in the currency exchange markets in furtherance of its policies, either by selling Rupiah or by using its foreign currency reserves to purchase Rupiah. There can be no assurance that the current floating exchange rate policy of Bank Indonesia will not be modified, that additional depreciation of the Rupiah against other currencies, including the U.S. dollar, will not occur, or that the Government will take additional action to stabilize, maintain or increase the value of the Rupiah, or that any of these actions, if taken, will be successful.

All of our income is in Rupiah. However, our operating expenses such as certain purchases of electric energy from IPPs, natural gas, fuel oil and geothermal energy and maintenance expenses are denominated in U.S. dollars, currencies linked to U.S. dollars or other foreign currencies. For the year ended December 31, 2011 and the six months ended June 30, 2012, approximately 79.0% and 72.5%, respectively, of our fuel expenses were in foreign currencies and approximately 58.6% and 58.8%, respectively, of our total liabilities were denominated in foreign currencies. As a result, if the value of the Rupiah weakens against other foreign currencies, it could increase our financial burden. The weakening of the Rupiah could also increase the costs in servicing our debt denominated in foreign currencies and, in particular, our debt denominated in U.S. dollars. For example, in the six months ended June 30, 2012, we recognized a loss on foreign exchange of Rp6,741 billion (U.S.$711 million) as compared to a gain of Rp5,596 billion for the six months ended June 30, 2011, primarily due to the depreciation in value of the Rupiah against the U.S. dollar and other foreign currencies during the six months ended June 30, 2012. See "Management's Discussion and Analysis of Financial Condition and Results of Operation — Factors that Affect our Financial Performance — Effects of Rupiah Depreciation" and "— Results of Operations — Six months ended June 30, 2012 and 2011"

Modification of the current floating exchange rate policy of Indonesia could result in significantly higher domestic interest rates, liquidity shortages, capital or exchange controls or the withholding of additional financial assistance by multinational lenders. These changes may result in a reduction of economic activity, an economic recession, loan defaults and increases in the price of imports. Any of the foregoing consequences could materially and adversely affect our business, financial condition, results of operations and prospects, and our ability to make payments under the Notes.

Our business is subject to operational risks such as network loss and electricity theft and force majeure

The operation of an electricity generating plant is complex and involves many risks, including the breakdown or failure of power generation equipment, transmission lines or other equipment, or processes and performance below expected levels of output or efficiency, whether due to unexpected wear and tear, misuse, unexpected degradation or the increase in unplanned or forced outages, natural disasters and changes in Government policy. Any of the foregoing could have a material adverse effect on our revenues or increase the cost of operating, maintaining and repairing our electricity generating plants or any other power plant in which we currently hold an interest or may hold an interest in the future, thereby reducing net income and funds available to us.

Further, a certain amount of electric energy produced by our generators cannot be sold because it is lost, either through network loss or theft. Network loss represents a technical phenomenon for which the amount lost can be alleviated by investing in the rehabilitation of our distribution network. Theft of electric energy by our customers and non-customers also decreases our income. The value of electric energy losses as of December 31, 2011 was 9.4% of the total gross production, less our own use for 2011. We are unable to specifically differentiate in our network losses between technical losses and theft; however, based on our industry experience and internal calculations, we believe that the majority of these losses are technical in nature. An increase in the amount of electric energy that we produce but are unable to sell due to network loss or theft could materially and adversely affect our business, financial condition, results of operations and prospects.

In addition, our operations may be adversely affected by insufficient or poor-quality fuel resulting either from inadequate sources of supply or lack of adequate transportation and infrastructure. Although we maintain insurance against certain of these risks in relation to our operations and we expect to maintain or cause to be maintained insurance against certain of these risks in relation to future operations, in such amounts and including such coverage as is typical for power generation, transmission and distribution companies of equivalent scale, the proceeds of such insurance may not be adequate to cover reduced revenue, increased expenses or other liabilities arising from the occurrence of any of the events described above. The events described above may also be subject to limitations in such insurance coverage and could materially and adversely affect our business, financial condition, results of operations and prospects, and our ability to make payments under the Notes.

Our operations are subject to Indonesian central, provincial and local environmental protection laws and regulations

Our operations are subject to Indonesian central, provincial and local environmental protection laws and regulations that currently impose base-level discharge fees for various polluting substances and graduated schedules of fees for the discharge of waste substances in excess of applicable standards, require the payment of fines for violations of laws, regulations or decrees and provide for the possible closure by the central, provincial or local government of any power plant which fails to comply with orders requiring it to cease or remedy certain activities causing environmental damage.

We are required to comply with various environmental regulations and file certain documents, such as the Analysis of Environmental Impact ("AMDAL"), Environment Management Plan ("RKL") and the Environment Monitoring Plan ("RPL"), concerning the impact of our activities and are required to report the implementation of RKL and RPL. In addition, we are required to have implemented systems designed to monitor and control pollution caused by our electricity generating plants. In addition to complying with the requirements of AMDAL, under Law No. 32 concerning Environmental Protection and Management ("New Environmental Law"), we are also required to obtain an environmental license.

We believe that we are in compliance in all material respects with these environmental laws. However, there can be no assurance that the Government will not impose new, stricter laws and regulations, which would require additional expenditure on environmental protection or that the costs of complying with environmental laws will not materially increase. In addition, we may be subject to liabilities stemming from the impact that our operations have on the environment. Compliance with environmental laws and regulations may also result in delays in the expansion and development of our generating plants and transmission and distribution systems. If the costs of complying with environmental laws increase or we become subject to liabilities stemming from the impact of our operations on the environment, it could materially or adversely affect our financial results. See "Our Business — Environmental Matters".

Future financing may place restrictions on our operations

The additional funding we will need to raise in order to make our planned capital expenditures, if met by way of additional debt financing, may place restrictions on us which may, among other things:

- increase our vulnerability to general adverse economic and industry conditions;
- limit our ability to pursue our growth plans;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby reducing the availability of our cash flow to fund capital expenditure, working capital requirements and other general corporate purposes; and
- limit our flexibility in planning for, or reacting to, changes in our business and our industry, either through the imposition of restrictive financial or operational covenants or otherwise.

Substantial leverage and debt service obligations could adversely affect our business and prevent us from fulfilling our obligations under the Notes and the Note Guarantees

Subject to limitations under the Indenture and under the terms of the Notes, we will be permitted to incur additional indebtedness in the future. For a summary of our existing indebtedness as of the date of this Offering Memorandum, see "Description of Material Indebtedness". The degree to which we will be leveraged in the future, on a consolidated basis, could have important consequences for the Noteholders, including, but not limited to:

- making it more difficult for our Company to satisfy our respective obligations with respect to the Notes;
- increasing our vulnerability to, and reducing our flexibility to respond to, general adverse economic and industry conditions;
- requiring the dedication of a substantial portion of cash flow from operations to the payment of principal of, and interest on, our consolidated indebtedness, thereby reducing the availability of such cash flow to fund working capital, capital expenditures, acquisitions, joint ventures or other general corporate purposes;
- limiting flexibility in planning for, or reacting to, changes in our businesses, the competitive environment and the industries in which we operate; and
- limiting our ability to borrow additional funds and increasing the cost of any such borrowing.

Any of these or other consequences or events could materially and adversely affect our ability to satisfy debt obligations, including the Notes and the Note Guarantees.

We are subject to restrictive debt covenants that may limit our ability to finance our future operations and capital needs and to pursue business opportunities and activities

Under the terms and conditions of our existing debt, we and our Restricted Subsidiaries (as defined in "Description of the Notes") are, and under the terms of the Indenture we and our Restricted Subsidiaries will be, among other things, restricted in our ability to:

- incur or guarantee additional indebtedness;
- create or incur certain liens;
- make dividends or other distributions with respect to our shares;
- prepay or redeem subordinated debt or equity;
- create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to and on the transfer of assets to us from any of our Restricted Subsidiaries;
- sell, lease or transfer certain assets, including stock of Restricted Subsidiaries;
- engage in certain transactions with affiliates;
- enter into unrelated businesses or engage in prohibited activities; or
- consolidate or merge with other entities.

We are also required to comply with various financial covenants under the terms and conditions of our existing debt, including maintaining certain ratios such as a ratio of total financial liabilities to total assets not exceeding 80.0%, a ratio of Adjusted EBITDA to interest expense at a minimum of 2:1 or 1.5:1 and, for certain of our debt obligations, a ratio of power plant, transmission and distribution facilities to interest-bearing liabilities which are not secured by specific collateral at a minimum of 150.0% or 125.0%. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Working capital, cash and indebtedness" and "Description of Material Indebtedness".

All of these limitations are subject to significant exceptions and qualifications. See "Description of the Notes — Certain Covenants". These covenants could limit our ability to finance our future operations and capital needs and our ability to pursue business opportunities and activities that may be in our interest.

We may not be able to successfully negotiate favorable fuel prices with Pertamina, our primary supplier of fuel oil

Pertamina had been our sole supplier of fuel oil from our inception in 1945 to 2008 and remains our primary supplier of fuel oil. We entered into a fuel oil supply agreement with Operation Corporation of PT Shell Indonesia and PT Kutilang Paksi Mas (together "Shell") in April 2008 as amended by an agreement dated May 18, 2012 and two fuel oil supply agreements with PT AKR Corporindo, Tbk ("AKR") in June 7, 2012 to supplement this supply from Pertamina. In addition, we entered into a fuel oil supply agreement with the Tuban Consortium (PT Trans-Pacific Petrcochemical Indotama, PT Tuban LPG Indonesia and PT Tuban BBM) ("TPPI") on December 10, 2010. See "Our Business — Fuel and Lubricants Supplies — Fuel oil". We consumed approximately 9,409 million liters, 9,325 million liters, 11,467 million liters and 4,302 million liters of fuel oil for the years ended December 31, 2009, 2010, 2011 and for the six months ended June 30, 2012, respectively.

On May 16, 2007, we entered into an agreement with Pertamina (the "2007 Pertamina Agreement"), which provides that Pertamina will sell and deliver high-speed diesel oil, intermediate diesel oil and marine fuel oil for our power plants and supporting facilities. This agreement is effective from January 1, 2007 through December 31, 2015 and has been subsequently amended by an agreement dated August 14, 2009, an agreement dated June 1, 2010, and an agreement dated November 7, 2011 (the "2009, 2010 and 2011 Addendums" and, together with the 2007 Pertamina Agreement, the "Pertamina Agreement"). Under the terms of the Pertamina Agreement, we will negotiate and finalize the price of fuel oil with Pertamina at least one month before the beginning of the following year. If we do not come to an agreement on the fuel oil price, it will remain the same as the previous year and adjustments will be made when a new price is agreed to. As we will negotiate the price of fuel oil with Pertamina each year, we cannot provide assurance that Pertamina will continue to supply our Company or our subsidiaries with fuel at prices favorable to us or at all.

We entered into with Pertamina two fuel supply agreements dated November 3, 2010 and dated December 1, 2010, for the supply of an annual volume of up to 100,000 kiloliters to our electricity generating plant in Muara Tawar, 150,000 kiloliters to our electricity generating plants in Grati and Gresik and 500,000 kiloliters to our electricity generating plants in Muara Karang and Tanjung Priok, each for a term of the earlier of either four years or, until the volume of high speed diesel supplied exceeds 400,000 kiloliters, 600,000 kiloliters and 2,000,000 kiloliters, respectively. We remain dependent on Pertamina for our fuel oil supply. If we are unable to successfully negotiate favorable fuel oil prices with Pertamina or if we are unable to meet our demand for fuel or the price of fuel increases, it may materially and adversely affect our business, financial condition and results of operations.

Risks Relating to the Structure of a Particular Issue of Notes

A wide range of Notes may be issued under the Program. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features.

Notes subject to optional redemption

An optional redemption feature is likely to limit the market value of the Notes. During any period when we may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

We may be expected to redeem Notes when our cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Partly-Paid Notes

We may issue Notes where the issue price is payable in more than one installment. Failure to pay any subsequent installment could result in an investor losing all of its investment.

Floating Rate Notes with a multiplier or other leverage factor

Notes with floating interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that we may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Our ability to convert the interest rate will affect the secondary market and the market value of such Notes since we may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If we convert from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favorable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If we convert from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on our Notes.

Foreign Currency Notes

Notes denominated in foreign currencies are exposed to the risk of changing foreign exchange rates. Currency values may be affected by complex political and economic factors, including governmental action to fix or support the value of a currency, regardless of other market forces. Noteholders may risk losing their entire investment if exchange rates of the relevant currency do not move in the anticipated direction. This risk is in addition to any performance risk that relates to the Company or the type of note being issued.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Notes where denominations involve integral multiples

In the case of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case, a Noteholder who, as a result of trading such amounts, holds a nominal amount of less than the minimum Specified Denomination will not receive a Definitive Note in respect of such holding (should Definitive Notes be printed) and would need to purchase a nominal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

If Definitive Notes are issued, holders should be aware that Definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Risks Relating to the Notes

The Notes may not be a suitable investment for all investors

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Memorandum or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the relevant Notes and be familiar with the behavior of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial advisor) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio. A potential investor should ensure that he has sufficient knowledge and experience (either alone or with the help of a financial advisor) to make his own legal, tax, accounting and financial evaluation of the merits and risks of investing in the Notes and that he considers the suitability of the Notes as an investment in light of his own circumstances and financial condition.

Modification and waivers

The terms and conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

Change of law

The indenture governing the Notes is based on New York law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to New York law or administrative practice after the date of issue of the relevant Notes.

Limited liquidity of the Notes may affect the market price of the Notes

The Notes will not be registered under the Securities Act or the securities or blue sky laws of any state of the United States. The Notes are being offered, and may be resold, outside of the United States within the meaning of and in compliance with Regulation S under the Securities Act. The Notes may also be offered, and may be resold, within the United States to institutional investors that qualify as "qualified institutional buyers", within the meaning of and in compliance with Rule 144A under the Securities Act; or pursuant to another exemption from the registration requirements of the Securities Act. Consequently, the Notes are subject to restrictions on transfer and resale.

The Notes are a new issue of securities with no established trading market. Application may be made to list the Notes on the Official List of the SGX-ST. However, if for any reason the Notes are not listed, the liquidity of the Notes may be negatively impacted.

A liquid or active trading market for the Notes may not develop. If an active trading market for the Notes does not develop or does develop and is not maintained, the market price of the Notes may be adversely affected. If the Notes are traded, they may trade at a discount from their initial issue price, depending on prevailing interest rates, the market for similar securities, our Company's performance and other factors. See "Subscription and Sale".

A downgrade in ratings may affect the market price of the Notes

Our Company has received long-term ratings of "BB" from Standard & Poor's, "Baa3" from Moody's and "BBB-" from Fitch. The ratings reflect the ability of our Company to make timely payment of principal and interest on senior unsecured debts. There can be no assurance that the ratings will remain in effect for any given period or that the ratings will not be revised by the rating agencies in the future if, in their judgment, circumstances so warrant.

We will require a significant amount of cash to meet our obligations under our indebtedness and to sustain our operations, which we may not be able to generate or raise

Our ability to make scheduled payments on the Notes and our ability to make payments on our indebtedness and our contractual obligations (see "Description of Material Indebtedness"), and to fund our ongoing operations, will depend on our future performance and our ability to generate cash, which to a certain extent is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors, as well as other factors discussed in this "Risk Factors" section, many of which are beyond our control. If our future cash flows from operations and other capital resources are insufficient to pay our debt obligations, our contractual obligations, or to fund our other liquidity needs, we may be forced to sell assets or attempt to restructure or refinance our existing indebtedness. No assurance can be given that we would be able to accomplish any of these measures on a timely basis or on satisfactory terms or at all.

Payments under the Notes and the Note Guarantees will be structurally subordinated to certain liabilities and obligations of our subsidiaries

We have only a shareholder's claim on the assets of any subsidiary in our group. This shareholder's claim is junior to the claims that creditors of any such subsidiary have against it. As a result, all liabilities of any of our subsidiaries on the issue date of the Notes, including any claims of trade creditors and preferred stockholders of our subsidiaries, will be effectively senior in right of payment to the Notes and the Note Guarantees. As of June 30, 2012, our subsidiaries had an outstanding aggregate principal amount of Rp8,351 billion (other than the aggregate principal amount of outstanding guaranteed notes amounting to U.S.$3.55 billion of Majapahit Holding B.V., which has been guaranteed by us, as of June 30, 2012) in total liabilities and obligations to third parties (other than deferred tax liabilities). In addition, all of the secured liabilities and obligations of our subsidiaries will be effectively senior in right of payment to the Notes and the Note Guarantees of our subsidiaries. Any of these subsidiaries may in the future have other liabilities, including contingent and secured liabilities, that may be significant. Although the indenture governing the Notes contains limitations on the amount of additional debt (including secured debt) that we and our subsidiaries may incur, the amounts of such debt could be substantial. See "Description of the Notes — Covenants — Limitations on Additional Indebtedness".

The Notes will be subordinated to secured obligations of our Company

The Notes will be direct, general and unconditional obligations of our Company and will rank *pari passu* in right of payment to all existing and future unsecured and unsubordinated indebtedness of our Company. The Notes will be effectively subordinated to any secured obligations of our Company to the extent of the assets serving as security therefor. In bankruptcy, the holder of a security interest with respect to any assets of our Company will be entitled to have the proceeds of such assets applied to the payment of such holder's claim before the remaining proceeds, if any, are applied to the claims of the Noteholders. As of June 30, 2012, our Company had outstanding an aggregate amount of Rp36,730 billion (U.S.$3,874 million) in secured debt. While our Company's ability to incur secured obligations will be limited under the indenture governing the Notes, our Company may in the future incur additional secured obligations and the amount of those obligations could be very substantial.

The Government may provide financial support to third parties in support of our commercial obligations, which may not be available to Noteholders in respect of the Notes

The Government has in the past provided financial support in the form of letters of support given to third parties for our Company's commercial obligations. In addition, the Government has provided an irrevocable and unconditional guarantee on loans we incurred to finance our development projects in connection with the Fast Track Program I pursuant to Presidential Regulation No. 86 year 2006 of Acceleration of Contraction of Coal Power Generator as amended by Presidential Regulation No. 91 year 2007. Pursuant to MOF Regulation 139, the Government is also required to provide business viability guarantees in connection with the Fast Track Program II upon a proposal submitted by our Company and subject to certain conditions. The Government may in the future provide additional letters of support in connection with our commercial obligations, including our obligations to ECAs in relation to the Fast Track Programs, to multi-lateral lending agencies and/or to commercial lenders. There can be no assurance that, if such Government financial support is provided to export credit agencies, multi-lateral lending agencies or commercial lenders, any similar financial support will also be given to the Noteholders. The benefit of financial support from the Government or other credit enhancement will not be available to the Noteholders or be required to be given to Noteholders under the terms of the Indenture. In such event, Noteholders may be at a disadvantage to other creditors of the Company and the credit rating of the Notes may be adversely affected.

We may not have the ability to raise the funds necessary to finance an offer to repurchase the Notes upon the occurrence of certain events constituting a change of control as required by the indenture governing the Notes

Upon the occurrence of certain events constituting a "Change of Control," as such term is defined in the indenture governing the Notes, we are required to offer to repurchase all outstanding Notes at a purchase price in cash equal to 101.0% of the principal amount of the Notes. If a Change of Control were to occur, no assurance can be given that we would have sufficient funds available at such time to pay the purchase price of the outstanding Notes. A Change of Control may result in an event of default under, or acceleration of, other indebtedness. The repurchase of the Notes pursuant to such an offer could cause a default under such indebtedness, even if the Change of Control itself does not.

The Change of Control provision contained in the indenture governing the Notes may not necessarily afford Noteholders protection in the event of certain important corporate events, including a reorganization, restructuring, merger, recapitalization, sale of all or substantially all assets or other similar transaction involving our Company that may adversely affect Noteholders, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a "Change of Control". Except as described under "Description of the Notes — Change of Control", the indenture governing the Notes does not contain provisions that require our Company to offer to repurchase or redeem the Notes in the event of a reorganization, restructuring, merger, recapitalization, sale of all or substantially all assets or similar transaction.

Risks Relating to the Market Generally

The transfer of the Notes is restricted, which may adversely affect their liquidity and the price at which they may be sold

The Notes have not been registered under, and we are not obligated to register the Notes under, the Securities Act or the securities laws of any other jurisdiction and, unless so registered, may not be offered or sold except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and any other applicable laws. See "Subscription and Sale". We have not agreed to or otherwise undertaken to register the Notes (including by way of an exchange offer).

The secondary market for the Notes may never develop or may not be liquid

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency, credit or market risks, and/or are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have an adverse effect on the market value of Notes.

Exchange rate risks and exchange controls

We will pay principal and interest on the Notes in the currency specified (the "Settlement Currency"). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the Settlement Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Settlement Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Settlement Currency would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency equivalent value of the principal payable on the Notes and (iii) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

Inflation risk

Noteholders may suffer erosion on the return of their investments due to inflation. Noteholders would have an anticipated rate of return based on expected inflation rates on the purchase of the Notes. An unexpected increase in inflation could reduce the actual returns.

The market value of the Notes may fluctuate

Trading prices of the Notes are influenced by numerous factors, including the operating results, business and/or financial condition of our Company and political, economic, financial and any other factors that can affect the capital markets, the industry and our Company generally. Adverse economic developments, acts of war and health hazards in Indonesia could have a material adverse effect on our Company's operations, operating results, business, financial position and performance.

Global financial turmoil has led to volatility in international capital markets which may adversely affect the market price of any Series of Notes

Global financial turmoil has resulted in substantial and continuing volatility in international capital markets. Any further deterioration in global financial conditions could have a material adverse effect on worldwide financial markets, which may adversely affect the market price of any Series of Notes.

See "— Regional or global economic changes may materially and adversely affect the Indonesian economy and our business" on the recent downgrade of the U.S. government's sovereign credit rating by Standard & Poor's and the recent financial crisis in Europe concerning the sovereign debt of certain European nations.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be suspended, revised, downgraded or withdrawn by the assigning rating agency at any time.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisors to determine whether and to what extent (i) Notes are legal investments for it; (ii) Notes can be used as collateral for various types of borrowing; and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

RELATIONSHIP WITH THE GOVERNMENT

Prior to September 23, 2009, our operations were governed by the Old Electricity Law. The Old Electricity Law was enacted on the basis that an adequate and reliable supply of electricity is instrumental to improve public welfare and promote economic activity in Indonesia. The Old Electricity Law provided control over the business of supplying electricity to a state-owned enterprise appointed by the Government. In 1994, we were appointed as the holder of the Electricity Business Proxy ("PKUK") and were specifically assigned the task of providing electric power to the public, and carrying out other supporting businesses, by the Government.

Under the New Electricity Law, electricity supply in Indonesia is no longer executed by the state and carried out by us as a the holder of the PKUK. Instead, the electricity supply is controlled by the state and conducted by the central Government and the regional governments through state-owned enterprises, such as our Company, regional-owned enterprises, private entities or corporations who have licenses to supply electricity.

We have entered into a range of transactions with the Government and entities controlled by the Government and it is expected that we will enter into similar transactions in the future. The Government provides support to us through subsidies to cover cost gaps, extensions of government loan maturities, conversion of overdue interest, guarantees and penalty charges into equity, waivers of interest on certain tax payment deferrals, and by granting us additional time to pay for fuel supplied to us by Pertamina. Further, in the ordinary course of our business, we have dealt with and will from time to time deal with other companies owned or controlled by the Government.

Government as Shareholder

As of June 30, 2012, the Republic of Indonesia, represented by the Ministry of State-Owned Enterprises, owned 100.0% of our shares. We believe the Government is committed to our financial soundness as part of its objective to ensure a stable electricity supply in Indonesia. Pursuant to Presidential Regulation No. 71/2006, as amended by Presidential Regulation No. 59/2009 and Presidential Regulation No. 47/2011, the Government has mandated us to accelerate the development of coal-fired electricity generating plants of an aggregate capacity of 9,322 MW. Substantially all of these plants are expected to be built and in operation by 2014 through the Fast Track Program I in order to reduce our reliance on oil and the Government's subsidy and to meet rising electricity demands in Indonesia. Pursuant to Presidential Regulation No. 4/2010 as amended by Presidential Regulation No. 48/2011, the Government has mandated us to procure a further 10,047 MW of renewable energy, gas and coal-fired electricity plants in order to fulfill increasing energy demand beyond the completion of Fast Track Program I and by using more environmentally friendly energy resources through the Fast Track Program II. Electricity subsidies are included in the state budget and current regulations require the Government to cover any loss we incur as a result of Government-regulated electricity tariffs falling below our cost of providing electricity to customers. See "Risk Factors — Risks Relating to our Business and Operations — We are subject to the control of the Government", "Regulation of the Indonesian Electricity Sector" and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors that Affect our Financial Performance — Subsidies".

Government as Lender and Provider of Subsidies

We source financing in various forms from the Government and related entities. As a result of Government assistance during the Asian financial crisis in 1997, we did not default on or restructure our bonds or bank loans in response to that crisis and repaid debt of Rp20.7 trillion from 1998 to 2003. The Government also waived its interest installments on tax deferments (arising from an asset revaluation exercise undertaken in 2002) until December 15, 2005.

The Government has provided the following types of financing to us:

Two-step loans

These comprise overseas loans from such entities as the IBRD, ADB, KfW and JBIC, among others, extended to the Government, which in turn lent an equivalent amount to our Company to finance our projects. There is no collateral for these loans, for which the Government remains the primary obligor. Our two-step loans amounting to Rp30,942 billion (U.S.$3,264 million) as of June 30, 2012 account for 11.7% of our total debt as of June 30, 2012.

Investment Fund Account No. RDI-393/DP3/2001

In July 25, 2011, pursuant to a letter from the Ministry of Finance, our Company and the Government agreed to restructure the overdue principal of two-step loans amounting to Rp5,288 billion. The restructured loan is unsecured, has a period of 20 years, including a two-year grace period, bears interest at 4.0% per annum and accounts for 2.0% of our total debt as of June 30, 2012. This loan will be repaid in semi-annual installments of Rp147 billion until July 30, 2021.

The Government also approved the capitalization of overdue interest and penalties amounting to Rp28,781 billion into additional Government equity participation.

In 2003, Law No. 19/2003 on State-Owned Enterprises was introduced, which provided that, if a state-owned enterprise is specifically assigned by the Government to undertake a public utility function and such assignment is not financially feasible, the Government must compensate all its costs plus a PSO Margin. Because we are a state-owned enterprise and were appointed as the holder of PKUK and electricity tariffs are set by the Government, which in most instances do not cover our costs of production and distribution, the Government is obligated to compensate us for the difference between our cost to produce the electricity we sell and the prices we are permitted to charge our customers for that electricity under the tariff rates set by the Government. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors that Affect Our Financial Performance — Subsidies" and "Regulation of the Indonesian Electricity Sector — Subsidies". In 2011, subsidies set aside for us accounted for 5.0% of the Government budget.

Loan to finance capital expenditures

Pursuant to Presidential Regulation No. 9/2011, the Government is required to provide a Rp7.5 trillion loan to our Company to offset the financing gap faced by our Company attributable to the procurement and replacement of transformers, the fortification and installation of transmission and distribution lines and other investment projects, subject to certain conditions. The loan will be provided from the State Budget of Revenue and Expenditure of Fiscal Year 2011 as determined under Law No. 10 of 2010, and subsequently amended under Law No. 11 of 2011. As of June 30, 2012 and December 31, 2011, the total drawdowns from this facility were to Rp7,500,000 million and Rp4,499,977 million, respectively. This loan has been used to finance the procurement and replacement of transformers, strengthening of the installation, transmission and distribution and also other capital expenditures.

Business viability guarantees

Pursuant to MOF Presidential Regulation 139,No. 4 Year 2012, the Government is required to provide business viability guarantees to our Company for undertaking power plant projects, including IPP projects listed in MEMR Regulations No. 15 Year 2010 through No. 1 Year 2012. Moreover, in response of Presidential Regulation No. 4 Year 2010, MOF has issued MOF Regulation No. 139 which provides for guarantees to be issued directly to IPPs in respect of our ability to discharge our payment obligations to the relevant IPP in respect of purchase of electricity under the relevant PPA upon, through the issuance of Business Viability Guarantee Letters ("BVGLs"). BVGLs will be issued by the Government acting through the MOF and addresses to the relevant IPP, following the submission of a proposal submitted by us, subject to certain conditions being met. The business viability guarantee is in the form of a letter issued by the Minister of Finance and addressed to the relevant IPP. However, the business viability guarantee can be held to be invalid or expired if the IPP fails to secure the remaining financing for the power generation project within 12 months from the issuance date of the business viability guarantee for non-geothermal power generation projects and within 48 months in the case of geothermal power generation projects.

Government as Regulator

The Government regulates the generation, transmission and distribution of electricity in Indonesia through the Ministry of Energy and Mineral Resources. In particular, the Government's policies on matters such as electricity tariffs and subsidies could have a significant effect on our competitive position, operations and financial condition. See "Regulation of the Indonesian Electricity Sector — Subsidies".

Regulatory Framework and Relationship with the Government

We are wholly-owned by the Republic of Indonesia. Our Commissioners and Directors are appointed by our shareholder, represented by the Ministry of State-Owned Enterprises. The Government agencies listed below have the following supervisory roles:

- The Parliament reviews and approves the state budget, which includes the subsidies to be paid to us. The Government consults with the Parliament with respect to our electricity tariffs.

- The Ministry of State-Owned Enterprises approves our annual budget, including the amount of our subsidies, at our shareholders' meetings and our long-term investments and funding plans of over one year.

- The Ministry of Finance monitors our finances and provides offshore loans, grants and subsidies to us. The Ministry of Finance and BAPPENAS approve investment projects which form part of the Government budget.

- The Ministry of Energy and Mineral Resources is our main regulator. This ministry prepares our electricity tariff proposals. Electricity tariffs are then set by the President of the Republic of Indonesia after consultation with the Parliament. The Ministry of Energy and Mineral Resources issues licenses, policies and regulations relating to electricity sales from and procurement methodologies with IPPs and issues the national electricity general plan.

- BAPPENAS is responsible for setting out national investment policy and granting approval for offshore loans, grants and investment projects which form part of the Government budget. BAPPENAS reviews and gives approval for electricity projects proposed by us to be financed by the Government budget.

- The Ministry of the Environment monitors compliance with environmental laws.

Government as Supplier

Transactions with Pertamina

Pertamina is our primary supplier of fuel oil. As of June 30, 2012, Pertamina supplied approximately 93.0% of our demand for fuel oil. On May 16, 2007, we entered into the 2007 Pertamina Agreement, as amended by the 2009, 2010 and 2011 Addendums, which is effective from January 1, 2007 until December 31, 2015. The fuel oil prices under the Pertamina Agreement are based on MOPS. The agreed price of fuel oil for 2012 is MOPS plus a margin of 5.0% for consumption of up to 2,537 million liters of fuel oil that are supplied from 18 supply points specified by Pertamina, and MOPS plus a margin of 9.5% for consumption in excess of 5,996 million liters of fuel oil or for fuel oil supplied from supply points other than the 21 supply points specified by Pertamina. Thereafter, under the terms of the Pertamina Agreement, we will negotiate and finalize the price of fuel oil with Pertamina at least one month before the beginning of the following year. If we do not come to an agreement on the fuel oil price, it will remain the same as the previous year and adjustments will be made when a new price is agreed. In addition, we and Pertamina have entered into two fuel supply agreements dated November 3, 2010 and December 1, 2010, for the supply of an annual volume of up to 100,000 kiloliters to our electricity generating plant in Muara Tawar, 150,000 kiloliters to our electricity generating plants in Grati and Gresik and 500,000 kiloliters to our electricity generating plants in Muara Karang and Tanjung Priok, each for a duration of the earlier of either four years or, until the volume of high speed diesel supplied exceeds 400,000 kiloliters, 600,000 kiloliters and 2,000,000 kiloliters, respectively.

Under the terms of an Amended and Restated Debt Restructuring Agreement dated November 28, 2008, we agreed with Pertamina to settle certain accounts payable to Pertamina for purchases of fuel oil up to and including April 30, 2007, plus interest, amounting to Rp5,000 billion, through the issuance of medium term notes to Pertamina ("Pertamina Medium Term Notes"). The Pertamina Medium Term Notes bear interest at 2.5% above the interest rate of three-month Bank Indonesia certificates (SBI). As of the date of this Offering Memorandum, we have repaid 50.0% of the Pertamina Medium Term Notes. See "Description of Material Indebtedness". We have entered into agreements with Pertamina for the supply of natural gas to the Gresik, Tanjung Batu, Belawan, Keramasan, Muara Tawar and Sungai Gelam electricity generating plants for periods of between four and 11 years, ending in 2017. We have also entered into an agreement with Pertamina for the procurement and supply of geothermal energy to the Kamojang electricity generating plant for 30 years until 2012, the Gunung Salak and the Drajat electricity generating plants for 30 years until 2030 and the Lahendong electricity generating plant for 30 years until 2034. In addition, we have signed an interim agreement with PT Pertamina GE for geothermal energy prices, which will be valid until the MEMR formally issues a decree on geothermal energy prices. If the decree is not issued by December 31, 2012, the interim agreement will continue to be effective, subject to the arrival of all parties. These agreements are take-or-pay contracts.

Transactions with PT Tambang Batubara Bukit Asam (Persero) Tbk

Our main coal supplier is PT Tambang Batubara Bukit Asam (Persero) Tbk ("PTBA"), a state-owned enterprise. Coal procured from PTBA is supplied to Bukit Asam SCPP, Tarahan SCPP and Suralaya SCPP.

TRANSACTIONS WITH PGN

We have a number of natural gas purchase agreements with PT Perusahaan Gas Negara (Persero) Tbk ("PGN"), the state-owned natural gas utility, to procure and supply natural gas to Cilegon CCPP, Priok CCPP, Muara Tawar CCPP, Talang Duku CCPP and various gas turbine units in Batam Island.

Government as Customer

A number of other state-owned enterprises, such as PT Krakatau Steel (Persero), are our customers. In addition, we supply electricity to Government offices and state-owned hospitals. We also provide electricity for public lighting.

PSAK No. 7, (Revised 2010) "Related Party Disclosures" of Indonesian GAAP provides that Government departments and agencies, which include state-owned enterprises, are considered related parties. The transactions of our Company with the Government and state-owned enterprises were disclosed in our Company's restated consolidated financial statements, included elsewhere in this Offering Memorandum.

The Fast Track Programs

The Government sets the electricity tariff rates, which are the prices we can charge for the electricity we sell. See "Regulation of the Indonesian Electricity Sector". Historically, our operating expenses have exceeded the electricity tariffs and, as a result, we have relied on Government subsidies to cover our costs. The cost of fuel oil is a significant contributor to our costs, as our price for fuel oil fluctuates monthly, based on market price (MOPS). For the year ended December 31, 2011, fuel oil accounted for 45.0% of our operating expenses and 72.2% of our total fuel and lubricants expenses (excluding fuel oil, fuel and lubricants expenses and operating expenses we recognize in respect of our IPP Power Supply Contracts which are considered finance leases as per the ISAK 8 Interpretation). For the six months ended June 30, 2012, fuel oil accounted for 37.4% of our operating expenses and 62.7% of our total fuel and lubricants expenses (excluding fuel oil, fuel and lubricants expenses and operating expenses we recognize in respect of our IPP Power Supply Contracts which are considered finance leases as per the ISAK 8 Interpretation).

The price for high-speed diesel, which has historically accounted for a majority of our fuel oil expenses (approximately 72.1%, 76.2%, 80.5% and 82.0% for the years ended December 31, 2009, 2010, 2011 and for the six months ended June 30, 2012, respectively), has increased sharply in the past five years, from Rp4,983 per liter in January 2007 to a high in June 2011 of Rp7,974 per liter, representing the average high price across our regions of coverage. In June 2012, we paid an average across our regions of coverage of approximately Rp8,607 per liter for high-speed diesel. For the six months ended June 30, 2012, the average price of high-speed diesel was Rp8,983 per liter. We have also experienced difficulties in obtaining a sufficient supply of natural gas. See "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Our Business — Suppliers" and "Risk Factors — We may not be able to secure sufficient supplies of natural gas or coal".

Fast Track Program I

In order to reduce our reliance on fuel oil, the Government introduced the Fast Track Program, which originally mandated us to build new coal-fired electricity generating plants at 40 locations in Indonesia, comprising 10 plants with an aggregate capacity of 6,900 MW in Java-Bali and 30 plants with an aggregate capacity of 2,022 MW outside Java-Bali. This was subsequently amended by Presidential Regulation No. 59/2009 and Presidential Regulation No. 47/2011, which increased the mandate to 42 locations, including 10 plants with an aggregate capacity of 6,900 MW in Java-Bali and 32 plants with an aggregate capacity of 2,422 MW outside Java-Bali. We are currently developing coal-fired electricity generating plants at 34 locations with an aggregate capacity of 9,907 MW pursuant to this mandate. Of the 42 originally mandated locations, two of the planned locations have been combined into one location, with the same aggregate capacity. Furthermore, the tender and negotiation process for the location in Timika, Papua was not successful as a result of the bidder being unable to fulfill certain designated requirements relating to the location and two EPC contracts have been terminated due to the conditions of the sites. In addition, with respect to five of the additional locations, we have an option to tender which remains open, reflecting an aggregate potential capacity of 104 MW. Finally, as of June 30, 2012, one location has been transferred out of the Fast Track Program but is still under development. We believe that we will benefit from this strategy as we will have greater familiarity with the site of the proposed expansion and as a result will be able to control costs. Substantially all of the plants to be built under the Fast Track Program I are expected to be built and in operation by 2014 and not 2011 as originally planned due to the availability of land and the underperformance by a majority of our EPC contractors. In addition, approximately 2,550 MW of fuel oil-fired electricity generating plants in Java-Bali are expected to discontinue operations by 2014 when the new coal-fired electricity generating plants and substations are operational. We estimate the total investment required by the EPC contracts for the Fast Track Program I (including Value Added Tax at 10%) to amount to approximately Rp27,778 billion plus U.S.$8,887 million for generation development projects and approximately Rp6,303 billion plus U.S.$150 million for transmission development projects. As of June 30, 2012, we had incurred a total of Rp105,774 billion (U.S.$11,158 million) in costs related to the Fast Track Program I pertaining to construction and renovation of generation development projects, transmission development projects and the related capitalized borrowing costs.

By replacing more than half of our fuel oil-fired electricity generation capacity with coal-fired generation under the Fast Track Program I and by expanding our non-fuel oil-fired electricity generation capacity, we intend to reduce our fuel oil-based generation production from 35.3% of our total generation production in 2006 to approximately 6.1% in 2014. We believe that decreasing fuel costs will also decrease our reliance on Government subsidies to us. The Fast Track Program I's other objectives include accelerating the development of Indonesia's electricity infrastructure and enabling us to meet rising domestic electricity demands.

We invited contractors to submit bids as part of a tender process for each Fast Track Program I project. At the conclusion of the tender process, we entered into an EPC contract with the contractor that submitted the winning bid. As of June 30, 2012, we had signed 34 EPC contracts for building coal-fired electricity generating plants in 10 locations in Java-Bali with an aggregate capacity of 7,490 MW and in 24 locations outside Java-Bali with an aggregate capacity of 2,417 MW. As mentioned above, two of the planned locations have been combined into one location, with the same aggregate capacity. Furthermore, the tender and negotiation process for the location in Timika, Papua was not successful as a result of the bidder being unable to fulfill certain designated requirements relating to the location and two EPC contracts have been terminated due to the conditions of the sites. In addition, with respect to five of the additional locations, we have an option to tender which remains open, reflecting an aggregate potential capacity of 104 MW. Finally, as of June 30, 2012, one location has been transferred out of the Fast Track Program but is still under development.

We used part of the proceeds from the issuance of the 7.250% U.S.$450,000,000 Guaranteed Notes due 2011 and the 7.750% U.S.$550,000,000 Guaranteed Notes due 2016 (together, the "2006 Guaranteed Notes") and the 7.250% U.S.$500,000,000 Guaranteed Notes due 2017 and the 7.875% U.S.$500,000,000 Guaranteed Notes due 2037 (together, the "2007 Guaranteed Notes") towards our payment obligations under some of our EPC contracts and to fund approximately 15.0% to 20.0% of the estimated capital expenditures relating to the Fast Track Program I. In line with the terms of some of our current EPC contracts, we expect the remaining 80.0% to 85.0% of the costs of the Fast Track Program I to be financed using export credits and other bank financings. We used part of the proceeds from the issuance of the U.S.$750,000,000 8.000% guaranteed notes due 2019 in August 2009 (the "August 2009 Guaranteed Notes"), the U.S.$1,250,000,000 7.750% guaranteed notes due 2020 in October 2009 (the "October 2009 Guaranteed Notes" and, together with the August 2009 Guaranteed Notes, the "2009 Guaranteed Notes") and U.S.$1,000,000,000 5.500% Notes due 2021 in November 2011 (the "2011 Notes") to partially fund our capital expenditures requirement in connection with the generation, transmission and distribution construction projects under the Fast Track Program I, as well as regular projects and for general corporate purposes.

In general, the terms of some of our EPC contracts provide that we will, in cooperation with the contractor, obtain export credit or other bank financing from one or more banks for approximately 85.0% of the contract price and that we will pay the contractor a down payment of approximately 15.0% of the contract price. Under certain EPC contracts, we are required to obtain such financing within 90 or 120 days of the contract date, depending on the relevant contract. If we do not obtain such financing, we will enter into negotiations with the relevant contractor to agree how financing will be obtained. As of the date of this Offering Memorandum, we had secured financing in the form of export credits and other bank financing for 32 of the current locations and we expect to obtain financing for the remaining location during the remainder of 2012. See "Risk Factors — Risks Relating to our Business and Operations — We are exposed to certain risks associated with developing additional electricity generating plants and acquiring other power generation assets".

We have been constructing new substations and transmission lines since 2008 throughout Indonesia. Some of the projects are related directly to the Fast Track Program I and some of them are regular construction programs as stated in our electricity general master plan.

We are constructing new transmission lines of 275 kV and 150 kV in the North Sumatra regions which have a total length of transmission lines of approximately 2,186 kilometers-circuits and a total substation capacity of approximately 900 MVA. A total of 378 kilometers-circuits of the transmission lines will be directly connected to the Fast Track Program I. The total investment cost for the program is about Rp5,359 billion.

At the Southern part of the Sumatra Islands, we are constructing transmission lines of 275 kV and 150 kV which have a total length of transmission lines of approximately 2,220 kilometers-circuits with a substation capacity of 970 MVA. The total investment cost for the program is about Rp4,652.2 billion. A total of 177 kilometers-circuits of the transmission lines will be directly connected to the Fast Track Program I.

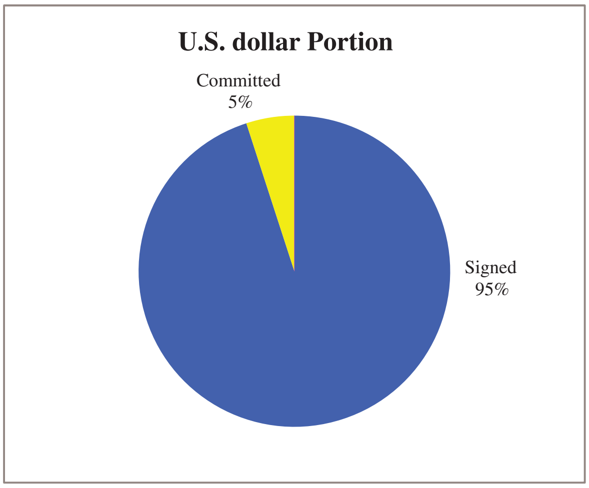
At the Sulawesi Islands, we are constructing transmission lines of approximately 1,795 kilometers-circuits with a substation capacity of 450 MVA with a total investment cost of about Rp2,406.8 billion. We have completed all of the transmissions lines that are directly connected to the Fast Track Program I in Sulawesi.

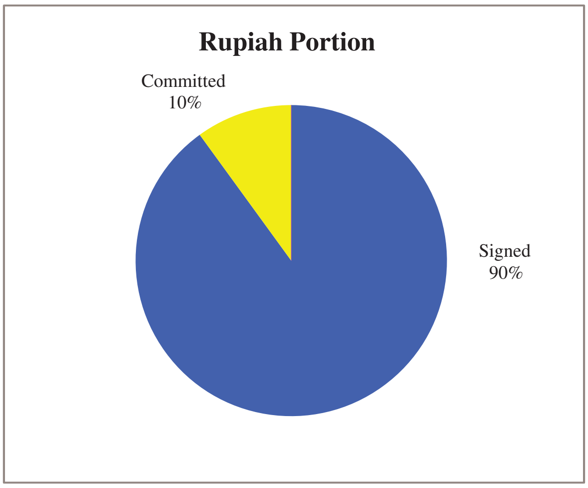
At the Kalimantan Islands, we are constructing transmission lines of 150 kV of approximately 2,354 kilometers-circuits with a substation capacity of 1,050 MVA. The total investment cost for the program is about Rp3,430.6 billion. A total of 545 kilometers-circuits of the transmission lines will be directly connected to the Fast Track Program I.

In Java, we are constructing transmission lines of 150 kV and 500kV of approximately 3,584 kilometers-circuits with a substation capacity of 5,370 MVA with a total investment cost of about Rp18,538.0 billion. A total of 352 kilometers-circuits of the transmission lines will be directly connected to the Fast Track Program I.

Some upgrading projects were also conducted due to the existing limitation of the current flow in the existing transmission lines. Accordingly, the upgrading program included the direct expansion of the Fast Track Power Plant and the increase in the sales to our customers. From January 1, 2012 to June 30, 2012, we upgraded approximately 201.1 kilometers-circuits of existing transmission lines in the Java area, to distribute all the power produced by the new power plants to be built under the Fast Track Program I, IPPs and our other projects. As of June 30, 2012, the total contract amount, which consists of contract numbers 102.PJ/611/P3B/2008, 199.PJ/611/P3B/2008 and 098.PJ/611/P3B/2008, for upgrading the existing electricity facility in the Java area was approximately Rp631.3 billion.

The following charts set out the U.S. dollar portion and Rupiah portion of the funding for our generation projects that have been committed or secured:





The following table sets forth the planned generation projects in Java-Bali, the amount of financing required for the U.S. dollars portion and the Rupiah portion of the contract price under the relevant EPCs under the Fast Track Program I as of June 30, 2012:

Location	Province	Government mandated total capacity	Actual contractual capacity	Total contractual capacity	U.S. dollars portion required	Indonesia Rupiah portion required	Contract date[1]	Contract progress	Expected capacity in the year commercial operations commence					
									2009	2010	2011	2012	2013	2014
		(MW)	*(MW)*	*(MW)*	*(U.S.$ millions)*	*(Rp billions)*		*(%)*						
Suralaya	Banten	600	1 x 625	625	284[2]	735[2]	March 2007	100	—	—	625	—	—	—
Labuan	Banten	600	2 x 300	600	289[2]	1,189[2]	March 2007	100	300	300	—	—	—	—
Indramayu	West Java	900	3 x 330	990	592[2]	1,273[2]	March 2007	97	—	—	990	—	—	—
Rembang	Central Java	600	2 x 315	630	262[2]	1,911[2]	March 2007	100	—	—	630	—	—	—
Paiton	East Java	600	1 x 660	660	331[2]	601[2]	March 2007	98	—	—	—	660	—	—
Pelabuhan Ratu	West Java	900	3 x 350	1,050	482[2]	1,874[2]	August 2007	94	—	—	—	700	350	—
Pacitan	East Java	600	2 x 315	630	293[2]	1,046[2]	August 2007	93	—	—	—	630	—	—
Teluk Naga	Banten	900	3 x 315	945	455[2]	1,607[2]	August 2007	99	—	—	315	630	—	—
Adipala, Cilacap	Central Java	600	1 x 660	660	468[2]	1,890[2]	December 2008	64	—	—	—	—	—	660
Tanjung Awar-Awar	East Java	600	2 x 350	700	372[2]	1,155[2]	April 2008	79	—	—	—	—	700	—
Total		6,900		7,490	3,828	13,281			300	300	2,560	2,620	1,050	660

(1) Date of EPC contract for the location.

(2) As of June 30, 2012, we have signed a loan agreement with the lenders to provide the required funding for this location.

The following table sets forth the planned generation projects outside Java-Bali, the amount of financing required for the U.S. dollars portion and the Rupiah portion of the contract price under the relevant EPCs under the Fast Track Program I as of June 30, 2012.

Location	Province	Government mandate total capacity	Actual contractual capacity	Total contractual capacity	U.S. Dollars portion required	Indonesia Rupiah portion required	Contract date[1]	Contract progress	Expected capacity in the year commercial operations commence				
									2010	2011	2012	2013	2014
		(MW)	*(MW)*	*(MW)*	*(U.S.$ millions)*	*(Rp billions)*		*(%)*					
Meulaboh	Nanggroe Aceh Darussalam	2 x (100 -150)	2 x 110	220	124[2]	614[2]	April 2008	87	—	—	—	220	—
Pangkalan Susu	North Sumatra	2 x (100 - 150) and 2 x (100 -150)	2 x 220	440	209[2]	781[2]	October 2007	84	—	—	—	—	440
Teluk Sirih	West Sumatra	2 x (100 -150)	2 x 112	224	138[2]	521[2]	May 2008	90	—	—	—	224	—
Tj. Balai Karimun Baru	Riau	2 x 7	2 x 7	14	7[3]	71[2]	June 2008	97	—	—	14	—	—
Bangka Baru	Bangka Belitung	2 x 25	2 x 30	60	23[2]	317[2]	July 2008	98	—	—	30	30	—
Belitung Baru	Bangka Belitung	2 x 15	2 x 16.5	33	24[2]	142[2]	June 2008	84	—	—	—	16.5	16.5
Tarahan Baru	Lampung	2 x (100 -150)	2 x 100	200	119[2]	460[2]	October 2007	97	—	—	200	—	—
Singkawang Baru	West Kalimantan	2 x 50	2 x 27.5	55	31[2]	172[2]	June 2008	45	—	—	—	—	55
Asam-Asam	South Kalimantan	2 x 65	2 x 65	130	84[2]	313[2]	July 2008	98	—	—	130	—	—
Pulang Pisau	Central Kalimantan	2 x 65	2 x 60	120	62[2]	414[2]	January 2008	27	—	—	—	—	120
Kendari	South East Solawesi	2 x 10	2 x 10	20	10[2]	97[2]	January 2008	93	—	—	20	—	—
Gorontalo Baru	Gorontalo	2 x 25	2 x 25	50	26[2]	265[2]	July 2012[4]	48	—	—	—	—	50
Amurang Baru	North Sulawesi	2 x 25	2 x 25	50	27[2]	305[2]	October 2007	99	—	—	50	—	—
Barru	South Sulawesi	2 x 50	2 x 50	100	52[2]	380[2]	July 2008	98	—	—	100	—	—

Location	Province	Government mandate total capacity	Actual contractual capacity	Total contractual capacity	U.S. Dollars portion required	Indonesia Rupiah portion required	Contract date[1]	Contract progress	Expected capacity in the year commercial operations commence 2010	2011	2012	2013	2014
		(MW)	*(MW)*	*(MW)*	*(U.S.$ millions)*	*(Rp billions)*		*(%)*					
Bima	West Nusa Tenggara	2 x 7	2 x 10	20	8[2]	120[2]	June 2008	78	—	—	—	20	—
Lombok	West Nusa Tenggara	2 x 25	2 x 25	50	24[2]	274[2]	October 2007	82	—	—	—	50	—
Ende	East Nusa Tenggara	2 x 7	2 x 7	14	8[2]	73[2]	January 2008	92	—	—	14	—	—
Kupang	East Nusa Tenggara	2 x 15	2 x 16.5	33	23[2]	135[2]	June 2008	84	—	—	—	33	—
Tidore	North Maluku	2 x 7	2 x 7	14	10[2]	100[2]	June 2008	87	—	—	—	14	—
Jayapura Baru	Papua	2 x 7	2 x 10	20	14[2]	141[2]	July 2008	82	—	—	—	20	—
Parit Baru	West Kalimantan	2 x 50	2 x 50	100	62	392	June 2009	63	—	—	—	—	100
Kaltim	East Kalimantan	2 x 100	2 x 100	200	117	891	December 2010	17	—	—	—	100	100
Tanayan	Riau	2 x 100	2 x 110	220	116	1,019	December 2010	6	—	—	—	—	220
Ambon	Maluku	2 x 7	2 x 15	30	21	186	April 2010	66	—	—	—	15	15
Total				2,417	1,339	8,183			—	—	558	742.5	1,116.5

Notes:

(1) Date of EPC contract for the location.

(2) As of June 30, 2012, we have signed a loan agreement with the lenders to provide the required funding for this location.

(3) As of June 30, 2012, we are in the process of waiting for the Government to provide its Letter of Guarantee.

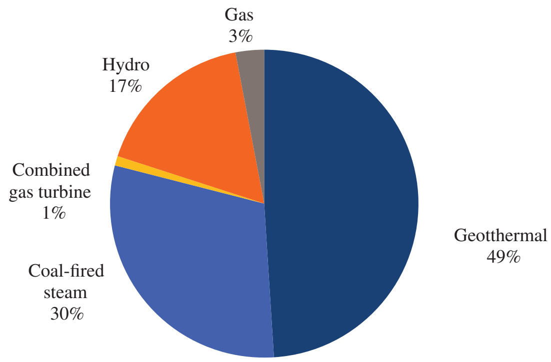
We estimate the total investment required by the EPC contracts for Fast Track Program I (including Value Added Tax at 10.0%) to amount to approximately Rp6,303 billion plus U.S.$150 million for transmission development projects. As of June 30, 2011, we have secured all the financing for the transmission development projects under the Fast Track Program I.

Fast Track Program II

Pursuant to Presidential Regulation No. 4/2010, as amended by Presidential Regulation No. 48/2011 and supplemented by MEMR Regulation No. 15/2010, as amended by MEMR Regulation No. 1/2012, we have been mandated to procure 10,047 MW of renewable energy, gas and coal-fired plants in order to fulfill increasing electricity demand in Indonesia beyond that provided by completion of Fast Track Program I.

The focus of Fast Track Program II will be on utilizing renewable sources in order to address global warming issues. The private sector will be invited to participate in electricity development under the Fast Track Program II as IPPs will be responsible for providing more than half of the 10,047 MW of energy mandated to be procured.

The following chart sets out the division of obligations between our Company and IPPs under the Fast Track Program II and the proportions of the types of electricity generating plants to be built:



Funding for these locations will be provided through a combination of allocations from the state budget, two-step loans, bank loans, capital markets and internal sources.

Pursuant to Presidential Regulation, No. 4 Year 2010, the Government is required to provide business viability guarantees to our Company for undertaking power plant projects, including IPP projects listed in MEMR Regulation 15/2010, as amended by MEMR Regulation No. 1/2012. Moreover, in response of Presidential Regulation No. 4 Year 2010, MOF has issued MOF Regulation No. 139 which provides for guarantees to be issued directly to IPPs in respect of our ability to discharge our payment obligations to the relevant IPP in respect of purchase of electricity under the relevant PPA upon, through the issuance of BVGLs. BVGLs will be issued by the Government acting through the MOF and addresses to the relevant IPP, following the submission of a proposal submitted by us, subject to certain conditions being met. The business viability guarantee is in the form of a letter issued by the Minister of Finance and addressed to the relevant IPP. However, the business viability guarantee can be held to be invalid or expired if the IPP fails to secure the remaining financing for the power generation project within 12 months from the issuance date of the business viability guarantee for non-geothermal power generation projects and within 48 months in the case of geothermal power generation projects. We estimate the total investment required by the EPC contracts for both our Company and the IPPs under the Fast Track Program II to amount to approximately U.S.$17,833 million for generation development projects and approximately U.S.$265 million for transmission development projects. As of June 30, 2012, we drawn down JPY1,439,414,226 under loans relating to the Fast Track Program II (excluding IPPs).

The following table sets forth the planned generation projects in Java-Bali under the Fast Track Program II as of June 30, 2012.

Location	**Province**	**Fuel**	**Type**	**Government mandated total capacity**
				(MW)
PLTU Indramayu	West Java	Coal	ST[(1)]	1 x 1,000
PLTA Upper Cisokan	West Java	Hydro	HT[(2)]	4 x 260
Total				2,040

Notes:

(1) ST refers to steam turbine.

(2) HT refers to hydroelectric turbine.

The following table sets forth the planned generation projects outside Java-Bali under the Fast Track Program II as of June 30, 2012.

Location	Province	Fuel	Type	Government mandated total capacity
				(MW)
PLTP Sungai Penuh	Jambi	Geothermal	GT [3]	2 x 55
PLTP Hululais	Bengkulu	Geothermal	GT [3]	2 x 55
PLTP Kotamobagu 1 & 2	North Sulawesi	Geothermal	GT [3]	2 x 20
PLTP Kotamobagu 3 & 4	North Sulawesi	Geothermal	GT [3]	2 x 20
PLTP Sembalun	West Nusa Tenggara	Geothermal	GT [3]	2 x 10
PLTP Tulehu	Maluku	Geothermal	GT [3]	2 x 10
PLTA Asahan III[2]	North Sumatera	Hydro	HT [4]	2 x 87
PLTA Masang	West Sumatera	Hydro	HT[4]	55
PLTU Sabang	Nanggroe Aceh Darussalam	Coal	ST [5]	2 x 4
PLTU Pangkalan Susu 3 & 4	North Sumatera	Coal	ST [5]	2 x 200
PLTU Melak	East Kalimantan	Coal	ST[5]	2 x 7
PLTU Parit Baru[1]	West Kalimantan	Coal	ST [5]	2 x 50
PLTU Ketapang[1]	West Kalimantan	Coal	ST [5]	2 x 10
PLTU Takalar	South Sulawesi	Coal	ST [5]	2 x 100
PLTU Bau-Bau[1]	South-east Sulawesi	Coal	ST [5]	2 x 10
PLTU Lombok	West Nusa Tenggara	Coal	ST [5]	2 x 25
PLTG Bangkanai	Central Kalimantan	Gas	ST[5]	280
PLTGB Tanjung Batu	Riau Islands	Coal	ST[5]	8
PLTGB Pulussibau	West Kalimantan	Coal	ST[5]	8
PLTGB Tahuna	North Sulawesi	Coal	ST[5]	8
PLTGB Selayar	South Sulawesi	Coal	ST[5]	8
PLTGB Larantuka	East Nusa Tenggara	Coal	ST[5]	8
PLTGB Tobelo	North Maluku	Coal	ST[5]	8
PLTGB Tual	Maluku	Coal	ST[5]	8
Total				1,717

Notes:

(1) The EPC contract has been signed in respect of this location.

(2) As of June 30, 2012, we have signed a loan agreement with the lenders to provide the required funding for this location.

(3) GT refers to geothermal turbine.

(4) HT refers to hydroelectric turbine.

(5) ST refers to steam turbine.

(6) G refers to gas turbine.

(7) C/GT refers to combined gas turbine.

Some of the major projects to take place under the Fast Track Program II mandate include the PLTU Indramayu project ("Indramayu") (1,000 MW) and the PLTA Upper Cisokan project ("Upper Cisokan") (1,040 MW). Indramayu is expected to be operational in 2018 with an estimated capital expenditure of U.S.$1.8 billion, which will be funded by JICA. Indramayu will utilize the latest coal-fire technology and is currently in the detail design stage. Upper Cisokan is a hydro pump storage power plant. Engineering consultants have been appointed for Upper Cisokan. Upper Cisokan is expected to be operational in 2017 with an estimated capital expenditure of U.S.$800 million, which is funded by the World Bank. The Government signed the two-step loan agreement with the World Bank in November 2011 and the two-step loan agreement with us in February 2012. As of the date of this Offering Memorandum, we have signed the loan agreement for the PLTA Asahan III hydro power plant and the Upper Cisokan project.

We have signed three EPC contracts under the Fast Track Program II as of the date of this Offering Memorandum in relation to coal-fired electricity generating plants at Bau-Bau, Parit Baruand Ketapang. We have also entered into eight PPAs in respect of geothermal electricity generating plants at Lumut Balai, Lahendong, Kamojang, Karaha, Ulubelu, Attadei, Rajabasa and Muaralaboh and one steam turbine electricity generating plant at Nias and one hydroelectric generating plant at Wampu. As of the date of this Offering Memorandum, financing has not been obtained in respect of these projects.

Exchange Rates

Bank Indonesia is the sole issuer of the Indonesian Rupiah and is responsible for maintaining the stability of the Indonesian Rupiah. Since 1970, Indonesia has implemented three exchange rate systems: (i) a fixed rate between 1970 and 1978; (ii) a managed floating exchange rate system between 1978 and 1997; and (iii) a free-floating exchange rate system since August 14, 1997. Under the second system, Bank Indonesia maintained the stability of the Indonesian Rupiah through a trading band policy, pursuant to which Bank Indonesia would enter the foreign currency market and buy or sell Indonesian Rupiah, as required, when trading in the Indonesian Rupiah exceeded bid and offer prices announced by Bank Indonesia on a daily basis. On August 14, 1997, Bank Indonesia terminated the trading band policy and permitted the exchange rate for the Indonesian Rupiah to float without an announced level at which it would intervene, which resulted in a substantial decrease in the value of the Indonesian Rupiah relative to the U.S. dollar. Under the current system, the exchange rate of the Rupiah is determined solely by the market, reflecting the interaction of supply and demand in the market. Bank Indonesia may take measures, however, to maintain a stable exchange rate.

The following table shows the exchange rate of Indonesian Rupiah to U.S. dollars based on the middle exchange rates at the end of each month during the periods indicated. The Indonesian Rupiah middle exchange rate is calculated based on Bank Indonesia's buying and selling rates. Neither we nor the Dealers make any representations that the U.S. dollar amounts referred to in this Offering Memorandum could have been or could be converted into Indonesian Rupiah at the rate indicated or any other rate, or at all.

	Exchange rates			
	Low[(1)]	High[(1)]	Average[(1)]	Period end
	(Rp per U.S.$)			
2007	8,828	9,419	9,164	9,419
2008	9,051	12,151	9,757	10,950
2009	9,400	11,980	10,356	9,400
2010	8,924	9,365	9,078	8,991
2011	8,508	9,170	8,774	9,068
2012				
January	8,955	9,210	9,019	9,000
February	8,892	9,158	9,026	9,085
March	9,098	9,193	9,165	9,180
April	9,145	9,194	9,176	9,190
May	9,180	9,570	9,290	9,565
June	9,333	9,480	9,451	9,480
July	9,365	9,493	9,457	9,485
August	9,461	9,573	9,500	9,560
September	9,450	9,593	9,566	9,588

Source: Statistik Ekonomi dan Keuangan Indonesia (Indonesian Financial Statistics) published monthly by Bank Indonesia Internet website of Bank Indonesia *http://www.bi.go.id/web/en/Moneter/kurs+Bank+Indonesia/kurs+Transaksi*

Note:

(1) For full years, the high and low amounts are determined, and the average shown is calculated, based upon the middle exchange rate announced by Bank Indonesia on the last day of each month during the year indicated. For each month, the high and low amounts are determined, and the average shown is calculated, based on the daily middle exchange rate announced by Bank Indonesia during the month indicated.

The middle exchange rate on June 30, 2012 was Rp9,480 = U.S.$1.00.

The Federal Reserve Bank of New York does not certify for customs purposes a noon buying rate for cable transfers in Indonesian Rupiah.

Exchange Controls

Indonesia has limited foreign exchange controls. Foreign currency is generally freely transferable within or from Indonesia. However, to maintain the stability of the Rupiah, and to prevent the utilization of the Rupiah for speculative purposes by non-residents, Bank Indonesia has introduced regulations to restrict the movement of Rupiah to banks domiciled outside Indonesia or to an offshore branch or office of an Indonesian bank, or any investment in Rupiah denomination with foreign parties and/or Indonesian citizens domiciled or permanently residing outside Indonesia, thereby limiting offshore trading to existing sources of liquidity. In addition, Bank Indonesia has the authority to request information and data concerning the foreign exchange activities of all persons and legal entities that are domiciled, or plan to be domiciled in Indonesia for at least one year. Bank Indonesia regulations also require resident banks and companies that have total assets or total annual gross revenues of at least Rp100 billion to report to Bank Indonesia all data concerning their foreign currency activities. The transactions that must be reported include receipt and payment through bank accounts outside of Indonesia.

Bank Indonesia also introduced Bank Indonesia Regulation No. 10/28/PBI/2008 dated November 12, 2008, that limits the conversion of the Rupiah into foreign currency to a maximum of U.S.$100,000 per month. Any foreign exchange conversion that exceeds such maximum limit must be supported by an underlying transaction and the maximum amount of such foreign exchange conversion is equal to the value of the underlying transaction.

Further the maximum amount of such foreign exchange conversion cannot exceeds the value of the underlying transaction, under PBI No.10/28/PBI/2008, the conversion of the Rupiah into foreign currency or the purchase of the foreign currency can only be made for the same foreign currency as stated in the underlying transaction document, except for foreign currency for which liquidity is not available in the domestic financial market.

USE OF PROCEEDS

We intend to use the proceeds from the issue of each Tranche of Notes to partially fund our capital expenditure requirements and for general corporate purposes or as set forth in the Pricing Supplement applicable to the Notes.

CAPITALIZATION

The following table sets forth the consolidated capitalization and indebtedness of our Company as of June 30, 2012.

This table should be read in conjunction with "Use of Proceeds", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the restated consolidated financial statements of our Company and the related notes thereto included in this Offering Memorandum. Other than as indicated herein, there have been no material changes to the capitalization of our Company since June 30, 2012.

	Actual	
	As of June 30, 2012[(1)]	
	Rp	U.S.$[(2)]
	(Rp billions and U.S.$ millions)	
Long Term Debt[(3)]		
Current Maturities of Long-term Borrowings[(4)]		
Secured borrowings[(5)]	2,702	285
Unsecured borrowings[(6)]	14,897	1,571
Total current maturities of long-term borrowings	17,599	1,856
Long-term Borrowings — net of current maturities		
Secured borrowings[(5)]	34,028	3,589
Unsecured borrowings[(6)]	148,388	15,653
Total long-term borrowings — net of current maturities	182,416	19,242
Total Borrowings[(4)]	200,015	21,099
Lease Liabilities	65,459	6,905
Electricity Purchase Payable	(540)	(57)
Total Long Term Debt[(3)]	264,934	27,947
Equity		
Capital stock	46,197	4,873
Additional paid-in capital	40,847	4,309
Retained earnings[(7)]	56,195	5,928
Non-controlling interest	101	11
Total Equity	143,341	15,120
Total Capitalization	408,275	43,067

Notes:

(1) Other than as indicated herein, there has been no material change in our long-term debt or total capitalization and indebtedness since June 30, 2012.

(2) Translated for convenience purposes only from Rupiah to U.S. dollars at a rate of Rp9,480 = U.S.$1.00 being the average of the buying and selling rates of exchange for Rupiah against U.S. dollars quoted by Bank Indonesia on June 30, 2012.

(3) Debt includes all interest-bearing liabilities such as two-step loans, Government loans, lease liabilities, electricity purchase payable, bank loans and medium term notes and bonds payable.

(4) Borrowings include two-step loans, Government loans, bonds payable, bank loans and medium term notes, certain lease liabilities and electricity purchase payable, but excludes certain lease liabilities and electricity purchase payable that were recognized due to the adoption of the ISAK 8 Interpretation.

(5) Secured borrowings includes certain bank loans and certain lease liabilities.

(6) Unsecured borrowings include the PLN XII 2010 Series A Bonds and PLN XII 2010 Series B Bonds, PLN V 2010 Series A Sukuk Ijarah and PLN V 2010 Series B Sukuk Ijarah, PLN XI 2010 Series A Bonds and PLN XI 2010 Series B Bonds, PLN IV 2010 Series A Sukuk Ijarah and PLN IV 2010 Series B Sukuk Ijarah, PLN X 2009 Series A Bonds and PLN X

2009 Series B Bonds, PLN III 2009 Series A Sukuk Ijarah and PLN III 2009 Series B Sukuk Ijarah, PLN IX 2007 Series A Bonds and PLN IX 2007 Series B Bonds, PLN II 2007 Sukuk Ijarah, the 2011 Notes, the 2009 Guaranteed Notes, the 2007 Guaranteed Notes, the 2006 Guaranteed Notes, PLN VIII 2006 Series A Bonds and PLN VIII 2006 Series B Bonds, PLN I 2006 Syariah Ijarah Bonds, PLN VII 2004 Bonds, certain bank loans and loans from the Government, certain electricity purchase payable and the Pertamina Medium Term Notes.

(7) Retained earnings is the sum of appropriated and unappropriated retained earnings.

The following tables present our selected restated consolidated financial information and operating data as of the dates and for each of the years and periods indicated. We have derived the selected restated consolidated statements of comprehensive income data for the years ended December 31, 2009, 2010 and 2011 and our selected restated consolidated statements of financial position data as of December 31, 2009, 2010 and 2011 in the tables below from our historical restated consolidated financial statements, which have been audited by Osman Bing Satrio & Rekan (an affiliate of Deloitte Southeast Asia Ltd, a member of Deloitte Touche Tohmatsu Limited), independent auditors. We have derived the selected consolidated statements of comprehensive income data for the six months ended June 30, 2011 (restated) and 2012 and our selected restated consolidated statement of financial position as of June 30, 2012 and 2011 (restated), in the tables below from our unaudited historical interim consolidated financial statements. With respect to the unaudited interim financial information as of and for the six-month periods ended June 30, 2011 and 2012, included in this Offering Memorandum, the independent accountants have reported that they applied limited procedures for the review of such information in accordance with the standards established by the Indonesian Institute of Certified Public Accountants. However, their separate review report included in this Offering Memorandum states that they did not audit and they do not express such opinion on that interim financial information. Accordingly, the degree of reliance on the report on such information should be restricted in light of the limited nature of the review procedures applied. Our restated consolidated financial statements have been prepared and presented in accordance with Indonesian GAAP, which differs in certain respects from U.S. GAAP. See "Summary of Certain Principal Differences between Indonesian GAAP and U.S. GAAP".

Restatement of Prior Year Comparative Consolidated Financial Statements

On January 1, 2008, the revised Statement of Financial Accounting Standards (PSAK) No. 30, Leases, became effective and, on September 16, 2008, the Financial Accounting Standards Board Interpretation of Financial Accounting Standard (IFAS) No. 8 ("ISAK 8 Interpretation"), became effective. The ISAK 8 Interpretation provided, among other things, guidance for determining whether an arrangement is or contains a lease that should be accounted for as a finance lease for financial reporting purposes in accordance with PSAK 30 (Revised 2007), Leases, under Indonesian GAAP. Prior to January 1, 2012, certain of our PPAs and Energy Sales Contracts ("ESC") with IPPs (together referred to as "IPP Power Supply Contracts") were exempted from the scope of the ISAK 8 Interpretation, based on the letter No. S-2366/BL/2009 dated March 30, 2009 from the Chairman of the Capital Market and Financial Institutions Supervisory Agency (Bapepam-LK) (the "Bapepam Letter"), since the purpose of the IPP Power Supply Contracts was to enable the Government, through our operations, to carry out its undertaking of supplying electricity as a public service. As a result, we continued to follow our existing accounting policy pursuant to which the IPP Power Supply Contracts had been accounted for as a normal purchase of a commodity.

Upon the effectiveness of ISAK 16 on January 1, 2012 that exempted certain IPP Power Supply Contracts from being required to be capitalized as finance leases, we reassessed the impact of the ISAK 8 Interpretation on our IPP Power Supply Contracts and determined that our IPP Power Supply Contracts did not qualify under the exemption from the scope of the ISAK 8 Interpretation, as set out in the Bapepam Letter. As a result, we changed our accounting policy and began applying the provisions of the ISAK 8 Interpretation in respect of our IPP Power Supply Contracts beginning January 1, 2012.

We adopted a retrospective application of the ISAK 8 Interpretation, resulting in a restatement of our consolidated financial statements as of and for the years ended December 31, 2009, 2010 and 2011 and for the six months ended June 30, 2011. The details of the related reclassification contained in our restated consolidated financial statements are set forth in "Management's Discussion and Analysis of Financial Condition and Results of Operation — Restatement of Prior Year Comparative Consolidated Financial Statements" and Note 59 of our restated consolidated financial statements included elsewhere in this Offering Memorandum.

Statement of Comprehensive Income Data

	Year ended December 31,				Six months ended June 30,		
	2009	2010	2011	2011	2011	2012	2012
	Rp	Rp	Rp	U.S.$	Rp	Rp	U.S.$
	(Rp billions and U.S.$ millions)						
Revenues							
Sale of electricity	90,172	102,974	112,845	11,903	56,930	62,181	6,559
Government's electricity subsidy	53,720	58,108	93,178	9,829	40,862	48,088	5,073
Customer connection fees	652	761	1,009	106	511	664	70
Others	679	533	987	104	263	438	46
Total Revenues	145,222	162,375	208,018	21,943	98,565	111,372	11,748
Operating Expenses							
Fuel and lubricants	85,499	93,899	131,158	13,835	63,017	65,549	6,914
Purchased electricity	809	893	1,257	133	566	1,384	146
Lease	2,851	3,228	5,776	609	2,423	3,101	327
Maintenance	9,940	11,741	13,593	1,434	5,796	6,831	721
Personnel	9,758	12,954	13,197	1,392	5,491	6,280	662
Depreciation	13,921	14,692	16,255	1,715	7,667	9,464	998
Others	4,036	4,286	4,405	465	1,840	2,304	243
Total Operating Expenses	126,814	141,693	185,640	19,582	86,799	94,914	10,012
Income before Financial and Other Items	18,408	20,683	22,378	2,361	11,765	16,458	1,736
Net Financial and Other Items							
Interest income	367	753	504	53	333	221	23
Gain (Loss) on foreign exchange — net	15,666	4,336	(1,833)	(193)	5,596	(6,741)	(711)
Financial cost	(16,149)	(15,177)	(17,361)	(1,831)	(8,152)	(11,459)	(1,209)
Others — net	259	1,159	1,827	193	1,735	732	77
Net Financial and Other Items	143	(8,929)	(16,863)	(1,779)	(488)	(17,247)	(1,819)
Profit (Loss) before Tax	18,550	11,754	5,515	582	11,277	(789)	(83)
Tax Benefit/Expense	(3,984)	(1,406)	(89)	(9)	(919)	820	87
Income for the Period and Total Comprehensive Income	14,567	10,347	5,426	572	10,358	31	3

Statements of Financial Position Data

	As of December 31,				As of June 30,	
	2009	2010	2011	2011	2012	2012
	Rp	Rp	Rp	U.S.$	Rp	U.S.$
	(Rp billions and U.S.$ millions)					
Assets						
Noncurrent Assets						
Property, plant and equipment — net of accumulated depreciation	246,024	247,562	302,490	31,908	328,272	34,628
Construction in progress	78,482	106,840	98,057	10,344	105,251	11,102
Investment properties	138	145	153	16	158	17
Investments in associates	788	883	1,143	121	1,453	153
Deferred tax assets	8	11	18	2	19	2
Assets not used in operations	1,021	1,300	1,714	181	1,175	124
Receivables from related parties	1,194	232	213	22	217	23
Restricted cash in banks and time deposits	3,210	2,408	3,890	410	5,055	533
Other receivables	491	320	355	37	336	35
Other noncurrent assets	3,714	1,627	1,498	158	1,895	200
Total Noncurrent Assets	335,071	361,327	409,530	43,199	443,831	46,818
Current Assets						
Cash and cash equivalents	13,043	19,717	22,088	2,330	19,377	2,044
Short-term investments	1,716	829	636	67	441	46
Trade accounts receivable — net of allowance for doubtful accounts	2,555	2,875	3,505	370	4,336	457
Receivables on electricity subsidy	8,580	9,359	12,102	1,277	24,436	2,578
Other receivables	213	624	599	63	701	74
Inventories — net of allowance for decline in value	9,721	9,927	15,654	1,651	14,264	1,505
Prepaid taxes	236	551	2,397	253	2,378	251
Prepaid expenses and advances	668	827	1,204	127	1,131	119
Receivables from related parties	—	65	67	7	68	7
Total Current Assets	36,734	44,773	58,252	6,145	67,132	7,081
Total Assets	371,806	406,100	467,783	49,344	510,964	53,899
Equity						
Equity attributable to owners of the Company						
Capital stock — par value of Rp1,000,000 per share						
Authorized — 63,000,000 shares						
Subscribed and paid-up — 46,197,380 shares in 2012 and 2011 and 46,107,154 shares in 2010 and 2009	46,107	46,107	46,197	4,873	46,197	4,873
Additional paid-in capital	34,819	37,122	40,050	4,225	40,847	4,309
Retained earnings						
Appropriated	1,894	8,248	13,720	1,447	17,344	1,830
Unappropriated	50,553	50,539	45,949	4,847	38,851	4,098
Non-controlling interests	92	97	96	10	101	11
Total Equity	133,465	142,114	146,013	15,402	143,341	15,120

	As of December 31,				As of June 30,	
	2009	2010	2011	2011	2012	2012
	Rp	Rp	Rp	U.S.$	Rp	U.S.$
	(Rp billions and U.S.$ millions)					
Non-current Liabilities						
Deferred revenue	8,297	10,126	14,588	1,539	16,828	1,775
Deferred tax liabilities — net	6,610	7,285	6,385	673	4,942	521
Long-term liabilities — net of current maturities						
Two-step loans	19,112	22,804	27,037	2,852	28,797	3,038
Government loans	2,938	2,017	6,017	635	8,942	943
Lease liabilities	63,508	61,406	77,690	8,195	98,619	10,403
Bank loans and medium term notes	23,705	36,400	46,003	4,853	47,669	5,028
Bonds payable	46,246	46,656	55,908	5,898	56,877	6,000
Electricity purchase payable	5,956	5,536	5,413	571	5,567	587
Payable to related parties	18	—	14	1	11	1
Employee benefits obligation	13,903	16,359	18,967	2,001	20,587	2,172
Other payables	47	1	197	21	175	18
Total Noncurrent Liabilities	190,340	208,590	258,219	27,238	289,015	30,487
Current Liabilities						
Trade accounts payable						
Related parties	8,832	5,713	14,071	1,484	10,856	1,145
Third parties	4,879	5,699	7,876	831	11,834	1,248
Taxes payable	557	906	956	101	704	74
Accrued expenses	5,809	6,310	6,060	639	5,509	581
Customers' security deposits	5,961	6,544	6,511	687	6,489	685
Project cost payable	3,800	3,689	2,467	260	1,878	198
Current maturities of long-term liabilities						
Two-step loans	2,083	2,088	2,236	236	2,146	226
Government loans	349	344	346	37	294	31
Lease liabilities	1,607	1,901	2,804	296	3,566	376
Bank loans and medium term notes	1,843	3,343	4,695	495	12,260	1,293
Bonds payable	—	4,046	—	—	—	—
Electricity purchase payable	173	174	184	19	197	21
Payable to related parties	435	577	663	70	4,214	444
Employee benefits obligation	1,567	1,439	1,612	170	1,561	165
Other payables	10,108	12,623	13,070	1,379	17,101	1,804
Total Current Liabilities	48,001	55,397	63,550	6,704	78,608	8,292
Total Liabilities	238,341	263,987	321,770	33,942	367,623	38,779
Total Equity and Liabilities	371,806	406,100	467,783	49,344	510,964	53,899

Selected Financial Data

	Year ended December 31,				Six months ended June 30,		
	2009	2010	2011	2011	2011	2012	2012
	Rp	Rp	Rp	U.S.$	Rp	Rp	U.S.$
	(Rp billions and U.S.$ millions unless otherwise indicated)						
Income before Financial and Other Items	18,408	20,683	22,378	2,361	11,765	16,458	1,736
Add							
Depreciation	13,921	14,692	16,255	1,715	7,667	9,464	998
Amortization	325	161	137	14	68	71	7
Actuarial employee benefit expense-net of payments	1,260	2,328	2,781	293	1,377	1,569	165
Adjusted EBITDA (1)	33,914	37,864	41,551	4,383	20,877	27,562	2,907
Adjustments related to implementation of ISAK 8	(10,548)	(9,549)	(10,096)	(1,065)	(4,918)	(6,090)	(642)
Adjusted EBITDA excluding the effects of ISAK 8(2)	23,366	28,315	31,455	3,318	15,959	21,472	2,265
Financial Cost	16,149	15,177	17,361	1,831	8,152	11,459	1,209
Adjustments related to implementation of ISAK 8	(10,207)	(9,167)	(9,607)	(1,013)	(4,694)	(5,728)	(604)
Adjusted Financial Cost(3)	5,942	6,011	7,754	818	3,458	5,731	605
Income before financial and other items/ Revenue (%)	12.7	12.7	10.8	—	11.9	14.8	—
Adjusted EBITDA margin(4)	23.4	23.3	20.0	—	21.2	24.7	—
Adjusted EBITDA margin excluding the effects of ISAK 8(5) (%)	16.1	17.4	15.1	—	16.2	19.3	—
Total Borrowings(6) to (Total Borrowings plus Total Equity) (%)	47.0	49.5	54.4	—	49.8	58.3	—
Total Borrowings to Equity (%)	88.8	98.2	119.4	—	99.4	139.5	—
Adjusted EBITDA excluding the effects of ISAK 8 / Adjusted Financial Cost (times)	3.9	4.7	4.1	—	4.6	3.7	—
Total Borrowings to Adjusted EBITDA excluding the effects of ISAK 8 (times)	5.1	4.9	5.5	—	—	—	—
Total Net Borrowings(7) to Adjusted EBITDA excluding the effects of ISAK 8 (times)	4.5	4.2	4.8	—	—	—	—

Notes:

(1) Our Company's Adjusted EBITDA refers to its income before financial and other items plus depreciation expense, amortization expense and actuarial employee benefit expense — net of payments made during the period. Our Company's Adjusted EBITDA and Adjusted EBITDA excluding the effects of ISAK 8 presented in this Offering Memorandum are supplemental measures of our performance and liquidity that are not required by, or presented in accordance with, Indonesian GAAP or U.S. GAAP. Furthermore, our Company's Adjusted EBITDA and Adjusted EBITDA excluding the effects of ISAK 8 are not measurements of our financial performance or liquidity under Indonesian GAAP or U.S. GAAP and should not be considered as alternatives to net profit, operating income or any other performance measures derived in accordance with Indonesian GAAP or as alternatives to our Company's cash flows or as a measure of our Company's liquidity. We believe the presentation of our Company's Adjusted EBITDA and Adjusted EBITDA excluding the effects of ISAK 8 facilitate comparisons of operating performance from period to period and from company to company by eliminating potential differences caused by variations in capital structures (affecting interest expense), tax positions

(such as the impact on periods or companies of changes in effective tax rates or net operating losses) and the age and book depreciation of tangible assets and deferred charges (affecting relative depreciation and amortization expense). In particular, presentation of our Company's Adjusted EBITDA eliminates non-cash items such as amortization of deferred charges, actuarial employee benefit expense — net of payments made during the period that arise from actuarial assumptions and depreciation expense that arises from the capital intensive nature of the utilities industry and the presentation of our Company's Adjusted EBITDA excluding the effects of ISAK 8 further eliminates components of purchased electricity expense that have been allocated to other line items outside of operating expense in our Company's consolidated statement of comprehensive income and consolidated statement of financial position due to the adoption of the ISAK 8 Interpretation in our Company's accounting policies. We also believe that the presentation of our Company's Adjusted EBITDA and Adjusted EBITDA excluding the effects of ISAK 8 are useful as supplemental measures of our ability to service debt. Finally, we present our Company's Adjusted EBITDA and Adjusted EBITDA excluding the effects of ISAK 8 because we believe they are frequently used by securities analysts and investors in evaluating similar companies.

(2) Our Company's Adjusted EBITDA excluding the effects of ISAK 8 is derived by eliminating from our Company's Adjusted EBITDA the components of purchased electricity expense that have been allocated to other line items outside of operating expense in our Company's consolidated statement of comprehensive income and consolidated statement of financial position due to the adoption of the ISAK 8 Interpretation in our Company's accounting policies. These components of purchased electricity expense include components relating to payment of lease principal payments, lease interest payments, components relating to inflation and price index, and realized gain or loss of foreign exchange under the PPA of certain IPPs. For further information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Restatement of Prior Year Comparative Consolidated Financial Statements".

(3) Our Company's Adjusted Financial cost is derived by deducting away the components of financial cost that are considered as part of purchased electricity expense prior to the adoption of the ISAK 8 Interpretation.

(4) Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA over Total Revenues.

(5) Adjusted EBITDA margin excluding the effects of ISAK 8 is calculated by dividing Adjusted EBITDA excluding the effects of ISAK 8 over Total Revenues.

(6) Total Borrowings include two-step loans, Government loans, bonds payable, bank loans and medium term notes, certain lease liabilities and electricity purchase payable, but excludes certain lease liabilities and electricity purchase payable that were recognized due to the adoption of the ISAK 8 Intrepretation.

(7) Total Net Borrowings refers to Total Borrowings minus cash and cash equivalents.

Selected Operating Data

	Year ended December 31,					Six months ended June 30,
	2007	2008	2009	2010	2011	2012
	(MW except percentages, GWh and average selling price)					
Installed Capacity[1]						
PLN	25,223	25,594	25,637	26,895	32,479	35,169
IPPs[2]	4,484	4,606	4,718	4,761	4,693[3]	5,634
Total system installed capacity[4]	29,543	29,987	30,355	31,656	37,172	40,803
Peak demand[5][10]	21,301	21,120	23,438	24,917	26,665	29,207
Net dependable capacity[6]	26,537	26,186	26,766	28,302	32,843	35,637
Reserve capacity	8,401	9,080	6,917	6,739	10,507	11,596
Reserve margin[7]	39.0%	43.0%	30.0%	27.0%	39.4%	39.7%
Operating reserve margin[8]	25.0%	24.0%	14.0%	14.0%	23.2%	22.0%
Average demand[9]	12,698	17,059	17,813	19.380	20,940	22,295
Units of electricity sold (GWh)[11]	121,247	129,019	134,582	147,297	157,993	84,737
Average selling price (Rp/kWh)[12]	Rp629	Rp653	Rp670	Rp699	Rp714	Rp734

Notes:

(1) Installed capacity represents the combined level of output that may be sustained continuously without significant risk of damage to plant and equipment.

(2) Represents the contractual capacity as specified in the relevant IPP contracts.

(3) Excluding IPPs treated as operating leases and captive power plants.

(4) Total system installed capacity represents our capacity and those of IPPs.

(5) Peak demand represents the aggregate actual maximum peak demand on every system at any single time during the period.

(6) Net dependable capacity represents the rated capacity and the contractual capacity of the IPPs as specified in the relevant IPP contracts.

(7) Reserve margin is equal to the difference between total system installed capacity and peak demand as a percentage of peak demand.

(8) Operating reserve margin is equal to the difference between net dependable capacity and peak demand as a percentage of a peak demand.

(9) Average demand is equal to the average demand on our system during the period.

(10) For the six months ended June 30, 2011, peak demand totaled 25,691 MW.

(11) For the six months ended June 30, 2011, the number of units of electricity sold totaled 77,491 GWh.

(12) For the six months ended June 30, 2011, the average selling price was Rp735.

Selected Operating Performance Data

	Year ended December 31,					Six months ended June 30,
	2007	2008	2009	2010	2011	2012
Equivalent forced outage rate (%)[1]	12.1	12.4	8.9	8.1	3.7	3.3
Capacity factor (%)	48.9	50.6	53.7	55.9	55.7	53.4
Transmission and distribution losses (%)	11.1	10.5	9.9	9.7	9.4	9.3
Distribution losses (%)	9.1	8.5	7.9	7.6	7.3	7.2
Transmission losses (%)	2.2	2.2	2.2	2.3	2.3	2.3
SAIFI (frequency/customer)	12.8	80.9	10.8	6.8	4.9	1.9
SAIDI (hour/customer)	28.9	13.3	16.7	7.0	4.7	1.8
Number of customers per employee	814	862	892	917	964	1,011

Note:

(1) Java-Bali only.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion in conjunction with our audited restated consolidated financial statements as of and for the years ended December 31, 2009, 2010 and 2011, and with our unaudited consolidated financial statements as of and for the six months ended June 30, 2012 and 2011 (restated), and, in each case, the notes thereto, which are prepared in accordance with Indonesian GAAP and included elsewhere in this Offering Memorandum. With respect to the unaudited interim financial information as of and for the six-month periods ended June 30, 2012 and 2011 (restated), included in this Offering Memorandum, the independent accountants have reported that they applied limited procedures for the review of such information in accordance with the standards established by the Indonesian Institute of Certified Public Accountants. However, their separate review report included in this Offering Memorandum states that they did not audit and they do not express such opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. For a discussion of certain principal differences between Indonesian GAAP and U.S. GAAP, see "Summary of Certain Principal Differences between Indonesian GAAP and U.S. GAAP".

Restatement of Prior Year Comparative Consolidated Financial Statements

On January 1, 2008, the revised Statement of Financial Accounting Standards (PSAK) No. 30, Leases, became effective and, on September 16, 2008, the Financial Accounting Standards Board issued Interpretation of Financial Accounting Standard (IFAS) No. 8 ("ISAK 8 Interpretation"), became effective. The ISAK 8 Interpretation provided, among other things, guidance for determining whether an arrangement is or contains a lease that should be accounted for as a finance lease for financial reporting purposes in accordance with PSAK 30 (Revised 2007), Leases under Indonesian GAAP. Prior to January 1, 2012, certain of our PPAs and Energy Sales Contracts ("ESC") with IPPs (together referred to as "IPP Power Supply Contracts") were exempted from the scope of the ISAK 8 Interpretation, based on the letter No. S-2366/BL/2009 dated March 30, 2009 from the Chairman of the Capital Market and Financial Institutions Supervisory Agency Bapepam-LK) (the "Bapepam Letter"), since the purpose of the IPP Power Supply Contracts was to enable the Government, through our operations, to carry out its undertaking of supplying electricity as a public service. As a result, we continued to follow our existing accounting policy pursuant to which the IPP Power Supply Contracts had been accounted for as a normal purchase of a commodity.

Upon the effectiveness of ISAK 16 on January 1, 2012 that exempted certain IPP Power Supply Contracts from being required to be capitalized as finance leases, we reassessed the impact of the ISAK 8 Interpretation on our IPP Power Supply Contracts and determined that our IPP Power Supply Contracts did not qualify under the exemption from the scope of the ISAK 8 Interpretation, as set out in the Bapepam Letter. As a result, we changed our accounting policy and began applying the provisions of the ISAK 8 Interpretation in respect of our IPP Power Supply Contracts beginning January 1, 2012.

We adopted a retrospective application of the ISAK 8 Interpretation, resulting in a restatement of our consolidated financial statements as of and for the years ended December 31, 2009, 2010 and 2011 and for the six months ended June 30, 2011. The details of the related reclassification of our consolidated financial statements are set forth in Note 59 to our restated consolidated financial statements included elsewhere in this Offering Memorandum. The principal impact on our consolidated financial statements resulting from this restatement was the requirement to treat a significant portion of our IPP Power Supply Contracts as finance leases. As a result, we have reclassified various statement of comprehensive income and statement of financial position items relating to our IPP Power Supply Contracts. Our IPP Power Supply Contracts require us to pay for various expenses incurred by the relevant IPP, including capital costs, fixed maintenance expenses, fuel costs, variable maintenance expenses, certain transmission costs, certain fuel charges during the commissioning period and certain price index adjustments. With respect to our restated consolidated statements of comprehensive income, for our IPP Power Supply Contracts categorized as finance leases, we have reclassified amounts previously recognized within "purchased electricity" among "fuel and lubricants", "lease", "maintenance", and "financial cost". Prior to the reclassifications, these expenses were all included within the amounts recognized as "purchased electricity". As a result of the reclassifications, these various expenses have been reclassified within our consolidated statement of comprehensive income as if these expenses had been directly incurred by us. In contrast, for our IPP Power Supply Contracts categorized as operating leases, we have reclassified amounts previously recognized within "purchased electricity" in "lease expenses".

With respect to our restated consolidated statements of financial position, we have recognized the value of the underlying assets of the relevant IPP projects within "property, plant and equipment" and have recognized the value of our IPP Power Supply Contracts as a liability within "lease liabilities". As a result of these reclassifications, our "retained earnings", "deferred tax liabilities", "electricity purchase payable", "trade accounts payable" and "accrued expenses", among other consolidated statement of financial position items, have also been impacted. Similarly, as a result of our increased "property, plant and equipment", we have recognized an increased amount of depreciation in our restated consolidated statements of comprehensive income, and as a result of the recognition of our IPP Power Supply Contracts within "lease liabilities" and our corresponding annual foreign exchange revaluation of these "lease liabilities", we have recognized corresponding foreign exchange gains and losses in our restated consolidated statements of comprehensive income. The reclassifications relating to "property, plant and equipment" and "lease liabilities" and the related reclassifications to our restated consolidated statements of comprehensive income have impacted our consolidated total comprehensive income for each of the years ended December 31, 2009, 2010 and 2011, resulting in higher total comprehensive income for each of the years ended December 31, 2009 and 2010 and lower total comprehensive income for the year ended December 31, 2011.

For further information, see Note 59 of our restated consolidated financial statements included elsewhere in this Offering Memorandum.

In November 2011, we amended the terms of our 2006 Guaranteed Notes and 2007 Guaranteed Notes to conform them to the terms of the 2009 Guaranteed Notes and the 2011 Notes so that the requirement to capitalize these IPP Power Supply Contracts would not restrict us from incurring additional indebtedness or entering into IPP Power Supply Contracts in the future. The terms of our 2006 Guaranteed Notes, 2007 Guaranteed Notes, 2009 Guaranteed Notes and our 2011 Notes provide that these IPP Power Supply Contracts are specifically excluded from the definition of "Capitalized Lease" and are therefore not considered to be "Indebtedness" under the terms of the relevant indentures.

Overview

We are Indonesia's state-owned electric utility company and are wholly-owned by the Republic of Indonesia, which is represented by the Ministry of State-Owned Enterprises. We are the major provider of all public electricity and electricity infrastructure in Indonesia, including the construction of power plants, power generation, transmission, distribution and retail sales of electricity. We are the largest electricity producer in Indonesia, and as of June 30, 2012 had a power generation capacity of approximately 35,169 MW that accounted for over 86.2% of total capacity in Indonesia and served approximately 47.8 million customers. As of June 30, 2012, we owned and operated 1,537 electricity generating plants with 5,554 electricity generating units in Indonesia, including fuel oil-fired, natural gas-fired, coal-fired, geothermal and hydroelectric plants. We also purchase most of the electricity produced in Indonesia by IPPs, which are private companies that own electricity generating plants. As of June 30, 2012, there were 26 IPPs (excluding IPPs treated as operating leases and captive power plants) operating in Indonesia with an aggregate contractual capacity of 5,634 MW.

The following table sets forth our production from 2007 to 2011 and for the six months ended June 30, 2012 in GWh.

	Year ended December 31,					Six months ended June 30
	2007	2008	2009	2010	2011	2012
	(GWh)					
PLN facilities						
Fuel oil	34,596	38,024	34,941	33,781	41,846	15,783
Coal	41,880	41,311	43,138	46,685	54,951	34,329
Natural gas	17,692	19,874	28,738	32,018	32,138	16,894
Geothermal	3,188	3,391	3,504	3,398	3,488	1,737
Hydroelectric	10,627	10,740	10,307	15,828	10,316	5,907
Total PLN production [(1)]	107,984	113,340	120,628	131,710	142,739	74,650
Purchased from others[(2)]	34,457	36,097	36,169	38,076	40,682	23,008
Gross generation	142,440	149,436	156,797	169,786	183,421	97,658
Auxiliary use[(3)]	(5,970)	(5,310)	(7,167)	(6,535)	(8,756)	(4,132)
Transmission and distribution losses	(15,224)	(15,108)	(15,048)	(15,954)	(16,672)	(8,789)
Electricity sold	121,247	129,019	134,582	147,297	157,993	84,737

Notes:

(1) Includes diesel rent.

(2) Net purchased from others.

(3) Includes station, transmission and distribution substation use.

The following table sets forth our installed capacity (including renting generator sets) for our electricity generating plants as of June 30, 2012.

	As of June 30, 2012						
	Fuel type						
Type of plant	**Oil**	**Coal**	**Gas**	**Geo**	**Hydro**	**Others**	**Total**
	(MW)						
Combined Cycle	1,496	—	6,578	—	—	—	8,074
Diesel	5,275	—	47	—	—	—	5,322
Geothermal	—	—	—	435	—	—	435
Gas-turbine	2,353	—	1,098	—	—	—	3,451
Hydro-turbine	—	—	—	—	3,514	—	3,514
Steam-turbine	973	12,572	825	—	—	—	14,370
Others	—	—	—	—	—	3	3
Total	10,097	12,572	8,548	435	3,514	3	35,169

We operate four main grids in Java-Bali, North Sumatra, South Sumatra and South Sulawesi, which are the most populated regions in Indonesia. Approximately 58.9% of the total population of Indonesia (approximately 142 million people) live on Java and Bali, and, as of June 30, 2012, the region accounted for approximately 76.5% of our total customers' power consumption. As of June 30, 2012, we controlled approximately 38,626 kilometers-circuits of transmission lines and approximately 728,603 kilometers-circuits of distribution lines.

Our charges for electricity are based on electricity tariff rates which are set by the Government. See "Regulation of the Indonesian Electricity Sector". The tariff rates set by the Government have, for some time, been inadequate to cover our cost of producing the electricity we sell. However, because we perform a PSO within the meaning of Law No. 19/2003, the Government is obligated to subsidize us for the difference between our cost to produce the electricity we sell and the price we are permitted to charge for that electricity under the tariff rates set by the Government. The subsidy mechanism is defined in Regulation 111 and Regulation 162. See "Relationship with the Government" and "Regulation of the Indonesian Electricity Sector". The amount of these subsidies has risen significantly since 2005 as a result of rising fuel costs. Pursuant to Presidential Regulation No. 8/2011, the Government formally raised the electricity tariff by an average of 10.0% with retroactive effect from July 1, 2010.

We have four categories of electricity tariffs based on the type of customers: residential, industrial, business and public (such as government agencies and hospitals). For each category of customers, we have either a monthly minimum payment or demand charges and variable energy charges. We also have a special services tariff as described below.

Demand Charges

For the fixed demand charges (Rupiah per kilovolt ampere ("kVA")/month), the rates vary depending on the capacity of the electricity connection and this charge is only applicable to small customers such as those with a capacity of 450 VA or 900 VA.

Variable Energy Charges

For variable energy charges (Rupiah per kWh), we charge fixed rates according to the customer categories. We increase our charges for peak usage between 6:00 pm to 10:00 pm for big scale industrial, business and public customers, but not for residential customers.

Minimum Payment

We charge a monthly minimum payment for each customer apart from customers with a capacity of 450 VA or 900 VA. The minimum payment is a product of a fixed period of 40 hours and connected VA divided by 1,000 and subsequently multiplied by the applicable energy charge.

Special Service Tariff

We have a special service tariff we charge (Rupiah per kWh) for special circumstances and, in particular, for our business and industrial customers who require special services. This tariff is based on business-to-business approach.

Factors that Affect our Financial Performance

A number of factors affect our financial performance, including:

Electricity Tariffs

Our revenues are significantly impacted by the electricity tariff rates we are allowed to charge. In Indonesia, electricity tariff rates are proposed by the Ministry of Energy and Mineral Resources and set by the President of Indonesia. The Government raised the electricity tariff by an average of 10.0% with effect from July 1, 2010 pursuant to Presidential Regulation No. 8/2011. Our average selling prices for each category of customers have also increased slightly. The trends in electricity tariffs versus average selling prices may, however, be different and reflect the fact that, within each customer category, there are differences in the electricity tariffs we can charge depending on the level of electricity consumption. We can charge higher tariffs to customers in the same category that consume more electricity.

The following table sets forth our average selling price for each category of customers for the years ended December 31, 2007 to 2011 and for the six months ended June 30, 2012.

	Year ended December 31,					Six months ended June 30,
Average selling price	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
			(Rp/kWh)			
Residential	572	588	589	616	618	636
Industrial	621	622	644	661	695	715
Business	773	851	891	934	951	972
Public	645	680	686	756	775	808
Total average selling price	629	653	670	699	714	734

Subsidies

The subsidies we receive from the Government cover the following costs: electric power purchases, fuel and lubricants expenses (such as for fuel oil, natural gas, geothermal, coal and lubricating oil), maintenance expenses (such as for materials), personnel expenses, administration expenses, depreciation of fixed operational assets and financing costs. We do not receive Government subsidies for costs that are not related to the generation of electricity, such as the operating costs of our telecommunications subsidiary or of our engineering services subsidiary. See "Relationship with the Government — Government as Lender and Provider of Subsidies" and "Regulation of the Indonesian Electricity Sector — Subsidies".

The typical process for obtaining a subsidy each year is set forth below:

- **Proposal**

  We typically begin preparing in July of each year a proposal for subsidies based on our costs and expected revenue and present our subsidy proposal to DGEEU, which is part of the Ministry of Energy and Mineral Resources. This proposal also includes a network transmission and distribution loss that we believe we can achieve in the coming year, which is based, *inter alia*, on our estimations of customer usage and demand, fuel prices for the year and our expansion plans for the year to achieve better efficiency levels. There is no assurance that we will be able to meet these targets or our expansion plans in any given year. In 2011, we revised our subsidy budget twice from Rp40.7 trillion at the beginning of the fiscal year to Rp86.2 trillion at the end of the fiscal year due to the fluctuations in the market price of fuel oil prices, which substantially increased our costs. Based on the final audit by the State Auditor, we were entitled to Rp93.2 trillion as the final amount of electricity subsidy in 2011.

- **Parliamentary Approval**

  A revised proposal, following the review by DGEEU, is submitted by the Ministry of Energy and Mineral Resources to the Ministry of Finance for inclusion in the proposed Government budget for Parliament's approval.

- **Government Budget**

  Our approved subsidy (which may be increased or decreased in certain cases depending on changes in the assumptions used to prepare the proposal) is contained in the Government budget adopted by Parliament. The final amount of electricity subsidy we receive from the Government in a budget year is based on the result of a compliance audit of our usage of the electricity subsidy performed by the State Auditor, the auditor assigned by the Directorate General of Budget under the Ministry of Finance. The final amount of electricity subsidy that we receive from the Government in a budget year could be different from the amount of electricity subsidy that we recognize as revenue for that year, depending on our actual costs incurred during that year. During the last few years, the Government generally has ensured that subsidies were adjusted to meet our cost base. Our subsidies have been increasing to offset the impact of rising fuel costs, while electricity tariffs have remained stable.

- **Monthly Payments**

  Each month, we submit supporting documents such as actual sales and budgeted costs and file a request for payment of subsidy to the Director General of Budgets in the Ministry of Finance. The Ministry of Finance typically pays a subsidy to us on a monthly basis, commencing in March of each year, in an amount equivalent to 95.0% of the difference between budgeted costs and actual revenues. For example, in March, we typically receive payment for 95.0% of the difference between budgeted costs and actual revenues for January. The subsidy for the month of December is put into an escrow account, which we receive in January of the following year.

- **Quarterly Balance of Payments**

  We receive the remaining amount of the subsidy, which is based on our actual costs, for each quarter after we submit the unaudited report of our actual costs to the Director General of Budgets in the Ministry of Finance. For example, in June we will receive the balance of the subsidy payment relating to the first quarter and in September we will receive the balance of the subsidy payment relating to the second quarter.

- **Parliamentary Review**

  Upon review by Parliament, the subsidy budget for the year is revised after the middle of each year if the subsidy budget set at the beginning of the year is inadequate.

- **Year End Balance of Payments**

  Any difference between the aggregate amount of subsidy we receive from the Government on a monthly basis during a year and our actual costs incurred during that year are expected to be paid following an audit by the State Auditor, as undisbursed subsidy. This payment is typically made in or after September of the following year.

- **Request for Payments**

  From the time we submit our request for a subsidy payment, it typically takes two weeks to one month for the subsidy to be disbursed. Depending on the circumstances, our subsidy payment may be offset by accounts payable from us to Pertamina.

Our Subsidy for 2012

For the year ending December 31, 2012, the total subsidy approved by the Government in accordance with Article 8 of the Law No. 22 Year 2011 as amended by Law No. 4 Year 2012, on State Revenues and Expenditure Budget ("SREB") (as awarded) was Rp64,973 billion (U.S.$6,854 million), which has been revised from an originally approved subsidy amount of Rp44,960 billion (U.S.$4,743 million). We have received subsidy payments in respect of the first half of 2012 amounting to Rp35,754 billion (U.S.$3,772 million) which comprised the release of funds from the escrow account in respect of the 2011 subsidy amounting to Rp284 billion (U.S.$30 million) the release of funds in respect of 2010 subsidy amounting to Rp4,507 billion (U.S.$475 million) and partial collection for current year subsidy amounting to Rp30,963 billion (U.S.$3,266 million). For the six months ended June 30, 2012, we recognized Rp48,088 billion (U.S.$5,073 million) as revenue from the Government's electricity subsidy.

Our Subsidy for 2011

For the year ending December 31, 2011, the total subsidy approved by the Government was Rp86,245 billion (U.S.$9,098 million), which was revised from an originally approved subsidy amount of Rp40,700 billion (U.S.$4,293 million). During the 2011 financial year, we received subsidy payments of Rp90,435 billion (U.S.$9,540 million) which comprised the release of funds from the escrow account in respect of the 2010 subsidy amounting to Rp271 billion (U.S.$29 million) the release of funds in respect of the 2009 subsidy amounting to Rp4,580 billion (U.S.$483 million) and partial collection for current year subsidy amounting to Rp85,583 billion (U.S.$9,028 million).

Our Subsidy for 2010

For the year ended December 31, 2010, the total subsidy approved by the Government was Rp53,606 billion. For the year ended December 31, 2010, we recognized Rp58,108 billion as revenue from the Government's electricity subsidy. During the 2010 financial year, we received subsidy payments of Rp57,330 billion which comprised the release of funds from the escrow account in respect of the 2009 subsidy amounting to Rp4,000 billion and partial collection of the 2010 subsidy amounting to Rp53,330 billion.

Our Subsidy for 2009

For the year ended December 31, 2009, the total subsidy approved by the Government was Rp45,139 billion. For the year ended December 31, 2009, we recognized Rp53,720 billion as revenue from the Government's electricity subsidy. During the 2009 financial year, we received subsidy payments of Rp52,434 billion which comprised a previously undisbursed subsidy from 2007 amounting to Rp4,407 billion, a previously undisbursed subsidy from 2008 amounting to Rp2,887 billion and partial collection of the 2009 subsidy amounting to Rp45,139 billion.

On November 10, 2010, the Minister of Finance approved our revised subsidy for the financial year 2011 with an 8.0% PSO Margin as stipulated under Law No. 10 Year 2010 on SREB of 2011. The government-approved subsidy for 2012 provides for a PSO Margin of 7.0% as stipulated under Law No. 22 Year 2011. Subsequently, on, the Minister of Finance approved our revised subsidy for the financial year 2012 with a 7.0% PSO Margin as stipulated under Law No. 4 Year 2012 on SREB 2012, although the specific amount of the PSO Margin for 2012 is still pending final approval.

The following table sets forth certain information regarding the subsidies we received from the Government with respect to previous fiscal years.

Year ended December 31,	Government-approved budgeted subsidy	Government's electricity subsidy as a result of compliance audit by State Auditor
	(Rp billions)	
2007	39,269	37,481
2008[(1)]	80,396	78,577
2009	45,139	53,720
2010	53,606	58,108
2011	86,245	93,178
2012	64,973	N/A[(2)]

Notes:

(1) Subsidy over-payment for 2008 amounting to Rp1,818 billion was offset against the subsidy receivable in 2009.

(2) Compliance audit by State Auditor yet to be completed.

The Ministry of Finance implemented Regulation 111 as amended by Regulation 162, which was enacted on December 17, 2007 and has retroactive effect from October 1, 2007, which resulted in important changes to the subsidy process, including:

- the total amount of subsidy we ultimately receive for a year can be adjusted upward based on our actual cost following the Government audit by the State Auditor;

- our costs of supply will be calculated based on a formula determined by DGEEU;

- calculation of our network transmission and distribution losses, which are factored into the determination of cost of supply, will be adjusted by DGEEU quarterly based on actual losses;

- DGEEU will determine the quarterly and annual realization of network transmission and distribution losses not later than 15 days after receiving the complete data from us regarding the realization of network transmission and distribution losses;

- we submit a request for payment of electricity subsidy, which is conveyed in writing to the Director of Non-Tax State Revenue with a copy made available to the Director General of Treasury Affairs on a monthly basis. The request for payment of electricity subsidy is accompanied by supporting data, including, among others, interim cost of supply. The interim cost of supply (Rp/kWh) data is:

  — used in the determination of the amount of electricity subsidy in the annual state budget or revised annual state budget; or

  — based on the result of the audit by the institution authorized to audit our working plan company budget;

- we will receive 95.0% of the difference between budgeted costs of production (including the PSO Margin) and actual revenues as our subsidy for each month in the subsequent month, with the remainder to be paid quarterly, based on an unaudited report of our actual costs; and

- the subsidy for the month of November is to be paid in December and the subsidy for December is to be put in an escrow account for our benefit and paid in January, in each case based on actual sales and budgeted costs of electricity, resulting in a subsidy that is more reflective of our actual costs and sales in the last two months of the year.

There is a specific formula to calculate the subsidy of electricity as follows:

S	=	- (HJTL - BPP (1 + m)) x V, where
S	=	electricity subsidy
HJTL	=	average selling price of electricity (Rp/kWH) of the respective tariff categories
BPP	=	cost of electricity supply (Rp/kWh) at various voltages in the respective tariff categories
m	=	PSO Margin (%)
V	=	selling volume of electricity (kWH) for every tariff category.

In calculating the amount of electricity subsidy for a fiscal year, DGEEU may consider the PSO Margin recommended by the State Minister for State-owned Enterprises where the PSO Margin is to be added to create a positive value (gross profit) in calculating the total subsidy of electricity and to produce the amount of electricity subsidy stipulated in the annual state budget or the revised annual state budget.

The final amount of electricity subsidy in one fiscal year is stipulated based on the State Auditor's audit report, which is submitted to the Minister of Finance.

There is no cap for electricity subsidy. If there is a negative discrepancy of payments of electricity subsidy between what has already been paid to us and the audit results, the amount of the negative discrepancy can be proposed to be allocated in the Anggaran Pendapatan dan Belanja Negara ("APBN") for the next budget year (with the approval of the Minister of Finance). However, if the result is a positive discrepancy, we must promptly remit the overpayment to the State General Cash Account as non-tax state revenue in accordance with the prevailing law. See also "Relationship with the Government".

Fuel and Non-fuel Expenses

A portion of our fuel and non-fuel expenses (excluding fuel and non-fuel expenses we recognize in respect of our IPP Power Supply Contracts which are considered finance leases as per the ISAK 8 Interpretation) are denominated in, or linked to, the U.S. dollar. For the six months ended June 30, 2012 and for the year ended December 31, 2011, 14.7% and 11.5% of our fuel and non-fuel expenses (excluding fuel and non-fuel expenses we recognize in respect of our IPP Power Supply Contracts which are considered finance leases as per the ISAK 8 Interpretation) were denominated in, or linked to, the U.S. dollar, and 85.3% and 88.5% of our fuel and non-fuel expenses (excluding fuel and non-fuel expenses we recognize in respect of our IPP Power Supply Contracts which are considered finance leases as per the ISAK 8 Interpretation) were denominated in Rupiah, respectively. Accordingly, the depreciation of the Rupiah in 1997, for example, resulted in higher operating expenses in Rupiah terms. The following table sets forth our fuel and non-fuel expenses in U.S. dollars versus Rupiah for the periods indicated as a percentage of our operating expenses (excluding fuel and non-fuel expenses and operating expenses we recognize in respect of our IPP Power Supply Contracts which are considered finance leases as per the ISAK 8 Interpretation).

	Year ended December 31,			Six months ended June 30,
	2009	2010	2011	2012
		(%)		
Fuel and non-fuel expenses (U.S.$)	8.9	9.4	7.2	8.7
Fuel and non-fuel expenses (Rp)	47.1	46.8	55.0	50.7

Since October 2005, our purchases from Pertamina have been based on market price (MOPS) plus a margin as negotiated with Pertamina. See "Relationship with the Government — Government as Supplier — Transactions with Pertamina". The following table sets forth our fuel and non-fuel expenses for different types of fuels as a percentage of our operating expenses for the periods indicated (excluding fuel and non-fuel expenses and operating expenses we recognize in respect of our IPP Power Supply Contracts which are considered finance leases as per the ISAK 8 Interpretation).

	Year ended December 31,			Six months ended June 30,
	2009	**2010**	**2011**	**2012**
		(%)		
Fuel oil	35.3	36.5	45.0	37.4
Natural gas	7.5	8.0	5.9	7.3
Coal	11.7	10.2	9.9	13.2
Geothermal	1.4	1.4	1.3	1.4
Hydro	0.1	0.2	0.1	0.1
Total	56.1	56.2	62.2	59.4

We continue to explore replacing certain of our fuel oil-fired electricity generating plants with coal-fired and natural gas-fired electricity generating plants, particularly under the Fast Track Programs. However, there can be no assurance that we will be able to ensure a stable supply of coal or natural gas at reasonable prices or at all. See "Risk Factors — Risks Relating to Our Business and Operations — We may not be able to secure sufficient supplies of natural gas or coal".

In addition, our fuel and non-fuel expenses include fuel and non-fuel expenses in respect of our IPP Power Supply Contracts. The IPP Power Supply Contracts provide for the reimbursement of these fuel and non-fuel expenses by us. Although we have some involvement in the negotiation of the fuel supply agreements between the IPPs and third-party suppliers and although the IPP Power Supply Contracts generally provide for certain fuel efficiency targets to be achieved by the IPPs, we otherwise have limited control over these fuel prices, the volumes of fuel used by the IPPs and the performance of the IPPs and the relevant suppliers under these fuel supply agreements. The following table sets forth the amount of fuel and non-fuel expenses we have recognized in respect of our IPP Power Supply Contracts which are considered finance leases as per the ISAK 8 Interpretation during the years ended December 31, 2009, 2010 and 2011 and for the six months ended June 30, 2011 and 2012.

	Year ended December 31,				Six months ended June 30,		
	2009	**2010**	**2011**	**2011**	**2011**	**2012**	**2012**
	Rp	**Rp**	**Rp**	**U.S.$**	**Rp**	**Rp**	**U.S.$**
			(Rp billions and U.S.$ millions)				
Fuel oil	405	417	576	61	223	336	35
Natural gas	991	836	1,102	116	524	740	78
Coal	6,663	7,381	7,888	832	3,700	4,576	483
Geothermal	1,205	1,074	1,035	109	529	520	55
Hydro	—	—	5	—	2	2	—
Total	9,264	9,708	10,605	1,119	4,979	6,715	651

Maintenance Expenses

We have had, and expect to continue to have, significant maintenance expenses for our electricity generating plants. A substantial portion of our maintenance expenses are denominated in foreign currencies because of our significant reliance on parts and maintenance expertise not available in Indonesia. The depreciation of the Rupiah can result in a substantial increase in the expected amount of our maintenance expenses.

In addition, our maintenance expenses include maintenance expenses in respect of our IPP Power Supply Contracts. The IPP Power Supply Contracts provide for the reimbursement of these maintenance expenses by us. We generally have limited control over these maintenance expenses.

Maintenance expenses were Rp9,940 billion for the year ended December 31, 2009, Rp11,741 billion for the year ended December 31, 2010, Rp13,593 billion (U.S.$1,434 million for the year ended December 31, 2011 and Rp6,831 billion (U.S.$721 million) for the six months ended June 30, 2012, which included Rp1,976 billion, Rp1,840 billion, Rp1,985 billion (U.S.$209 million) and Rp1,124 billion (U.S.$119 million) for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, respectively, in respect of our IPP Power Supply Contracts which are considered finance leases as per the ISAK 8 Interpretation.

Demand for Electricity by End-Users

The increase in the demand for power depends in part on the growth of the Indonesian economy. The ongoing transformation of the Indonesian economy in terms of an expanding industrial and business customer base has played a particularly important role in the growth of demand for electricity. We believe that industrial, business and residential end-users will continue to be our primary end-users in the power consumption market and our results of operations will depend primarily on the growth in electricity demand of these sectors.

The following table sets forth the percentage of our electricity consumers in each tariff category and the percentage increase from the previous period for the periods indicated.

	As of December 31,										As of June 30,	
	2007		2008		2009		2010		2011		2012	
	(%)	*Increase*	*(%)*	*Increase (decrease)*	*(%)*	*Increase*	*(%)*	*Increase*	*(%)*	*Increase*	*(%)*	*Increase*
Residential	92.9	4.7	92.7	3.3	92.5	3.5	92.8	6.0	92.7	8.3	92.8	8.5
Business.........	4.3	(2.7)	4.4	5.3	4.7	10.7	4.5	1.7	4.5	7.2	4.5	7.7
Industry	0.1	1.1	0.1	0.6	0.1	1.3	0.1	1.6	0.1	3.5	0.1	4.4
Public	2.7	6.5	2.7	5.2	2.7	4.5	2.7	5.5	2.7	5.9	2.6	6.4
Total.............	100	4.4	100	3.5	100	3.9	100	5.8	100	8.2	100	8.4

The following table sets forth the percentage of the power consumption in each tariff category of our electricity consumers and the percentage increase from the previous period for the periods indicated.

	As of December 31,										As of June 30,	
	2007		2008		2009		2010		2011		2012	
	(%)	*Increase*	*(%)*	*Increase*	*(%)*	*Increase*	*(%)*	*Increase (decrease)*	*(%)*	*Increase*	*(%)*	*Increase (decrease)*
Residential	39.0	8.2	28.9	5.2	40.8	10.4	40.6	8.9	41.2	8.8	41.1	11.8
Business	17.0	11.9	17.8	8.7	18.4	10.8	18.4	9.4	17.9	4.2	17.8	8.6
Industry	37.8	5.0	37.2	3.8	34.3	(2.8)	34.6	10.3	34.6	7.3	35.0	9.4
Public	6.2	10.0	6.1	5.0	6.4	9.1	6.3	8.4	6.2	5.6	6.2	9.1
Total	100	7.7	100	5.3	100	5.5	100	9.4	100	7.3	100	10.2

Borrowings

We rely almost exclusively on borrowings (such as two-step loans) and subsidies from the Government for our financing requirements. In addition, we issued domestic bonds of Rp1,500 billion in 2004, Rp2,400 billion in 2006, Rp3,000 billion in 2007, Rp2,200 billion in 2009, Rp3,000 billion in January 2010 and Rp3,000 billion in July 2010, U.S.$1 billion Guaranteed Notes in October 2006, U.S.$1 billion Guaranteed Notes in June 2007, U.S.$750 million Guaranteed Notes in August 2009, U.S.$1.25 billion Guaranteed Notes in November 2009 and U.S.$1 billion Notes in November 2011. As of December 31, 2011, our borrowings, which consisted primarily of two-step loans, Government loans, bank loans, and medium term notes and bonds, certain lease liabilities and electricity purchase payable but excluding certain lease liabilities and electricity purchase payable that were recognised due to the implementation of the ISAK 8 Interpretation, amounted to Rp174,400 billion (U.S.$18,397 million), and as of June 30, 2012, amounted to Rp200,015 billion (U.S.$21,099 million). Our financial cost (excluding financial cost on electricity purchase payable) was Rp15,709 billion in 2009, Rp14,801 billion in 2010, Rp17,007 billion (U.S.$1,794 million) in 2011 and Rp11,274 billion (U.S.$1,189million) for the six months ended June 30, 2012. See “Capitalization”, “Relationship with the Government” and “Description of Material Indebtedness”.

Effects of Rupiah Depreciation

Although the Rupiah has appreciated considerably from its low point of approximately Rp17,000 per U.S. dollar in January 1998 during the Asian financial crisis, the Rupiah continues to experience volatility. A weakening of the Rupiah may increase our operating expenses denominated in or tied to the value of foreign currencies and would increase the Rupiah cost of our foreign currency capital expenditures, which include expenditures for equipment and machinery and many of our expenses related to the Fast Track Programs. In addition, weakening of the Rupiah will increase our Rupiah interest expenses on foreign currency-denominated indebtedness, as well as increase, in Rupiah terms, of our principal repayments on foreign currency-denominated indebtedness.

We currently do not hedge foreign exchange exposures in our business or financing operations. The fluctuations in the Rupiah-U.S. dollar exchange rate affect our debt service costs, fuel costs and operating costs, obligations to IPPs and capital expenditures. All of our revenues are in Rupiah, and we maintain our consolidated financial statements in Rupiah. However, as of June 30, 2012, approximately 78.0% of our total outstanding debt was denominated in U.S. dollars and other foreign currencies. The depreciation of the Rupiah can result in a substantial increase in our expenses reported in Rupiah in our consolidated financial statements.

Modification of the current floating exchange rate policy could also result in significantly higher domestic interest rates, liquidity shortages, capital or exchange controls or the withholding of additional financial assistance by multinational lenders. For additional information, please see "Risk Factors — Risks Relating to our Business and Operations — Depreciation in the value of the Rupiah may have a material adverse effect on our business, financial condition or results of operations and our ability to make payments under the Notes". This could result in a reduction of economic activity, an economic recession, loan defaults and increases in the price of imports, all of which could have and adverse impact on our results of operations.

Seasonality

Demand for electricity is seasonal and is generally lower during, for example, the dry season from April through September. Demand substantially decreases during certain holidays such as the end of Ramadan. We also experience higher demand for electricity from our industrial customers in the second half of the year, generally reflecting their production cycles. Our results of operations may be adversely affected during periods when demand from end-users is lower.

Changes in Accounting Policies

In 2008, the Indonesian Accounting Standard Board ("DSAK") declared that Indonesian accounting standards ("PSAK") will gradually converge to match those of IFRS and by January 2012 the process had been substantially completed. As a result, almost all of Indonesian accounting standards will be replaced by those of the IFRS even where some standards retain their original substance. We will apply these new standards based on the effectivity date of these new or revised standards.

In 2012, our Company adopted several relevant new and revised PSAKs which have been effective since January 1, 2012. The PSAKs, which we believe would have a significant impact on the presentation and disclosure of the restated consolidated financial statements, are as follows:

PSAK 24 (revised 2010), Employee Benefits

This revised standard has introduced an option for recognizing actuarial gains and losses in full in the period in which they occur, outside profit or loss, in the statement of comprehensive income. The revised standard also (a) specified how we and our subsidiaries account for defined benefit group plans in our separate or individual financial statements and (b) requires us to provide additional disclosure.

PSAK 60, Financial Instruments: Disclosures

This standard has combined all disclosures relating to financial instruments into a single standard and replaces the disclosure requirements in PSAK 50 (revised 2006). The standard requires extensive disclosures about the significance of financial instruments relative to an entity's financial position and performance, and quantitative and qualitative disclosures on the nature and extent of financial risks. Adoption of this standard resulted in the inclusion of additional disclosure in the financial statements.

ISAK 8, Determining Whether an Arrangement Contains a Lease

On January 1, 2008, the revised Statement of Financial Accounting Standards (PSAK) No. 30, Leases, became effective and, on September 16, 2008, the Financial Accounting Standards Board Interpretation of Financial Accounting Standard (IFAS) No. 8 ("ISAK 8 Interpretation"), became effective. The ISAK 8 Interpretation provided, among other things, guidance for determining whether an arrangement is or contains a lease that should be accounted for as a finance lease for financial reporting purposes in accordance with PSAK 30 (Revised 2007), Leases, under Indonesian GAAP.

Prior to January 1, 2012, certain of our PPAs and Energy Sales Contracts ("ESC") with IPPs (together referred to as " IPP Power Supply Contracts with IPPs ") were exempted from the scope of the ISAK 8 Interpretation, based on the letter No. S-2366/BL/2009 dated March 30, 2009 from the Chairman of Capital Market and Financial Institutions Supervisory Agency (Bapepam-LK) (the "Bapepam Letter"), since the purpose of the IPP Power Supply Contracts was to enable the Government, through our operations, to carry out its undertaking of supplying electricity as a public service. As a result, we continued to follow our existing accounting policy pursuant to which IPP Power Supply Contracts had been accounted for as a normal purchase of a commodity.

Upon the effectiveness of ISAK 16 on January 1, 2012 that exempted certain IPP Power Supply contracts from being required to be capitalized as finance leases, we reassessed the impact of the ISAK 8 Interpretation on our IPP Power Supply Contracts and determined that our IPP Power Supply Contracts did not qualify under the exemption from the scope of the ISAK 8 Interpretation, as set out in the Bapepam Letter. As a result, we changed our accounting policy and began applying the provisions of the ISAK 8 Interpretation in respect of our IPP Power Supply Contracts beginning January 1, 2012.

We adopted a retrospective application of the ISAK 8 Interpretation, resulting in a restatement of our consolidated financial statements as of and for the years ended December 31, 2009, 2010 and 2011 and for the six months ended June 30, 2011. The details of the related reclassification contained in our restated consolidated financial statements are set forth in "—Restatement of Prior Year Comparative Consolidated Financial Statements" and Note 59 of our restated consolidated financial statements included elsewhere in this Offering Memorandum.

Critical Accounting Policies

Critical accounting policies are those that require application of our management's most difficult, subjective or complex judgments often as a need to make estimates about the effects of matters that are inherently uncertain and may change in subsequent periods.

Certain accounting estimates are particularly sensitive because of their significance to the restated consolidated financial statements and because of the possibility that future events affecting the estimate may differ significantly from our management's current judgments. Our significant accounting policies are more fully described under Note 3 to our restated consolidated financial statements starting from page F-2, included elsewhere in this Offering Memorandum. We have described below the critical accounting policies that our management believes are the most significant, as well as the critical judgments and estimates used in the preparation of our restated consolidated financial statements.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in Indonesia requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities on the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could be different from these estimates.

Property, Plant and Equipment — Direct Acquisition

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes, are stated at cost, less accumulated depreciation and any accumulated impairment losses. Property, plant and equipment include major spare parts and stand-by equipment, with economic benefits of more than one year, which are used to ensure the continuity and stability of the power plant operations and electricity installations necessary to produce and distribute electricity.

Depreciation is computed using the straight-line method based on their estimated economic useful lives as follows:

	Years
Buildings, reservoir and infrastructure	10-47
Installations and power plant	13-30
Transmission equipment	37
Distribution equipment	15-37
General equipment	4-8
Motor vehicles	3-5
Spare parts	10-25
Telecommunication and data processing equipment	5-10
Vessel and equipment	10-15

The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimates accounted for on a prospective basis. Land is stated at cost and is not depreciated.

The cost of maintenance and repairs is charged to profit or loss as incurred. Other costs incurred subsequently to add to, replace part of or service an item of property, plant and equipment are recognized as an asset if and only if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. When assets are retired or otherwise disposed of, their carrying values and the related accumulated depreciation and any impairment loss are removed from the accounts and any resulting gain or loss is reflected in the profit or loss for the respective year.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognized as assets at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the restated consolidated statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the accounting policy on borrowing costs. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Leased assets are depreciated over their expected useful lives on the same basis as property, plant and equipment direct acquisitions. However, where the lease is for a shorter duration than the expected useful life of the asset, the leased asset is depreciated over the term of the relevant lease.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Interpretation of Financial Accounting Standard (ISAK) 8, "Determining Whether an Arrangement Contains a Lease and Further Discussion Clarifying Transition of PSAK 30" (Revised 2007) provides guidance for determining whether an arrangement is or contains a lease that should be accounted for in accordance with PSAK 30 (Revised 2007). On January 1, 2012, we adopted a retrospective application of the ISAK 8 Interpretation, resulting in a restatement of our consolidated financial statements as of and for the years ended December 31, 2009, 2010 and 2011 and for the six months ended June 30, 2011. The principal impact on our consolidated financial statements resulting from this restatement was the requirement to treat a significant portion of our IPP Power Supply Contracts as finance leases. As a result, we have reclassified various statement of comprehensive income and statement of financial position items relating to our IPP Power Supply Contracts. These reclassifications have impacted our consolidated total comprehensive income for each of the years ended December 31, 2009, 2010 and 2011, resulting in higher total comprehensive income for each of the years ended December 31, 2009 and 2010 and lower total comprehensive income for the year ended December 31, 2011.

For further information, see "—Restatement of Prior Year Comparative Consolidated Financial Statements" and Note 59 of our restated consolidated financial statements included elsewhere in this Offering Memorandum.

Revenue and expense recognition

Revenue from the sale of electricity is recognized based on electricity usage (kWh). Expenses are recognized when incurred on an accrual basis.

Government's subsidy

Government subsidy of electricity is recognized as revenue on an accrual basis, which is computed in accordance with the provisions stipulated in the Decree of Ministry of Finance of the Republic of Indonesia. The difference between the amount of electricity subsidy recognized as revenue and the final result of electricity subsidy computation is recorded when the final result of electricity subsidy computation is obtained.

Employee benefits

Post-employment benefits

Post-employment benefits are determined using the Projected Unit Credit Method. The accumulated unrecognized actuarial gains and losses that exceed 10.0% of the greater of the present value of the defined benefit obligations and the fair value of plan assets, is recognized on a straight-line basis over the expected average remaining service years of the participating employees. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

The employee benefits obligation recognized in the restated consolidated statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, and reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognized actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Long-term benefits

Long-term benefits are determined using the projected unit credit method. Past service cost and actuarial gains (losses) are recognized immediately to the current operations. The long-term employee benefit obligation recognized in the restated consolidated statements of financial position represents the present value of the defined benefit obligation.

Critical Accounting Estimates

Fair Value of Power Plants Held Under Finance Lease

The Company and its subsidiaries determined the fair value of certain power plants held under finance lease, as a result of adoption of ISAK 8, by applying appropriate valuation techniques using key assumptions from management which include estimations on discount rates used and allocation of payment components.

While it is believed that the assumptions are based on reasonable basis, significant changes in these assumptions may affect materially the recorded leased assets and leased liabilities, which may impact the result of the Company and its subsidiaries operations.

Impairment Loss on Loans and Receivables

The Company and its subsidiaries assess their loans and receivables for impairment at each reporting date. In determining whether an impairment loss should be recorded in profit or loss, management makes judgment as to whether there is an objective evidence that loss event has occurred. Management also makes judgment as to the methodology and assumptions for estimating the amount and timing of future cash flows which are reviewed regularly to reduce any difference between loss estimate and actual loss.

Allowance for Decline in Value of Inventories

The Company and its subsidiaries provide allowance for decline in value of inventories based on estimated future usage of such inventories. While it is believed that the assumptions used in the estimation of the allowance for decline in value of inventories are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of the allowance for decline in value of inventories, which ultimately will impact the result of the Company and its subsidiaries' operations.

Asset Impairment

Property, plant and equipment and intangible assets are reviewed for impairment whenever impairment indicators are present. Determining the value in use of assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets (cash generating unit) and a suitable discount rate in order to calculate the present value.

While it is believed that the assumptions used in the estimation of the value in use of assets reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse impact on the results of operations.

Results of Operations

The following table sets forth, for the periods indicated, certain revenue and expense items for our consolidated operations, expressed as a percentage of total revenue.

	Year ended December 31,			Six months ended June 30,	
	2009	2010	2011	2011	2012
	(percentage of total revenues)				
Revenues					
Sale of electricity	62.1	63.4	54.2	57.8	55.8
Government's electricity subsidy	37.0	35.8	44.8	41.5	43.2
Customer connection fees	0.4	0.5	0.5	0.5	0.6
Others	0.5	0.3	0.5	0.3	0.4
Total Revenues	100.0	100.0	100.0	100.0	100.0
Operating Expenses					
Fuel and lubricants	58.9	57.8	63.1	63.9	58.9
Purchased electricity	0.6	0.6	0.6	0.6	1.2
Lease	2.0	2.0	2.8	2.5	2.8
Maintenance	6.8	7.2	6.5	5.9	6.1
Personnel	6.7	8.0	6.3	5.6	5.6
Depreciation	9.6	9.0	7.8	7.8	8.5
Others	2.8	2.6	2.1	1.9	2.1
Total Operating Expenses	87.3	87.3	89.2	88.1	85.2
Income Before Financial and Other Items	12.7	12.7	10.8	11.9	14.8
Net Financial and Other Items					
Interest income	0.3	0.5	0.2	0.3	0.2
Gain (Loss) on foreign exchange — net	10.8	2.7	(0.9)	5.7	(6.1)
Financial cost	(11.1)	(9.3)	(8.3)	(8.3)	(10.3)
Others— net	0.2	0.7	0.9	1.8	0.7
Total Net Financial and Other Items	0.1	(5.5)	(8.1)	(0.5)	(15.5)
Profit (Loss) Before Tax	12.8	7.2	2.7	11.4	(0.7)
Tax Benefit/Expense	(2.7)	(0.9)	—	(0.9)	0.7
Income for the Period and Total Comprehensive Income	10.0	6.4	2.6	10.5	—

Principal Components of Results of Operations

Revenues

Sale of electricity

Our revenues are principally derived from the sale of electricity.

Government's electricity subsidy

The Government provides us subsidies on the basis that we perform PSOs. Costs covered by the subsidies are electric power purchases, fuel expenses (such as for fuel oil, natural gas, geothermal, coal, lubricating oil), maintenance expenses (such as for material), personnel expenses, administration expenses, depreciation of fixed operational assets and financing costs used for electric power provision. See "Relationship with the Government — Government as Lender and Provider of Subsidies".

Customer connection fees

Our customer connection fees are the fees charged for electricity connections and upgrading of electricity power. Our connection fees are based on, among other things, the type of customer (such as residential, business, industrial or public), voltage level, location, site conditions and other installation requirements (such as the need to install a new line).

Others

Our other revenues are revenues recognized in respect of the provision of information and telecommunication services by our subsidiary, PT Indonesia Comnets Plus, to third parties.

Operating Expenses

Fuel and lubricants

Our principal expenses are the purchase of fuel oil, coal, natural gas and geothermal energy. Since October 2005, our purchases of fuel oil from Pertamina have been based on market price (MOPS) plus a margin as negotiated with Pertamina. Coal, natural gas and geothermal energy costs are based on contractual prices. A substantial portion of our fuel expenses are denominated in, or linked to, the U.S. dollar. We also purchase lubricants for our machinery.

In addition, our fuel and lubricants expenses include fuel and lubricants expenses in respect of our IPP Power Supply Contracts. The IPP Power Supply Contracts provide for the reimbursement of these expenses by us.

Purchased electricity

Purchased electricity costs are the costs of purchasing excess power from captive power generators, which primarily generate power for their own internal usage. In addition, purchased electricity costs may also include the costs of purchasing electricity during the commissioning of an IPP.

Prior to January 1, 2012, the costs of energy purchased in respect of our IPP Power Supply Contracts were recognized as incurred based on the terms of the contracts, and presented in our financial statements as purchased electricity. As a result of the restatement of our consolidated financial statements, we have reclassified certain of these costs. For further information, see "—Restatement of Prior Year Comparative Consolidated Financial Statements" and Note 59 of our restated consolidated financial statements included elsewhere in this Offering Memorandum.

Lease

Lease expenses primarily include the costs of renting generating units and operating lease payments, including contingent rent payments to certain IPPs.

Maintenance

Maintenance expenses include routine maintenance charges, labor costs, contractors' fees and the cost of procuring parts in connection with major maintenance. In addition, our maintenance expenses include maintenance expenses in respect of our IPP Power Supply Contracts. The IPP Power Supply Contracts provide for the reimbursement of these maintenance expenses by us.

Personnel expenses

Personnel expenses includes salaries, allowances, incentives and employee benefits such as pension and health insurance expenses.

Depreciation

Depreciation includes depreciation expenses in respect of property, plant and equipment, such as installations and power plants, distribution equipment, transmission equipment, buildings, reservoir and infrastructure, general equipment, motor vehicles, spare parts and telecommunication and data processing equipment.

Others

Our other expenses include various administrative expenses, such as travel, honorarium, meter reading, billing collection, marketing, insurance and bill printing, among others.

Net Financial and Other Items

Interest income

Interest income refers to income from time deposits and short-term investments and long-term receivables.

Financial cost

Interest expense and financing charges refer to interest expense on tax payable on revaluation increments, interest payable on bank loans, two-step loans, government loans and bonds and expenses due to IPPs for accounts payable.

In addition, our financial costs include interest payments relating to IPP financing and certain margin recovery costs payable in respect of our IPP Power Supply Contracts.

Others

This line item consists primarily of amounts earned by renting out transformers to industrial customers, administrative fees charged from customers who wish to upgrade their electricity capacity and for other services such as changing the name of customers for contracts, fees charged for relocation of power lines, administrative penalties charged for late payments, service income and fees for public light collection services. In addition, this line item includes honorarium, primarily consisting of fees paid to third parties for maintenance of lines.

Six months ended June 30, 2012 and 2011

Sale of electricity

Our sale of electricity increased by 9.2% to Rp62,181 billion (U.S.$6,559 million) for the six months ended June 30, 2012 from Rp56,930 billion for the six months ended June 30, 2011. This increase was primarily due to an 8.4% increase in the number of customers to 47.8 million customers for the six months ended June 30, 2012 from 44.0 million customers for the six months ended June 30, 2011, and a 10.2% increase in the volume of electricity sold to 84,737 GWh for the six months ended June 30, 2012 from 76,868 GWh for the six months ended June 30, 2011.

Government's electricity subsidy

For the six months ended June 30, 2012, we recognized Rp48,088 billion (U.S.$5,073 million) as revenue from Government electricity subsidies, an increase of 17.7% over Rp40,862 billion recognized as revenue for the six months ended June 30, 2011. This increase was primarily due to an increase of 9.3% in our total operating expenses from June 30, 2011 to June 30, 2012, partially offset by a decrease in the PSO Margin from 8% in the six months ended June 30, 2011 to 7% in the six months ended June 30, 2012.

Customer connection fees

Our customer connection fees increased by 30.0% to Rp664 billion (U.S.$70 million) for the six months ended June 30, 2012 from Rp511 billion for the six months ended June 30, 2011. This increase was primarily due to the increase in the number of customers, and in particular an increase in types of customers with respect to which we charge higher connection fees.

Others

Other revenues increased by 66.8% to Rp438 billion (U.S.$46 million) for the six months ended June 30, 2012 as compared to Rp263 billion for the six months ended June 30, 2011, primarily due to the increase in revenue received from our subsidiary, PT Indonesia Comnets Plus, for the provision of information and communication technology services to third parties, as well as other services provided by our company.

Operating Expenses

Fuel and lubricants

Our fuel and lubricants expenses increased by 4.0% to Rp65,549 billion (U.S.$6,914 million) for the six months ended June 30, 2012 from Rp63,017 billion for the six months ended June 30, 2011. This increase was primarily due to a general increase in coal prices and natural gas usage, combined with an increase in the aggregate of amount of fuel expenses paid in respect of our IPP Power Supply Contracts.

We incurred coal expenses (excluding coal expenses we recognized in respect of our IPP Power Supply Contracts which are considered finance leases as per the ISAK 8 Interpretation) amounting to Rp13,183 billion (U.S.$1,391 million) for the six months ended June 30, 2012, compared to Rp8,699 billion for the six months ended June 30, 2011. In the first six months of 2012, the average price across our regions of coverage for coal was Rp714 per kg, compared to Rp682 per kg in the first six months of 2011. Excluding such fuel and lubricants expenses we recognized in respect of our IPP Power Supply Contracts which are considered finance leases as per the ISAK 8 Interpretation, high-speed diesel oil accounted for 51.9% of our fuel and lubricants expenses in the six months ended June 30, 2012, compared to 59.9% in the six months ended June 30, 2011. This decrease was primarily due to the decrease in the volume and prices of high-speed diesel we purchased as well as from an increase in our natural gas expenses (excluding natural gas expenses we recognize in respect of our IPP Power

Supply Contracts which are considered finance leases as per the ISAK 8 Interpretation) to Rp7,287 billion (U.S.$769 million) for the six months ended June 30, 2012 from Rp5,210 billion for the six months ended June 30, 2011, primarily due to the increase in the volume and price (as a result of foreign exchange movements) of natural gas we purchased.

In addition, our fuel expenses recognized in respect of our IPP Power Supply Contracts which are considered finance leases as per the ISAK 8 Interpretation increased from Rp4,979 billion in the six months ended June 30, 2011 to Rp6,175 billion (U.S.$651 million) in the six months ended June 30, 2012, and comprised coal expenses, marine fuel oil expenses, natural gas expenses and geothermal expenses amounting to Rp4,576 billion (U.S.$483 million), Rp336 billion (U.S.$35 million), Rp740 billion (U.S.$78 million) and Rp520 billion (U.S.$55 million), respectively, for the six months ended June 30, 2012, as compared to Rp3,700 billion, Rp223 billion, Rp524 billion and Rp529 billion, respectively, for the six months ended June 30, 2011.

Purchased electricity

Our purchased electricity increased by 144.6% to Rp1,384 billion (U.S.$146 million) for the six months ended June 30, 2012 from Rp566 billion for the six months ended June 30, 2011. This increase was primarily due to the payment of certain fuel costs during the commissioning of certain Paiton Energy units during the six months ended June 30, 2012, as well as overall increased excess electricity purchases from other captive power generators, including Cikarang Listrindo.

Lease

Our lease expense increased by 28.0% to Rp3,101 billion (U.S.$327 million) for the six months ended June 30, 2012 from Rp2,423 billion for the six months ended June 30, 2011. This increase was primarily due to additional rentals of generator units.

Maintenance

Our maintenance expenses increased by 17.9% to Rp6,831 billion (U.S.$721 million) for the six months ended June 30, 2012 from Rp5,796 billion for the six months ended June 30, 2011. This increase was primarily due to an increased number of fixed assets acquired relating to our increasing customer base and distribution network infrastructure, combined with general cost increases. In addition, our maintenance expenses included maintenance expenses we recognized in respect of our IPP Power Supply Contracts which are considered finance leases as per the ISAK 8 Interpretation of Rp1,124 billion (U.S.$119 million) for the six months ended June 30, 2012 as compared to Rp985 billion for the six months ended June 30, 2011.

Personnel

Our personnel expenses increased by 14.4% to Rp6,280 billion (U.S.$662 million) for the six months ended June 30, 2012 from Rp5,491 billion for the six months ended June 30, 2011. This was primarily due to an increase in bonus and incentive payments, together with an increase in employee benefit expenses resulting from a reassessment of certain underlying rate assumptions, as well as other salary increases.

Depreciation

Our depreciation expenses increased by 23.5% to Rp9,464 billion (U.S.$998 million) for the six months ended June 30, 2012 from Rp7,667 billion for the six months ended June 30, 2011. This increase was primarily due to an increase in the number of fixed assets acquired during the period.

Others

Other operating expenses increased by 25.2% to Rp2,304 billion (U.S.$243 million) for the six months ended June 30, 2012 from Rp1,840 billion for the six months ended June 30, 2011. This increase was primarily due to increases in official travel, honorarium, meter reading, insurance, postage, billing collection, customer maintenance and information technology expenditures.

Net Financial and Other Items

Interest income

Our interest income decreased by 33.5% to Rp221 billion (U.S.$23 million) for the six months ended June 30, 2012 from Rp333 billion for the six months ended June 30, 2011, primarily due to lower interest rates in respect of time deposits and other bank balances during the period.

Gain (loss) on foreign exchange — net

We recognized a loss on foreign exchange of Rp6,741 billion (U.S.$711 million) for the six months ended June 30, 2012 as compared to a gain of Rp5,596 billion for the six months ended June 30, 2011. This loss in 2012 was primarily due to the depreciation in value of the Rupiah against the U.S. dollar and other foreign currencies for the six months ended June 30, 2012. In addition, our loss on foreign exchange for the six months ended June 30, 2012 reflected the portion of IPP debt for which we are required to bear foreign exchange losses under our IPP Power Supply Contracts which are considered finance leases as per the ISAK 8 Interpretation of Rp2,659 million (U.S.$280 million) as compared to the reflection of a gain of Rp2,158 million for the six months ended June 30, 2011.

Financial cost

Our financial cost increased by 40.6% to Rp11,459 billion (U.S.$1,209 million) for the six months ended June 30, 2012 from Rp8,152 billion for the six months ended June 30, 2011. This increase was primarily due to certain lease liability adjustments which resulted from the implementation of ISAK 8 "Determining Whether An Arrangement Contains A Lease", as well as increased interest payments in respect of certain Paiton Energy and Pembangkitan Tanjung Jati B units which became operational in late 2011 and early 2012, and the completion of several power plants in respect of the Fast Track Program I. In addition, this increase resulted from additional interest expense relating to the issuance of our 2011 Notes.

Others — net

Our other positive net financial and other items was Rp732 billion (U.S.$77 million) for the six months ended June 30, 2012, compared to Rp1,735 billion for the six months ended June 30, 2011. This decrease was primarily due to a loss on impairment of property, plant and equipment, which principally related to obsolete property, plant and equipment, a decrease in claim and other service income and other expenses, partially offset by an increase in the equity in net income in associates.

Total net financial and other items

Our total negative net financial and other items was Rp17,247 billion (U.S.$1,819 million) for the six months ended June 30, 2012, compared to Rp488 billion for the six months ended June 30, 2011, primarily due to the factors outlined in the preceding paragraphs.

Profit (loss) before tax

We recognized a loss before tax of Rp789 billion (U.S.$83 million) for the six months ended June 30, 2012 as compared to a profit before tax of Rp11,277 billion for the six months ended June 30, 2011.

Tax benefit/expense

We recognized a tax benefit of Rp820 billion (U.S.$87 million) for the six months ended June 30, 2012 as compared to a tax expense of Rp919 billion for the six months ended June 30, 2011. This benefit primarily resulted from a deferred tax benefit of Rp1,444 billion (U.S.$152 million) realized during the six months ended June 30, 2012 compared to a deferred tax loss of Rp35 billion realized during the six months ended June 30, 2011, which resulted from the implementation of ISAK 8 "(Determining Whether An Arrangement Contains A Lease)", as well as from an overall decrease in our current tax by Rp260 billion (U.S.$27 million).

Income for the period and total comprehensive income

As a result of the foregoing factors, our income for the period and total comprehensive income was Rp31 billion (U.S.$3 million) for the six months ended June 30, 2012, compared to Rp10,358 billion for the six months ended June 30, 2011.

Years ended December 31, 2011 and 2010

Sale of electricity

Our sales of electricity increased by 9.6% to Rp112,845 billion (U.S.$11,903 million) for the year ended December 31, 2011 from Rp102,974 billion for the year ended December 31, 2010. This was primarily due to an 8.2% increase in the number of customers to 45.9 million customers for the year ended December 31, 2011 from 42.4 million customers for the year ended December 31, 2010, and a 7.2% increase in the volume of electricity sold to 157.9 TWh for the year ended December 31, 2011 from 147.3 TWh for the year ended December 31, 2010, combined with an increase in the electricity tariff, effective from July 1, 2010, resulting in an overall average increase in our average selling price from Rp699 per kWh for the year ended December 31, 2010 to Rp714 per kWh for the year ended December 31, 2011.

Government's electricity subsidy

For the year ended December 31, 2011, we recognized Rp93,178 billion (U.S.$9,829 million) as revenue from Government electricity subsidies, an increase of 60.4% over Rp58,108 billion recognized as revenue for the year ended December 31, 2010. This increase was primarily due to a significant increase in our total costs of supply, partially offset by a 10% increase in the electricity tariff which was effective from July 1, 2010.

Customer connection fees

Our customer connection fees increased by 32.6% to Rp1,009 billion (U.S.$106 million) for the year ended December 31, 2011 from Rp761 billion for the year ended December 31, 2010. This increase was primarily due to an increase in the number of customers, and in particular an increase in the types of customers with respect to which we charge higher connection fees and tariffs and the corresponding increase of the tariff charged as a connection fee.

Others

Other revenues increased by 85.3% at Rp987 billion (U.S.$104 million) for the year ended December 31, 2011 from Rp533 billion for the year ended December 31, 2010, primarily due to an increase in revenue received from our subsidiary, PT Indonesia Comnets Plus, for the provision of information and communication technology services to third parties, as well as in respect of other services provided by us.

Operating Expenses

Fuel and lubricants

Our fuel and lubricants expenses increased by 39.7% to Rp131,158 billion (U.S.$13,835 million) for the year ended December 31, 2011 from Rp93,899 billion for the year ended December 31, 2010. This increase was primarily due to a general increase in fuel oil and coal prices, combined with an increase in the aggregate of amount of fuel expenses paid in respect of our IPP Power Supply Contracts.

We incurred high-speed diesel oil expense (excluding high-speed diesel oil expenses we recognized in respect of our IPP Power Supply Contracts which are considered finance leases as per the ISAK 8 Interpretation) amounting to Rp70,555 billion (U.S.$7,442 million) for the year ended December 31, 2011, compared to Rp41,749 billion for the year ended December 31, 2010. In 2011, the average price of high-speed diesel oil across our regions of coverage was Rp8,513 per liter, compared to Rp6,050 per liter in 2010. Excluding such fuel and lubricants expenses we recognized in respect of our IPP Power Supply Contracts which are considered finance leases as per the ISAK 8 Interpretation, high-speed diesel oil accounted for approximately 58.5% of our fuel and lubricants expenses in the year ended December 31, 2011, compared to 49.6% of our fuel and lubricants expenses in 2010. In addition, our natural gas expenses (excluding natural gas expenses we recognized in respect of our IPP Power Supply Contracts which are considered finance leases as per the ISAK 8 Interpretation) decreased from Rp11,979 billion for the year ended December 31, 2010 to Rp11,391 billion (U.S.$1,202 million) for the year ended December 31, 2011 primarily due to the entry into operation of several new steam turbine power plants as part of the Fast Track Program I.

In addition, our fuel expenses we recognized in respect of our IPP Power Supply Contracts which are considered finance leases as per the ISAK 8 Interpretation increased from Rp9,708 billion in the year ended December 31, 2010 to Rp10,605 billion (U.S.$1,119 million) in the year ended December 31, 2011, and comprised coal expenses, marine fuel oil expenses, natural gas expenses and geothermal expenses amounting to Rp7,888 billion (U.S.$832 million), Rp576 billion (U.S.$61 million), Rp1,102 billion (U.S.$116 million) and Rp1,035 billion (U.S.$109 million), respectively, for the year ended December 31, 2011, as compared to Rp7,381 billion, Rp417 billion, Rp836 billion and Rp1,074 billion, respectively, for the year ended December 31, 2010.

Purchased electricity

Our purchased electricity increased by 40.7% to Rp1,257 billion (U.S.$133 million) for the year ended December 31, 2011 from Rp893 billion for the year ended December 31, 2010. This increase was primarily due to the payment of certain fuel costs during the commissioning of PT Guo Hua Energi Musi Makmur (GHEMM) and PT Bajradaya Sentranusa during the year ended December 31, 2011, together with overall increased excess electricity purchases from captive power generators, including Cikarang Listrindo.

Lease

Our lease expense increased by 78.9% to Rp5,776 billion (U.S.$609 million) for the year ended December 31, 2011 from Rp3,228 billion for the year ended December 31, 2010. This increase was primarily due to additional rentals of generator units.

Maintenance

Our maintenance expenses increased by 15.8% to Rp13,593 billion (U.S.$1,434 million) for the year ended December 31, 2011 from Rp11,741 billion for the year ended December 31, 2010. This increase was primarily due to an increased number of generating, distribution and transmission assets acquired relating to our increasing customer base and distribution network infrastructure, combined with general cost increases. In addition, our maintenance expenses included maintenance expenses we recognized in respect of our IPP Power Supply Contracts which are considered finance leases as per the ISAK 8 Interpretation of Rp1,985 billion (U.S.$209 million) for the year ended December 31, 2011 as compared to Rp1,840 billion for the year ended December 31, 2010.

Personnel

Our personnel expenses increased by 1.9% to Rp13,197 billion (U.S.$1,392 million) for the year ended December 31, 2011 from Rp12,954 billion for the year ended December 31, 2010. This increase was primarily due to an increase in employee benefits, partially offset by a decrease in bonus and incentive payments.

Depreciation

Our depreciation expenses increased by 10.6% to Rp16,255 billion (U.S.$1,715 million) for the year ended December 31, 2011 from Rp14,692 billion for the year ended December 31, 2010. This increase was primarily due to an increase in the number of fixed assets acquired during the period.

Others

Other operating expenses increased by 2.8% to Rp4,405 billion (U.S.$465 million) for the year ended December 31, 2011 from Rp4,286 billion for the year ended December 31, 2010. This increase was primarily due to increased honorarium, billing collection and control of energy use, insurance and customer maintenance expenditures, partially offset by decreased travel, postage, telephone and telegraph and technological information expenditures.

Net Financial and Other Items

Interest income

Our interest income decreased by 33.1% to Rp504 billion (U.S.$53 million) for the year ended December 31, 2011 from Rp753 billion for the year ended December 31, 2010 primarily due to lower interest rates in respect of time deposits and other bank balances during the period.

Gain (loss) on foreign exchange — net

We recognized a loss on foreign exchange of Rp1,833 billion (U.S.$193 million) for the year ended December 31, 2011 as compared to a gain on foreign exchange Rp4,336 billion for the year ended December 31, 2010. This loss was primarily due to the depreciation of the Rupiah against the U.S. dollar and other various currencies. In addition, our loss on foreign exchange for the year ended December 31, 2011 reflected the portion of IPP debt for which we are required to bear foreign exchange losses under our IPP Power Supply Contracts which are considered finance leases as per the ISAK 8 Interpretation of Rp508 billion (U.S.$54 million) as compared to the reflection of a gain of Rp2,099 billion for the year ended December 31, 2010.

Financial cost

Our financial cost increased 14.4% to Rp17,361 billion (U.S.$1,831 million) for the year ended December 31, 2011 from Rp15,177 billion for the year ended December 31, 2010. This increase was primarily due to increased interest payments in respect of PT Guo Hua Energi Musi Makmur (GHEMM) and PT Bajradaya Sentranusa which became operational in 2011, as well as an increase in the amount of certain corporate loans and two-step loans and the issuance of the 2011 Notes in November 2011.

Others — net

We recorded other positive net financial and other items of Rp1,827 billion (U.S.$193 million) for the year ended December 31, 2011, a 57.7% increase from other positive net financial and other items of Rp1,159 billion for the year ended December 31, 2010. This increase in other positive net financial and other items was primarily due to increases in administrative penalty income and claims and service income.

Total net financial and other items

Our total negative net financial and other items was Rp16,863 billion (U.S.$1,779 million) for the year ended December 31, 2011, compared to our total negative net financial and other items of Rp8,929 billion for the year ended December 31, 2010.

Profit (loss) before tax

We recognized a profit before tax of Rp5,515 billion (U.S.$582 million) for the year ended December 31, 2011 as compared to Rp11,754 billion for the year ended December 31, 2010.

Tax Benefit/Expense

Our tax expense decreased by 93.7% to Rp89 billion (U.S.$9 million) for the year ended December 31, 2011 from Rp1,406 billion for the year ended December 31, 2010. This decrease primarily resulted from a deferred tax benefit of Rp907 billion (U.S.$96 million) realized during the year ended December 31, 2011 compared to a deferred tax loss of Rp671 billion realized during the year ended December 31, 2010, partially offset by an overall increase in our current tax by Rp261 billion (U.S.$27 million). The deferred tax benefit was due to the application of a decrease in the effective corporate tax rate from 25% to 28% effective January 1, 2010.

Income for the period and total comprehensive income

As a result of the foregoing factors, our income for the period and total comprehensive income decreased by 47.6% to Rp5,426 billion (U.S.$572 million) for the year ended December 31, 2011, compared to Rp10,347 billion for the year ended December 31, 2010.

Years Ended December 31, 2010 and 2009

Sale of electricity

Our sales of electricity increased by 14.2% to Rp102,974 billion for the year ended December 31, 2010 from Rp90,172 billion for the year ended December 31, 2009. This increase was primarily due to an increase in the number of customers by 5.8% to 42.4 million customers for the year ended December 31, 2010 from 40.1 million customers for the year ended December 31, 2009, and an increase in the volume of electricity sold by 9.4% to 147,297 GWh for the year ended December 31, 2010 from 134,582 GWh for the year ended December 31, 2009, combined with a 10% increase in the electricity tariff, effective from July 1, 2010, resulting in an overall average increase in our average selling price from Rp670 per kWh in 2009 to Rp699 per kWh in 2010.

Government's electricity subsidy

For the year ended December 31, 2010, we recognized Rp58,108 billion as revenue from Government electricity subsidies, an increase of 8.2% over Rp53,720 billion recognized as revenue for the year ended December 31, 2009. This increase was primarily due to an increase in the PSO Margin from 5% in 2009 to 8% in 2010 and an increase in our total costs of supply, partially offset by a 10% increase in the electricity tariff which was effective from July 1, 2010.

Customer connection fees

Our customer connection fees increased by 16.7% to Rp761 billion for the year ended December 31, 2010 from Rp652 billion for the year ended December 31, 2009. This increase was primarily due to an increase in the number of new customers and an increase in the tariff for the connection fee.

Others

Other revenues decreased by 21.5% to Rp533 billion for the year ended December 31, 2010 from Rp679 billion for the year ended December 31, 2009. This decrease was primarily due to a decrease in the revenue received from our subsidiary, PT Indonesia Comnets Plus, for the provision of information and communication technology services to third parties.

Operating Expenses

Fuel and lubricants

Our fuel and lubricants expenses increased by 9.8% to Rp93,899 billion for the year ended December 31, 2010 from Rp85,499 billion for the year ended December 31, 2009. This increase was primarily due to a general increase in fuel oil prices, combined with an increase in the aggregate of amount of fuel expenses paid in respect of our IPP Power Supply Contracts.

We incurred high-speed diesel oil expense (excluding high-speed diesel oil expenses we recognized in respect of those IPP Power Supply Contracts which are considered finance leases as per the ISAK 8 Interpretation) amounting to Rp41,749 billion for the year ended December 31, 2010, compared to Rp34,752 billion for the year ended December 31, 2009. In 2010, the average price of high-speed diesel oil across our regions of coverage was Rp6,050 per liter, compared to Rp5,601 in 2009. Excluding such fuel and lubricants expenses we recognized in respect of those IPP Power Supply Contracts which are considered finance leases as per the ISAK 8 Interpretation, high -speed diesel oil accounted for approximately 49.6% of our fuel and lubricants expenses in the year ended December 31, 2010, compared to 45.6% of our fuel and lubricants expenses in 2009. This increase was partially offset by the increase in our natural gas expenses (excluding natural gas expenses we recognized in respect of those IPP Power Supply Contracts which are considered finance leases as per the ISAK 8 Interpretation) from Rp10,128 billion for the year ended December 31, 2009 to Rp11,979 billion for the year ended December 31, 2010 due to the initiation of new steam turbine power plants as part of the Fast Track Program I.

In addition, our fuel expenses paid in respect of those IPP Power Supply Contracts which are considered finance leases as per the ISAK 8 Interpretation increased from Rp9,264 billion in the year ended December 31, 2009 to Rp9,708 billion in the year ended December 31, 2010, and comprised coal expenses, marine fuel oil expenses, natural gas expenses and geothermal expenses amounting to Rp7,381 billion, Rp417 billion, Rp836 billion and Rp1,074 billion, respectively, for the year ended December 31, 2010 as compared to Rp6,663 billion, Rp405 billion, Rp991 billion and Rp1,205 billion, respectively, for the year ended December 31, 2009.

Purchased electricity

Our purchased electricity increased by 10.4% to Rp893 billion for the year ended December 31, 2010 from Rp809 billion for the year ended December 31, 2009. This increase was primarily due to overall increased excess electricity purchases from captive power generators.

Lease

Our lease expenses increased by 13.2% to Rp3,228 billion for the year ended December 31, 2010 from Rp2,851 billion for the year ended December 31, 2009. This increase was primarily due to additional rentals of generator units.

Maintenance

Our maintenance expenses increased by 18.1% to Rp11,741 billion for the year ended December 31, 2010 from Rp9,940 billion for the year ended December 31, 2009. This increase was primarily due to an increased number of fixed assets acquired, resulting in increased ordinary maintenance expenses at our electricity generating plants and other general cost increases. In addition, our maintenance expenses included maintenance expenses we recognized in respect of our IPP Power Supply Contracts which are considered finance leases as per the ISAK 8 Interpretation of Rp1,840 billion for the year ended December 31, 2010 as compared to Rp1,976 billion for the year ended December 31, 2009.

Personnel

Our personnel expenses increased by 32.8% to Rp12,954 billion for the year ended December 31, 2010 from Rp9,758 billion for the year ended December 31, 2009. This increase was primarily due to an overall increase in salaries and bonus and incentive payments, together with a 2.9% increase in the number of employees to 46,296 as of December 31, 2010 from 45,000 as of December 31, 2009 and a related increase in pension contributions.

Depreciation

Our depreciation expenses increased by 5.5% to Rp14,692 billion for the year ended December 31, 2010 from Rp13,921 billion for the year ended December 31, 2009. This increase was primarily due to an increase in the number of fixed assets acquired during the period.

Others

Other operating expenses increased by 6.2% to Rp4,286 billion for the year ended December 31, 2010 from Rp4,036 billion for the year ended December 31, 2009. This increase was primarily due to increased travel expenses, gas, telephone and water and technological information expenses.

Net Financial and Other Items

Interest income

Our interest income increased by 105.4% to Rp753 billion for the year ended December 31, 2010 from Rp367 billion for the year ended December 31, 2009. This increase was primarily due to an increase in cash and cash equivalents from Rp13,043 billion as of December 31, 2009 to Rp19,717 billion as of December 31, 2010.

Gain on foreign exchange — net

We recognized a 72.3% decrease on the gain on foreign exchange of Rp4,336 billion for the year ended December 31, 2010 as compared to Rp15,666 billion for the year ended December 31, 2009. This gain was primarily due to the appreciation of the Rupiah against the U.S. dollar and other various currencies. In addition, our gain on foreign exchange included Rp2,099 billion for the year ended December 31, 2010 as compared to a gain of Rp8,088 billion for the year ended December 31, 2009, which reflected the portion of IPP debt for which we were required to bear foreign exchange losses under our IPP Power Supply Contracts.

Financial cost

Our financial cost decreased by 6.0% to Rp15,177 billion for the year ended December 31, 2010 from Rp16,149 billion for the year ended December 31, 2009. This decrease was primarily due to a decrease in our financial cost on lease liabilities from Rp12,372 billion for the year ended December 31, 2009 to Rp10,281 billion for the year ended December 31, 2010, as well as by the impact of the appreciation of the Rupiah against the U.S. dollar in respect of our U.S. dollar denominated indebtedness, partially offset by an increase in the financial cost on bonds relating to our bond issuances in 2010.

Others — net

We recorded other positive net financial and other items of Rp1,159 billion for the year ended December 31, 2010, a 347.3% increase from other positive net financial and other items of Rp259 billion for the year ended December 31, 2009. This increase in other positive net financial and other items was primarily due to increases in administrative penalty income, claim and service income and gains on sales of assets not used in operations, partially offset by a decrease in equity in net income of associates.

Total net financial and other items

Our total negative net financial and other items was Rp8,929 billion for the year ended December 31, 2010, compared to our total positive net financial and other items of Rp143 billion for the year ended December 31, 2009, primarily due to the factors outlined in the preceding paragraphs.

Profit (loss) before tax

We recognized a profit before tax of Rp11,754 billion for the year ended December 31, 2010 as compared to Rp18,550 billion for the year ended December 31, 2009.

Tax benefit/expense

Our tax expense decreased by 64.7% to Rp1,406 billion for the year ended December 31, 2010 from Rp3,984 billion for the year ended December 31, 2009. This decrease was primarily due to a decrease in deferred tax resulting from the application of a revised effective corporate income tax rate of 25% from 28% as of January 1, 2010.

Income for the period and total comprehensive income

As a result of the foregoing factors, our income for the period and total comprehensive income decreased by 29.0% to Rp10,347 billion for the year ended December 31, 2010 from Rp14,567 billion for the year ended December 31, 2009.

Liquidity and Capital Resources

Working capital, cash and indebtedness

We fund our short-term working capital requirements through cash flow from operating activities, government subsidies, working capital facilities and short-term borrowings such as bank loans. As of December 31, 2009, 2010 and 2011 and June 30, 2012, we had cash and cash equivalents of Rp13,043 billion, Rp19,717 billion, Rp22,088 billion (U.S.$2,330 million) and Rp19,377 billion (U.S.$2,044 million), respectively.

We believe that cash generated from our operating activities and government subsidies will be sufficient to finance our working capital needs for the next 12 months.

Our total borrowings (including two-step loans, Government loans, bonds payable, bank loans and medium term notes, certain lease liabilities and electricity purchase payable, but excluding certain lease liabilities and electricity purchase payable that were recognised due to the implementation of the ISAK 8 Interpretation) were Rp200,015 billion (U.S.$21,099 million) as of June 30, 2012 and Rp174,400 billion (U.S.$18,397 million) as of December 31, 2011. Long-term borrowings were Rp112,859 billion, Rp128,092 billion, Rp164,816 billion (U.S.$17,386 million) and Rp182,416 billion

(U.S.$19,242 million) as of December 31, 2009, 2010 and 2011 and June 30, 2012, respectively, while the average interest rate of our bonds was 6.6%, 10.0%, 9.9% and 9.7%, respectively. The average interest rate of our two-step loans was 4.6%, 3.5%, 3.6% and 3.1% as of December 31, 2009, 2010 and 2011 and June 30, 2012, respectively.

As of December 31, 2011, we had outstanding bonds payable of Rp55,908 billion (U.S.$5,898 million). As of June 30, 2012, we had outstanding bonds payable of Rp56,877 billion (U.S.$6,000 million).

Our ratio of total borrowings to shareholders' equity was 88.8%, 98.2%, 119.4% and 139.5% as of December 31, 2009, 2010 and 2011 and June 30, 2012, respectively.

As of June 30, 2012, we had aggregate outstanding long-term debt of Rp246,472 billion (U.S.$25,999 million). A significant portion of our long-term debt is comprised of two-step loans, bank loans and medium term notes, the 2006 Guaranteed Notes, the 2007 Guaranteed Notes, the 2009 Guaranteed Notes, the 2011 Notes, and domestic bonds we issued in 2004, 2006, 2007, 2009 and 2010 and our lease liability. As of June 30, 2012, the long-term portion of the two-step loans was Rp28,797 billion (U.S.$3,038 million), the long-term portion of the bank loans and medium term notes was Rp47,669 billion (U.S.$5,028 million), the long-term portion of our outstanding Rupiah and U.S. dollar-denominated bonds was Rp56,877 billion (U.S.$6,000 million) and the long-term portion of our lease liability was Rp98,619 billion (U.S.$10,403 million). See "Description of Material Indebtedness" for further information regarding our indebtedness.

The following table sets forth a summary of our material long-term portion of two-step loans which are re-lent from the Government:

Lender	**Purpose**	**Amount outstanding in equivalent Rupiah as of June 30, 2012**
		(in Rp Billions)
IBRD	Purposes include constructing electricity generating plants, financing our power sector efficiency project, our rural electrification project and our power transmission project.	1,754
ADB	Purposes include constructing electricity generating plants, setting up the Sumatra transmission project, financing our power development and efficiency enhancement project, our renewable energy development sector project and our power transmission improvement sector project.	2,705
JBIC & JICA	Primarily to finance the repowering of electricity generating plants, Gas Insulation Substation (GIS), Under Ground Cables (UGC), constructions, rehabilitation, transmission improvement and improvement in system operation.	21,631
KfW	Primarily to finance our transmission projects and to purchase equipment.	469
Banque Paribas	Primarily to finance our transmission and substation projects.	953

In addition to the above facilities, we have also issued Rupiah-denominated bonds. For further details about our Rupiah-denominated bonds, U.S. dollar-denominated notes, material long-term loan facilities sourced from overseas creditors and other debt, see "Description of Material Indebtedness".

Under the terms of our domestic bonds issued in 2004, 2006, 2007, 2009 and 2010, we are required to comply with various financial covenants, including maintaining certain ratios such as a ratio of total financial liabilities to total assets not exceeding 80.0%, a minimum of 2:1 ratio of EBITDA to interest expense for domestic bonds issued in 2004, 2006 and 2007 and a minimum of 1.5:1 for those issued in 2009 and 2010 and a ratio of the aggregate value of our power plants, transmission and distribution facilities to interest-bearing liabilities which are not secured by specific collaterals (excluding two-step loans and government loans) at a minimum of 150.0% for domestic bonds issued in 2006, ratio of power plants, transmission and distribution facilities to interest bearing liabilities which are not secured by specific collaterals (excluding two-step loans, direct loans, global bonds and government loans) at a minimum of 125.0% for domestic bonds issued in 2007, 2009 and 2010.

Certain covenants imposed under the Rupiah-denominated bonds issued by us in 2004, 2006, 2007, 2009 and 2010 restrict us from using our assets as collateral; acting as a guarantor; granting loans to other parties; entering into any mergers, consolidations or acquisitions that would cause us to be dissolved; transfer our property, plant and equipment and allow our subsidiaries to grant loans to other parties or make an investment; issue new higher ranking bonds and change our business activities or decrease our authorized, subscribed and paid-up capital.

Under the terms of the indentures governing the 2006 Guaranteed Notes, the 2007 Guaranteed Notes, the 2009 Guaranteed Notes and the 2011 Notes, we are required to comply with various restrictive and financial covenants that limit our ability to take certain actions, including, among other things, incurring additional indebtedness; incurring liens; declaring or paying dividends equal to or greater than 50.0% of our consolidated net income in a given year and entering into mergers, acquisitions and disposals. In addition, we will be subject to restrictive covenants upon the issue of any Notes under this Program under the indenture governing such Notes. See “Description of Material Indebtedness” and “Description of the Notes”.

We are currently in compliance with all of these covenants. Changes in the economic environment in Indonesia, the demand for electricity, the level of electricity tariffs permitted, government subsidies, and increases in the price of fuel oil may decrease our cash flow, creating the possibility of a liquidity shortage and the inability to comply with certain covenants with respect to the bonds issued by us. If we are not able to comply with such covenants, we may have to apply for amendments to the financial covenants or seek waivers in any events of default, including cross defaults arising from the breach of the covenants. We cannot assure you that we will be able to obtain such amendments or waivers on satisfactory terms, or at all. If our debt obligations are accelerated, we will face significant liquidity constraints, and may be unable to satisfy all of our repayment obligations.

The following table sets forth a summary of the maturity profile for our outstanding borrowings (including two-step loans, Government loans, bonds payable, bank loans and medium term notes certain lease liabilities and electiricty purchase payable, but excluding certain lease liabilities and electricity purchase payable that were recognized due to the adoption of the ISAK 8 Interpretation) as of June 30, 2012.

	As of June 30, 2012	
Payments due by period	**Rp**	**U.S.$**
	(Rp billions and U.S.$ millions)	
Repayment within one year	17,599	1,856
Repayment after one year	182,416	19,242
Total	200,015	21,099

Cash Flow

As of December 31, 2011 and June 30, 2012, our cash and cash equivalents amounted to Rp22,088 billion (U.S.$2,330 million) and Rp19,377 billion (U.S.$2,044 million), respectively. The following table sets forth certain information about our cash flows during the three years ended December 31, 2009, 2010 and 2011 and for the six months ended June 30, 2011 and 2012.

	Year ended December 31,				Six months ended June 30,		
	2009	2010	2011	2011	2011	2012	2012
	Rp	Rp	Rp	U.S.$	Rp	Rp	U.S.$
	(Rp billions and U.S.$ millions)						
Net cash provided by operating activities	6,532	23,342	31,622	3,336	5,249	7,239	764
Net cash used in investing activities	(30,567)	(30,721)	(40,759)	(4,299)	(12,698)	(16,878)	(1,780)
Net cash provided by financing activities	30,690	14,053	11,477	1,211	8,352	6,929	731
Net increase (decrease) in cash and cash equivalents	6,656	6,674	2,340	247	903	(2,711)	(286)
Cash and cash equivalents at beginning of period	6,388	13,043	19,717	2,080	19,717	22,088	2,330
Cash and cash equivalents at end of period	13,043	19,717	22,088	2,330	20,619	19,377	2,044

Net cash provided by operating activities, including Government electricity subsidy, has been our primary source of liquidity over the past three years. Our main uses of funds have been to pay for our working capital requirements and to pay for capital expenditures related to establishing additional electricity generating plants and developing our transmission and distribution network. Our cash expenditures include the expenses from general and administrative expenses, servicing and repayment of loans from foreign quasi-governmental institutions, Rupiah-denominated bonds and two-step loans. As of the date of this Offering Memorandum, our internally generated cash flow, subsidies and borrowings under our loan facilities and corporate bonds are sufficient to fund our operations and meet our working capital requirements.

We re-evaluate our capital requirements regularly in light of our cash flow from operations, Government subsidies, the progress of our expansion plans and market conditions. To the extent that we do not generate sufficient cash flow from our operations, and depending on market conditions, we may have to rely on other financing activities and obtain additional debt or equity financing.

Six months ended June 30, 2012

As of June 30, 2012, we had cash and cash equivalents amounting to Rp19,377 billion (U.S.$2,044 million), compared to Rp22,088 billion (U.S.$2,330 million) as of December 31, 2011.

Net cash provided by our operating activities amounted to Rp7,239 billion (U.S.$764 million) in the six months ended June 30, 2012 and our loss before tax in such period was Rp789 billion (U.S.$83 million). The largest component of this amount was Rp66,317 billion (U.S.$6,995 million) in cash receipts from customers, in line with the increase in revenues for the period and the Government electricity subsidy received in the amount of Rp35,754 billion (U.S.$3,772 million), which were partially offset by Rp77,702 billion (U.S.$8,196 million) in cash paid to suppliers, Rp4,361 billion (U.S.$460 million) in cash paid to employees and Rp12,257 billion (U.S.$1,293 million) in interest payments.

The increase in cash receipts from customers in the six months ended June 30, 2012 as compared to the six months ended June 30, 2011 was primarily due to increases in the number of customers and the volume of sales to customers.

A significant amount of cash outflow was due to cash paid to suppliers, principally in respect of fuel oil, coal and natural gas. In addition, we paid Rp12,257 billion (U.S.$1,293 million) in interest expense, which includes Rp5,044 billion (U.S.$532 million) in interest expense relating to our IPP Power Supply Contracts which are considered finance leases as per the ISAK 8 Interpretation.

Net cash used in investing activities in the six months ended June 30, 2012 was Rp16,878 billion (U.S.$1,780 million). The largest component of this was Rp15,543 billion (U.S.$1,640 million) which was deployed in capital expenditure for power plants, transmission and distribution facilities relating to the Fast Track Program I and other non-Fast Track Programs construction, which was partially offset by proceeds from the sale of obsolete and other decommissioned assets.

Net cash provided by financing activities in the six months ended June 30, 2012 was Rp6,929 billion (U.S.$731 million). The largest component of this was Rp34,675 billion (U.S.$3,658 million) from bank loans drawn during the period, which was partially offset by the repayment of other bank loans in the amount of Rp26,709 billion (U.S.$2,817 million) and various two-step loans and payments in respect of lease liabilities.

Year ended December 31, 2011

As of December 31, 2011, we had cash and cash equivalents amounting to Rp22,088 billion (U.S.$2,330 million) compared to Rp19,717 billion as of December 31, 2010.

Net cash provided by our operating activities amounted to Rp31,622 billion (U.S.$3,336 million) in the year ended December 31, 2011 and our profit before tax in such period was Rp5,515 billion (U.S.$582 million). Net cash provided by operating activities in the year ended December 31, 2011 was primarily from cash receipts from customers of Rp123,314 billion (U.S.$13,008 million) and government subsidies of Rp90,435 billion (U.S.$9,540 million), which were partially offset by cash paid to suppliers of Rp153,602 billion (U.S.$16,203 million), cash paid to employees of Rp10,457 billion (U.S.$1,103 million), payments of taxes of Rp922 billion (U.S.$97 million) and interest expense of Rp17,775 billion (U.S.$1,875 million). Operating cash flow was impacted by interest expense as a result of our decision to classify interest expense as operating cashflow in accordance with PSAK No. 2 after the implementation of the ISAK 8 Interpretation.

The increase in cash receipts from customers in the year ended December 31, 2011 was primarily due to increases in the number of customers and the volume of sales to customers and the impact of the full year increase in our overall tariff rates, which were effective from July 1, 2010.

In addition, we paid Rp17,775 billion (U.S.$1,875 million) in interest expense, which includes Rp9,977 billion (U.S.$1,052 million) in interest expense relating to our IPP Power Supply Contracts which are considered finance leases as per the ISAK 8 Interpretation.

Net cash used in investing activities in the year ended December 31, 2011 was Rp40,759 billion (U.S.$4,299 million). The largest component of this was Rp31,856 billion (U.S.$3,360 million), which was used for capital expenditures for power plants, transmission and distribution facilities relating to the Fast Track Program I and other non-Fast Track Programs construction, which was partially offset by proceeds from the sale of obsolete and other decommissioned assets.

Net cash provided by financing activities in the year ended December 31, 2011 was Rp11,477 billion (U.S.$1,211 million). The largest component of net cash provided was Rp58,712 billion (U.S.$6,193 million) from bank loans, as well as proceeds received in respect of the issuance of the 2011 Notes in November 2011, which was partially offset by payment of various two-step loans and dividends and the repayment of U.S.$450,000,000 aggregate principal amount of the 2006 Guaranteed Notes due 2011, which were fully redeemed.

Year ended December 31, 2010

As of December 31, 2010, we had cash and cash equivalents amounting to Rp19,717 billion compared to Rp13,043 billion as of December 31, 2009.

Net cash provided by our operating activities amounted to Rp23,342 billion in the year ended December 31, 2010 and our profit before tax in such period was Rp11,754 billion. Net cash provided by operating activities in the year ended December 31, 2010 was primarily from cash receipts from customers of Rp107,113 billion and Government subsidies of Rp54,153 billion, which were partially offset by cash paid to suppliers of Rp110,714 billion, cash paid to employees of Rp10,511 billion, payments of taxes of Rp897 billion and interest expense of Rp16,628 billion. Operating cash flow was impacted by interest expense as a result of our decision to classify interest expense as operating cashflow in accordance with Indonesian GAAP PSAK No 2.

The increase in cash receipts from customers in the year ended December 31, 2010 was primarily due to increases in the number of customers, the volume of sales to customers and our overall tariff rates, which was effective from July 1, 2010.

In addition, we paid Rp16,628 billion in interest expense, which includes Rp9,301 billion in interest expense relating to our IPP Power Supply Contracts which are considered finance leases as per the ISAK 8 Interpretation.

Net cash used in investing activities in the year ended December 31, 2010 was Rp30,721 billion. The largest component of this was Rp30,360 billion, which was used for capital expenditures for power plants, transmission and distribution facilities relating to the Fast Track Program I and other non-Fast Track Programs construction, which was partially offset by proceeds from the sale of obsolete and other decommissioned assets.

Net cash provided by financing activities in the year ended December 31, 2010 was Rp14,053 billion. The largest components of net cash provided were Rp6,000 billion from the issuance of the 2010 Guaranteed Notes and Rp17,982 billion from bank loans, which was partially offset by payment of various two-step loans and dividends.

Year ended December 31, 2009

As of December 31, 2009, we had cash and cash equivalents amounting to Rp13,043 billion.

Net cash provided by our operating activities amounted to Rp6,532 billion in the year ended December 31, 2009 and our profit before tax in such period was Rp18,550 billion. Net cash provided by operating activities in the year ended December 31, 2009 was primarily from cash receipts from customers of Rp92,645 billion and Government subsidies of Rp49,049 billion, which were partially offset by cash paid to suppliers of Rp110,828 billion, cash paid to employees of Rp8,436 billion, payments of taxes of Rp809 billion and interest expense of Rp15,388 billion.

The increase in cash receipts from customers in the year ended December 31, 2009 was primarily due to increases in the number of customers and the volume of sales to customers.

In addition, we paid Rp15,388 billion in interest expense, which includes Rp10,179 billion in interest expense relating to our IPP Power Supply Contracts which are considered finance leases as per the ISAK 8 Interpretation.

Net cash used in investing activities in the year ended December 31, 2009 was Rp30,567 billion. The largest component of this was Rp30,954 billion, which was used for capital expenditures for power plants, transmission and distribution facilities relating to the Fast Track Program I and other non-Fast Track Programs construction, which was partially offset by proceeds from the sale of obsolete and other decommissioned assets.

Net cash provided by financing activities in the year ended December 31, 2009 was Rp30,690 billion. The largest components of net cash provided were Rp21,415 billion from the issuance of the 2009 Guaranteed Notes and Rp16,439 billion from bank loans, which was partially offset by the repayment of other bank loans.

Contractual Commitments and Capital Expenditures

In addition to the payment obligations under our borrowings set forth above, we also have continuing obligations to make payments on capital expenditures and contractual commitments. For the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, our capital expenditures, which include cash and non-cash additions of property, plant and equipment and construction in progress were Rp52,361 billion, Rp45,196 billion, Rp64,560 billion (U.S.$6,810 million) and Rp41,971 billion (U.S.$4,427 million), respectively.

Fuel supply agreements

We have made, and expect to continue to make, substantial capital expenditures in connection with our expansion plans. As of June 30, 2012, we had entered into 44 gas supply agreements and 83 long-term and two short-term coal supply agreements. Of the 83 long-term coal supply agreements, 47 agreements were entered into in support of our power plant projects under the Fast Track Program I. Payments of gas purchases under 17 of our gas supply agreements are secured by stand-by letters of credit. For further details, see Note 55 of our restated consolidated financial statements, included elsewhere in this Offering Memorandum.

Pertamina is our main supplier of fuel oil. As of June 30, 2012, Pertamina supplied approximately 93.0% of our demand for fuel oil. On May 16, 2007, we entered into the 2007 Pertamina Agreement, which is from January 1, 2007 until December 31, 2015 and has been amended by the 2009, 2010 and 2011 Addendums. The fuel oil prices under the Pertamina Agreement are based on MOPS. The agreed price of fuel oil for 2012 is MOPS plus a margin of 5.0% for consumption of up to 2,537 million liters of fuel oil that are supplied from 18 supply points specified by Pertamina, and MOPS plus a margin of 9.5% for consumption in excess of 5,996 million liters of fuel oil or for fuel oil supplied from supply points other than the 21 supply points specified by Pertamina. Thereafter, under the terms of the Pertamina Agreement, we will negotiate and finalize the price of fuel oil with Pertamina at least one month before the beginning of the following year. If we do not come to an agreement on the fuel oil price, it will remain the same as the previous year and adjustments will be made when a new price is agreed.

Under the terms of the Amended and Restated Debt Restructuring Agreement dated November 28, 2008, we agreed with Pertamina to settle our accounts payable to Pertamina for purchases of fuel oil up to and including April 30, 2007, amounting to Rp5,000 billion, through the issuance of the medium term notes to Pertamina. The medium term notes bear interest at 2.5% above the interest rate of three-month Bank Indonesia certificates (SBI). See "Description of Material Indebtedness".

We have entered into agreements with Pertamina for the supply of natural gas to the Gresik, Tanjung Batu, Belawan, Keramasan, Muara Tawar and Sungai Gelam electricity generating plants for periods of between four and 11 years, ending in 2017.

Purchase power agreements and energy sales contracts

As of June 30, 2012, we had entered into 166 PPAs and ESCs. Our agreements with IPPs comprised 26 contracts with respect to electricity generating plants that have already commenced operations and 140 agreements with respect to electricity generating plants that are under development. For further details, see Note 57 of our restated consolidated financial statements, included elsewhere in this Offering Memorandum.

The following table sets forth our long-term electricity purchase payables on an installment basis as of June 30, 2012:

	As of June 30, 2012	
	Rp	**U.S.$**
	(Rp billions and U.S.$ millions)	
Payment due in years		
2012	265	28
2013	455	48
2014	455	48
2015 and thereafter	7,736	816
Total payments	8,911	940
Less interest	3,147	332
Less current maturities	197	21
Total	5,567	587

Commitments and contractual obligations

The following table sets forth our contingent liabilities and other significant obligations as of June 30, 2012:

	As of June 30, 2012	
	Rp	**U.S.$**
	(Rp billions and U.S.$ millions)	
Commitment on supply of property, plant and equipment, operations and maintenance	32,395	3,417
Unused loan facilities	71,943	7,589
Claims with respect to electricity shutdown	153	16
Claim with respect to land	392	41
Claim with procurement	3,131	330
Total	108,014	11,394

Capital requirements

The table below sets forth our planned capital expenditures for 2012, 2013, 2014, 2015 and 2016 pursuant to our Company's capital investment program. The budgeted amounts may vary from the actual amounts of our Company's capital expenditures for a variety of reasons, including the implementation of the Fast Track Program I and the Fast Track Program II, changes in the number of facilities to be constructed and the timing of such construction, changes in rates of exchange between the Rupiah and foreign currencies, changes in interest rates and other factors. See "Risk Factors — Risks Relating to our Business and Operations — Our actual results may vary significantly from forecasts and estimates set forth herein".

	Year ended December 31,					
	2012	**2013**	**2014**	**2015**	**2016**	**Total**
	Estimate (Rp billions)					
Generation	18,925	25,644	18,870	16,062	13,326	92,827
Transmission	12,923	11,129	10,887	12,418	7,219	54,576
Distribution	10,213	9,487	7,652	7,173	8,119	42,644
Total	42,061	46,260	37,409	35,653	28,664	190,047

Fast Track Programs

We estimate the total investment required by the EPC contracts for the Fast Track Program I (including Value Added Tax at 10.0%) will amount to approximately Rp27,778 billion plus U.S.$8,887 million for generation development projects and approximately Rp6,303 billion (U.S.$665 million) plus U.S.$150 million for transmission development projects. As of June 30, 2012, we had incurred a total of Rp105,774 billion (U.S.$11,158 million) in costs related to the Fast Track Program I, pertaining to construction and renovation of generation development projects, transmission development projects and the related capitalized borrowing costs.

We estimate the total investment required by the EPC contracts for both our Company and the IPPs under the Fast Track Program II to amount to approximately U.S.$17,833 million for generation development projects and approximately U.S.$265 million for transmission development projects. As of June 30, 2012, we had drawn down JPY1,439,414,226 under loans relating to the Fast Track Program II (excluding IPPs).

As of June 30, 2012, we made a total down payment of U.S.$872 million and Rp4,750 billion for 35 EPC contracts or approximately 15% of the total contract price, which are recorded as construction in progress (See Note 57 of our restated consolidated financial statements included elsewhere in this Offering Memorandum). Such down payments were funded by the proceeds of the issued 2011 Notes and drawdown of credit facilities for the fast track program.

Transmission Contracts

As of June 30, 2012 the Company signed 224 contracts for upgrading and constructing new transmission and sub-stations in Java and outside Java. These projects were financed by own funds and drawdown of credit facilities from banks.

Generation Projects

We have a number of projects underway, including those planned under the Fast Track Programs. For example, we have commenced construction on 37 coal-fired electricity generating plants with a planned capacity of 10,047 MW. In addition, we also have other regular investment programs for substituting diesel oil power plant and improving our electrification ratio.

Rehabilitation and Maintenance

In addition to daily maintenance, our power plants require regular overhauling at intervals ranging from one to two years for oil and coal fired plants and one to five years for hydroelectric plants. Our coal and natural gas plant operating efficiency has declined over the past several years from lack of maintenance and the continued use of old plants beyond their scheduled working lives. Our fuel oil plant operating efficiency has improved due to improved operational loading of our electricity generating plants. When we carry out major rehabilitation work, we appoint independent contractors.

For the year ended December 31, 2011 and for the six months ended June 30, 2012, our operational expenditures for maintenance expenses were Rp13,593 billion (U.S.$1,434 million) and Rp6,831 billion (U.S.$721 million), respectively.

Insurance

As of June 30, 2012, we held "property all risk" insurance policies, including machinery breakdown insurance, with several insurance companies covering our property, plant and equipment consisting of installations, power plants and transmission equipment related to power plants. For these policies, PT Asuransi Tugu Kresna Pratama acted as lead underwriter, (excluding Pembangkitan Tanjung Jati B) our assets were insured against property all risks, machinery breakdown and other possible risks for U.S.$19,887 million and Rp1,104,752 million. As of June 30, 2012, we held "property all risk" insurance policies, including machinery breakdown and business interruption on our leased assets of Pembangkitan Tanjung Jati B that were insured by PT Asuransi Mitsui Sumitomo Indonesia for JPY315,584 million. Management believes that the insurance coverage is adequate to cover possible losses on the assets insured. We also have a machinery insurance policy for such plants as required by our financing contracts. We do not maintain insurance protection for assets other than installations, power plants and transmission equipment related to power plants or general business interruption insurance. Our policies expire between October 2012 and January 2013. We engage 16 local insurance companies and 30 reinsurance companies. Please also see "Risk Factors — Risks Relating to our Business and Operations — We may suffer and uninsured loss" for additional information.

Our insurance premium expenses related to (excluding Pembangkitan Tanjung Jati B) our property, plant and equipment were Rp185 billion in the year ended December 31, 2009, Rp184 billion in the year ended December 31, 2010, Rp210 billion (U.S.$22 million) in the year ended December 31, 2011 and Rp151 billion (U.S.$16 million) for the six months ended June 30, 2012. We pay our insurance premium on an annual basis.

Quantitative and Qualitative Disclosures about Market Risk

Market risk is the risk of loss related to adverse changes in market prices, including interest rates and foreign exchange rates, of financial instruments. We are exposed to various types of market risk, including changes in interest rates and foreign exchange rates, in the ordinary course of business. Currently we do not hedge against financial or market risks.

We maintain our accounting records and prepare our consolidated financial statements in Indonesian Rupiah.

Exchange Rate Risk

The primary foreign currency to which we are exposed is the U.S. dollar. The price we pay for electricity purchased from IPPs under the PPAs is pegged to the U.S. dollar. We have agreed with a number of IPPs, subject to certain restrictions, to purchase electricity at a fixed price (capacity charge) and to purchase the electricity dispatched at variable prices pegged to operating, maintenance and fuel costs (energy charge).

A significant portion of our debt is also denominated in foreign currencies. The following table sets forth certain information regarding our foreign currency debt exposure (equivalent in Rp) for the periods indicated.

	As of December 31,			As of June 30,
	2009	2010	2011	2012
	(Rp billions equivalent except percentages)			
Total foreign currency denominated debt	136,865	143,636	176,820	205,536
Total foreign currency debt as percentage of total outstanding debt	81.7%	76.9%	77.4%	77.6%

For further details, see "Description of Material Indebtedness".

Interest Rate Risk

We are exposed to interest rate risks. Our exposure to market risk for changes in interest rates relates primarily to our long-term floating rate debt obligations. As of June 30, 2012, the amount of our outstanding debt totaled Rp264,934 billion (U.S.$27,947 million) of which Rp201,200 billion (U.S.$21,224 million), equal to 75.9% of our outstanding debt for the period, effectively bore interest at fixed rates. The remaining Rp63,735 billion (U.S.$6,723 million) equal to 24.1% of our outstanding debt as of June 30, 2012, bore interest at floating rates. As of December 31, 2011, our outstanding debts totaled Rp228,334 billion (U.S.$24,086 million), of which Rp171,294 billion (U.S.$18,069 million) equal to 75.0% of our outstanding debt for the period, effectively bore interest at fixed rates. The remaining Rp57,040 billion (U.S.$6,017 million), equal to 25.0% of our outstanding debt as of December 31, 2011, bore interest at floating rates.

Commodities Risk

We are exposed to price fluctuations of certain commodities such as fuel oil, natural gas and coal. An increase in the prices of fuel oil, natural gas or coal will result in a corresponding increase in our operating expenses. As of June 30, 2012, fuel oil, natural gas and coal expenses accounted for 39.6%, 8.5% and 18.7% of our total operating expenses. As of December 31, 2011, fuel oil, natural gas and coal expenses account for 47.2%, 6.7% and 14.6% of our total operating expenses. We primarily purchase fuel oil, natural gas and coal through supply agreements. Our key supply agreements, such as our fuel oil supply agreements with Pertamina, link our prices to market prices. We do not currently use derivatives or other hedging services with respect to our purchases of fuel oil, natural gas and coal.

Off-Balance Sheet Arrangements

At present we do not have any off-balance sheet arrangements.

Taxation

Our Company generally pays tax at the prevailing tax rates in Indonesia. For the year ended December 31, 2011, the maximum corporate tax rate was 25.0%. The current maximum rate of corporate tax in Indonesia is 25.0%.

Inflation

According to the Indonesian Bureau of Statistics, Indonesia's annual overall inflation rate as measured by the consumer price index was approximately, 2.8%, 7.0% and 3.8% in 2009, 2010 and 2011 and 2.5% in the first six months of 2012, calculated on a year on year basis. The increase in the inflation rate has been due in large part to sharply higher energy costs. We do not consider inflation in Indonesia to have had a material impact on our results of operations.

DESCRIPTION OF MATERIAL INDEBTEDNESS

The following summary of the principal terms of our material indebtedness may not contain all of the information that may be important to you. You should read the notes to financial statements for additional information about our indebtedness and the indebtedness of our subsidiaries.

Bonds

Rp645,000,000,000 Series A Bonds ("PLN XII 2010 Series A Bonds") and Rp1,855,000,000,000 Series B Bonds ("PLN XII 2010 Series B Bonds")

On July 8, 2010, we issued the PLN XII 2010 Series A Bonds and the PLN XII 2010 Series B Bonds in an aggregate nominal value of Rp2,500,000,000,000. The PLN XII 2010 Series A Bonds have a nominal value of Rp645,000,000,000 with a fixed interest rate of 9.700% per annum and will mature on July 8, 2015. The PLN XII 2010 Series B Bonds have a nominal value of Rp1,855,000,000,000 with a fixed interest rate of 10.400% per annum and mature on July 8, 2022. Interest is payable on the PLN XII 2010 Series A Bonds and the PLN XII 2010 Series B Bonds on a quarterly basis, commencing from October 8, 2010 until the maturity date of the bonds.

These bonds were listed on the Indonesia Stock Exchange on July 9, 2010 and were issued under a deed of trustee agreement (the "PLN XII 2010 Series A and B Bonds Trustee Agreement") with PT Bank CIMB Niaga Tbk acting as trustee. These bonds are unsecured obligations and the bondholders' rights rank *pari passu* with our other unsecured unsubordinated indebtedness.

The PLN XII 2010 Series A and B Bonds Trustee Agreement provides that, *inter alia*, after one year from the date of issuance, we are permitted to purchase all the bonds or a part thereof before the maturity date and we are not required to provide any sinking fund for such bonds.

The proceeds from the issue of the PLN XII 2010 Series A Bonds and the PLN XII 2010 Series B Bonds were used to finance our distribution projects.

Rp160,000,000,000 Series A Sukuk Ijarah ("PLN V 2010 Series A Sukuk Ijarah") and Rp340,000,000,000 Series B Sukuk Ijarah ("PLN V 2010 Series B Sukuk Ijarah")

On July 8, 2010, we issued the PLN V 2010 Series A Sukuk Ijarah and the PLN V 2010 Series B Sukuk Ijarah in an aggregate nominal value of Rp500,000,000,000. The PLN V 2010 Series A Sukuk Ijarah have a nominal value of Rp160,000,000,000 with an Ijarah fee of Rp15,520,000,000 per annum and will mature on July 8, 2015. The PLN V 2010 Series B Sukuk Ijarah have a nominal value of Rp340,000,000,000 with an Ijarah fee of Rp35,360,000,000 per annum and will mature on July 8, 2022. Ijarah fee is payable on the PLN V 2010 Series A Sukuk Ijarah and the PLN V 2010 Series B Sukuk Ijarah on a quarterly basis, commencing from October 8, 2010 until the maturity date of the sukuk.

These sukuk were listed on the Indonesia Stock Exchange on July 9, 2010 and were issued under a deed of trustee agreement (the "PLN V 2010 Series A and B Sukuk Ijarah Trustee Agreement") with PT Bank CIMB Niaga Tbk acting as trustee. These sukuk are unsecured obligations and the sukuk holders' rights are *pari passu* with our other unsecured unsubordinated indebtedness.

The PLN V 2010 Series A and B Sukuk Ijarah Trustee Agreement provides that, inter alia, after one year from the date of issuance, we are permitted to purchase all the sukuk or a part thereof before the maturity date.

Pursuant to the PLN V 2010 Series A and B Sukuk Ijarah Trustee Agreement, we have agreed to assign a usufruct right of certain parts of our electricity networks (including their relevant equipment) located at the Kebayoran Baru area to the trustee, and such assignment will end in accordance with each term of the PLN V 2010 Series A Sukuk Ijarah and PLN V 2010 Series B Sukuk Ijarah. Further the sukuk holders through the trustee provided us with a power of attorney to: (i) enter into agreements with the users of these electricity networks for the benefit of the sukuk holders; and (ii) represent the interest of the sukuk holders with respect to the implementation of the agreements with the users of these electricity networks, including but not limited to collecting and receiving the related receivables from those users.

The proceeds from the issue of the PLN V 2010 Series A and Series B Sukuk Ijarah were used to finance our distribution projects.

Rp920,000,000,000 Series A Bonds ("PLN XI 2010 Series A Bonds") and Rp1,783,000,000,000 Series B Bonds ("PLN XI 2010 Series B Bonds")

On January 12, 2010, we issued the PLN XI 2010 Series A Bonds and the PLN XI 2010 Series B Bonds in an aggregate nominal value of Rp2,703,000,000,000. The PLN XI 2010 Series A Bonds have a nominal value of Rp920,000,000,000 with a fixed interest rate of 11.950% per annum and will mature on January 12, 2017. The PLN XI 2010 Series B Bonds have a nominal value of Rp1,783,000,000,000 with a fixed interest rate of 12.550% per annum and mature on January 12, 2020. Interest is payable on the PLN XI 2010 Series A Bonds and the PLN XI 2010 Series B Bonds on a quarterly basis, commencing from April 12, 2010 until the maturity date of the bonds.

These bonds were listed on the Indonesia Stock Exchange on January 13, 2010 and were issued under a deed of trustee agreement (the "PLN XI 2010 Series A and B Bonds Trustee Agreement") with PT Bank CIMB Niaga Tbk acting as trustee. These bonds are unsecured obligations and the bondholders' rights are *pari passu* with our other unsecured unsubordinated indebtedness.

The PLN XI 2010 Series A and B Bonds Trustee Agreement provides that, inter alia, after one year from the date of issuance, we are permitted to purchase all the bonds or a part thereof before the maturity date and we are not required to provide any sinking fund for such bonds.

The proceeds from the issue of the PLN XI 2010 Series A Bonds and the PLN XI 2010 Series B Bonds were used to finance our transmission projects.

Rp130,000,000,000 Series A Sukuk Ijarah ("PLN IV 2010 Series A Sukuk Ijarah") and Rp167,000,000,000 Series B Sukuk Ijarah ("PLN IV 2010 Series B Sukuk Ijarah")

On January 12, 2010, we issued the PLN IV 2010 Series A Sukuk Ijarah and the PLN IV 2010 Series B Sukuk Ijarah in an aggregate nominal value of Rp297,000,000,000. The PLN IV 2010 Series A Sukuk Ijarah have a nominal value of Rp130,000,000,000 with an Ijarah fee of Rp15,535,000,000 per annum and will mature on January 12, 2017. The PLN IV 2010 Series B Sukuk Ijarah have a nominal value of Rp167,000,000,000 with an Ijarah fee of Rp20,958,500,000 per annum and will mature on January 12, 2020. Ijarah fee is payable on the PLN IV 2010 Series A Sukuk Ijarah Bonds and the PLN IV 2010 Series B Sukuk Ijarah on a quarterly basis, commencing from April 12, 2010 until the maturity date of the sukuk.

These sukuk were listed on the Indonesia Stock Exchange on January 13, 2010 and were issued under a deed of trustee agreement (the "PLN IV 2010 Series A and B Sukuk Ijarah Trustee Agreement") with PT Bank CIMB Niaga Tbk acting as trustee. These sukuk are unsecured obligations and the sukuk holders' rights are *pari passu* with our other unsecured unsubordinated indebtedness.

The PLN IV 2010 Series A and B Sukuk Ijarah Trustee Agreement provides that, *inter alia*, after one year from the date of issuance, we are permitted to purchase all the sukuk or a part thereof before the maturity date.

Pursuant to the PLN IV 2010 Series A and B Sukuk Ijarah Trustee Agreement, we have agreed to assign an usufruct right of certain parts of our electricity networks (including their relevant equipment) located at the Kebayoran Baru area to the trustee, and such assignment will end in accordance with each term of the PLN IV 2010 Series A Sukuk Ijarah and PLN IV 2010 Series B Sukuk Ijarah. Further, the sukuk holders through the trustee provided us with a power of attorney to: (i) enter into agreements with the users of these electricity networks for the benefit of the sukuk holders; and (ii) represent the interest of the sukuk holders with respect to the implementation of the agreements with the users of these electricity networks, including but not limited to collecting and receiving the related receivables from those users.

The proceeds from the issue of the PLN IV 2010 Series A and Series B Sukuk Ijarah were used to finance our transmission projects.

Rp1,015,000,000,000 Series A Bonds ("PLN X 2009 Series A Bonds") and Rp425,000,000,000 Series B Bonds ("PLN X 2009 Series B Bonds")

On January 9, 2009, we issued the PLN X 2009 Series A Bonds and the PLN X 2009 Series B Bonds in an aggregate nominal value of Rp1,440,000,000,000. The PLN X 2009 Series A Bonds have a nominal value of Rp1,015,000,000,000 with a fixed interest rate of 14.750% per annum and will mature on January 9, 2014. The PLN X 2009 Series B Bonds have a nominal value of Rp425,000,000,000 with a fixed interest rate of 15.000% per annum and mature on January 9, 2016. Interest is payable on the PLN X 2009 Series A Bonds and the PLN X 2009 Series B Bonds on a quarterly basis, commencing from April 9, 2009 until the maturity date of the bonds.

These bonds were listed on the Indonesia Stock Exchange on January 12, 2009 and were issued under a deed of trustee agreement (the "PLN X 2009 Series A and B Bonds Trustee Agreement") with PT Bank CIMB Niaga Tbk. acting as trustee. These bonds are unsecured obligations and the bondholders' rights rank *pari passu* with our other unsecured unsubordinated indebtedness.

The PLN X 2009 Series A and B Bonds Trustee Agreement provides that, *inter alia*, after one year from the date of issuance, we are permitted to purchase all the bonds or a part thereof before the maturity date and we are not required to provide any sinking fund for such bonds.

We also reserve a call option for the PLN X 2009 Series B Bonds which will allow us to redeem the entire outstanding amount of the bonds at 100.0% of the nominal value of the bonds. This call option can only be exercised once during the term of the bonds after the third anniversary of the issuance.

Upon exercise of the call option, the bondholders shall be obligated to sell and we shall be obligated to redeem in full the principal amount of the bonds in accordance with the terms and conditions of the PLN X 2009 Series B Bonds Trustee Agreement.

The proceeds from the issue of the PLN X 2009 Series A Bonds and the PLN X 2009 Series B Bonds were used to finance our transmission projects.

On January 9, 2012, the Company decided to exercise the call option on the whole of PLN X 2009 Series B Bonds with price a nominal value of Rp 425,000 million and PLN III Sukuk Ijarah 2009 Series B with a nominal value of Rp 467,000 million.

Rp293,000,000,000 Series A Sukuk Ijarah ("PLN III 2009 Series A Sukuk Ijarah") and Rp467,000,000,000 Series B Sukuk Ijarah ("PLN III 2009 Series B Sukuk Ijarah")

On January 9, 2009, we issued the PLN III 2009 Series A Sukuk Ijarah and the PLN III 2009 Series B Sukuk Ijarah in an aggregate nominal value of Rp760,000,000,000. The PLN III 2009 Series A Sukuk Ijarah have a nominal value of Rp293,000,000,000 with an Ijarah fee of Rp43,217,500,000 per annum and will mature on January 9, 2014. The PLN III 2009 Series B Sukuk Ijarah have a nominal value of Rp467,000,000,000 with an Ijarah fee of Rp70,050,000,000 per annum and will mature on January 9, 2016. The ijarah fee is payable on the PLN III 2009 Series A Sukuk Ijarah and the PLN III 2009 Series B Sukuk Ijarah on a quarterly basis, commencing from April 9, 2009 until the maturity date of the sukuk.

These sukuk were listed on the Indonesia Stock Exchange on January 12, 2009 and were issued under a deed of trustee agreement (the "PLN III 2009 Series A and B Sukuk Ijarah Trustee Agreement") with PT Bank CIMB Niaga Tbk. acting as trustee. These sukuk are unsecured obligations and the sukuk holders' rights rank *pari passu* with PLN's other unsecured unsubordinated indebtedness.

The PLN III 2009 Series A and B Sukuk Ijarah Trustee Agreement provides that, *inter alia*, after one year from the date of issuance, we are permitted to purchase all the sukuk or a part thereof before the maturity date.

We also reserve a call option for the PLN III 2009 Series B Sukuk Ijarah which will allow us to redeem the entire outstanding amount of the sukuk at 100.0% of the nominal value of the bonds. This call option can only be exercised once during the term of the sukuk after the third anniversary of the issuance.

Upon exercise of the call option, the sukuk holders shall be obligated to sell and we shall be obligated to redeem in full the principal amount of the sukuk in accordance with the terms and conditions of the PLN III 2009 Series B Sukuk Ijarah Trustee Agreement.

Pursuant to the PLN III 2009 Series A and B Sukuk Ijarah Trustee Agreement, we have agreed to assign a usufruct right of certain parts of our electricity networks (including the relevant equipment) located at the Kebayoran Baru area to the trustee, and such assignment will end in accordance with each term of the PLN III 2009 Series A Sukuk Ijarah and PLN III 2009 Series B Sukuk Ijarah. Further the sukuk holders through the trustee provided us with a power of attorney to: (i) enter into agreements with the users of these electricity networks for the benefit of the sukuk holders, and (ii) represent the interest of the sukuk holders with respect to the implementation of the agreements with the users of these electricity networks, including but not limited to collecting and receiving the related receivables from those users.

The proceeds from the issue of the PLN III 2009 Series A and Series B Sukuk Ijarah were used to finance our transmission projects.

Rp1,500,000,000,000 Series A Bonds ("PLN IX 2007 Series A Bonds") and Rp1,200,000,000,000 Series B Bonds ("PLN IX 2007 Series B Bonds")

On July 10, 2007, we issued the PLN IX 2007 Series A Bonds and the PLN IX 2007 Series B Bonds in an aggregate nominal value of Rp2,700,000,000,000. The PLN IX 2007 Series A Bonds have a nominal value of Rp1,500,000,000,000 with a fixed interest rate of 10.400% per annum and will mature on July 10, 2017. The PLN IX 2007 Series B Bonds have a nominal value of Rp1,200,000,000,000 with a fixed interest rate of 10.900% per annum and a term of 15 years, due on July 10, 2022. Interest is payable on the PLN IX 2007 Series A Bonds and the PLN IX 2007 Series B Bonds on a quarterly basis, commencing from October 10, 2007 until the maturity date of the bonds.

These bonds were listed on the Surabaya Stock Exchange (now known as the Indonesia Stock Exchange) on June 22, 2007 and were issued under a deed of trustee agreement (the "PLN IX 2007 Series A and B Bonds Trustee Agreement") with PT Bank CIMB Niaga Tbk. acting as trustee. These bonds are unsecured obligations and the bondholders' rights rank *pari passu* with our other unsecured unsubordinated indebtedness.

The PLN IX 2007 Series A and B Bonds Trustee Agreement provides that, *inter alia*, after one year from the date of issuance, we are permitted to purchase all the bonds or a part thereof before the maturity date and PLN we not required to provide any sinking fund for such bonds.

The proceeds from the issue of the PLN IX 2007 Series A Bonds and the PLN IX 2007 Series B Bonds were used to finance our working capital requirements, including fuel-oil and lubricant expenses.

Rp300,000,000,000 Sukuk Ijarah ("PLN II 2007 Sukuk Ijarah")

On July 10, 2007, we issued the PLN II 2007 Sukuk Ijarah Bonds in an aggregate nominal value of Rp300,000,000,000 with an ijarah fee of Rp31,200,000,000 per annum and will mature on July 10, 2017. The Ijarah fee on these sukuk is payable on a quarterly basis, commencing from October 2007 until the maturity date of the sukuk.

These sukuk were listed on the Surabaya Stock Exchange (now known as the Indonesia Stock Exchange) on July 11, 2007 and were issued under a deed of trustee agreement (the "PLN II 2007 Sukuk Ijarah Trustee Agreement") with PT Bank CIMB Niaga Tbk. acting as trustee. These sukuk are unsecured obligations and the sukuk holders' rights rank *pari passu* with our other unsecured unsubordinated indebtedness.

The PLN II 2007 Sukuk Ijarah Trustee Agreement provides that, *inter alia*, after one year from the date of issuance, we are permitted to purchase all the sukuk or a part thereof before the maturity date and we are not required to provide any sinking fund for such sukuk.

Pursuant to the PLN II 2007 Sukuk Ijarah Trustee Agreement, we have agreed to assign a usufruct right and rights to use of certain of our diesel power plants, including trafo step-up, daily fuel tank and interconnection installation to the trustee. Further, the sukuk holders have reassigned the relevant usufruct rights and right to use our diesel power plants to us for a lease term of 10 years since the issuance date of the sukuk.

The proceeds from the issue of the PLN II 2007 Sukuk Ijarah were used for working capital purposes, including fuel oil expenses.

The November 2011 Global Medium Term Notes

On November 22, 2011, the Company issued Global Medium Term Notes amounting to U.S.$1,000,000,000. The 5.500% Notes due 2021 were issued under the U.S.$2,000,000,000 Global Medium Term Notes program with Deutsche Bank Trust Company Americas, acting as the trustee. The interest rate is fixed at 5.500% per annum payable semi-annually in arrears on May 22 and November 22 in each year, starting from May 22, 2012 until the maturity date of the Global Medium Term Notes.

Under the terms of the 2011 Notes, we are required to comply with restrictive and financial covenants. These restrictive covenants, among other things, limit our ability to incur indebtedness, have liens placed on our assets and enter into agreements that restrict certain of our subsidiaries from paying dividends, making loans or transferring assets to the Company or certain other subsidiaries.

As of the date of this Offering Memorandum, the full principal amount of the November 2011 Global Medium Term Notes remained outstanding.

Proceeds from the issue of the November 2011 Global Medium Term Notes were used to partially fund our capital expenditure requirements and for general corporate purposes.

The October 2009 Guaranteed Notes

On November 6, 2009, the October 2009 Guaranteed Notes were issued by Majapahit Holding B.V. ("Majapahit Holding") and irrevocably and unconditionally guaranteed by us and were listed on the SGX-ST on November 7, 2009. Majapahit Holding contributed the gross proceeds of the October 2009 Guaranteed Notes to the shares in the capital of Majapahit Finance B.V. ("Majapahit Finance"), which subsequently on-lent the proceeds to us through an inter-company loan. The 7.750% U.S.$1,250,000,000 aggregate principal amount of October 2009 Guaranteed Notes due 2020 were issued, and interest is payable semi-annually in arrears on January 20 and July 20 of each year commencing on November 6, 2009. The October 2009 Guaranteed Notes were issued under an indenture with Deutsche Bank Trust Company Americas as trustee. The October 2009 Guaranteed Notes are not secured and will be the direct, unconditional and unsubordinated obligations of Majapahit Holding and our Company.

Under the terms of the October 2009 Guaranteed Notes, we are required to comply with restrictive and financial covenants. These restrictive covenants, among other things, limit our ability to incur indebtedness, have liens placed on our assets and enter into agreements that restrict certain of our subsidiaries from paying dividends, making loans or transferring assets to the Company or certain other subsidiaries.

As of the date of this Offering Memorandum, the full principal amount of the October 2009 Guaranteed Notes remained outstanding.

The proceeds from the issue of the October 2009 Guaranteed Notes were used to partially fund our capital expenditure requirements in connection with transmission and distribution construction projects and for general corporate purposes.

The August 2009 Guaranteed Notes

On August 7, 2009, the August 2009 Guaranteed Notes were issued by Majapahit Holding and irrevocably and unconditionally guaranteed by us and were listed on the SGX-ST on August 11, 2009. Majapahit Holding contributed the gross proceeds of the August 2009 Guaranteed Notes to the shares in the capital of Majapahit Finance which subsequently on-lent the proceeds to us through an inter-company loan. The 8.000% U.S.$750,000,000 aggregate principal amount of August 2009 Guaranteed Notes due 2019 were issued, and interest is payable semi-annually in arrears on February 7 and August 7 of each year commencing on February 8, 2010. The August 2009 Guaranteed Notes were issued under an indenture with Deutsche Bank Trust Company Americas as trustee. The August 2009 Guaranteed Notes are not secured and will be the direct, unconditional and unsubordinated obligations of Majapahit Holding and our Company.

Under the terms of the August 2009 Guaranteed Notes, we are required to comply with restrictive and financial covenants. These restrictive covenants, among other things, limit our ability to incur indebtedness, have liens placed on our assets and enter into agreements that restrict certain of our subsidiaries from paying dividends, making loans or transferring assets to the Company or certain other subsidiaries.

As of the date of this Offering Memorandum, the full principal amount of the August 2009 Guaranteed Notes remained outstanding.

The proceeds from the issue of the August 2009 Guaranteed Notes were used to partially fund our capital expenditure requirements in connection with the Fast Track Program I and for general corporate purposes.

The 2007 Guaranteed Notes

On June 21, 2007, the 2007 Guaranteed Notes were issued by Majapahit Holding and irrevocably and unconditionally guaranteed by us and were listed on the SGX-ST. Majapahit Holding contributed the gross proceeds of the 2007 Guaranteed Notes to the shares in the capital of Majapahit Finance which subsequently on-lent the proceeds to us through an inter-company loan. The 7.250% U.S.$500,000,000 aggregate principal amount of 2007 Guaranteed Notes due 2017 and the 7.875% U.S.$500,000,000 aggregate principal amount of 2007 Guaranteed Notes due 2037 were issued, and interest is payable semi-annually in arrears on June 28 and December 28 of each year commencing on December 28, 2007. The 2007 Guaranteed Notes were issued under an indenture with Deutsche Bank Trust Company Americas as trustee. The 2007 Guaranteed Notes are not secured and will be the direct, unconditional and unsubordinated obligations of Majapahit Holding and our Company.

Under the terms of the 2007 Guaranteed Notes, we are required to comply with restrictive and financial covenants. These restrictive covenants, among other things, limit our ability to incur indebtedness, have liens placed on our assets and enter into agreements that restrict certain of our subsidiaries from paying dividends, making loans or transferring assets to the Company or certain other subsidiaries.

As of the date of this Offering Memorandum, the full principal amount of the 2007 Guaranteed Notes remained outstanding.

The proceeds from the issue of the 2007 Guaranteed Notes were used to partially fund our capital expenditure requirements in connection with the Fast Track Program I and for general corporate purposes.

In November 2011, our wholly-owned subsidiary, Majapahit Holding B.V., conducted a consent solicitation (the "Consent Solicitation") to amend the indenture dated October 16, 2006 governing Majapahit Holding B.V.'s outstanding U.S.$550,000,000 7.750% Guaranteed Notes Due 2016 and the indenture dated June 28, 2007 governing Majapahit Holding B.V.'s U.S.$500,000,000 7.250% Guaranteed Notes Due 2017 and U.S.$500,000,000 7.875% Guaranteed Notes Due 2037.

The purpose of the Consent Solicitation was to amend the definition of "Capitalized Lease" in the indenture to exclude from the definition of "Capitalized Lease" any concession, deed, contract, agreement or other arrangement relating to or in connection with the provision, supply or sale or receipt, procurement or purchase of power or electricity entered into by us or any of our Subsidiaries with IPPs or other providers or producers of power or electricity, which is treated as a lease required to be capitalized for financial reporting purposes in accordance with Indonesian GAAP, whether as a result of the adoption of the Revised Statements of Financial Accounting Standards (PSAK) No. 30 or any similar, related or other standard or pronouncement or any application or interpretation thereof.

The 2006 Guaranteed Notes

On October 16, 2006, the 2006 Guaranteed Notes were issued by Majapahit Holding and irrevocably and unconditionally guaranteed by us and were listed on the SGX-ST. Majapahit Holding on-lent the net proceeds of the 2006 Guaranteed Notes to us through an inter-company loan and then contributed the intercompany loan to Majapahit Finance. The 7.250% U.S.$450,000,000 aggregate principal amount of 2006 Guaranteed Notes due 2011 and the 7.750% U.S.$550,000,000 aggregate principal amount of 2006 Guaranteed Notes due 2016 were issued, and interest is payable semi-annually in arrears on October 17 and April 17 of each year commencing on April 17, 2007. The 2006 Guaranteed Notes were issued under an indenture with Deutsche Bank Trust Company Americas as trustee. The 2006 Guaranteed Notes are not secured and will be the direct, unconditional and unsubordinated obligations of Majapahit Holding and our Company and will rank *pari passu* with our other creditors.

Under the terms of the 2006 Guaranteed Notes, we are required to comply with restrictive and financial covenants. These restrictive covenants, among other things, limit our ability to incur indebtedness, have liens placed on our assets and enter into agreements that restrict certain of our subsidiaries from paying dividends, making loans or transferring assets to the Company or certain other subsidiaries.

As of the date of this Offering Memorandum, the full principal amount of the 2006 Guaranteed Notes due 2011 have been redeemed and the full principal amount of 2006 Guaranteed Notes due 2016 remained outstanding. The proceeds from the issue of the 2006 Guaranteed Notes were used to partially fund our capital expenditure requirements in connection with the Fast Track Program I and for general corporate purposes.

On July 27, 2009, we entered into a supplemental indenture with Majapahit Holding and the trustee under the 2006 Guaranteed Notes, which implemented certain amendments to, and effected waivers under, the related indenture in respect of provisions which, among other things, restricted the ability of Majapahit Holding and Majapahit Finance to engage in business activity other than relating to the offering, sale and issuance of the 2006 Guaranteed Notes. The supplemental indenture amended the related indenture to permit Majapahit Holding and Majapahit Finance to engage in business activity relating to the offering, sale and issuance of notes similar to the 2006 Guaranteed Notes, including the 2007 Guaranteed Notes, the August 2009 Notes and the October 2009 Notes. These amended provisions conform to the corresponding provisions in the indenture relating to 2007 Guaranteed Notes and the provisions described in "Description of the Notes — Limitation on Activities of Majapahit Holding and Majapahit Finance", and effected a waiver by holders of the 2006 Guaranteed Notes of any default in respect of this provision resulting from the issuance of the 2007 Guaranteed Notes.

In November 2011, our wholly-owned subsidiary, Majapahit Holding B.V., conducted a consent solicitation (the "Consent Solicitation") to amend the indenture dated October 16, 2006 governing Majapahit Holding B.V.'s outstanding U.S.$550,000,000 7.750% Guaranteed Notes Due 2016 (the "2016 Notes") and the indenture dated June 28, 2007 governing Majapahit Holding B.V.'s U.S.$500,000,000 7.250% Guaranteed Notes Due 2017 (the "2017 Notes") and U.S.$500,000,000 7.875% Guaranteed Notes Due 2037 (the "2037 Notes").

The purpose of the Consent Solicitation was to amend the definition of "Capitalized Lease" in the indenture to exclude from the definition of "Capitalized Lease" any concession, deed, contract, agreement or other arrangement relating to or in connection with the provision, supply or sale or receipt, procurement or purchase of power or electricity entered into by us or any of our Subsidiaries with IPPs or other providers or producers of power or electricity, which is treated as a lease required to be capitalized for financial reporting purposes in accordance with Indonesian GAAP, whether as a result of the adoption of the Revised Statements of Financial Accounting Standards (PSAK) No. 30 or any similar, related or other standard or pronouncement or any application or interpretation thereof.

Rp1,335,100,000,000 Series A Bonds ("PLN VIII 2006 Series A Bonds") and Rp865,000,000,000 Series B Bonds ("PLN VIII 2006 Series B Bonds")

On June 21, 2006, we issued the PLN VIII 2006 Series A Bonds and the PLN VIII 2006 Series B Bonds in an aggregate nominal value of Rp2,200,100,000,000. The PLN VIII 2006 Series A Bonds have a nominal value of Rp1,335,100,000,000 with a fixed interest rate of 13.600% per annum and will mature on June 21, 2016. The PLN VIII 2006 Series B Bonds have a nominal value of Rp865,000,000,000 with a fixed interest rate of 13.750% per annum and will mature on June 21, 2021. Interest is payable on the PLN VIII 2006 Series A Bonds and the PLN VIII 2006 Series B Bonds on a quarterly basis, commencing from September 21, 2006 until the maturity date of the bonds.

These bonds were listed on the Surabaya Stock Exchange (now known as the Indonesia Stock Exchange) on June 22, 2006 and were issued under a deed of trustee agreement (the "PLN VIII 2006 Series A and B Bonds Trustee Agreement") with PT Bank Mega Tbk acting as trustee (the "PLN VIII 2006 Series A and B Bonds Trustee"). On March 18, 2008, the acting trustee was changed to PT Bank Tabungan Negara (Persero). These bonds are unsecured obligations and the bondholders' rights are *pari passu* with our other unsecured unsubordinated indebtedness.

The PLN VIII 2006 Series A and B Bonds Trustee Agreement provides that, *inter alia*, after one year from the date of issuance, we are permitted to purchase all the bonds or a part thereof before the maturity date and we are not required to provide any sinking fund for such bonds.

The proceeds from the issue of the PLN VIII 2006 Series A Bonds and the PLN VIII 2006 Series B Bonds were used to meet our working capital requirements, which include the purchase of fuel.

Rp200,000,000,000 Syariah Ijarah Bonds ("PLN I 2006 Syariah Ijarah Bonds")

On June 21, 2006, we issued the PLN I 2006 Syariah Ijarah Bonds in an aggregate nominal value of Rp200,000,000,000 for a term of 10 years, due on June 21, 2016. The ijarah fee on these bonds is payable in quarterly installments.

The PLN I 2006 Syariah Ijarah Bonds were listed on the Surabaya Stock Exchange (now known as the Indonesia Stock Exchange) on June 22, 2006 and were issued under a deed of trustee agreement (the "PLN I 2006 Syariah Ijarah Bonds Trustee Agreement") with PT Bank Mega Tbk acting as trustee (the "PLN I 2006 Syariah Ijarah Bonds Trustee"). On March 18, 2008, the acting trustee was changed to PT Bank Tabungan Negara (Persero). The PLN I 2006 Syariah Ijarah Bonds are unsecured obligations and the bondholders' rights are *pari passu* with our other unsecured unsubordinated indebtedness.

The PLN I 2006 Syariah Ijarah Bonds Trustee Agreement provides that, *inter alia*, after one year from the date of issuance, we are permitted to purchase all the bonds or a part thereof before the maturity date and we are not required to provide any sinking fund for such bonds.

Pursuant to the PLN I 2006 Syariah Ijarah Bonds Trustee Agreement, we have agreed, pursuant to various agreements, to transfer benefits from certain transformers to the bondholders and the bondholders have agreed to provide us with a power of attorney to enter into agreements with the users of these transformers for the benefit of the bondholders. We have also received a power of attorney from the PLN I 2006 Syariah Ijarah Bonds Trustee to enter into agreements with the users of these transformers to collect related receivables.

The proceeds from the issue of the PLN I 2006 Syariah Ijarah Bonds were used to meet our working capital requirements, which include the purchase of fuel.

Rp1,500,000,000,000 PLN VII Bonds Year 2004 (the "PLN VII 2004 Bonds")

On November 11, 2004, we issued the PLN VII 2004 Bonds in an aggregate nominal value of Rp1,500,000,000,000 with a fixed interest rate of 12.250% per annum and for a term of 10 years, due on November 11, 2014. Interest is payable on the PLN VII 2004 Bonds on a quarterly basis, commencing from February 11, 2005 until the maturity date of the bonds.

These bonds were listed on the Surabaya Stock Exchange (now known as the Indonesia Stock Exchange) on November 12, 2004 and were issued under a deed of trustee agreement (the "PLN VII 2004 Bonds Trustee Agreement") with PT Bank CIMB Niaga Tbk. acting as trustee (the "PLN VII 2004 Bonds Trustee"). The PLN VII 2004 Bonds are unsecured obligations and the bondholders' rights rank *pari passu* with our other unsecured unsubordinated indebtedness.

The PLN VII 2004 Bonds Trustee Agreement provides that, *inter alia*, after one year from the date of issuance, we are permitted to purchase all the bonds or a part thereof before the maturity date.

The proceeds from the issue of the PLN VII 2004 Bonds were used to refinance the combined cycle electricity generation Muara Tawar project.

Certain Covenants Under the Rupiah Bonds and Sukuk

Under the terms of the PLN X 2009 Series A and B Bonds, PLN III 2009 Series A and B Sukuk Ijarah, PLN IX 2007 Series A and B Bonds, PLN II 2007 Sukuk Ijarah, PLN VIII 2006 Series A and B Bonds, the PLN I 2006 Syariah Ijarah Bonds and the PLN VII 2004 Bonds, we are required to comply with various financial covenants, including maintaining certain ratios such as a ratio of total financial liabilities to total assets not exceeding 80.0%, a minimum of 2:1 ratio of EBITDA to interest expense (except with respect to PLN X 2009 Series A and B Bonds and PLN III 2009 Series A and B Sukuk which have a minimum of 1.5:1 ratio of EBITDA to interest expense), a ratio of power plant, transmission and distribution facilities to interest-bearing liabilities which are not secured by specific collaterals (excluding two-step loans and Government loans) at a minimum of 150.0% for the PLN VIII 2006 Series A and B Bond, and the PLN I 2006 Syariah Ijarah Bonds, and a ratio of fixed assets (including power plant, transmission and distribution facilities) to interest-bearing liabilities or shari'a based liabilities which are not secured by specific collaterals (excluding foreign loans related to implementation of governments program such as two-step loans, direct loans and global bonds, and government loans) at a minimum of 125.0% for the PLN X 2009 Series A and B Bonds, PLN III 2009 Series A and B Sukuk Ijarah, PLN IX 2007 Series A and B Bonds, and PLN II 2007 Sukuk Ijarah.

Other covenants under the terms of the PLN XI 2010 Series A and B Bonds, PLN IV 2010 Series A and B Sukuk Ijarah, PLN XII 2010 Series A and B Bonds, PLN X 2009 Series A and B Bonds, PLN III 2009 Series A and B Sukuk Ijarah, PLN IX 2007 Series A and B Bonds, PLN II 2007 Sukuk Ijarah, PLN VIII 2006 Series A and B Bonds, the PLN I 2006 Syariah Ijarah Bonds and the PLN VII 2004 Bonds restrict us from using our assets as collateral; acting as a guarantor; granting loans to other parties; entering into any mergers, consolidations or acquisitions that would cause us to be dissolved; transferring our property, plant and equipment; allowing our subsidiaries to grant loans to or make an investment in other parties; issuing new higher ranking bonds and changing our business activities or decreasing our authorized, subscribed and paid-up capital.

However, in general, under the terms and conditions of the above bonds and sukuks, we are able to provide corporate guarantees to our subsidiaries without prior approval from the trustee, provided that the value of such guarantee does not exceed 15.0% of our total assets (calculated based on our audited financial statements for the preceding financial year).

Two-Step Loans

Loans from foreign quasi-governmental institutions

Our Company has in the past entered into, and expects to continue to enter into, two-step loan arrangements. The Government channels two-step loans to us but continues to remain the primary obligor to our lenders. Further, lenders provide credit to the Government which on-lends to us, and the Government is effectively the guarantor for such loans. Our two-step loans, amounting to Rp30,942 billion (U.S.$3,264 million) as of June 30, 2012, account for 11.7% of our total debt as of June 30, 2012.

We have entered into nine two-step loan agreements with the Government in connection with loans received by the Government from ADB (the "ADB Loans"). Pursuant to these agreements, the Government has agreed to on-lend to us the amounts received by it under the ADB Loans. The amounts received by us under the two-step loans are being used for a variety of purposes, including constructing electricity generating plants, setting up a transmission project in each of Sumatra, Kalimantan, Java and Bali, financing a power development and efficiency enhancement project, a renewable energy development sector project and a power transmission improvement sector project. These loans will mature between November 2012 and February 2035.

We have entered into nine, two-step loan agreements with the Government in connection with loans received by the Government from IBRD (the "IBRD Loans"). Pursuant to these agreements, the Government has agreed to on-lend to us the amounts received by it under the IBRD Loans. The amounts received by us under the two-step loans are being used for a variety of purposes, including constructing electricity generating plants, financing our power sector efficiency project, and our rural electrification project and our power transmission project. These loans mature between September 2012 and August 2036.

We have entered into eight two-step loan agreements with the Government in connection with loans received by the Government from KfW (the "KfW Loans"). Pursuant to these agreements, the Government has agreed to on-lend to us the amounts received by it under the KfW Loans. The amounts received by us under the two-step loans are being used primarily to finance our transmission projects and to purchase equipment. The KfW Loans mature between December 2013and December 2020.

We have entered into 23 two-step loan agreements with the Government in connection with loans received by the Government from JICA (the "JICA Loans") and JBIC (the "JBIC Loans"). Pursuant to these agreements, the Government has agreed to on-lend to us the amounts received by it under the JICA Loans and the JBIC Loans. The amounts received by us under the JICA Loans and the JBIC Loans are being used primarily to finance the repowering of electricity generation plants. The JICA Loans and the JBIC Loans will mature between April 2018 and March 2047.

Loans from banks and other financial organizations

In addition to the two-step loans with the Government that on-lend proceeds of the loans received from foreign quasi-governmental institutions, we have entered into two-step loan agreements with the Government that on-lend proceeds of the loans from various commercial banks and other financial organizations. Such loans, amounting to Rp2,579 billion as of June 30, 2012, account for 1.0% of our total debt as of June 30, 2012.

The commercial banks and other financial organizations that provide loans to the Government to on-lend to us include Banque Paribas, Calyon and BNP Paribas, the Islamic Development Bank, Exim Bank of China, Midland Bank Public Limited Company, Fortis Bank Belgia, MKB Hungaria, Efic Australia and Agence Francaise de Developpement.

The amounts received by us under these two-step loans are being used primarily to finance our generation, transmission and distribution projects. The majority of these loans will mature prior to December 2033.

Fast Track Program loans

Our Company has entered into, and expects to continue to enter into, loan arrangements with various commercial banks and other financial organizations to finance our development projects in connection with our Fast Track Program I. The Government has provided irrevocable and unconditional guarantees on such loans. Our Fast Track Program I loans, amounting to Rp50,423 billion (U.S.$5,319 million) as of June 30, 2012, account for 19.0% of our total debt as of June 30, 2012. Our Company also expects to enter into loan arrangements under the Fast Track Program II with various commercial banks and other financial organizations to finance our development projects under the Fast Track Program II.

The commercial banks and other financial organizations that provide loans to us in connection with our Fast Track Program I include the following: The Export-Import Bank of China, Bank of China Limited, BNP Paribas, China Construction Bank Corporation, China Development Bank, Industrial and Commercial Bank of China Limited, Societe Generale, China Citi Bank Corporation Limited, Australian and New Zealand Banking Group Limited, Bayerische Landesbank, Calyon, Credit Suisse, Credit Agricole Corporate & Investment Bank, ING Bank N.V, Natixis, Royal Bank of Scotland Plc, WestLB AG, PT. Bank Mizuho Indonesia, Sumitomo Mitsui Banking Group, Barclays Bank PLC, PT Bank Mandiri (Persero) Tbk., PT Bank Negara Indonesia (Persero) Tbk., PT Bank Rakyat Indonesia (Persero) Tbk., PT Bank Mega Tbk., PT Bank Bukopin Tbk., PT Bank Central Asia Tbk., PT Bank DKI and Bank Pembangunan Daerah.

The amounts received by us under these Fast Track Program I loans are being used primarily to finance our Fast Track Program I. The majority of these loans have a maturity date of between February 2018 and January 2025.

Loans not related to the Fast Track Programs

On June 21, 2011, our Company obtained a syndicated working capital loan facility from PT Bank Rakyat Indonesia (Persero) Tbk., PT Bank Negara Indonesia (Persero) Tbk. and PT Bank Mandiri (Persero) Tbk., amounting to Rp15,000 billion, with an annual interest rate of 1.65% plus 3-month

JIBOR, with interest due on a quarterly basis and with a maturity date of June 21, 2012. On November 23, 2011, the credit facility was changed into Rp 20,000,000 million.

On December 27, 2011, the Company obtained a syndicated investment loan facility from PT Bank Mandiri (Persero) Tbk., PT Bank Rakyat Indonesia (Persero) Tbk., and PT Bank Central Asia Tbk., amounting to Rp 7,000,000 million, with annual interest weighted average time deposit in Rupiah 3 months of syndicated creditors + 3.42% and maturity date on October 23, 2021.

Government Loans

Our loans from the Government consist of the Government Investment Fund account and the Government Investment Center.

Investment Fund Account No. RDI-393/DP3/2001

On July 25, 2011, pursuant to a letter from the Ministry of Finance, our Company and the Government agreed to restructure the overdue principal of two-step loans amounting to Rp5,288 billion. The restructured loan is unsecured, has a period of 20 years, including a two-year grace period, bears interest at 4.0% per annum and accounts for 2.0% of our total debt as of June 30, 2012. This loan will be repaid in semi-annual installments of Rp147 billion until July 30, 2021.

On December 13, 2011, the Company received a government loan from the Government Investment Centre in the amount of Rp.7.5 trillion with an annual interest rate of 5.250%. The loan will be for 15 years from the date of the loan agreement.

Government Investment Center Loan

On December 13, 2011, the Company obtained a soft loan facility from Government Investment Center under the Ministry of Finance of the Republic of Indonesia amounting to Rp 7,500,000 million, with an annual interest rate of 5.250% and term of 15 years, including five years grace period. As of June 30, 2012 and December 31, 2011, the total drawdowns from this facility were Rp7,500,000 million and Rp4,499,977 million, respectively. This loan has been used to finance the procurement and replacement of transformers, strengthening of the installation, transmission and distribution and also other capital expenditures.

The Government also approved the conversion of overdue interest and penalties amounting to Rp28,781 billion into additional Government equity participation. Pursuant to this decision, on August 1, 2001, the Government issued Government Regulation No. 61 Year 2001. For further details, see Note 26 of our restated consolidated financial statements included elsewhere in this Offering Memorandum.

Business viability guarantees

Pursuant to Presidential Regulation No. 4 Year 2012, the Government provides BVGLs to our company for undertaking power plant projects, including IPP projects listed in MEMR Regulation No. 15/2010, as amended by MEMR Regulation No. 1/2012. Moreover, in response of Presidential Regulation No. 4 Year 2010, MOF has issued MOF Regulation No. 139 which provides for guarantees to be issued directly to IPPs in respect of our ability to discharge our payment obligations to the relevant IPP in respect of purchase of electricity under the relevant PPA, through the issuance of BVGLs. BVGLs will be issued by the Government acting through the MOF and addresses to the relevant IPP, following the submission of a proposal by us, subject to certain conditions being met.

However, the business viability guarantee can be held to be invalid or expired if the IPP fails to secure the remaining financing for the power generation project within 12 months from the issuance date of the business viability guarantee for non-geothermal power generation projects and within 48 months in the case of geothermal power generation projects.

Electricity purchase payable

In March 1998, we deferred the settlement of the amounts of electricity purchase payable stated in our PPAs and ESCs. In 1999, we established a working group on special contract renegotiation under the Government's direction in order to facilitate the renegotiation of the electricity prices previously agreed upon in our PPAs and ESCs. We have successfully renegotiated the electricity price with most of the IPPs.

As of June 30, 2012, our electricity purchase payables were Rp5,764 billion (U.S.$608 million), an increase of 7.1% from Rp5,384 billion (U.S.$568 million) as of June 30, 2011. This increase was primarily due to an increase in electricity purchase payable to PT Paiton Energy as a result of depreciation of the Rupiah against the U.S. dollar. Electricity purchase payables to PT Paiton Energy bear an annual rate of interest of 4.81%, which is payable in 360 monthly installments from January 1, 2002 until December 1, 2031.

For further details, see Note 30 of our restated consolidated financial statements included elsewhere in this Offering Memorandum.

Medium term notes

In November 2008, our Company and Pertamina agreed to settle various outstanding payments in respect of fuel oil supply owing by us to Pertamina in the amount of Rp5,000 billion through the issuance of the Pertamina Medium Term Notes. The Pertamina Medium Term Notes bear interest at a rate of 2.5% above the interest rate for three-month Bank Indonesia certificates (SBI). The Pertamina Medium Term Notes comprise of a series of 10 bonds issued in 10 tranches each having a nominal value of Rp500 billion. Seven of the series have since matured. The remaining outstanding bonds issued pursuant to the Pertamina Medium Term Note facility mature between December 15, 2012 and December 15, 2013. Under the terms of the Pertamina Medium Term Notes, without prior approval from the trustee, i.e. PT Bank Mandiri (Persero) Tbk., the Company is prohibited to provide any corporate guarantee to any of its subsidiaries in case the total value of such guarantee exceeds 15.0% of the total assets of the Company (calculated based on the audited financial statement of the Company for the preceding financial year).

Background

Indonesia, the fourth most populous country in the world with a population of approximately 249 million as of July 2012, is a developing nation in Southeast Asia which spreads across an archipelago of over 17,500 islands. Indonesia is undergoing a rapid economic change as it continues its recovery and development following the severe economic shocks it suffered during the Asian financial crisis that began in mid-1997, and which adversely affected several Asian countries. Indonesia is simultaneously undergoing fundamental political changes as it transforms itself from a centralized, authoritarian system to a participatory democracy that places greater political power in the hands of local and regional governments.

The following table sets forth certain of the Republic's principal economic indicators for the specified periods. Growth in real GDP and inflation (measured by changes in the Consumer Price Index ("CPI")) are indicated on a year-on-year basis.

	Years ended December 31,				
	2007	**2008**	**2009**	**2010**	**2011(P)**
National Account					
Real GDP growth	6.3%	6.0%	4.6%	6.2%	6.5%
Per capita GDP (in thousands of Rupiah)	17,365	21,431	23,914	27,084	30,813
Per capita GDP (in U.S. dollars)(1)	1,922	2,245	2,350	3,010	3,543
Average exchange rate (Rupiah/U.S. dollars)	9,164	9,757	10,356	9,078	8,774
Inflation rate (change in CPI)	6.6%	11.1%	2.8%	7.0%	3.8%
External Sector					
Current account (% of GDP)	2.4%	0.0%	2.0%	0.7%	0.2%
Fiscal Account					
Budget surplus/(deficit) (% of GDP)	(1.3)%	(0.1)%	(1.6)%	(0.6)%	(1.2)%
Debt service ratio (% of Government revenue)	19.4%	18.1%	23.2%	21.7%	22.5%

Source: BPS, Bank Indonesia and Ministry of Finance

Notes:

(P) Preliminary data.

(1) Per capita GDP in U.S. dollars has been converted from Rupiah into U.S. dollars and the U.S. dollar amounts of external debt of the central government have been converted into Rupiah at the following exchange rates per U.S. dollar: Rp9,034.1 per U.S. dollar for 2007, Rp9,545.0 per U.S. dollar for 2008, Rp10,176.9 per U.S. dollar for 2009, Rp8,997.9 per U.S. dollar for 2010 and Rp9,068 per U.S. dollar for 2011. These exchange rates are calculated by BPS with reference to the weighted average monthly exchange rates applicable to export and import transactions for each month in a given period.

Indonesia has historically relied on foreign lending to finance its fiscal deficit, including official development aid from foreign governments and loans from multilateral lending organizations such as the World Bank and the Asian Development Bank (ADB). Indonesia's budget policy at that time required that the budget deficit be financed by external aid and foreign loans from official sources. With the onset of the Asian financial crisis in 1997, the Government of Indonesia received foreign loans from the IMF intended to support the Republic's balance of payments as official foreign reserves declined and the Rupiah weakened. These loans from the IMF were fully prepaid by the Republic in October 2006. Since the crisis, Indonesia has successfully completed three rounds of rescheduling of its debt owed to the Paris Club, an informal intergovernmental forum of official creditors for negotiating debt restructurings, extending its maturity and reducing its amount. Following the earthquake and tsunami that struck Indonesia and other countries in Southeast and South Asia on December 26, 2004, the Paris Club offered a temporary suspension of debt service payments through the end of 2005 to Indonesia (as well as other countries affected by the tsunami). Through a series of bilateral agreements with Paris Club members, Indonesia reduced its outstanding debt service payments by U.S.$2.6 billion in 2005. In 2006, the government resumed debt service payments to Paris Club members. As of September 30, 2011, Indonesia's remaining Paris Club debt amounted to U.S.$12.2 billion.

Indonesia no longer relies exclusively on external borrowings. Since 1998, the government has issued domestic debt as part of its program to recapitalize Indonesia's banks and, in 2002, the government began a program of regularly issuing Rupiah-denominated bonds in the domestic market. With the development of a regulatory framework and support from the government, a secondary market for the government's domestic debt securities has developed. As part of the government's financial management reforms, the Minister of Finance issued a ministerial decree on December 30, 2010 that sets forth the government's debt management strategy through 2014. This comprehensive strategy covers policies on management of the central government's public debts, external loans and government securities, to assure transparency and accountability. The strategy also addresses coordination between the Ministry of Finance, Bank Indonesia, BAPPENAS and Line Ministries in debt management. The strategy takes into consideration the macroeconomic framework, the current risk and portfolio profile and the extent to which targets and debt management objectives were achieved under the previous strategy. The Ministry of Finance plans to maintain major elements of its current strategy's policies, for example, minimizing cost and risk of debt to provide for fiscal and debt sustainability, and maximizing domestic sources of financing while preserving debt management best practices.

Following the first direct election in 2004, the Republic held its second direct election for President and Vice President on July 8, 2009, and then-incumbent President Susilo Bambang Yudhoyono (running with Boediono, former Governor of Bank Indonesia) successfully won re-election, defeating both then-incumbent Vice President Muhammad Jusuf Kalla, leader of the Functional Group Party (Partai Golongan Karya or Golkar), and former President Megawati Soekarnoputri, leader of the Democratic Party of Struggle. Before the recent period of political reform, Indonesia had been under a centralized authoritarian regime under President Soeharto. Soeharto served as President of the Republic from 1966 until 1998, when he resigned following widespread civil unrest. President Yudhoyono is the fourth President of the Republic since Soeharto's resignation. A series of constitutional amendments adopted in the last few years has increased the level of direct democracy, decreased the influence of the military in civil government, devolved power to regional and local government authorities and sought to improve transparency of the country's judicial system.

Since 1999, there have been a number of significant and politically influential legislative developments in Indonesia. These include laws promoting regional autonomy, establishment of an independent commission to combat corruption, and agreements, laws and arrangements in relation to the provinces of Aceh and Papua, both of which had been focuses of domestic unrest.

Macroeconomic Outlook

Indonesia experienced substantial economic growth over the last few years with real GDP growth of 6.3%, 6.0%, 4.6%, 6.2% and 6.5% in 2007, 2008, 2009, 2010 and 2011, respectively. GDP grew by 6.3% and 6.4% in the first and second quarters of 2012, respectively. Bank Indonesia is forecasting Indonesia's GDP growth to be 6.1% to 6.5% for 2012.

Indonesia has had a relatively stable exchange rate. The Rupiah exchange rate averaged Rp9,164, Rp9,757, Rp10,356, Rp9,078 and Rp8,774 to the U.S. dollar in 2007, 2008, 2009, 2010 and 2011 respectively (See "Exchange Rates and Exchange Controls" for our methodology to calculate average exchange rates). The Rupiah however depreciated significantly in the last quarter of 2008, reaching a low of Rp12,400 to the U.S. dollar on November 25, 2008. This depreciation arose from investor risk aversion and substantial outflows from emerging markets, including Indonesia, due to concern over the global financial crisis. Since March 2009, the Rupiah has appreciated following the U.S. dollar's recent depreciation, robust domestic growth and moderate inflation. As of September 28, 2012, the Rupiah exchange rate was Rp9,588 to the U.S. dollar.

Indonesia experienced generally moderate levels of inflation (increases in the CPI of 6.6% in both 2006 and 2007), with the exception of 2008 when inflation was 13.9% due to substantial increases in energy, food and other commodity prices in the first half of that year. The CPI increased by 2.8% in 2009 compared to 2008 due primarily to higher prices in processed food, beverages and cigarettes. The CPI in 2010 increased by 7.0% compared to 2009 due primarily to higher prices in volatile foods groups and limited food stock in the market. The CPI in 2011 increased by 3.8% compared to 2010 due primarily to the increase in prices of rice and gold jewelry. The inflation rates in May, June and July 2012, calculated on a year-on-year basis, were 4.5% .

Indonesia has a balanced and diversified economy with manufacturing, agriculture, trade, hotel and restaurant services, financial services, and mining and quarrying as the principal sectors. In 2010 and 2011, the manufacturing sector accounted for the largest portion of GDP (25.8% for 2010 and 25.7% for 2011 at constant market prices) followed by trade, hotel and restaurant services (17.3% for 2010 and 17.8% for 2011 at constant market prices) and agriculture (13.2% for 2010 and 12.7% for 2011 at constant market prices).

On February 4, 2011, Bank Indonesia increased its reference interest rate ("BI Rate") by 25 basis points to 6.75%. Since then, Bank Indonesia has started to decrease the BI Rate in multiple occasions as future inflation in Indonesia has been predicted below the inflation target. On October 11, 2011, Bank Indonesia decreased its BI Rate by 25 basis points to 6.50%. Furthermore, on November 10, 2011 Bank Indonesia further decreased its BI Rate by 50 basis points to 6.00%. On February 9, 2012, Bank Indonesia further decreased its BI Rate by 25 basis points to 5.75% and has held its benchmark rate unchanged since.

History of Power Demand in Indonesia

The ongoing transformation of Indonesia from an agricultural to a manufacturing-oriented economy has played a particularly important role in the growth of demand for electricity. The agricultural sector is characterized by a low level of electricity consumption, despite the increasing use of electric motors, pumps and other electrical equipment. In contrast, the manufacturing sector relies heavily on electricity as a major source of energy. The expansion of the commercial sector in Indonesia, which generally consumes a higher level of electricity than the agricultural sector, has similarly contributed to the growth of demand for electricity in Indonesia through time.

The following table sets forth certain information regarding Indonesia's GDP by sector from 2007 to 2012, at constant market prices:

	Year ended December 31,										Three months ended March 31,	
	2007		2008		2009		2010		2011		2012	
	(Rp billions)	*(%)*	*(Rp billions)*	*(%)*	*(Rp billions)*	*(%)*	*(Rp billions)*	*(%)*	*(Rp billions)*	*(%)*	*(Rp billions)*	*(%)*
Manufacturing	538,085	27.4	557,764	26.8	570,103	26.2	595,313	25.8	634,247	25.7	160,629	25.4
Agriculture, livestock, forestry and fishing	271,509	13.8	284,619	13.7	295,884	13.6	304,737	13.2	313,728	12.7	82,110	13.0
Services/Commercial	181,706	9.3	193,049	9.3	205,434	9.4	217,782	9.4	232,465	9.4	59,107	9.3
Mining and quarrying	171,278	8.7	172,496	8.3	180,201	8.3	186,635	8.1	189,179	7.7	48,230	7.6
Others	801,749	40.8	874,527	42.0	926,229	42.6	1,007,549	43.5	1,093,624	44.4	282,698	44.7
Total GDP	1,964,327	100.0	2,082,456	100.0	2,178,850	100.0	2,313,838	100.0	2,463,242	100.0	632,773	100.0

Source: Biro Pusat Statistik

Other factors contributing to the growth of power demand in Indonesia include increasing affluence and the urbanization of the Indonesian population. Increasing affluence and improving standards of living in Indonesia have generally resulted in higher per capita consumption of electricity through the greater use of air conditioners and electrical household appliances. Increased urbanization has also generally reduced the number of persons per dwelling, leading to a larger number of electricity consuming households.

Market Structure and Reform

The electricity sector in Indonesia has effectively been monopolized under PLN. PLN's history dates back to Indonesia's independence in 1945, although it has been through a variety of structural reorganizations since. In 1995, PLN was reorganized into a holding company with two main generating subsidiaries and a number of specialist subsidiaries. PLN currently operates under the control of the DGEEU.

PLN had a monopoly on power generation, transmission and distribution until the middle of 1989. In 1989, concern that PLN would be unable to meet an estimated increase in future demand of 10.0% per annum resulted in a decision that year to allow IPPs to participate in power generation. Consequently, PLN had signed 27 IPP projects with a combined capacity of 10.8 GW by 1997, typically with consortiums that featured well-connected Indonesian partners.

However, the Asian economic crisis in 1997 had a negative impact on PLN, as a result of which the company faced significant financial difficulties. In response, the Government launched a number of initiatives that included renegotiating certain PPAs to improve the economic sustainability of those contracts. In 2003, the Government renegotiated 26 power plant projects with the IPPs. Of those, six of the schemes were terminated and five projects were taken over by either the Government, PLN or Pertamina.

In August 1998, the Government also issued a white paper that articulated a number of objectives for the restructuring of the electricity sector. Reform took place through the enactment of Electricity Law No. 20/2002, which promoted a process of gradual deregulation of the electricity sector, including the introduction of competition. Indonesia's Constitutional Court annulled this law in December 2004, however, ruling that it was against Indonesia's constitution to deregulate the industry. The Constitutional Court then reinstated the Old Electricity Law, which was complemented by Government Regulation No. 23/1994 to give PLN the sole right to provide electricity in Indonesia.

On September 23, 2009, the New Electricity Law came into effect, revoking and replacing the provisions of the Old Electricity Law. Under the New Electricity Law, electricity supply in Indonesia is no longer executed by the state and carried out by PLN as the holder of the PKUK. Instead, the electricity supply is controlled by the state and conducted by the central Government and regional governments through state-owned enterprises, regional-owned enterprises, private business enterprises, cooperatives and non-government enterprises. Nonetheless, the New Electricity Law does provide state owned enterprises a "first priority" right to conduct the electricity supply business for public use. The New Electricity Law is designed to allow for greater private sector participation in areas still under the control of the central Government or regional governments, where electricity demand exceeds supply. On January 24, 2012, the Government issued Government Regulation No. 14/2012 as the implementing rules of the New Electricity Law. See "Regulation of the Indonesian Electricity Sector".

Market Overview

The following table sets forth the number of customers, installed capacity, peak demand, electricity sales and electrification ratios for PLN's electricity power system in Indonesia as of December 31, 2011:

	As of December 31, 2011				
	Number of customers	**Installed capacity**	**Peak demand**	**Electricity sales**	**Electrification ratio**
	(millions)	*(MW)*	*(MW)*	*(GWh)*	*(%)*
Java-Bali	30.1	22,969	19,749	120,817	75.8
Sumatra	8.7	5,331	4,082	20,954	68.7
Sulawesi	2.7	1,247	1,013	5,637	65.6
Kalimantan	2.3	1,506	891	5,561	64.7
Other Islands	2.1	1,426	931	4,933	47.3
Total	45.9	32,479	26,665	157,993	71.2

Source: PLN

Generation

Indonesia is in need of a substantial increase in generating capacity. The country currently faces a shortage of generating power, a problem made worse by the lack of an integrated national grid. This has resulted in frequent power outages in recent years (despite the nominal reserve margin of the Java-Bali grid being 24%, its operating reserve margin is significantly lower, primarily due to the underutilization of generation plants). In addition, as PLN's facilities are mainly fuel oil-based, high fuel oil prices have resulted in rising fuel expenses and increased government subsidy. As a result, PLN has been mandated by the Government (pursuant to Presidential Regulation No. 71/2006 as amended by Presidential Regulation No. 59/2009 and Presidential Regulation No. 47/2011) to implement the Fast Track Program I to build 9,322 MW of cheaper coal-fired generation plants. Under this mandate, during the period between 2009 and 2014, PLN will develop 10 coal-fired power plants in Java-Bali (6,900 MW) and 32 coal-fired power plants outside Java-Bali (2,422 MW) totaling approximately 9,322 MW. As of June 30, 2012, 34 EPC contracts to construct these plants have been signed, while financing has been secured for 31 of the current locations. Of the 42 originally mandated locations, two of the planned locations have been combined into one location, with the same aggregate capacity. Furthermore, the tender and negotiation process for the location in Timika, Papua was not successful as a result of the bidder being unable to fulfill certain designated requirements relating to the location and two EPC contracts have been terminated due to the conditions of the sites. In addition, with respect to five of the additional locations, we have an option to tender which remains open, reflecting an aggregate potential capacity of 104 MW. Finally, as of June 30, 2012, one location has been transferred out of the Fast Track Program but is still under development. See "Relationship with the Government — Government as Customer — The Fast Track Programs — Fast Track Program I".

In addition to the Fast Track Program I, the Government has mandated PLN (pursuant to Presidential Regulation No. 4/2010 as amended by Presidential Regulation No. 48/2011 and supplemented by MEMR Regulation No.15/2010, as amended by MEMR No. 1/2012) to implement the Fast Track Program II to procure 10,047 MW of renewable energy, gas and coal-fired plants. The Fast Track Program II is designed to meet increasing electricity demand in Indonesia beyond completion of the Fast Track Program I, focus on renewable energy sources and invite private sector participation in electricity development. We have been mandated under the Fast Track Program II to develop a total capacity of approximately 10,047 MW by 2020, which was previously scheduled to be by 2014. IPPs will be responsible for providing more than half of the energy mandated to be procured. As of June 30, 2012, three EPC contracts to construct these plants have been signed, with no financing obtained for these locations. See "Relationship with the Government — Government as Customer — The Fast Track Programs — Fast Track Program II".

PLN remains the dominant participant in domestic power generation. However, a renewed emphasis on private sector investments, primarily in IPPs, marks a return to development plans set in place before the 1997 Asian economic crisis. As of June 30, 2012, there were 26 IPPs operating in Indonesia with a contractual capacity of 5,634 MW (excluding IPPs treated as operating leases and captive power plants). A further 4,632.6 MW of generation capacity is under development by IPPs, of which the vast majority is coal-fired.

The Government plans to develop a total of 36.2 GW on Java and Bali by 2019, which will be achieved initially via the Fast Track Programs and IPP developments. In August 2010, the Government reviewed the price for 25 PPAs with a total capacity of 1,913 MW. In addition, as of August 2011, the Government had completed the review of 23 PPAs which have been verified by the Board of Finance and Development Control.

Transmission and Distribution

In addition to the lack of adequate investment in generating capacity, long-haul transmission also remains a problem. Indonesia does not have an integrated network of transmission grids. The Java-Bali grid is our main integrated grid, and is connected by a transmission system running at 500 kV, 150 kV and 70 kV. Outside Java-Bali, individual islands use isolated transmission networks at 150 kV and 70 kV. As of June 30, 2012, the combined length of the transmission lines was approximately 38,626 kilometers. Our 20 kV distribution lines covered 295,296 kilometers and our low voltage lines covered 433,308 kilometers. We plan to invest approximately Rp19.5 billion for transmission development projects in 2012. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Capital Requirements".

Supply

As of June 30, 2012, we served approximately 47.8 million electricity customers throughout Indonesia, of which 30.2 million of the total were in Java-Bali. Based on the number of customers, approximately 92.8% of our customers are residential, with the category accounting for around 41.1% of total electricity sales (in GWh). A further 0.1% of customers are from industry, accounting for 35.0% of total electricity sales (in GWh). The remaining customers come from the business and the public sectors, which account for approximately 17.8% and 6.2% of total electricity sales (in GWh), respectively.

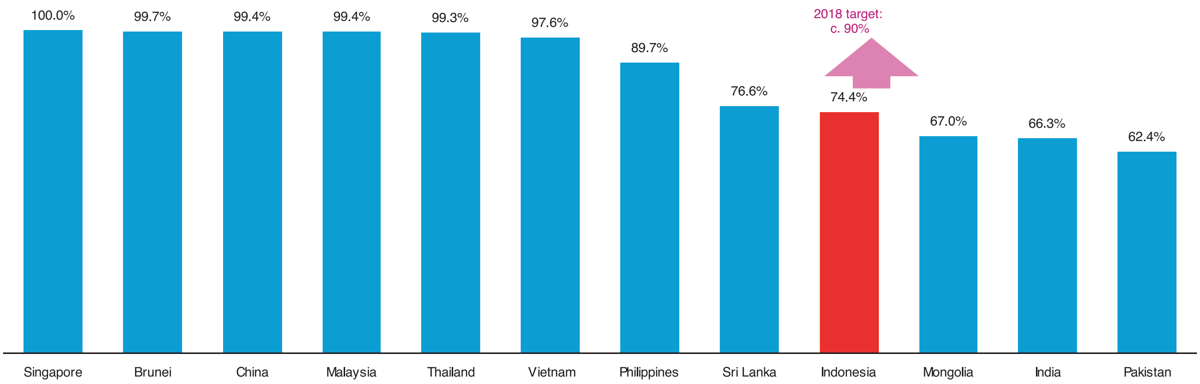
Power Outlook in Indonesia

The increase in demand for electricity has been driven by Indonesia's relatively low per capita consumption and electrification ratios, which are among the lowest in Asia. Demand is projected to grow at more than 8% per annum between 2012 and 2020, with total electricity demand expected to more than double between 2011 and 2019.

	Projected Indonesian Energy Demand 2012-2020					
	Unit	2012	2014	2016	2018	2020
Energy Demand						
Indonesia	TWh	177.8	210.1	246.2	284.4	328.3
Java-Bali	TWh	135.8	158.5	184.5	211.1	241.2
Eastern Indonesia	TWh	15.1	18.7	22.4	26.6	31.7
Western Indonesia	TWh	26.9	32.9	39.3	46.6	55.3
Electrification Ratio						
Indonesia	%	74.4	79.9	85.5	90.3	94.4
Java-Bali	%	75.4	81.5	88.1	93.7	97.8
Eastern Indonesia	%	67.6	72.1	76.7	81.3	86.4
Western Indonesia	%	76.7	81.5	85.0	88.2	91.6

Source: PLN

The following chart sets forth electrification rates across select Asian countries:



Source: IEA, World Energy Outlook 2010

The following table sets forth the per capita electricity consumption of select Asian countries:

	Electricity consumption per capita
	(MWh/capita)
Taiwan	10.66
South Korea	9.66
Singapore	8.48
Japan	8.02
Hong Kong	5.94
Malaysia	3.68
China	2.96
Thailand	2.21
Vietnam	0.98
Indonesia	0.64
Philippines	0.63
India	0.62
Pakistan	0.45

Source: EIU, as of December 2010

The following table sets forth the installed capacity per capita of select Asian countries:

	Installed capacity per capita
	(kW/capita)
Japan	2.2
Singapore	2.2
Taiwan	1.9
South Korea	1.9
Hong Kong	1.8
Malaysia	0.9
China	0.8
Thailand	0.6
Vietnam	0.2
Philippines	0.2
India	0.2
Indonesia	0.1
Pakistan	0.1

Source: EIU, as of December 2010

Furthermore, countries with predominantly manufacturing-based economies tend to consume more electricity and, thus, have higher generation capacities per U.S.$ of GDP, compared to countries that are services-based. Given the Indonesian economy's relative focus on manufacturing, and its relative stage of development, Indonesia is expected to offer significant potential for growth in the electricity industry.

The following table sets forth the installed capacity of select Asian countries:

	Installed capacity
	(GW)
China	999
Japan	281
India	201
South Korea	91
Taiwan	43
Thailand	42
Indonesia	29
Malaysia	26
Pakistan	21
Vietnam	19
Philippines	18
Hong Kong	13
Singapore	11

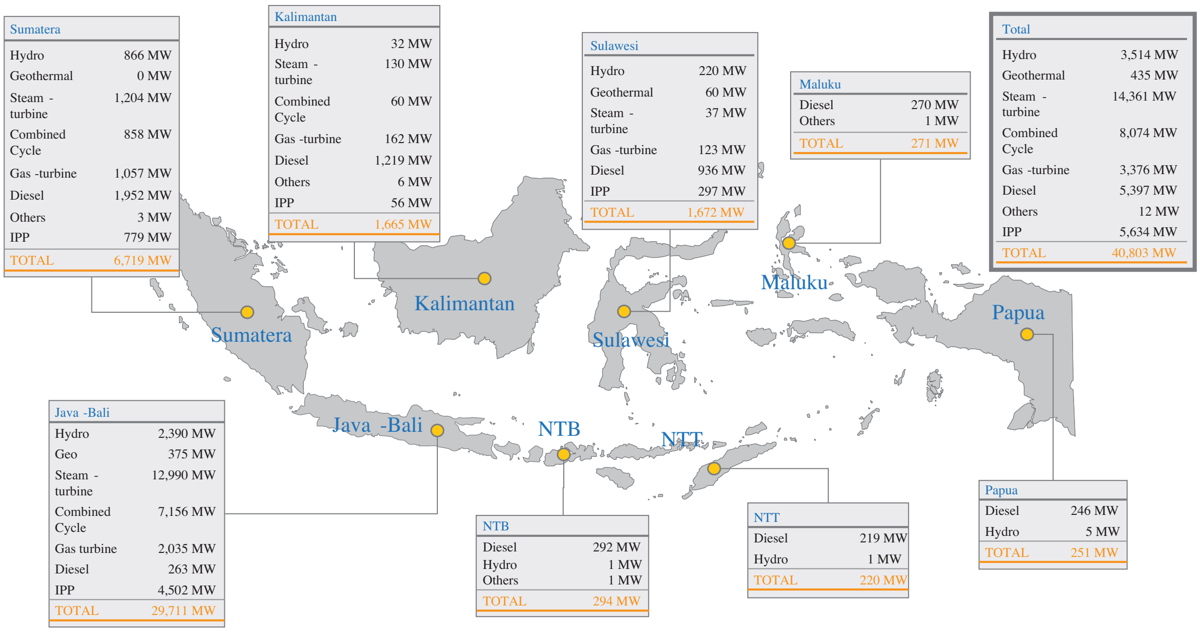
Source: EIU, as of December 2010

The following table sets forth the total electricity consumption of select Asian countries:

	Electricity consumption *(GWh thousands)*
China	3,968
Japan	1,022
India	726
South Korea	472
Taiwan	248
Thailand	151
Indonesia	149
Malaysia	103
Vietnam	86
Pakistan	77
Philippines	58
Singapore	43
Hong Kong	42

Source: EIU, as of December 2010

We are Indonesia's state-owned electric utility company and are wholly-owned by the Republic of Indonesia, which is represented by the Ministry of State-Owned Enterprises. We are the major provider of all public electricity and electricity infrastructure in Indonesia, including construction of power plants, power generation, transmission, distribution and retail sales of electricity. We are the largest electricity producer in Indonesia, and as of June 30, 2012 had a power generation capacity of approximately 35,169 MW that accounts for over 86.2% of total capacity in Indonesia and served approximately 47.8 million customers. As of June 30, 2012, we owned and operated 1,537 electricity generating plants comprised of 5,554 electricity generating units in Indonesia, including fuel oil-fired, natural gas-fired, coal-fired, geothermal and hydroelectric plants. We also purchase most of the electricity produced in Indonesia by IPPs, which are private companies that own electricity generating plants. As of June 30, 2012, there were 26 IPPs (excluding IPPs treated as operating leases and captive power plants) operating in Indonesia with a contractual capacity of 5,634 MW.



We operate four main grids in Java-Bali, North Sumatra, South Sumatra and South Sulawesi, which are the most populated regions in Indonesia. Approximately 58.9% of the total population of Indonesia (approximately 142 million people) live on Java and Bali, and the region uses approximately 76.5% of our total customers' power consumption. As of June 30, 2012, we controlled approximately 38,626 kilometers-circuits of transmission lines and approximately 728,603 kilometers-circuits of distribution lines.

Our charges for electricity are based on electricity tariff rates which are set by the Government. See "Regulation of the Indonesian Electricity Sector". Pursuant to Presidential Regulation No. 8/2011, the Government increased the electricity tariff by an average of 10.0% retroactive with effect from July 1, 2010. As a result of the protests from some of our customers, in particular our industrial customers, the Government decided to cap the maximum tariff increase at 18.0%, which was effective until December 31, 2010. Since January 2011, there has not been any cap on the tariff increase and we have billed all of our customers based on the tariffs prescribed by Presidential Regulation No. 8/2011.

There are four types of charges that we can levy on our customers: (i) demand charge; (ii) variable energy charge; (iii) minimum payment; and (iv) special service tariff. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Overview".

The tariff rates set by the Government have, for some time, been inadequate to cover our cost of producing the electricity we sell. However, because we perform a PSO within the meaning of Law No. 19/2003, the Government is obligated to subsidize us for the difference between our cost to produce the electricity we sell and the price we are permitted to charge for that electricity under the tariff rates set by the Government. The subsidy mechanism is defined in Regulation 111 and Regulation 162. See "Relationship with the Government" and "Regulation of the Indonesian Electricity Sector". The amount of these subsidies has risen significantly since 2005 as a result of rising fuel costs.

In order to reduce our reliance on fuel oil, and pursuant to Presidential Regulation No. 71/2006, the Government introduced an infrastructure development program known as the Fast Track Program I of which originally mandated us to build coal-fired electricity generating plants at 40 locations in Indonesia, including 10 plants with an aggregate capacity of 6,900 MW in Java-Bali and 30 plants with an aggregate capacity of 2,022 MW outside Java-Bali. This was subsequently amended by Presidential Regulation No. 59/2009 and President Regulation No. 47/2011, which increased the mandate to 42 locations, including 10 plants with an aggregate capacity of 6,900 MW in Java-Bali and 32 plants with an aggregate capacity of 2,422 MW outside Java-Bali. We are currently developing coal-fired electricity generating plants at 34 locations with an aggregate capacity of 9,907 MW pursuant to this mandate, including 10 locations in Java-Bali with an aggregate capacity of 7,490 MW and 24 locations outside Java-Bali with an aggregate capacity of 2,417 MW. Of the 42 originally mandated locations, two of the planned locations have been combined into one location, with the same aggregate capacity. Furthermore, the tender and negotiation process for the location in Timika, Papua was not successful as a result of the bidder being unable to fulfill certain designated requirements relating to the location and two EPC contracts have been terminated due to the conditions of the sites. In addition, with respect to five of the additional locations, we have an option to tender which remains open, reflecting an aggregate potential capacity of 104 MW. Finally, as of June 30, 2012, one location has been transferred out of the Fast Track Program but is still under development.

Substantially all of these electricity generating plants under the Fast Track Program I are expected to be built and in operation by 2014, and not by 2011 as originally planned, due to the availability of land and the underperformance by a majority of our EPC contractors. See "Risk Factors — Risks Relating to our Business and Operations — We may not be able to successfully implement the Fast Track Programs". Pursuant to Presidential Regulation No. 4/2010 as amended by Presidential Regulation No. 48/2011, the Government subsequently mandated us in the second phase of the Fast Track Program II to procure 10,047 MW of renewable energy, gas and coal-fired plants in order to fulfill increasing electricity demand in Indonesia beyond that provided by completion of the Fast Track Program I above. The private sector will be invited to participate in electricity development under the Fast Track Program II as IPPs will be responsible for providing approximately half of the 10,047 MW of energy mandated to be procured. We have started the construction of coal-fired electricity generating plants in three locations with an aggregate capacity of 140 MW and we have entered into EPC contracts in relation to these three locations. We are currently in various stages of planning and negotiation of the EPC contracts in relation to the remaining mandated locations. The Government has formally extended the completion year for the Fast Track Program II to 2020, which was originally scheduled to be 2014. The Fast Track Programs are likely to result in the development of 132 plants with a total capacity of approximately 19,954 MW in order to reduce our reliance on fuel oil and the Government's subsidy burden and meet rising electricity demand in Indonesia. See "Relationship with the Government — Government as Customer — The Fast Track Programs" and "Risk Factors — Risks Relating to our Business and Operations — We may not be able to successfully implement the Fast Track Programs".

We had total revenues of Rp208,018 billion (U.S.$21,943 million) for the year ended December 31, 2011 and Rp111,372 billion (U.S.$11,748 million) for the six months ended June 30, 2012. We had Adjusted EBITDA excluding the effects of ISAK 8 of Rp31,455 billion (U.S.$3,318 million) for the year ended December 31, 2011 and Rp27,472 billion (U.S.$2,265 million) for the six months ended June 30, 2012. We had income for the period and total comprehensive income of Rp5,426 billion (U.S.$572 million) for the year ended December 31, 2011 and Rp31 billion (U.S.$3 million) for the six months ended June 30, 2012. We had total assets of Rp467,783 billion (U.S.$49,344 million) and Rp510,964 billion (U.S.$53,899 million) as of December 31, 2011 and June 30, 2012, respectively.

The volume of electricity we transmitted and distributed in 2011 increased by 7.3% to 157,993 GWh from 147,297 GWh in 2010. From 2007 through 2011, our average annual increase in volume of electricity transmitted and distributed was 7.0%. In the year ended December 31, 2011, we achieved a SAIDI and a SAIFI of 4.7 hours per consumer per year and 4.9 interruptions per consumer per year, respectively.

On September 23, 2009, the Government issued the New Electricity Law, which may materially affect the electricity supply and supporting businesses in Indonesia, including our Company. For a more detailed description of this New Electricity Law and its potential impact, see "Regulation of the Indonesian Electricity Sector — Regulation" and "Risk Factors — Risks Relating to our Business and Operations".

Our corporate offices are located at Jalan Trunojoyo Blok M 1/135, Kebayoran Baru Jakarta Selatan, Indonesia.

Our History

The electric utility industry in Indonesia began at the end of the 1800s, when several Dutch companies established electrical generators in Indonesia. These electrical energy enterprises later formed the public interest company NV.NIGM. Following the independence of Indonesia in August 1945, the Government assumed control of these electrical companies. On October 27, 1945, President Soekarno established the Jawatan Listrik dan Gas (Bureau of Electricity and Gas), with a total generation capacity of 157.5 MW.

On January 1, 1961, the Bureau of Electricity and Gas was converted into BPU-PLN (Badan Pimpinan Umum Perusahaan Listrik Negara), which focused on electricity, gas and kokas (a type of fuel derived from coal).

On May 13, 1965, BPU-PLN was split into two separate companies, Perusahaan Listrik Negara (PLN) for electrical energy and PGN for natural gas. At such time, PLN's total generation capacity was 300 MW.

In 1972, the Government changed our status from Perusahaan Listrik Negara to a public service company (known as Perusahaan Umum Listrik Negara (PLN)). In 1985, the enactment of Law No. 15/1985 of the Electricity Act gave us exclusive control over the business of providing electricity in Indonesia. In 1990, by Government Regulation No. 17/1990, the Government appointed PERUM PLN as the exclusive owner of Indonesia's entire electricity generating business.

In 1989, the Government opened up the electricity supply business to the private sector. In line with this policy, in July 1994, we changed our status from Perusahaan Umum to a limited liability state-owned enterprise (known as Perusahaan Perseroan (Persero)).

In 1998, in response to the Asian financial crisis, we entered into negotiations to restructure our PPAs with our IPPs, and completed the restructuring in 2003 which resulted in some write-offs, partial cash payment, and conversion of payables into long-term debt. As part of the restructuring schemes, we renegotiated the main terms and conditions and period of PPAs. We completed the restructuring of certain Government subordinated loans in 2001.

In 2003, the Government enacted Law No. 19/2003 to provide state-owned enterprises that are assigned to provide public service obligations the right to compensation from the Government of all their costs, as well as the expected margin, if the assignment is not feasible.

In 2006, the Government introduced the Fast Track Program I, pursuant to Presidential Regulation No. 71/2006 as amended by Presidential Regulation No. 59/2009 and Presidential Regulation No. 47/2011, which mandated us to build 42 coal-fired electricity generating plants.

On September 23, 2009, the Government issued the New Electricity Law. Prior to the enactment of the New Electricity Law, the supply of electricity in Indonesia was the responsibility of the state and was carried out by us at the direction of the Government. We held PKUK from the Government under which we operated as an integrated electricity supply company. Under the New Electricity Law, our PKUK is no longer recognized and we are deemed as already having obtained the IUPTL. On September 30, 2011 we obtained an Electricity Supply Business License under which we operate as an integrated electricity supply company with a business area covering all of the territory of the Republic of Indonesia.

In 2010, the Government introduced the Fast Track Program II, pursuant to Presidential Regulation No. 4/2010 as amended by Presidential Regulation No.48/2011 and supplemented by Ministry of Energy and Mineral Resources Regulation No.15/2010, as amended by Ministry of Energy and Mineral Resources Regulation No. 1/2012, which mandated us to build six geothermal three hydroelectric, eight coal-fired, eight coal gasification and one natural gas- fired electricity generating plants as well as the relevant transmission lines.

Business Strengths

Our Company performs strategic functions that are integral to the development of the economy and the electricity sector of Indonesia. We believe that the following are our key business strengths:

Strong relationship with the Government

We are wholly-owned by the Republic of Indonesia which is represented by the Ministry of State-Owned Enterprises. We believe that the Government is committed to our financial soundness as part of its objective to ensure a stable electricity supply in Indonesia. As part of the Government support, the Government provides us with compensation to cover the excess of our costs incurred and the expected PSO Margin over certain electricity tariff rates determined by the Government. Electricity subsidies are included in the state budget, and, since we perform a PSO within the meaning of Law No. 19/2003, the Government is required to cover losses we incur because electricity tariff rates we charge our customers are inadequate to cover our cost of providing electricity to customers. For more details on our strong relationship with the Government, see "Relationship with the Government".

Dominant provider of electricity in Indonesia's fast-growing electricity market

We are the dominant provider of electricity in Indonesia's growing electricity market. By regulation, we had been the sole provider for the transmission and distribution of electricity in Indonesia and we controlled over 86.2% of generation capacity in Indonesia as of June 30, 2012. We also have an extensive presence across the different regions in Indonesia.

Further, we believe that the Indonesian electricity demand is closely linked to the country's economic growth and that the demand for electricity in Indonesia will continue to grow. Indonesia's real GDP increased by 6.5% in 2011 over 2010 and 6.1% in 2010 over 2009. In addition, we believe Indonesia offers a significant potential for growth in the electricity sector as its electricity consumption per capita and power generation capacity per capita are significantly lower than those of the other Asian emerging economies. As such, the Government has projected in its expansion plan report that there will be a growth in demand for electricity of more than 9.0% per annum over the next five years, and total electricity demand will almost double between 2011 and 2019. As the major provider of electricity in Indonesia, we expect to benefit from such growth. See "Industry Overview" and "Risk Factors — Risks Relating to Indonesia".

Focus on improving our operating efficiency and reducing our costs

Over the last few years, we have focused on improving our operating efficiency and reducing our costs. Transmission losses have remained relatively constant at 2.2% in 2009, 2.3% in 2010 and 2.3% in 2011, and our distribution losses decreased slightly from 7.9% in 2009 to 7.6% in 2010 to 7.3% in 2011. Through the introduction and implementation of a new prepayment system and online payment technology, we have improved our customer collection mechanism. We continue to reduce our reliance on fuel oil, diversifying our energy mix to lower marginal cost fuel to reduce costs. See "Our Business — Power Interruption and System Loss".

Experienced Board of Directors, Board of Commissioners and management team

Most of the members of our Board of Directors each have over 25 years of experience in the electricity sector. We believe our management team has complementary skill sets and a strong understanding of the local electricity market. The members of our Board of Commissioners are well respected and have been appointed by the Ministry of State-Owned Enterprises, with several of them having strong ties with the Government.

Stable financial profile

We believe we have a stable financial profile based on our Adjusted EBITDA excluding the effects of ISAK 8 to Adjusted Financial Cost, relatively modest Total Borrowings to Equity Ratio and the state of our consolidated statement of financial position. For the year ended December 31, 2010, our Adjusted EBITDA excluding the effects of ISAK 8 to Adjusted Financial Cost was 4.7 and our Total Borrowings to Equity Ratio was 98.2% and, for the year ended December 31, 2011, our Adjusted EBITDA excluding the effects of ISAK 8 to Adjusted Financial Cost was 4.1 and our Total Borrowings to Equity Ratio was 119.4%. In addition, between 2009 and mid-2012, our Adjusted EBITDA excluding the effects of ISAK 8 grew steadily from Rp23,366 billion for the year ended December 31, 2009, to Rp28,315 billion for the year ended December 31, 2010, to Rp31,455 billion (U.S.$3,318 million) for the year ended December 31, 2011 and Rp21,472 billion (U.S.$2,265 million) for the six months ended June 30, 2012, which has been consistently supported by subsidies from the Government. While our Adjusted EBITDA margin excluding the effects of ISAK 8, which is calculated by dividing Adjusted EBITDA excluding the effects of ISAK 8 over Total Revenues, has decreased from 17.4% for the year ended December 31, 2010 to 15.1% for the year ended December 31, 2011, it increased to 19.3% for the six months ended June 30, 2012.

Strategy

We have the following strategic objectives:

Successful implementation of the Fast Track Programs

Pursuant to Presidential Regulation No. 71/2006 as amended by Presidential Regulation No. 59/2009 and Presidential Regulation No. 47/2011, the Government has mandated us to accelerate the development of coal-fired electricity generating capacity in Indonesia through the Fast Track Program I. In addition, pursuant to Presidential Regulation No. 4/2010 as amended by Presidential Regulation No. 48/2011, the Government has mandated us to procure 10,047 MW of renewable energy, gas and coal-fired plants in order to fulfill increasing electricity demand in Indonesia through the Fast Track Program II. The Fast Track Programs are expected to result in the development of 132 plants with a total capacity of approximately 19,954 MW in order to reduce our reliance on fuel oil and the Government's subsidy burden and meet rising electricity demand in Indonesia. In relation to the Fast Track Program I, we have already signed the EPC contracts and obtained financing for a large majority of the 34 planned locations which we are currently developing. In connection with the Fast Track Program II, we have signed three EPC contracts. We expect that the building and construction of all plants under the Fast Track Program I will be substantially completed and in operation by 2014. This strategy will reduce our exposure to fuel oil-based production and increase our electricity production capacity that is necessary to satisfy the growing demand we expect in the next few years. See "Relationship with the Government —Government as a Customer — The Fast Track Program" and "Risk Factors — Risks Relating to our Business and Operations — We may not be able to successfully implement the Fast Track Programs".

Continue our efforts to raise the electricity tariffs we charge our customers in order to reduce our reliance on Government electricity subsidies

The Government raised electricity tariffs by an average of 10.0% with effect from July 2010. However, the difference between the electricity tariffs we are able to charge our customers and our operating costs remain substantial. In addition, all customers are currently provided with electricity at subsidized rates.

We intend to continue to seek to raise the electricity tariffs we charge our customers to make our business profitable and reduce our reliance on Government electricity subsidies through our initiative to encourage business-to-business electricity sale at market rates and the implementation of regional electricity tariffs. We will continue to request subsidies to the Government when average selling prices are under our costs of electricity provision and raise funds to support our investment programs.

Focus on reducing our operating costs

We intend to reduce operating costs by:

(i) reducing our reliance on fuel oil-based generation and increasing our reliance on coal-based generation as part of the Fast Track Programs. In comparison to other types of fuel, Indonesia has an abundant supply of coal which is a significantly cheaper source of fuel. This strategy is also intended to meet the growing demand from our existing and new customers by developing new electricity generating plants and transmission and distribution facilities that are cost-effective as part of the Fast Track Programs; and

(ii) reducing generation costs through supply side management, which involves buying excess capacity from captive non-fuel oil generators during peak load hours, shutting down certain generating units during low-demand periods and shutting down certain fuel oil-fired generating units during weekends.

Introduce initiatives to improve the efficiency of our business operations

In order to improve our operating efficiency, we intend to further reduce network losses, improve our maintenance system, improve generation production efficiency, improve our inventory turnover/cycle and decrease our collection period. We are also seeking to improve several other operating efficiency measures such as the equivalent forced outage rate, capacity factor and number of customers per employee. In addition, we intend to further improve our financial efficiency through cash pooling by implementing a centralized online payment of electricity bills using the P2APST (Centralized Management and Supervisory of Revenue) system.

Our Operations

As of June 30, 2012, we served approximately 47.8 million customers in Indonesia through our transmission network comprising approximately 38,626 kilometers of transmission lines and 82,838 megavolt ampere ("MVA") of transmission transformer capacity with approximately 728,603 kilometers of distribution lines and approximately 39,556 MVA of distribution transformer capacity.

We classify electricity consumers into four tariff categories: residential, business, industry and public (which consists primarily of government buildings, schools and hospitals). The following table sets forth the numbers of customers we had in each category, for the periods indicated.

	As of December 31,					As of June
	2007	2008	2009	2010	2011	30, 2012
Residential	34,684,000	35,834,241	37,099,830	39,324,520	42,577,542	44,317,124
Business	1,611,000	1,697,164	1,879,429	1,912,150	2,049,361	2,136,957
Industry	47,000	47,276	47,900	48,675	50,365	51,601
Public	992,000	1,043,695	1,090,526	1,150,042	1,217,877	1,257,798
Total	37,334,000	38,622,376	40,117,685	42,435,387	45,895,145	47,763,480

The following table sets forth the aggregate amount of electricity transmitted and distributed by us to each category of our electricity consumers and for the periods indicated.

	As of December 31,					As of June
	2007	2008	2009	2010	2011	30, 2012
			(in GWh)			
Residential	47,325	50,184	54,945	59,825	65,112	34,794
Business	20,608	22,926	24,825	27,157	28,307	15,053
Industry	45,803	47,969	46,204	50,985	54,726	29,622
Public	7,511	7,940	8,607	9,330	9,848	5,268
Total	121,247	129,019	134,582	147,297	157,993	84,737

Generation

Our electricity generating system consists primarily of fuel oil-fired, natural gas-fired, coal-fired, geothermal and hydroelectric electricity generating plants. As of June 30, 2011, we had an aggregate installed capacity of approximately 35,169 MW.

As of June 30, 2012, the breakdown of our generation capacity by fuel type is as below:

- Coal-fired electricity generating plants — 12,572 MW;
- Natural gas-fired electricity generating plants — 8,548 MW;
- Fuel oil-fired electricity generating plants — 10,097 MW;
- Hydroelectric electricity generating plants — 3,514 MW;
- Geothermal electricity generating plants — 435 MW; and
- Other electricity generating plants — 3 MW.

Transmission

As of June 30, 2012, our transmission network within Indonesia was comprised of:

- a 500 kV interconnected transmission system with 5,052 kilometers-circuits;
- a 150 kV transmission system with 28,975 kilometers-circuits;
- a 70 kV transmission system with 4,594 kilometers-circuits;

- a lower than 70 kV transmission system with 5 kilometers-circuits; and
- a transformer capacity of 82,838 MVA.

Distribution

As of June 30, 2012, our distribution network within Indonesia was comprised of:

- a 20 kV medium-voltage line distribution network of 295,296 kilometers-circuits;
- a low-voltage line distribution network of 433,308 kilometers-circuits; and
- 333,680 units of distribution transformers with total capacity of approximately 39,556 MVA.

Capacity

The following table sets forth, for each of our 18 major electricity generating plants, the number of generating units, installed capacity, weighted average age of generating units and average capacity factor for the six months ended June 30, 2012.

	Six months ended June 30, 2012						
Station	Fuel	Type	Location	Number of generating units	Installed capacity	Weighted average age	Average capacity factor
					(MW)	*(Years)*	*(%)*
Suralaya	Coal	ST[(1)]	Banten	4	1,600	25.5	73.1
				3	1,800	15.0	81.0
Paiton	Coal	ST	East Java	2	800	19.0	72.1
Tanjung Jati B	Coal	ST	Central Java	4	2840	3.4	78.4
Gresik	Gas/Oil	C/GT[(2)]	East Java	12	1,579	19.4	43.6
	Gas/Oil	ST	East Java	4	600	26.3	63.9
Muara Karang	Gas/Oil	C/GT	Jakarta	4	509	18.9	40.5
	Gas	C/GT		5	752	2.4	46.2
	Gas/Oil	ST		2	400	30.5	57.0
Tanjung Priok	Gas/Oil	C/GT	Jakarta	8	1,180	18.3	55.8
Cirata	Hydro	HT[(3)]	West Java	8	1,008	19.3	12.8
Saguling	Hydro	HT	West Java	4	700	26.5	36.7
Grati	Oil/Gas	C/GT	East Java	4	462	15.7	70.2
Muara Tawar	Oil/Gas	C/GT	West Java	6	902	11.2	73.4
	Oil/Gas			8	1,148	9.8	21.9
Cilegon	Gas	C/GT	Banten	3	740	6.0	76.7
Labuan	Coal	ST	Banten	2	600	2.5	71.4
Indramayu	Coal	ST	West Java	3	990	1.0	48.1
New Suralaya	Coal	ST	Banten	1	625	1.0	30.8
Rembang	Coal	ST	Central Java	2	630	1.0	67.4
Lontar	Coal	ST	Banten	3	945	1.0	31.2
New Paiton	Coal	ST	East Java	1	660	0.0	0.00

Notes:

(1) ST refers to steam turbine.

(2) C/GT refers to combined-cycle gas turbine.

(3) HT refers to hydroelectric turbine.

(4) One generating unit was transferred to Muara Karang.

The following table sets forth our installed capacity breakdown by age as of December 31, 2011.

Age	**Installed capacity**
	(%)
Greater than 25 years	14.9
20-25 years	10.5
15-20 years	19.9
10-15 years	18.3
5-10 years	5.7
Less than five years	30.7

We comply with various international operating standards such as ISO 9001, ISO 14001, ISO Guide 17025 with respect to research and development, ISO Guide 62, ISO Guide 65, ISO Guide 17020, OHSAS 18001 and SMK3 (Golden Flag) with respect to occupational safety, health management and zero accidents. As of January 1, 2011, we have implemented the PLN Management System (PLNMS), which is a system whereby certifications are received on an integrated basis in order to avoid duplications. For example, all of our generating plants in a region will receive a single certification. Under this new system, 81 of our generating plants have received ISO 14001 certification, 296 of our customer service units and transmission service units have received ISO 9001 certification, three of our generating plants have received OHSAS 18001 certification and 83 of our generating plants have received SMK3 certification. SMK3 is an occupational safety, health management and zero accident certification.

Our generating units have useful lives of approximately 20 years for open-cycle gas turbine and combined-cycle gas turbine generating units, approximately 25 years for steam turbine generating units and approximately 40 years for hydroelectric generating units.

We have an ongoing maintenance and rehabilitation program in order to maintain and increase the overall efficiency of our generating units and to derive the most economic loading for such units. This maintenance program includes, among other things, implementing total maintenance contracts ("TMCs") that are aimed at improving and restoring the performance of generator units up to a certain level. Our TMCs are for the Muara Tawar combined-cycle electricity generating plant and the Tanjung Jati B coal-fired electricity generating plant. For example, the TMC for the Muara Tawar electricity generating plant is with Siemens and has a duration of 10 years starting 2004. The contract payment comprises a fixed portion and a variable portion. The contractor has to meet its targets such as heat rate of 2,605 kcal/kWh for the first year, an equivalent availability factor average of 95.5% and a net dependable capacity per unit of 143 MW. There is a penalty for not meeting the targets.

The following table sets forth the electricity generated and purchased by us, the amount of electricity used by the plant or substation and the amount of electricity used or lost in the course of transmission and distribution for each of the five years ended December 31, 2007, 2008, 2009, 2010 and 2011 and for the six months ended June 30, 2012.

	Year ended December 31,					Six months ended June 30, 2012
	2007	2008	2009	2010	2011	
	(GWh)					
PLN facilities:						
Fuel oil	34,596	38,024	34,941	33,781	41,846	15,783
Coal	41,880	41,311	43,138	46,685	54,951	34,329
Natural gas	17,692	19,874	28,738	32,018	32,138	16,894
Geothermal	3,188	3,391	3,504	3,398	3,488	1,737
Hydroelectric	10,627	10,740	10,307	15,827	10,316	5,907
Total PLN production (1)	107,984	113,340	120,628	131,709	142,739	74,650
Purchased from others (2)	34,457	36,097	36,169	38,076	40,682	23,008
Gross generation	142,440	149,436	156,797	169,786	183,421	97,658
Auxiliary use(3)	(5,970)	(5,310)	(7,167)	(6,535)	(8,756)	(4,132)
Transmission and distribution losses	(15,224)	(15,108)	(15,048)	(15,954)	(16,672)	(8,789)
Electricity sold	121,247	129,019	134,582	147,297	157,993	84,737

Notes:

(1) Including diesel rent.

(2) Net purchased from others.

(3) Including station, transmission and distribution substation use.

Peak Load and Capacity

The following table sets forth the installed capacity, peak demand, net dependable capacity, reserve capacity, reserve margin, operating reserve margin, average demand, units of electricity sold and the average selling price for the years ended December 31, 2007, 2008, 2009, 2010 and 2011 and for the six months ended June 30, 2012.

	Year ended December 31,					Six months ended June 30, 2012
	2007	2008	2009	2010	2011	
	(MW except percentages, GWh and average selling prices)					
Installed Capacity (1)						
PLN	25,223	25,594	25,637	26,895	32,479	35,169
IPPs(2)	4,484	4,606	4,718	4,761	4,693(3)	5,634
Total system installed capacity(4)	29,543	29,987	30,355	31,656	37,172	40,803
Peak demand(5)	21,301	21,120	23,438	24,917	26,665	29,207
Net dependable capacity(6)	26,537	26,186	26,766	28,302	32,843	35,637
Reserve capacity	8,401	9,080	6,917	6,739	10,507	11,596
Reserve margin(7)	39.0%	43.0%	30.0%	27.0%	39.4%	39.7%
Operating reserve margin(8)	25.0%	24.0%	14.0%	14.0%	23.2%	22.0%
Average demand(9)	12,698	17,059	17.813	19.380	20,940	22,295
Units of electricity sold (GWh)	121,247	129,019	134,582	147,297	157,993	84,737
Average selling price (Rp/kWh)	Rp629	Rp653	Rp670	Rp699	Rp714	Rp734

Notes:

(1) Installed capacity represents the combined level of output that may be sustained continuously without significant risk of damage to plant and equipment.

(2) Represents the contractual capacity as specified in the relevant IPP contracts.

(3) Excluding IPPs treated as operating leases and captive power plants

(4) Total system installed capacity represents our capacity and those of IPPs.

(5) Peak demand represents the aggregate actual maximum peak demand on every system at any single time during the period.

(6) Net dependable capacity represents the rated capacity and the contractual capacity of the IPPs as specified in the relevant IPP contracts.

(7) The reserve margin is equal to the difference between total system installed capacity and peak demand as a percentage of peak demand.

(8) Operating reserve margin is equal to the difference between net dependable capacity and peak demand as a percentage of a peak demand.

(9) Average demand is equal to the average demand on our system during the period.

We have taken the following steps to manage the growth of peak demand:

- buying excess capacity from customers who have captive non-oil fuel generators during peak demand hours;
- encouraging energy conservation by individuals and business;
- encouraging residential customers to turn one light off from 5.00 p.m. to 10.00 p.m. everyday;
- introducing electricity tariff mechanisms which provide incentives to industry and large business customers to shift load from peak hours to off-peak hours;
- implementing a non-subsidized tariff to residential, public and business customers above 6,600 VA; and
- introducing a business-to-business tariff for new customers above 6,600 VA.

Our Assets and Grids

Our assets are diversified and located across Indonesia, with a large portion serving the most populated area of Indonesia, the Java-Bali region.

The following table sets forth the number of customers served, electricity generating plants, generating units, IPP electricity generating plants, total installed capacity, peak demand and electricity generated for each of the main regions of Indonesia as of December 31, 2011.

		Capacity (MW)				
Region	Electricity Generating Units	PLN[4]	IPPs[3]	Total	Peak Demand in 2011	Customers (millions)
Java-Bali	310	22,969	3,637	26,606	19,739	30.1
Sumatra						
North	390	2,699	191	2,890	1,652	3.7
South	1,027	2,632	457	3,089	2,429	4.9
Kalimantan						
West Kalimantan	451	379	—	379	283	0.7
Central and South Kalimantan	453	580	11	591	344	1.1
East Kalimantan	485	547	45	592	264	0.5
Sulawesi[1]						
North Sulawesi	522	553	30	583	355	0.9
South Sulawesi	375	694	267	961	658	1.7
Others[2]	1,686	1,164	—	1,164	632	1.8

Notes:

(1) We also have approximately 33 isolated grids in Sulawesi, with the ten largest isolated grids having up to 339 MW of installed capacity.

(2) Includes Bangka Belitung, West and East Nusa Tenggara, Maluku and Papua. Excludes PLN Batam and PLN Tarakan, which are operated by our subsidiaries.

(3) Represents the contractual capacity as specified in the relevant IPP contracts and includes IPPs treated as operating leases.

(4) Includes renting generator units.

Set forth below is a description of our various regions of operation in the main islands of Indonesia. Within each region, we service the vast majority of our customers within one or more grids, as well as customers in isolated areas which do not form part of a particular grid.

Java-Bali

The Java-Bali grid is our largest grid and is fully interconnected using 500kV transmission lines. As of December 31, 2011, we had approximately 30.1 million customers in Java-Bali, with 96 electricity generating plants comprising a total of 310 generating units and seven IPP electricity generating plants. The total installed capacity in Java-Bali was 26,606 MW, which includes a 3,637 MW contractual capacity from the IPP electricity generating plants. This was sufficient to meet the net peak demand of 19,739 MW in 2011.

Electricity generated in Java-Bali increased by 7.1% to 139,098 GWh in 2011, from 129,854 GWh in 2010. Electricity generated by the IPP plants increased by 1.8% from 31,902 GWh in 2010 to 32,479 GWh in 2011.

We operate fuel oil, natural gas, coal, geothermal and hydroelectric generating plants in Java-Bali. As part of the Fast Track Program I, we expect to complete ten coal-fired electricity generating plants by 2014 with additional capacity of 7,490 MW. As part of the Fast Track Program II, we are mandated to complete one coal-fired and one hydroelectric generating plants in Java-Bali by 2020 with additional capacity of 2,040 MW.

See "Relationship with the Government — Government as Customer — The Fast Track Programs".

Sumatra

North Sumatra and South Sumatra regions are expected to be ultimately covered under one grid but as of the date of this Offering Memorandum, the grid is expected to be connected using 150 kV transmission lines by the end of 2012. As of December 31, 2011, we had approximately 8.7 million customers in North Sumatra and South Sumatra.

As of December 31, 2011, there were 1,027 electricity generating units and three IPP electricity generating plants in South Sumatra. The total installed capacity of the South Sumatra grid is 3,089 MW, which includes a 457 MW contractual capacity from the IPP generating plant. The peak demand in South Sumatra was 2,429 MW in 2011. Electricity generated in South Sumatra increased by 16.7% to 14,873 GWh in 2011, compared to 12,750 GWh in 2010.

As of December 31, 2011, there were approximately 390 electricity generating units and two IPP electricity generating plants with a total installed capacity of 2,890 MW in North Sumatra which includes a 191 MW contractual capacity from the IPP generating plants. The peak demand in North Sumatra was 1,652 MW in 2011. Electricity generated in North Sumatra increased by 3.2% to 10,756 GWh in 2011, compared to 10,423 GWh in 2010.

We operate fuel oil-fired, natural gas-fired, coal-fired, geothermal and hydroelectric electricity generating plants in South Sumatra and North Sumatra. As part of the Fast Track Program I, we expect to complete six coal-fired electricity generating plants by 2014 with additional capacity of 1,318 MW. Several of these plants are on Sumatra but are not connected to the grids. As part of the Fast Track Program II, we are mandated to complete one coal-fired, two hydroelectric, two geothermal and two coal gasification electricity generating plants in Sumatra plants by 2020 with additional capacity of 865 MW.

Kalimantan

We have three grids in Kalimantan: (i) West Kalimantan; (ii) Central and South Kalimantan; and (iii) East Kalimantan. We are planning to interconnect the Central and South Kalimantan and East Kalimantan grids in 2012. As of December 31, 2011, we had approximately 2.3 million customers in Kalimantan.

As of December 31, 2011, there were approximately 451 electricity generating units with an installed capacity of 379 MW. The peak demand in West Kalimantan was 283 MW in 2011. Electricity generated in West Kalimantan increased by 12.5% to 1,663 GWh in 2011, compared to 1,478 GWh in 2010.

As of December 31, 2011, there were 453 electricity generating units and one IPP electricity generating plant with an installed capacity of 591 MW in Central and South Kalimantan which includes 11 MW contractual capacity from the IPP generating plant. The peak demand in Central and South Kalimantan was 344 MW in 2010. Electricity generated in Central and South Kalimantan increased by 14.1% to 2,618 GWh in 2011, compared to 2,295 GWh in 2010.

As of December 31, 2011, there were approximately 485 electricity generating units and one IPP electricity generating plant with a total installed capacity of 592 MW contractual capacity in East Kalimantan which includes a 45 MW contractual capacity from the IPP generating plant. The peak demand in East Kalimantan was 264 MW in 2011. Electricity generated in East Kalimantan increased by 8.2% to 2,377 GWh in 2011, compared to 2,198 GWh in 2010.

We operate only fuel oil-fired thermal plants and micro/mini hydroelectric plants in West Kalimantan and fuel oil-fired, natural gas-fired and coal-fired electricity generating plants in East Kalimantan. In Central and South Kalimantan, we operate fuel oil-fired thermal plants, coal-fired and hydroelectric electricity generating plants. As part of the Fast Track Program I, we expect to complete five coal-fired electricity generating plants in Kalimantan by 2014 with additional capacity of 605 MW. As part of the Fast Track Program II, we are mandated to complete three coal-fired, one natural gas-fired and one coal gasification electricity generating plants in Kalimantan by 2020 with additional capacity of 422 MW.

Sulawesi

In Sulawesi, we have two main grids: (i) North Sulawesi and (ii) South Sulawesi. We also have approximately 33 isolated grids in Sulawesi, with the ten biggest isolated grids having up to 339 MW of installed capacity. We are planning to interconnect the North Sulawesi and South Sulawesi grids in the future. As of December 31, 2011, we had approximately 2.7 million customers in Sulawesi.

As of December 31, 2011, there were approximately 522 electricity generating units and two IPP electricity generating plants with a total contractual capacity of 583 MW in North Sulawesi which includes a 30 MW contractual capacity from the IPP generating plants. The peak demand in North Sulawesi was 355 MW in 2011. Electricity generated in North Sulawesi increased by 16.2% to 2,097 GWh in 2011, compared to 1,805 GWh in 2010.

As of December 31, 2011, there were 375 electricity generating units and four IPP electricity generating plants with a total installed capacity of 961 MW in South Sulawesi, which included a 267 MW contractual capacity from the IPP generating plants. Peak demand in South Sulawesi was 658 MW in 2011. Electricity generated in South Sulawesi increased by 10.9% to 4,454 GWh in 2011, compared to 4,016 GWh in 2010.

We operate fuel oil-fired, geothermal and hydroelectric electricity generating plants in North Sulawesi and operate fuel oil-fired, natural gas-fired, geothermal and hydroelectric electricity generating plants in South Sulawesi. As part of the Fast Track Program I, we expect to complete four coal-fired electricity generating plants by 2012 with additional capacity of 220 MW. As part of the Fast Track Program II, we are mandated to complete two coal-fired, two coal gasification and two geothermal electricity generating plants in Sulawesi by 2020 with additional capacity of 316 MW.

Other islands

We have a number of additional grids for other islands such as Bangka Belitung, West and East Nusa Tenggara, Maluku and Papua. As of December 31, 2011, we had approximately 1.8 million customers in these islands. As of December 31, 2011, there were approximately 1,686 electricity generating units with an installed capacity of 1,164 MW. Peak demand for these islands was 632 MW in 2011. Electricity generated in these islands increased by 13.8% to 3,662 GWh in 2011, compared to 3,219 GWh in 2010. As part of the Fast Track Program I, we expect to complete on the other islands of Indonesia nine coal-fired electricity generating plants by 2014 with additional capacity of 274 MW. As part of the Fast Track Program II, we are mandated to complete one coal-fired, two geothermal and three coal gasification electricity generating plants on the other islands by 2020 with additional capacity of 114 MW.

Interconnection of Grids

We have undertaken several projects to interconnect our major transmission grid. Our Java-Bali grids use 150 kV submarine lines for interconnection, linking the islands of Java and Bali and we also plant to build 500 kV overhead lines in 2016 to supplement the for Bali electricity supply. The North and South Sumatra interconnection project was completed in 2007 and the Sumatra region is expected to be ultimately covered under one grid. We also plan the interconnection of Central and South Kalimantan and East Kalimantan grids in 2012 and the Sumatra grids with the Java-Bali grid in 2016.

We completed a feasibility study on interconnecting the Sumatra grids with Peninsular Malaysia in November 2006 and we are currently conducting a detailed design study and negotiating the commercial terms with Tenaga Nasional Berhad Malaysia ("Tenaga"), our partner in this project. We signed an agreement with Sarawak Energi Berhad on September 5, 2012 regarding an interconnection project linking Sarawak, Malaysia and West Kalimantan.

Fuel and Lubricants Expenses

Our fuel and lubricants expenses comprise costs for oil fuel such as high-speed diesel, marine fuel oil and intermediate diesel oil, non-oil fuel such as natural gas, coal, geothermal energy and hydroelectric power and lubricants.

The following table sets forth total operating expenses and fuel and lubricants expenses for the periods indicated (excluding fuel and lubricants expenses and operating expenses we recognize in respect of IPP Power Supply Contracts which are considered finance leases as per the ISAK 8 Interpretation).

	Years ended December 31,				Six months ended June 30,	
	2009	2010	2011	2011	2012	2012
	Rp	Rp	Rp	U.S.$	Rp	U.S.$
	(Rp billions and U.S.$ millions except percentages)					
Total operating expenses	135,276	149,108	193,397	20,401	99,683	10,515
Fuel and lubricants expenses	76,235	84,191	120,553	12,717	59,374	6,263
Fuel and lubricants expenses as a per cent. of total operating expenses	56.4%	56.5%	62.3%	—	59.6%	—

In addition, our fuel and non-fuel expenses include expenses in respect of our IPP Power Supply Contracts. The IPP Power Supply Contracts provide for the reimbursement of these fuel and non-fuel expenses by us. Although we have some involvement in the negotiation of the fuel supply agreements between the IPPs and third party suppliers and although the IPP Power Supply Contracts generally provide for certain fuel efficiency targets to be achieved by the IPPs, we otherwise have limited control over these fuel prices, the volumes of fuel used by the IPPs and the performance of the IPPs and the relevant suppliers under these fuel supply agreements. The following table sets forth the amount of fuel and non-fuel expenses we have recognized in respect of our IPP Power Supply Contracts which are considered finance leases as per the ISAK 8 Interpretation during the years ended December 31, 2009, 2010 and 2011 and for the six months ended June 30, 2011 and 2012.

	Year ended December 31,				Six months ended June 30,		
	2009	2010	2011	2011	2011	2012	2012
	Rp	Rp	Rp	U.S.$	Rp	Rp	U.S.$
	(Rp billions and U.S.$ millions)						
Fuel oil	405	417	576	61	223	336	35
Natural gas	991	836	1,102	116	524	740	78
Coal	6,663	7,381	7,888	832	3,700	4,576	483
Geothermal	1,205	1,074	1,035	109	529	520	55
Hydro	—	—	5	—	2	2	—
Total	9,264	9,708	10,605	1,119	4,979	6,715	651

Fuel and lubricants expenses as a percentage of total operating expenses has increased by an average of 2.9% from 56.4% in 2009 to 62.3% in 2011, mainly due to higher fuel prices and the depreciation of the Rupiah against the U.S. dollar (excluding fuel and lubricants expenses and operating expenses we recognize in respect of our IPP Power Supply Contracts which are considered finance leases as per the ISAK 8 Interpretation).

The following table sets forth our average fuel prices for the types of fuel and the periods indicated (excluding fuel and non-fuel expenses we recognize in respect of our IPP Power Supply Contracts).

	Year ended December 31,			Six months ended June
	2009	**2010**	**2011**	**30, 2012**
High-speed diesel (Rp/liter)	5,601	6,050	8,513	8,983
Marine fuel oil (Rp/liter)	4,316	5,150	7,027	7,349
Intermediate diesel fuel (Rp/liter)	5,552	5,870	8,229	8,999
Natural gas (Rp/MSCF)[1]	37,998	42,287	39,867	45,965
Coal (Rp/kg)	732	657	699	714

Note:

(1) metric standard cubic feet.

The following table sets forth our fuel costs of electricity production using fuel oil, natural gas, coal and geothermal energy (excluding fuel and non-fuel expenses we recognize in respect of our IPP Power Supply Contracts).

	Year ended December 31,			Six months ended June
	2009	**2010**	**2011**	**30, 2012**
		(Rp/kWh)		
Fuel oil	1,368	1,610	2,080	2,360
Natural gas	352	374	354	431
Coal	368	326	349	384
Geothermal	560	602	706	806

Prices for natural gas and geothermal energy are denominated in U.S. dollars and other fuel is denominated in Rupiah and linked to prevailing U.S. dollar prices. Accordingly, a significant portion of our fuel and lubricants expenses is subject to fluctuations in the Rupiah-U.S. dollar exchange rate. We plan to reduce the impact of exchange rate fluctuations to our fuel and lubricants expenses by further expanding our utilization of coal-fired electricity generating plants. See "Risk Factors — Risks Relating to our Business and Operations — Depreciation in the value of the Rupiah may have a materially adverse effect on our business, financial condition or results of operations and our ability to make payments under the Notes".

To further minimize our fuel and lubricants expenses and to promote efficient use of our generation facilities, we endeavor to use plants with lower production costs to generate electricity during periods of low demand. We have also implemented a policy of shutting down our fuel oil-fired and combined-cycle electricity generating plants on Saturdays and Sundays to assist in supply-side management. In addition, we have made adjustments to our reserve requirements for our power system operations (for example, not maintaining a large power plant's reserve capacity) in order to reduce our fuel costs. The order in which each type of our electricity generating plants is used is also affected by natural factors (for example, the level of water in lakes, rivers and reservoirs used by hydroelectric plants), system failures and forced outages.

Fuel and Lubricants Supplies

We rely on various fuel and lubricants suppliers for our requirements with respect to different kinds of fuel and lubricants, such as fuel oil, natural gas, coal and geothermal energy. In recent years, our fuel strategy has been to reduce our dependence on fuel oil and to increase our usage of other types of non-fuel oil such as coal and natural gas. For the year ended December 31, 2011, our fuel generation mix (expressed in terms of the percentage of total kilowatt hours generated by each fuel source and excluding fuel and non-fuel expenses we recognize in respect of our IPP Power Supply Contracts) was 29.3% for fuel oil, 22.5% for natural gas, 38.5% for coal, 2.5% for geothermal energy and 7.2% for hydroelectric. In the future, we plan to increase our use of coal, natural gas and geothermal energy to generate electricity.

The following table sets forth our forecasted production fuel mix in 2014, when we expect that the building and construction of all plants under the Fast Track Program I will be substantially completed.

Fuel type	**Fuel mix[1]**
	(%)
Fuel oil	6.1
Natural gas	32.7
Coal	54.1
Geothermal	2.2
Hydroelectric power	4.9
Total	100

Note:

(1) Excludes IPPs.

Fuel oil

Until the end of the year 2007, we purchased our fuel oil exclusively from Pertamina. For the year ended December 31, 2011, we purchased approximately 90.9%, 4.2%, 1.1% and 3.7% of our fuel oil from Pertamina, Shell, AKR and TPPI, respectively. For the six months ended June 30, 2012, we purchased approximately 93.0% (3,998 million liters), 4.0% (172 million liters), 2.3% (100 million liters) and 0.7% (13 million liters) of our fuel oil from Pertamina, Shell, AKR and TPPI, respectively. Pertamina is our main supplier of fuel oil. It currently supplies approximately 93.0% of our demand for fuel oil. On May 16, 2007, we entered into the Pertamina Agreement, which is from January 1, 2007 until December 31, 2015 and has been amended by the 2009, 2010 and 2011 Addendums. The fuel oil prices under the Pertamina Agreement are based on MOPS. The agreed price of fuel oil for 2012 is MOPS plus a margin of 5.0% for consumption of up to 2,537 million liters of fuel oil that are supplied from 18 supply points specified by Pertamina, and MOPS plus a margin of 9.5% for consumption in excess of 5,996 million liters of fuel oil or for fuel oil supplied from supply points other than the 21 supply points specified by Pertamina. Thereafter, under the terms of the Pertamina Agreement, we will negotiate and finalize the price of fuel oil with Pertamina at least one month before the beginning of the following year. If we do not come to an agreement on the fuel oil price, it will remain the same as the previous year and adjustments will be made when a new price is agreed to. See "Risk Factors — Risks Relating to our Business and Operations — We may not be able to successfully negotiate favorable fuel prices with Pertamina, our primary supplier of fuel oil". Our fuel oil price under this contract is calculated in U.S. dollars at the U.S. market rate, which we pay in Rupiah. Accordingly, fluctuations in the Rupiah-U.S. dollar exchange will have an impact on our fuel oil prices. See "Risk Factors — Risks Relating to our Business and Operations — Depreciation in the value of the Rupiah may have a material adverse effect on our business, financial condition or results of operations and our ability to make payments under the Notes".

On April 10, 2008, we entered into two supply agreements with Shell (the "Shell Supply Agreements") for the supply of an annual volume of up to 850 million liters of high-speed diesel for three years, of which an annual volume up to 600 million liters will be used for operations at our electricity generating plant at PLTGU Grati, Pasuran ("Grati") and an annual volume up to 250 million liters will be used for operations at our electricity generating plant at PLTGU Belawan in Sicanang, Medan, ("Belawan"). The supply agreement in respect of Belawan has since terminated whereas the supply agreement in respect of Grati has been extended for an additional four years and has been amended so that it now also includes supply in respect of Belawan in an agreement dated May 20, 2011 and lastly, amended by an agreement dated May 18, 2012.

On January 29, 2009 and on August 19, 2009, we entered into two supply agreements (the "AKR Supply Agreements") with AKR for the total supply of 250,000 kiloliters of high-speed diesel for three years, which may only be used for the operations of our electricity generating plants at PLTD Siantan and PLTD Sei Raya, Pontianak, Kalimantan Barat ("Siantan-Sei Raya") and for the total supply of an annual volume of up to 250 million liters of high-speed diesel for three years which may only be used for the operations of our electricity generating plants at PLTG Tanjung Batu, Samarinda, Kalimantan Timur. We entered into the Shell Supply Agreements and the AKR Supply Agreements through an open bidding process. The agreed price of high-speed diesel under these supply agreements is also based on MOPS and may be adjusted each year in accordance with the formula prescribed in these agreements.

On December 10, 2010, we entered into two fuel supply agreements with the Tuban Consortium (PT Trans-Pacific Petrcochemical Indotama, PT Tuban LPG Indonesia and PT Tuban BBM) ("TPPI") for the supply of an annual volume of up to 300,000 kiloliters and 200,000 kiloliters of high-speed diesel, each for a duration of the earlier of either four years or until the total volume of high-speed diesel supplied exceeds 1,200,000 kiloliters and 800,000 kiloliters, respectively, to our electricity generating plants in Belawan and Tambak Lorok.

We entered into with Pertamina two fuel-supply agreements dated November 3, 2010, and one fuel-supply agreement dated December 1, 2010, for the supply of an annual volume of up to 100,000 kiloliters to our electricity generating plant in Muara Tawar, 150,000 kiloliters to our electricity generating plants in Grati and Gresik and 500,000 kiloliters to our electricity generating plants in Muara Karang and Tanjung Priok, each for a duration of the earlier of either four years or until the volume of high speed diesel supplied exceeds 400,000 kiloliters, 600,000 kiloliters and 2,000,000 kiloliters, respectively.

On June 7, 2012, we entered into two supply agreements with AKR for the total supply volume 250 million liters of high-speed diesel for three years, which may only be used for the operations of our electricity generating plants at PLTD Siantan and PLTD Sei Raya, Pontianak, Kalimantan Barat ("Siantan-Sei Raya") and for the total supply volume of up to 150 million liters of high-speed diesel for three years which may only be used for the operations of our electricity generating plants at PLTG Tanjung Batu, Samarinda. The AKR Supply Agreement through an open bidding process.

Pertamina mainly relies on third-party transportation companies utilizing trucks and shipping vessels for transporting the fuel oil to us.

Natural gas

Our annual total natural gas consumption was approximately 266.5 TBtu and 283.3 TBtu 285.7 TBtu and 158.5 TBtu in the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, respectively. Our total natural gas-fired electricity plant capacity was 8,548 MW as of June 30, 2012.

Our key suppliers of natural gas are Perusahaan Gas Negara, PT Pertamina, PT Pertamina Eksplorasi dan Produksi, China National Offshore Oil Corporation, PT Pertamina Hulu Energi Offshore North West Java, PT Nusantara Regas, PT Pertamina Hulu Energi West Madura Offshore and Kangean

Energy Indonesia (KEI). Our natural gas supply contracts are take-or-pay with escalation contracts, with the supplier agreeing to supply us with natural gas on a best efforts basis. These contracts are for durations of between two and 16 years and expire between 2012 and 2031. Our natural gas suppliers provide direct pipelines to seven of our electricity generating plants.

In addition, we have entered into natural gas supply contracts for our electricity generating plants with Santos (Sampang) Pty. Ltd. and Amerada Hess (Indonesia-Pangkah) Limited for East Java and with Kalila (Bentu) Limited for Pekanbaru.Since May 2012, PLN received LNG from FSRU West Java operated by NR with average supply around 165 BBTUD.

Since 2003, we have faced a shortage of natural gas supply which has caused us to shut down certain electricity generating plants and to utilize oil for certain dual-fired electricity generating plants. See "Risk Factors — Risks Relating to our Business and Operations — We may not be able to secure sufficient supplies of natural gas or coal".

Our major natural gas-fired electricity generating plants comprise Tanjung Priok (1,180 and 740 MW), Gresik (1,579 MW) and Muara Karang (1,372 MW), Muara Tawar (840 MW, 855 MW and 255 MW), Tambak Lorok (925 MW) and Cilegon (740 MW).

Coal

Our annual total coal consumption was approximately 21.60 million tons, 23.96 million tons, 27.43 million tons and 18.47 million tons in the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, respectively. Our total coal-fired plant capacity was 12,572 MW as of June 30, 2012. Most of our coal supplies have historically been obtained from Indonesia. They are purchased under long-term contracts and the balance are purchased under spot or option contracts. In the six months ended June 30, 2012, there were no spot purchases of coal. We consider a number of factors in selecting coal suppliers, including the suitability of the coal quality to the boiler design, security of supply, cost and diversification by port and mine.

Our key suppliers of coal include PT Tambang Batubara Bukit Asam (Persero), Tbk, Kideco Jaya Agung, PT. Kaltim Prima Coal, PT Adaro Energy Tbk, PT Arutmin Indonesia, PT Indominco, PT Hanson Energy, PT Titan Mining Energy, PT. Dwi Guna Laksana and PT Kasih Industri Indonesia. Our coal supply contracts are fixed-volume contracts that expire between 2013 and 2029. As of the date of this Offering Memorandum, we have secured 100.0% of our projected coal requirements under the Fast Track Program I through such coal supply contracts. We are currently in the process of negotiating our coal supply contracts for the Fast Track Program II. Our suppliers mainly rely on railroad, trucking, other motor vehicles and shipping vessels for transporting the coal to us. Furthermore, to secure the sustainability of our coal supply for power generation, we have utilized certain of our subsidiaries such as PT PLN Batubara as a coal supplier and PT Bahtera Adiguna as a coal transporter.

Our major coal-fired plants are Suralaya (3,400 MW), Tanjung Jati B (2,840 MW) Paiton (800 MW), Teluk Naga (945 MW), Paiton Baru (660 MW) and Rembang (630 MW). The coal requirement for Suralaya for 2009, 2010 and 2011 and the six months ended June 30, 2012 was 11.6 million tons, 11.7 million tons, 11.7 million tons and 65.8 million tons, respectively. The coal requirement for Tanjung Jati for 2009, 2010 and 2011 and the six months ended June 30, 2012 was 3.6 million tons, 4.1 million tons, 5.4 million tons and 3.8 million tons, respectively. The coal requirement for Paiton for 2009, 2010 and 2011 and the six months ended June 30, 2012 was 3.05 million tons, 3.1 million tons, 3.3 million tons and 1.3 million tons. The coal requirement for Teluk Naga for 2011 and the six months ended June 30, 2012 was 0.4 million tons and 0.8 million tons, respectively. The coal requirement for Paiton Baru for six months ended June 30, 2012 was 0.6 million tons, respectively. The coal requirement for Rembang for 2011 and the six months ended June 30, 2012 was 1.07 million tons and 1.05 million tons.

Geothermal energy

Our annual total geothermal generation was approximately 3,504 GWh, 3,398 GWh and 3,487 GWh and 1,736 GWh in the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, respectively. Our total geothermal plant capacity was 435 MW as of June 30, 2012.

We have entered into an agreement with Pertamina for the procurement and supply of geothermal power to Kamojang for 30 years until 2012 and to Gunung Salak and Drajat electricity generating plants for 30 years until 2030. In addition, we have signed an interim agreement with PT Pertamina GE for geothermal energy prices, which will be valid until the MEMR formally issues a decree on geothermal prices. If the decree is not issued by December 31, 2012, the interim agreement will continue to be effective, subject to the approval of all parties. These agreements are take-or-pay contracts. In general, we are required to take or pay for geothermal energy to run the plants at between 85.0% and 95.0% of the installed plant capacity. Our geothermal plants operated at an average capacity of 96.4% in 2009, 88.4% in 2010 and 91.5% in 2011.

Our major geothermal electricity generating plants comprise Gunung Salak (165 MW), Kamojang (140 MW) and Drajat (55 MW).

Hydroelectric power

As of June 30, 2012, we maintained 96 hydroelectric generating plants across Indonesia. As of June 30, 2012, the total generating capacity of our hydroelectric generating plants was 3,514 MW. Our annual total hydroelectric generation was approximately 10,307 GWh, 15,827 GWh and 10,316 GWh and 5,907 GWh in the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, respectively.

As at June 30, 2012, major hydroelectric generating plants comprise Saguling (700 MW), Cirata (1,008 MW) and Mrica (180 MW).

The Transmission System

We are currently the major provider of power transmission in Indonesia. We own the transmission lines and switching substations through which we deliver electricity to customers. Our transmission system runs throughout the five most populated islands in Indonesia, namely, Java, Bali, Sulawesi, Sumatra and Kalimantan, connecting our power stations to our major load centers. The main voltage levels of our transmission grid are 500 kV, 150 kV and 70 kV. Our transmission network within Indonesia as of June 30, 2012 comprised:

- a 500 kV interconnected transmission system with 5,052 kilometers-circuits;
- a 150 kV transmission system with 28,975 kilometers-circuits;
- a 70 kV transmission system with 4,594 kilometers-circuits;
- a lower than 70 kV transmission system with 5 kilometers-circuits; and
- a transformer capacity of 82,838 MVA.

We completed the 500 kV interconnected transmission system for the southern part of Java in August 2006. The operation of the southern part of 500 kV transmission lines in the Java-Bali grid has significantly enhanced our ability to transfer lower-cost energy (for example, from coal) from East Java to Central and West Java. We completed the 500 kV interconnected transmission system for the Tasik-Depok grid in 2009. The interconnection of the Tasik-Depok grid enhanced our ability to transfer energy to Jakarta, improving the reliability of our service.

The following table sets forth our transmission lines length and transformer capacity for the periods indicated.

	Year ended December 31,					Six months ended June
	2007	2008	2009	2010	2011	30, 2012
Transmission lines length (kmc)	33,162	34,026	34,950	35,147	36,720	38,626
Transformer capacity (MVA)	58,713	59,289	63,375	65,669	71,615	82,838

Due to the increasing levels of electricity consumption in Indonesia over the past several years, we have been required to continuously expand and enhance our transmission and distribution systems. For a description of our capital expenditure program in coming years, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Capital Requirements".

We have completed transmission lines comprising 1,343 kilometer-circuits as part of the Fast Track Program I as of June 30, 2012. We expect to build new transmission lines to support the development of electricity generating plants as part of the Fast Track Programs.

Interconnection Projects

We have undertaken several recent projects to interconnect our separate transmission networks in various regions of Indonesia. The following table sets forth the completion or expected completion date for these projects.

Interconnection Project	Completion date or expected completion date
Central, South and East Kalimantan	2012
Java-Bali Submarine Cable #3-4	2013
Java-Bali Crossing 500 kV...	2016
Sumatra and Java-Bali	2016
Sumatra and Peninsular Malaysia	2017

- Our Java-Bali interconnection project connecting Java with Bali was completed in 1987. The interconnection uses 150 kV submarine cables with the capacity of 200MW. This project has allowed customers in Bali to use excess power from the Java power grid. We plan to have another 200MW supply to Bali from submarine cables #3-4 that will be operational in 2013. This is a short term strategic project to prevent power shortages and reduce oil consumption in Bali.

- Our Java-Bali Crossing project is a long term strategic project aimed at providing an adequate and reliable electricity supply to Bali in order to meet the increasing electricity demand in Bali, to anticipate IPP power plant delays, to reduce oil consumption, and to meet the government of Bali's vision of "clean-and-green". The project consists of a 500 kV transmission line development from Paiton SCPP to New Kapal substation in Bali along 230 kilometers. The construction will be completed in two steps: 1) the construction of a 500 kV Crossing Tower up to 376 meters tall and spanning 276 kilometers between Java and Bali which will be operated using 150 kV voltage and capable of delivering 400 MW of power in 2014 and 2) the construction of 500 kV transmission lines from Paiton to Banyuwangi and from Gilimanuk to New Kapal which will be capable of delivering 1,500 MW of power in 2016. We expect that in 2016, the Java and Bali electricity system will be completely integrated through the 500 kV transmission network.

- The North and South Sumatra interconnection project was completed in 2007 and the Sumatra region is expected to be ultimately covered under one grid. This project will enable customers of North Sumatra to use excess power from the South Sumatra power grid. This interconnection project uses 100 kilometers of 150 kV overhead transmission lines with a capacity of 139 MVA at an estimated cost of U.S.$8.2 million. We expect to increase this transmission to 275 kV using approximately 4,458 kilometers-circuits of overhead transmission lines and substations with a total capacity of 7,750 MVA in stages from 2012 to 2015.

- The interconnection of Central and South Kalimantan and East Kalimantan grids is under construction and is scheduled for completion in the first quarter of 2013. This project is expected to enable customers of East Kalimantan to use excess power from the Central and South Kalimantan power grid. This interconnection project is expected to use 377 kilometers of 150 kV overhead transmission lines with a capacity of 275 MVA at an estimated cost of U.S.$42.6 million.

- We are also planning the interconnection of the Sumatra grids with the Java-Bali grid by 2016. We completed the feasibility study on this project in 2007. This project is expected to enable customers of Java-Bali to use excess power from the Sumatra grids. We also completed the basic engineering design, technical specification and bid documents in 2008. We have also conducted engineering services such as the design review on this project. We are reviewing the bid documents following changes to the amount of submarine cables required under the project. The interconnection project is expected to use 40 kilometers of submarine cable and 746 kilometers of overhead lines with a capacity of 3,000 MW at an estimated cost of U.S.$2,300 million. As of June 30, 2012, we had incurred JPY 670,061,725, which was funded from the drawdown of a loan from JICA for the interconnection projects of the Sumatra grid with the Java-Bali grid.

- Together with Tenaga our partner in this project, we conducted a feasibility study and we are currently conducting a detailed design study on interconnecting the Sumatra grids with peninsular Malaysia to form part of the ASEAN Grid. We are also currently negotiating the commercial terms of this project with Tenaga.

- We are also planning the interconnection of the West Kalimantan grids with Sarawak, Malaysia with our partner in this project, Sarawak Energi Berhad. We have entered into a PPA with Syarikat SESCO Berhard, a wholly owned subsidiary of Sarawak Energi Berhad on September 5, 2012 with a term of 20 years. We expect to purchase the energy from this project for the first five years of the contract, with most of the energy to be provided by the Bakun hydroelectricity generating plant in Sarawak. Thereafter, either party will be able to buy or sell the energy from this project. This interconnection project is expected to use 125 kilometers of 275 kV overhead transmission lines with a capacity of 230 MW at an estimated cost of U.S.$105 million. We have not incurred any costs relating to the interconnection of the West Kalimantan grids with Sarawak, Malaysia as of the date of this Offering Memorandum

Transmission Projects

In 2012, we expect to complete construction of 1,107 kilometers-circuits of 70 kV, 150 kV and 500 kV transmission lines and 1,320 MVA substations in Java-Bali-Nusa Tenggara.

In Sumatra, we expect to complete construction in 2012 of 572 kilometers-circuits of 275 kV and 150 kV transmission lines and 240 MVA substations.

In Kalimantan, we expect to complete construction in 2012 of 128 kilometers-circuits of 150 kV lines and 90 MVA substations.

In Sulawesi, we expect to complete construction in 2012 of 27 kilometers-circuits of 70kv and 150 kV lines and 120 MVA substations.

The Distribution System

We are currently the major distributor of electricity to customers in Indonesia. Our distribution system operates at voltages of 20 kV and below and connects to the transmission grid at 150 kV or 70 kV. Our distribution system supplies electricity to almost all of our large customers at 20 kV, 70 kV and 150 kV and to smaller customers at 380 V and 220 V. As of June 30, 2012, we supplied electricity to approximately 14,928 large industrial and business customers with capacity of 200 kVA to 20,000 kVA. In addition, we had approximately 67 large (more than 30,000 kVA) industrial customers connected directly to our grid at 70 kV and 150 kV.

As of December 31, 2011, we had approximately 315,490 distribution transformers. The following table sets forth details of our distribution lines and transformer capacity for the periods indicated.

	As of December 31,					As of June
	2007	2008	2009	2010	2011	30, 2012
Mid-voltage network length (kilometers-circuits)	253,908	263,802	268,612	275,613	290,260	295,296
Low-voltage network length (kilometers-circuits)	344,589	350,844	370,905	377,693	392,185	433,308
Distribution transformer capacity (MVA)	33,826	34,067	34,725	35,703	37,427	39,556

Distribution Projects

Outside Java-Bali, we are constructing distribution lines covering 16 regions for medium-voltage lines of 4,565 kilometers-circuits and low-voltage lines of 6,573 kilometers-circuits. We are also building distribution substations with a total capacity of 699 MVA. In Java-Bali, we are constructing distribution lines for medium-voltage lines of 2,443 kilometers-circuits and low-voltage lines of 2,331 kilometers-circuits and distribution substations with a total capacity of 994 MVA.

Power Interruption and System Loss

We have experienced difficulties from time to time in ensuring a consistent quality of supply to customers. Customers have, for example, occasionally experienced power interruptions (comprising both line and transformer trippings) and power surges. We have introduced a number of measures to improve the quality of electricity supply, including measures to minimize interruptions such as improved line maintenance by implementing live-line maintenance. The SAIDI and SAIFI for the year ended December 31, 2011 were 4.7 hours/customer/year and 4.9 times/customer/year, respectively, compared to 6.97 hours/customer/year and 6.8 times/customer/year, respectively, for the year ended December 31, 2010. The decrease is primarily due to an increase in the capacity of our power plants outside Java-Bali.

Transmission loss in the year ended December 31, 2011 remained relatively constant at 2.3% (as a percentage of net electricity generation (gross generation less auxiliary use)) from the year ended December 31, 2010. Distribution loss in the year ended December 31, 2011 was 7.3% (as a percentage of electricity generation (gross generation less auxiliary use)) compared to 7.6% in the year ended December 31, 2010. See "Risk Factors — Risks Relating to our Business and Operations — Our business is subject to operational risks such as network loss and electricity theft and force majeure".

We estimate that most of our transmission and distribution loss is technical loss or loss due to a failure in materials (including the failure of third-party materials), with a small portion of the loss attributable to unmetered usage at substations, pilferage and theft of structural components from power stations.

The following table sets forth certain information with respect to our performance measures for the periods indicated.

	Year ended December 31,					Six months ended June
	2007	2008	2009	2010	2011	30, 2012
Equivalent forced outage rate (%)[1]	12.1	12.4	8.9	8.1	3.7	3.3
Capacity factor (%)	48.9	50.6	53.7	55.9	55.7	53.4
Transmission and distribution losses (%)	11.1	10.5	9.9	9.7	9.4	9.3
Distribution losses (%)	9.1	8.5	7.9	7.6	7.3	7.2
Transmission losses (%)	2.2	2.2	2.2	2.3	2.3	2.3
SAIFI (frequency/customer)	12.8	80.9	10.8	6.8	4.9	1.9
SAIDI (hour/customer)	28.9	13.3	16.7	7.0	4.7	1.8
Number of customers per employee	814	862	892	917	964	1,011

Note:

(1) Java-Bali only.

The technical loss has been attributable to high load on the distribution network, low-power factors, remote locations of generating units from load centers, and transformations of electricity to appropriate voltages for consumption. We intend to continue reducing the rate of technical loss by installing more distribution and transmission equipment, including reactive power compensation equipment in substations to improve the overall power factor, and by progressively phasing out intermediate voltages to reduce the number of transformations required.

We have installed automatic meter reading for most of our high and medium-voltage customers and large low-voltage customers (under 200 kVA) in order to reduce theft of electricity. We also conduct periodical checks for pilferage. We have in the past pursued, and intend to continue pursuing in the future, legal remedies to deter pilferage, including disconnection of electricity supply to parties suspected of pilferage.

Sales and Customer Base

We supply electricity to approximately 47.8 million customers as of June 30, 2012. The following table sets forth our number of customers for the periods indicated.

	As of December 31,					As of June
	2007	2008	2009	2010	2011	30, 2012
Customers	37.3	38.6	40.1	42.4	45.9	47.8

Our customers can be broadly classified, based on tariff category, as residential, business, industry and public (which consists primarily of government buildings, schools and hospitals). The following table sets forth the consumption of electricity by class of customer for each of the periods indicated.

Customer classification/ % of Total	Year ended December 31, 2007	2008	2009	2010	2011	Six months ended June 30, 2012
			(GWh except percentages)			
Residential	47,325	50,184	54,945	59,825	65,112	34,794
% of Total	39.0%	28.9%	40.8%	40.6%	41.2%	41.1%
Business	20,608	22,926	24,825	27,157	28,307	15,053
% of Total	17.0%	17.8%	18.4%	18.4%	17.9%	17.8%
Industry	45,803	47,969	46,204	50,985	54,726	29,622
% of Total	37.8%	37.2%	34.3%	34.6%	34.6%	35.0%
Public	7,511	7,940	8,607	9,330	9,848	5,268
% of Total	6.2%	6.1%	6.4%	6.3%	6.2%	6.2%
Total	121,247	129,019	134,582	147,297	157,993	84,737

As a result of the economic improvement in Indonesia, our sales to all of our customer groups increased at a higher level in 2011, as compared to the four preceding years.

The following table sets forth the electricity sales by customer category for each of the periods indicated.

Customer classification/ % of Total	Year ended December 31, 2007	2008	2009	2010	2011	Six months ended June 30, 2012
			(Rp billions)			
Residential	27,063	29,509	32,381	36,875	40,236	22,119
Business	15,862	19,500	22,117	25,408	26,921	14,638
Industry	28,506	29,838	29,771	33,621	38,060	21,166
Public	4,855	5,403	5,903	7,070	7,628	4,258
Total	76,286	84,250	90,172	102,974	112,845	62,181

Residential Customers

A residential customer is defined as a customer occupying a private dwelling which is not used as a hotel or for the purpose of carrying out any business, trade, profession or service. Electricity sales to residential customers in Indonesia have continued to increase in recent years due to rising affluence and urbanization of the Indonesian population. Electricity sales to residential customers (measured in kilowatt hours) increased by 37.6% during the period from 2007 to 2011. As of June 30, 2012, we estimate that approximately 70.5% of Indonesian households had access to electricity.

Industrial Customers

Our 10 largest industrial customers accounted for 6,669 GWh in the year ended December 31, 2011, equivalent to approximately 4.2% of total electricity sales in Indonesia during the period. Steel, cement, chemical, paper and other industries accounted for approximately 1.7%, 1.2%, 1.1%, 0.3% and 30.4%, respectively, of total sales in GWh.

The following table sets forth the breakdown of average monthly sales to our 10 largest industrial customers for each of the years ended December 31, 2009, 2010 and 2011.

Year ended December 31, 2009				Year ended December 31, 2010				Year ended December 31, 2011			
Customer	**Industry**	**Sales**	**Sales**	**Customer**	**Industry**	**Sales**	**Sales**	**Customer**	**Industry**	**Sales**	**Sales**
		(MWh)	*(RP billions)*			*(MWh)*	*(RP billions)*			*(MWh)*	*(Rp billions)*
Customer A	Steel	73,608	37	Customer A	Steel	110,175	52	Customer A	Steel	131,792	82
Customer B	Cement	52,556	27	Customer B	Chemical	61,837	29	Customer B	Cement	58,625	35
Customer C	Chemical	49,855	27	Customer C	Cement	35,397	25	Customer C	Chemical	58,543	35
Customer D	Chemical	47,910	24	Customer D	Chemical	51,202	25	Customer D	Cement	54,646	33
Customer E.....	Cement	38,921	20	Customer E.....	Chemical	40,891	22	Customer E.....	Cement	48,910	30
Customer F.....	Steel	33,903	17	Customer F.....	Steel	37,224	21	Customer F.....	Steel	44,871	27
Customer G	Chemical	29,377	16	Customer G	Steel	35,171	21	Customer G	Steel	44,702	27
Customer H	Cement	26,717	15	Customer H	Textile	32,173	19	Customer H	Chemical	41,688	25
Customer I......	Steel	22,432	13	Customer I......	Paper	23,731	13	Customer I......	Chemical	38,107	23
Customer J	Steel	22,350	12	Customer J	Chemical	18,997	12	Customer J	Paper	33,875	20
Total		397,629	207	Total		446,798	240	Total		555,759	338

Business Customers

Business customers are defined as customers occupying an office building, shopping mall, shop, restaurant, hotel or port. Electricity sales to business customers (measured in kilowatt hours) grew by 37.4% during the period from 2007 to 2011.

Public Customers

Sales to public customers include electricity sold to customers who use electricity for government buildings, public street lights, schools and hospitals. Electricity sales to these customers (measured in kilowatt hours) have increased by 31.1% during the period from 2007 to 2011.

Customer Information and Settlement Services

A large portion of our branch offices provide call management services to allow our customers to call to report any difficulties such as power interruptions. We provide a common telephone number ("123") for customers nationwide to call in at the cost of a local telephone call. A number of local banks offer bill settlement facilities, for example through automatic teller machines, for our charges. We also provide billing information to customers via short message service and our website.

We provide customer service information and the ability to report difficulties via our website. For example, our website has a frequently asked questions section. We also provide customers with information via our website about our system performance to allow customers to better plan their usage of electricity and to have knowledge about peak periods and system outages. We also provide statistics about usage on a periodic basis (such as on an annual basis) on our website.

In 2004, we introduced a feature to our customer billing system which allows us to collect additional information from our major customers which has improved the accuracy of our meter-reading capabilities.

We typically use a standard power supply sales contract. The contract permits us to change the amount of power we must supply by an addendum to the contract. We bill customers on a monthly basis and require payment within 20 days. The majority of our customers pay within this period. We penalize late payments by charging a penalty fee and, ultimately, by disconnecting the defaulting customer's power supply.

In 2010, we introduced a pre-paid billing system through which our new customers can purchase electricity using ATM machines located at certain banks participating in the program. This program was offered to existing customers by moving their payments from post-paid to pre-paid. The number of prepaid customers as at June 30, 2012 is 5,555,878.

We have dedicated customer service representatives, who work with our largest current and potential customers.

Subsidiaries and Joint Ventures

We have ten direct subsidiaries and two joint ventures:

- **PT Indonesia Power and its subsidiaries**

  PT Indonesia Power engages in electricity generation in Java-Bali and controlled approximately 35.9% of the generation capacity in Java-Bali as of June 30, 2012 as well as other related business. PT Indonesia Power was established on October 3, 1995 under the name of PT PLN PJB I and changed its name to PT Indonesia Power on September 1, 2000. As of June 30, 2012, we owned a 99.99999% interest in PT Indonesia Power.

- **PT Pembangkitan Jawa Bali ("PT PJB") and its subsidiaries**

  PT PJB engages in electricity generation in Java-Bali controlling approximately 24.5% of the generation capacity in Java-Bali as of June 30, 2012 as well as other related business. PT PJB was established on October 3, 1995 under the name of PT PLN PJB II and changed its name to PT PJB on September 22, 2000 and subsequently to PT PJB on August 2, 2001. As of June 30, 2012, we owned a 99.99999% interest in PT PJB.

- **PT Pelayanan Listrik Nasional Batam ("PT PLN Batam")**

  PT PLN Batam engages in power supply for the public in Batam. As of June 30, 2012, PT PLN Batam owned 30 power generators in 11 locations with capacity of approximately 95 MW. This subsidiary was legally established on October 31, 2000. As of June 30, 2012, we owned a 99.99999% interest in PT PLN Batam.

- **PT Indonesia Comnets Plus**

  PT Indonesia Comnets Plus engages in the telecommunication for the electricity sector and public use and related business. This subsidiary was legally established on November 1, 2000. As of June 30, 2012, we owned a 99.99999% interest in PT Indonesia Comnets Plus.

- **PT Prima Layanan Nasional Enjiniring ("PT PLNE")**

  PT PLNE provides engineering consultancy as well as engineering and construction services. This subsidiary was legally established on January 6, 2003. As of June 30, 2012, we owned a 99.90000% interest in PT PLNE.

- **PT Pelayanan Listrik Nasional Tarakan ("PT PLN Tarakan")**

  PT PLN Tarakan provides power supply for the public in Tarakan. As of June 30, 2012, PT PLN Tarakan owned 11 power generators with capacity of approximately 31 MW. This subsidiary was legally established on February 13, 2004. As of June 30, 2012, we owned a 99.96835% interest in PT PLN Tarakan.

- **PT PLN Batubara ("PLN Batubara")**

  PLN Batubara engages in coal trading. This subsidiary was legally established on September 3, 2008 and has supplied more than six billion metric tons of coal to our power plants, half of which was supplied in 2010. As of June 30, 2012, we owned a 99.99600% interest in PLN Batubara.

- **PT PLN Geothermal**

  PT PLN Geothermal provides electricity generation, especially geothermal energy. This subsidiary was legally established on April 6, 2009. As of June 30, 2012, we owned a 99.99600% interest in PT PLN Geothermal.

- **Majapahit Holding B.V. ("Majapahit")**

  Majapahit is a wholly-owned subsidiary domiciled in Amsterdam, the Netherlands. Majapahit engages in financial institution business. This subsidiary was established on October 3, 2006. As of June 30, 2012, we owned a 100.0% interest in Majapahit.

- **PT Pelayaran Bahtera Adhiguna ("PT BAG")**

  PT BAG engages in shipping activities. The Government transferred PT BAG to us and our Company legally became PT BAG's shareholder on August 12, 2011 and as of June 30, 2012 we owned a 100.0% interest in PT BAG.

- **PT Haleyora Power**

  PT Haleyora Power engages in the electricity supply business. This subsidiary was legally established on October 18, 2011. As of June 30, 2012, we owned a 99.99600% interest in PT Haleyora Power.

- **PT Geo Dipa Energi**

  A joint venture between our Company and Pertamina that provides electricity generation, especially geothermal energy. PT Geo Dipa Energi was established on September 2, 2002. On February 8, 2011, Pertamina has granted all of its share in PT Geo Dipa Energi to the Government of Indonesia. As of June 30, 2012, we owned a 33.00229% interest in PT Geo Dipa Energi.

- **PT Unelec Indonesia ("PT Unindo")**

  A joint venture between our Company and Areva T & D Holdings that manufactures power transformers. PT Unindo was established on May 21, 1969. As of June 30, 2012, we owned a 32.35150% interest in PT Unindo.

Development of IPPs

Since 1994, the Government has licensed IPPs to generate electricity for use in Indonesia. The licenses allow the IPPs to generate a stated amount of electricity for use in Indonesia, which must be sold to us under the terms of the PPAs entered into between the IPPs and us. As of June 30, 2012, approximately 23.6% of our electricity is sourced from IPPs.

As of June 30, 2012, we had entered into 166 PPAs and ESCs. Our agreements with IPPs comprised 26 contracts with respect to electricity generating plants that have already commenced operations and 140 agreements with respect to electricity generating plants that are under development. For further details, see Note 57 of our restated consolidated financial statements, included elsewhere in this Offering Memorandum.

Each of the coal-fired IPP PPAs is for a period of approximately 30 years after commercial operations begin, while each of the natural gas IPP PPAs is for a period of approximately 20 years. We have agreed with a number of these IPPs, subject to certain restrictions, to purchase dependable capacity in each case (expected to total approximately 80.0% of available MW in the aggregate) at a fixed price (capacity charge) and to purchase the electricity dispatched at variable prices pegged to operating, maintenance and fuel costs (energy charge).

Our PPAs typically contain limited termination clauses for the benefit of the IPP, for example, as the result of a default by us or force majeure events caused by the Government. See "Risk Factors — Risks Relating to our Business and Operations — We may be exposed to liabilities arising out of our contracts".

The following tables set forth certain information with respect to the IPPs in operation as of June 30, 2012.

Company	**Project location**	**Fuel**	**Contractual capacity**	**AF/CF(1)**	**Term of operation**
			(MW)	*(%)*	
PT Energi Sengkang	Sengkang, South Sulawesi	Gas	195	85	1999-2028
Chevron Geothermal Salak Ltd. and Dayabumi Salak Pratama Ltd	Gunung Salak, West Java	Geothermal	165	90	1997-2027
PT Makassar Power	Pare-pare, South Sulawesi	Marine Fuel Oil	60	80	1998-2013
PT Paiton Energy Company	Paiton I, East Java	Coal	1,230	85	2000-2040
PT Jawa Power	Paiton II, East Java	Coal	1,220	83	2000-2030
Pertamina, Chevron Drajat Ltd., Texaco Drajat Ltd. and PT Drajat Geothermal Ind	Drajat, West Java	Geothermal	180	95	2000-2030
Pertamina and MNL	Wayang Windu, West Java	Geothermal	220	90	2000-2042
PT Asrigita Prasarana	Palembang Timur, South Sumatra	Gas	150	85	2004-2024
PT Sumber Segara Primadaya	Cilacap, Central Java	Coal	562	80	2007-2037
PT Dalle Energy Batam	Panaran, Batam Island	Gas	55	80	2005-2016
PT Mitra Energy Batam	Panaran, Batam Island	Gas	55	84	2005-2016
PT Indo Matra Power	Industrial Zone, Batam Island	Gas	17	90	2005-2017
PT Metaepsi Pejebe Power Generation	Gunung Megang, South Sumatra	Gas	80	80	2005-2025
PT Pusaka Jaya Palu Power(2)	Palu, Central Sulawesi	Coal	27	80	2007-2032

Company	Project location	Fuel	Contractual capacity	AF/CF[(1)]	Term of operation
			(MW)	*(%)*	
PT Pertamina Geothermal Energi	Kamojang, West Java	Geothermal	60	90	2008-2038
PT Cahaya Fajar Kaltim	Embalut, East Kalimantan	Coal	45	72	2008-2038
PT Dizamatra Powerindo[(2)]	Sibayak, North Sumatra	Geothermal	10	90	2008-2038
PT Bajradaya Sentranusa	Asahan, North Sumatera	Hydro	180	90	2010-2040
PT Cipta Daya Nusantara	Mobuya, North Sulawesi	Hydro	3	80	2007-2027
PT Fajar Futura Energi Luwu	Luwu, South Sulawesi	Hydro	2	—	2010-2035
PT Sulawesi Mini Hydro Power	Sinjai, South Sulawesi	Hydro	10	—	2011-2036
PT Eksploitasi Energi Indonesia Tbk	Pangkalan Bun, South Borneo	Coal	11	80	2011-2036
PT Paiton Energy	Paiton III, East Java	Coal	815	85	2012-2042
PT Guo Hua Energi Musi Makmur (GH EMM)	Simpang Belimbang, South Sumatra	Coal	227	80	2011-2041
PT Humbahas Bumi Energi	Hutaraja, North Sumatra	Hydro	5	65	2012-2037
Joint Operation PT Wijaya Karya (Persero) Tbk — PT Mirlindo Padu Kencana	Pesanggrahan, Bali	Diesel	50	85	2009-2017
Total			5,634		

Notes:

(1) AF is the availability factor which is calculated by dividing the number of hours available by the total number of hours in the year; CF is the capacity factor which is calculated by dividing (i) the total GWh produced, by (ii) MW capacity times the total number of hours in the year.

(2) The PPA in relation to this project is currently being negotiated with the IPP.

IPPs under development

Company	Project location	Fuel	Contractual	AF/CF	Term of expected operation	Status as of June 30, 2012
			(MW)	*(%)*		
PT Bhimasena Power Indonesia	Pemalang, Central Java	Coal	2,000	86	2012-2037	Financing
PT Cirebon Electric Power	Cirebon, West Java	Coal	660	80	2011-2041	Under construction
PT Lestari Banten Energy	Banten	Coal	625	80	2016-2041	Financing
PT General Energy Bali	Celukan Bawang, Bali	Coal	380	85	2011-2041	Under construction
Sarulla Operation Ltd[(2)]	Sarulla, North Sumatra	Geothermal	330	90	2016-2046	Financing

Company	Project location	Fuel	Contractual	AF/CF	Term of expected operation	Status as of June 30, 2012
			(MW)	*(%)*		
PT DSSP Power Sumsel	PLTU Sumsel-5, South Sumatra	Coal	300	80	2015-2040	Financing
Kons. Madhucon	PLTU Sumsel-7, South Sumatra	Coal	300	80	2016-2041	Financing
PT Ranyza Energi(3)	Kuala Tanjung, North Sumatra	Coal	225	84	2010-2040	Financing
PT Priamanaya Power Energi(2)	Baturaja, South Sumatra	Coal	225	80	2015-2045	Financing
PT Pertamina Geothermal Energy	PLTP Lumut Balai	Geothermal	220	90	2016-2046	Financing
PT Supreme Energy Rajabasa	PLTP Rajabasa	Geothermal	220	90	2017-2047	Financing
PT Superme Energy Muaralaboh	PLTP Muaralaboh	Geothermal	220	90	2017-2047	Financing
PT Bukit Pembangkit Innovative	Banjarsari, South Sumatra	Coal	200	80	2014-2044	Under construction
PT Bosowa Energi	Jeneponto, South Sulawesi	Coal	200	80	2012-2042	Under construction
PT Poso Energy	Poso, Central Sulawesi	Hydro	195	845.52 GWh/yar	2012-2042	Under construction
PT Geo Dipa Energi(2)	Patuha, West Java	Geothermal	180	75	2014-2034	Under construction
Bali Energi Ltd	Bedugul, Bali	Geothermal	175	95	2016-2046	Financing
PT Pertamina Geothermal Energy	PLTP Karaha	Geothermal	140	85	2012-2037	Under construction
PT Energi Sengkang	PLTG Sengkang Ekspansi	Gas	120	85	2012-2037	Under construction
PT TJK Power	Batam Island	Coal	110	85	2009-2038	Under construction
PT Pertamina Geothermal Energy	PLTP Ulubelu #3-4	Geothermal	110	90	2015-2045	Under construction
PT Pertamina Geothermal Energy	PLTP Kamojang	Geothermal	90	90	2016-2046	Financing
PT Kutai Energi Perkasa	Senipah, East Kalimantan	Gas	80	85	2013-2028	Under construction
PT Geo Dipa Energi	Dieng, Central Java (Unit 2)	Geothermal	60	85	2016-2036	Financing
PT Indo Ridlatama Power(2)	Semboja, East Kalimantan	Coal	55	80	2014-2034	Financing
PT Equator Manunggal Power(2)	Pontianak, West Kalimantan	Coal	54	80	2010-2035	Under construction
PT Leyand Pontianak Power	PLTU Pontianak	Coal	50	80	2015-2040	Financing

Company	Project location	Fuel	Contractual	AF/CF	Term of expected operation	Status as of June 30, 2012
			(MW)	*(%)*		
PT Tenaga Listrik Kema	PLTU Sulut	Coal	50	80	2014-2039	Financing
PT Cahay Fajar Kaltim	PLTU Embalut Ekspani	Coal	50	87	2015-2045	Financing
PT Metaepsi Pejebe Power Generation	PLTGU Gn Megang Ekspansi	Combined Cycle	30	80	2013-2038	Under construction
PT Tenaga Listrik Bintan	Tanjung Pinang, Riau	Coal	21.6	80	2012-2037	Under construction
PT Tenaga Listrik Gorontalo	Molotabu, Gorontalo	Coal	21	80	2013-2038	Under construction
PT Indomuda Satria Internusa	PLTU Bau-bau	Coal	14	80	2015-2040	Under construction
PT Sepoetih Daya Prima	Lampung Tengah, Lampung	Coal	12	80	2014-2039	Under construction
PT Listrik Nusantara Karimun(2)	Tanjung Balai Karimun, Riau	Coal	12	80	2010-2035	Under construction
PT Mahajaya Arya Satya(2)	Tanah Grogot, East Kalimantan	Coal	12	80	2013-2038	Under construction
PT Ketapang Arya Power(2)	Ketapang, West Kalimantan	Coal	12	85	2012-2037	Under construction
PT Gorontalo Energy(2)	Gorontao, Gorontalo	Coal	12	80	2013-2038	Under construction
PT Kalianda Kita Jaya	Lampung, Sumatra	Coal	12	90	2014-2039	Under construction
PT Mega Power Mandiri	Lebong, Sumatra	Mini Hydro	12	70	2011-2036	Under construction
PT Inpola Meka Energi	Lau Gunung, North Sumatera	Mini Hydro	10			Under construction
PT Bakara Bumi Energi	Lae Ordi 2, North Sumatera	Mini Hydro	10			Under construction
PT Phakpak Bumi Energi	Lae Ordi, North Sumatera	Mini Hydro	10			Under construction
PT Energi Sakti Sentosa	Pakkat, North Sumatera	Mini Hydro	10			Under construction
PT Global Hidro Energi	Karai 13, North Sumatera	Mini Hydro	8.3			Under construction
PT Sulawesi Indo Energi	Alla, Eurekang, South Sulawesi	Mini Hydro	8.3	65	2014-2024	Under construction
PT Tirta Gemah Ripah	Cirompang, West Java	Mini Hydro	8	66		Under construction
PT Selo Kencana Energi	Lubuk Gadang, West Sumatera	Mini Hydro	7.5	70		Under construction
PT Siteba Energy	Luwu, South Sulawesi	Mini Hydro	7.5	70	2012-2022	Under construction
PT Global Karai Energi	Karai 7, North Sumatera	Mini Hydro	6.7			Under construction
PT Alani Energi Utama	Alani	Mini Hydro	5.6			Under construction

Company	Project location	Fuel	Contractual	AF/CF	Term of expected operation	Status as of June 30, 2012
			(MW)	*(%)*		
PT Bumiloka Cikaso Energi	Cikaso, West Java	Mini Hydro	5.3			Under construction
PT Hentraco Indoperkasa	Wawopada, Central Sulawesi	Mini Hydro	5.3	50	2012-2037	Under construction
PT Inpola Meka Elektrindo	Parluasan, North Sumatra	Mini Hydro	4.2	65	2012-2037	Under Construction
PT Bangun Bumi Bersatu	Cikotok, West Java	Mini Hydro	4.2	65	2012-2032	Under Construction
PT Ganesha Kencana Sakti	Biak	Mini Hydro	4			Under construction
PT Ganesha Kencana Sakti	Kokok Putih	Mini Hydro	4			Under construction
PT Nusantara Indo Energi	Kokok Putih, West Nusa Tenggara	Mini Hydro	3.8	50	2012-2027	Under construction
PT Nusantara Indo Energi	Dominanga (IPP)	Mini Hydro	3.8			Under construction
PT Sulawesi Hydro Energi	Situmulya, Banten	Mini Hydro	3.5			Under construction
PT Situmulya Hydropower	Cisono, Banten	Mini Hydro	3			Under construction
PT Cisono Hydro	Lambangan	Mini Hydro	3			Under construction
PT Ussu Hydro Power	Malili, East Luwu, South Sulawesi	Mini Hydro	3	70	2012-2022	Under construction
PT Haji La Tunrung L & K	Burgin, Eurekang, South Sulawesi	Mini Hydro	3	65	2014-2024	Under construction
PT Simbuang Hydro Power Plant	Luwu, South Sulawesi	Mini Hydro	3	65	2013-2023	Under construction
PT Lambangan Energi Utama	PLTM Bungin, Sulawesi	Mini Hydro	3			Under construction
PT Haji La Tunrung L & K	Lambangan	Mini Hydro	3	65	2014-2024	Under construction
PT Lambangan Energi Utama	PLTM Hek, Central Sulawesi	Mini Hydro	3			Under construction
PT Adis Putra Pratama	PLTM Taludaa, Central Sulawesi	Mini Hydro	2.5	65	2011-2032	Under construction
PT Anoa Hydro Power	Mangkutama, East Luwu, South Sulawesi	Mini Hydro	2	70	2012-2022	Under construction
PT Sumber Energi Lestari	Sakita (Mampueno)	Mini Hydro	2	55	2012-2032	Under construction
PT Sakita Hydropower	Taludaa 2	Mini Hydro	2			Under construction
PT Sumber Energi Lestari	Sakita (Mampueno)	Mini Hydro	2			Under construction
PT Sakita Hydropower	Taludaa 2	Mini Hydro	2			Under construction
PT Sumber Energi Lestari	Iya	Mini Hydro	2			Under construction

Company	Project location	Fuel	Contractual	AF/CF	Term of expected operation	Status as of June 30, 2012
			(MW)	*(%)*		
PT Sumber Energi Lestari	Wanakaka	Mini Hydro	2			Under construction
PT Arena Maju Bersama	Manggani, West Sumatra	Mini Hydro	1.6			Under construction
PT Pelita Prima Nusantara	Manggani, West Sumatra	Mini Hydro	1.16	65	2012-2032	Under construction
PT Saksama Cipta Daya	Sigebang, Central Java	Mini Hydro	0.8			Under construction
Istana Niaga Serayu Bangkit Konsorsium	Alkhairat	Mini Hydro	0.5			Under construction
PT Tohulito Subur Indah	Merden, Central Java	Mini Hydro	0.5			Under construction
PT Cita Contrac	Kincang, Central Java	Mini Hydro	0.4			Under construction
PT Naluri Energi Utama	Adipasir 3, Central Java	Mini Hydro	0.32			Under construction
PT Daya Tirta Banjarnegara	Singgi, Central Java	Mini Hydro	0.32			Under construction
PT Naluri Energi Utama	Banyubiru, Central Java	Mini Hydro	0.2			Under construction
CV Qaryah Thayyibah	PLTA Wampu	Mini Hydro	0.17			Under construction
PT Wampu Electric Power	PLTP Lahendong	Hydro	45	80	2015-2045	Financing
PT Pertamina Geothermal Energy	PLTU Kupang	Geothermal	40	90	2015-2045	Financing
Kons. Jiangxi	PLTU Nias	Coal	30	80	2016-2041	Financing
Kons. PT Indonesia Riau Sri	PLTMG Palembang	Coal	21		2015-2040	Financing
Kons. Dian Megallo & PT	Tembilahan, Riau	Gas	14	80	2014-2034	Financing
PT Exploitasi Energi Indonesia	Rengat, Riau	Coal	11	80	2014-2039	Financing
PT Exploitasi Energi Indonesia	Cibuni, West Java	Coal	11	80	2014-2039	Financing
PT Yala Tekno Geothermal	Batang Toru 3	Geothermal	10	85	2016-2046	Financing
PT Berkah Alam Lestari Energy	Tara Bintang	Mini Hydro	10			Financing
PT Subur Sari Lastderich	Karai 1	Mini Hydro	10			Financing
PT Karai Energi Persada	Kreung Isep	Mini Hydro	10			Financing
PT Senagan Energi	Air Putih	Mini Hydro	10			Financing

Company	Project location	Fuel	Contractual	AF/CF	Term of expected operation	Status as of June 30, 2012
			(MW)	*(%)*		
PT Bangun Tirta Lestari	Sei Wampu	Mini Hydro	9.9			Financing
PT Aek Simanggo Energy	Lintau I	Mini Hydro	9			Financing
PT Ikhwan Mega Power	Sidikalang 1	Mini Hydro	9			Financing
PT Asripower Prada	Rahu 1	Mini Hydro	8.6			Financing
PT Asripower Hidro	Aek Tomuan-1	Mini Hydro	8.2			Financing
PT Izmi Power Mandiri	Simonggo Tornauli	Mini Hydro	8			Financing
PT Northsum Hydro	Lae Kombih 3	Mini Hydro	8			Financing
PT Inpola Mitra Elektrindo	Batang Toru	Mini Hydro	8			Financing
PT Bumi Lestari Energi	Sidikalang 2	Mini Hydro	7.5			Financing
PT Asripower Kerta	Cilaki	Mini Hydro	7.4			Financing
PT Inti Cipta Energi	Raisan Nagatimbul	Mini Hydro	7.4			Financing
PT Sumber Alam Energi Hidro	Raisan Hutadolok	Mini Hydro	7			Financing
PT Sumber Alam Energi Hidro	Rahu 2	Mini Hydro	7			Financing
PT Suar Investindo Capital	Segara, West Nusa Tenggara	Mini Hydro	6.7			Financing
PT Asripower Prima	Rahu 2	Mini Hydro	6.4			Financing
PT Energy Mekar Lestari	Simbelin-1	Mini Hydro	6			Financing
PT Karai Hidro Energi	Karai 12	Mini Hydro	6			Financing
PT Saksama Cipta Daya	Pakenjeng Bawah	Mini Hydro	5.7			Financing
PT Westindo Geothermal Indonesia	PLTP Atadei	Geothermal	5	90	2016-2046	Financing
PT Bahtera Bayu Persada	Cibatarua	Mini Hydro	5			Financing
PT Jaya Dinamika Geo Hidro Energi	Cianten 2	Mini Hydro	5			Financing
PT Charma Paluta Energy	Aek Sisira Simandame	Mini Hydro	4.6			Financing
PT Multi Energi Dinamika	Bayang	Mini Hydro	4.5			Financing
PT Manna Energi Utama	Manna, South Bengkulu	Mini Hydro	4	65	2014-2034	Financing

Company	Project location	Fuel	Contractual	AF/CF	Term of expected operation	Status as of June 30, 2012
			(MW)	*(%)*		
PT Pesisir Hydro Energi	Guntung	Mini Hydro	4			Financing
PT Multi Energi Dinamika	Tarusan	Mini Hydro	3.2			Financing
PT Sinbuang Hydro Power	PLTM Sinbuang, South Sulawesi	Mini Hydro	3	65	2013-2023	Financing
PT Sumber Energi Lestari	Taludaa	Mini Hydro	3			Financing
PT Sumarah Energi	Logawa Baseh	Mini Hydro	3			Financing
PT Cita Kemala Mandiri	Citaraje	Mini Hydro	3			Financing
PT Nusantara Indah Energindo	Niagara	Mini Hydro	2.5			Financing
PT Rumeksa Power	Banjaran Kebonmanis	Mini Hydro	2.2			Financing
PT Tombolo Energy	Tombolo Pao	Mini Hydro	2			Financing
PT Jaya Dinamika Geo Hidro Energi	Cianten 1	Mini Hydro	2			Financing
PT Rumeksa Power	Logawa Baseh Karangpelem	Mini Hydro	1.86			Financing
PT Naluri Energi Utama	Logawa Sunyalangu	Mini Hydro	1.52			Financing
PT Daya Energi Komering	Komering	Mini Hydro	1.4			Financing
PT Rumeksa Power	Logawa Babakan	Mini Hydro	1.34			Financing
Konsorsium PT Indo Energi	Sita	Mini Hydro	1			Financing
PT Adibanua	Kunci Putih	Mini Hydro	0.95			Financing
PT Henindo Power	Lewa	Mini Hydro	0.85			Financing
PT Henindo Power	Waeroa	Mini Hydro	0.4			Financing
Total			8,394			

Notes:

(1) AF is the availability factor which is calculated by dividing the number of hours available by the total number of hours in the year; CF is the capacity factor which is calculated by dividing (i) the total GWh produced, by (ii) MW capacity times the total number of hours in the year. AF and CF for projects that are under development are based on the contracted amounts.

(2) We are waiting for the IPP to fulfil the conditions precedent of the amended PPA.

(3) The PPA in relation to this project is pending due to internal problems within the consortium members.

(4) The PPA in respect of this IPP has been terminated.

Competition from other Energy Sources

Our largest competitors are the natural gas suppliers, for example PGN. Certain industrial users have installed generators or other means that utilize natural gas. We expect that natural gas will continue to be increasingly used as an energy source in the industrial, business and residential sectors. Nevertheless, the use of natural gas is expected to have only a minimal impact on electricity consumption in Indonesia, and is not expected to be a major direct competitor to electricity as an energy source.

Environmental Matters

Our operations are subject to various environmental laws relating to water, air and noise pollution and the management of hazardous and toxic waste. Although we believe that we are in compliance in all material respects with these environmental laws, some risk of environmental costs and liabilities are inherent in our operations and there can be no assurance that material costs and liabilities will not be incurred in the future in this regard. Compliance with environmental laws and regulations may also result in delays in expansion and development of our generating stations and transmission and distribution systems.

Pursuant to current environmental regulations, particularly Law No. 32 of 2009 concerning Environment Protection and Management ("Law 32/2009") and Government Regulation No. 5/2012 on Types of Planned Businesses and/or Activities Subject to Mandatory Environmental Impact Assessment (Analisis Mengenai Dampak Lingkungan - AMDAL) ("GR 5/2012"), every business and/or activity having a substantial impact on the environment shall be obligated to have AMDAL.

Further, under Law 32/2009, we are also required to obtain environmental license. Pursuant to Government Regulation No. 27 of 2012 ("GR 27/2012") on Environmental License, a company which is obliged to obtain the AMDAL (as stipulated under GR 5/2012) is also obliged to apply for an environmental license known as Environmental Permit (Izin Lingkungan). The Environmental Permit is a pre-requisite to obtaining the relevant business licenses and if the Environmental Permit is revoked, the business licenses granted will be cancelled. The procedures for the application, approval and granting of an Environmental Permit is set forth in GR 27/2012. The New Environmental Law requires that all existing environmental permits must be integrated into the Environmental Permit within one year of the enactment of this law.

Under the transitional provision of Regulation No. 27/2012, the environmental license (AMDAL) which have approved before the enactment of Regulation No. 27/2012 shall remain valid and will be treated the same as Environmental License. Accordingly, since we believe that we are in compliance with Law No. 32/2009 and are up to date with our filings of AMDALs, RKLs and RPLs, it does not need to obtain Environmental Permit

The current environmental regulation in Indonesia prohibits any business or activities to violate the quality standard of the environment. Our Company is subject to several Government regulations, ministerial decrees and provincial and local regulations regarding the maintenance of quality standard. The possible waste emissions from an electricity business sector are water, air, noise pollution and hazardous and toxic waste. Our Company is subject to monitoring, prevention, maintenance and reporting obligations depending on the type of waste produced by our Company. If we breach any of these obligations, we must pay compensation to the injured party, remedy the condition of the pollution and/or be subject to criminal sanctions. See "Risk Factors — Risks Relating to our Business and Operations — Our operations are subject to Indonesian central, provincial and local environmental protecting laws and regulations".

Insurance

We hold "property all risk" insurance policies which cover our property, plant, and equipment consisting of installations, power plants and transmission equipment related to power plants. We also have a machinery insurance policy for such plants as required by our financing contracts. These policies expire between October 2012 and December 2012. We do not carry business interruption insurance.

Our insurance policies are provided by a group of Indonesian insurance companies, such as PT Asuransi Tugu Kresna Pratama and PT Asuransi Mitsui Sumitomo Indonesia. In addition, the relevant contractor under each of our EPC contracts in relation to the Fast Track Programs is responsible for obtaining insurance policies for our benefit, including builders risk insurance, third-party liability insurance and marine and cargo insurance. As of the date of this Offering Memorandum, we have received a majority of such insurance policies, which are effective. The remaining insurance policies are not yet effective as the conditions under the EPC contracts to which they relate have not been fulfilled by the EPC contractors. See "Risk Factors — Risks Relating to our Business and Operations — We may suffer an uninsured loss".

Suppliers

We rely on a number of suppliers to meet our business needs and do not rely on any single supplier for key services or components for our network. With respect to fuel, our relationship with Pertamina is significant as Pertamina is our main supplier of fuel oil.

Property

Our main property assets are our generation, transmission and distribution network assets and real property associated with such network. Other than these assets, we lease our headquarters in Jakarta.

Legal Proceedings

We are involved in legal proceedings incidental to the ordinary course of our business, including civil disputes and a tax dispute. Other legal proceedings that we are generally party to include cases with respect to electricity blackouts, damage to marine cables, tender cancellations and land disputes. As of June 30, 2012, the following cases were pending in which we are a defendant and where we believe the claim may be material.

On December 5, 1998, the people of the village of Sirnagalih filed a suit against Perum Perhutani Unit III West Java ("Perhutani"), a state-owned forestry enterprise, in which we and our subsidiary were also named defendants. The plaintiffs claim that Perhutani illegally seized and sold 88.9 hectares of land to our subsidiary, which was used for the development of a water power plant. The claim is for Rp162.5 billion and the return of the land. On July 29, 1999, the District Court of Purwakarta issued its decision and granted the plaintiffs' claim partially. Further, on April 18, 2000, the Bandung High Court granted Perhutani's appeal and annulled an earlier decision by the District Court of Purwakarta in favor of the plaintiffs. The plaintiffs submitted a cassation application to the Supreme Court, which annulled the High Court's decision and ordered the High Court to re-examine the case. On December 3, 2004, the High Court rejected all claims by the plaintiff. Although the decision from the High Court is final and binding, the plaintiffs filed a second cassation application to the Supreme Court on December 28, 2005, and we and our subsidiary also made a counter-claim to the Supreme Court. This case is under the juridical review process and is still being examined at the Supreme Court.

On February 10, 2010, we faced a claim from the Civil Society that was authorized by the Legal Aid Institute of Pattimura University of Ambon, as part of the class action with regards to frequent electricity black out in Ambon. The black out which caused the most detriment to the interest of the plaintiff is the black out in the period of January 2008 until February 2010. On December 22, 2010, the District Court of Ambon rejected the plaintiff's claim. Furthermore, the plaintiff filed claims to the High Court of Maluku. On March 31, 2011, the High Court reaffirmed the decision of the District Court. Currently, the cassation application by the plaintiffs is still in the examination process. The plaintiff did not state the exact amount of the claim and only claimed for us to pay the total indemnity based on the material loss in the form of compensation payment amounting to 50% of the total price of electricity bill that has been paid within the period of black out. In view of the fact that the case is still in the cassation process, we may still face the possibility of a material risk regarding the amount of the claim.

On February 28, 2011, PT Matahari Anugerah Perkasa filed a claim against us to the District Court of South Jakarta regarding default under the Coal Spot Purchase Agreement of PLTU Suralaya (1 x 625 MW) Lot-5, dated August 23, 2010. The claim stated that we refused the consignment of the second coal barge, cut the purchase price of the first coal barge, and did not pay for the third coal barge, each containing 8,000 tones. The claim amounted to Rp2.1 trillion. This matter was decided in our favor in the District Court of Central Jakarta on August 25, 2011. However, the formal copy of the decision has not been served by the court to us. As a result, we still need further confirmation from the court in order to take any consideration for further action.

On March 31, 2011, Didin Djaenudin cs. filed a class action against us at the District Court of Bandung, in connection with the construction project of 500 kV of high-tension air intake that crosses the land, building and plants owned by the public over our Cibinong-Saguling-South Bandung-Cirebon electricity line. The claim is for Rp100.6 billion. This matter was decided against our favor by the district court of Bandung based on the decision dated 29 February 2012. On 8 June 2012, we have filed our memorandum of appeal. This case is currently being examined in the high court of Bandung.

On June 30, 2011, the Tax Office issued a Tax Underpayment Assessment Letter for Income Tax Article 26 ("SKPKB PPh 26") with the tax underpayment (including tax payment) amounting to Rp317 billion. The Tax Office made a fiscal correction on the interest of International Bonds paid by us to Majapahit Finance B.V. (our subsidiary in the Netherlands). However, we are of the opinion that the interest should not be subject to the 20% tax under the SKPKB PPh 26, which is based on the provision in the tax treaty between Indonesia and the Netherlands. Therefore, on September 6, 2011, we filed for an objection application on the SKPKB PPh 26 to the State-Owned Enterprises Tax Office. Currently, the objection is still being examined.

On 20 January 2012, PT Subur Lestari Lastderich ("Plaintiff") filed a claim against us before the District Court of Medan regarding a dispute over licenses to build a hydro power plant. The Plaintiff is a construction company which intended to build a hydro power plant in North Meranti Utara village, District of Pintu Pohan Meranti, Toba Samosir regency. We also intended to build a hydro power plant in the same area named PLTA Asahan 3 (2 x 87 MW). The Plaintiff claims that we do not have the right to construct PLTA Asahan 3 because the Plaintiff has obtained a location permit from the Regent of Toba Samosir which covers approximately 270,000 M^2 of area around the Plaintiff's hydro power plant. The Plaintiff requested the court to order us to stop the construction of PLTA Asahan 3 and filed a claim for material loss of Rp.10 billion and immaterial loss of Rp.1 trillion.

We replied to the District Court of Medan, stating that we are the rightful developer based on the license which we have obtained from the Ministry of Energy and Mineral Resources. Additionally, we also pointed out that the licenses which the Plaintiff have obtained from the Regent of Toba Samosir have been revoked and that based on our field observation, there has not been any construction from the Plaintiff, which renders the loss claim unjustifiable. As of this moment, this case is still in examination process at the District Court.

According to a Clerk of Court Statement Letter No. 687/Sktr/Pan/HKM/2012/PN.Jkt-Sel, dated September 25, 2012, from the South Jakarta District Court and information we gathered from a local newspaper, David Tobing, a consumer lawyer, has filed a class action lawsuit against us in the South Jakarta District Court. We understand that the claim is in relation to a claim for public losses caused by an additional administration fee charged to our consumers who pay their electricity bills via an online payment system. However, to date we have not received the formal claim document regarding this case; therefore, we are not yet able to determine the merits of the case and what further action is required.

REGULATION OF THE INDONESIAN ELECTRICITY SECTOR

Regulation

On September 23, 2009, the Government issued Law No. 30 of 2009 on Electricity (the "New Electricity Law") which revokes Law No. 15 of 1985 on Electricity (the "Old Electricity Law"). To implement the New Electricity Law, the Government has issued: (i) Government Regulation No. 14/2012 ("GR 14") which revokes Government Regulation No. 10/1989 as amended by Government Regulation No. 3/2005 and Government Regulation No. 26/2006; (ii) Government Regulation No. 62/2012 on Electricity Ancillary Business ("GR 62") and (iii) Government Regulation No. 42/2012 on Cross Border Electricity Trade ("GR 42"). On September 30, 2011 we obtained an Electricity Supply Business License under which we operate as an integrated electricity supply company with a business area covering all of the territory of the Republic of Indonesia.

In general, apart from introducing several new provisions, the New Electricity Law combines several concepts from the Old Electricity Law and its implementing regulations into one law. This section discusses some key provisions of the New Electricity Law and its implementing regulations that may affect our business.

Industry Framework

Under the Old Electricity Law and its implementing regulations, electricity supply in Indonesia was executed by the state and carried out by us as the holder of the Electricity Business Proxy ("PKUK"). As long as it was not detrimental to the state's interest, cooperatives, regional-owned enterprises, private business enterprises, non-governmental enterprises (*swadaya masyarakat*) and individuals had the opportunity to take part in the electricity sector and to supply electricity.

Under the New Electricity Law, electricity supply in Indonesia is no longer executed by the state and carried out by us as a the holder of the PKUK. Instead, the electricity supply is controlled by the state and conducted by the central Government and the regional governments through state-owned enterprises, such as our Company, and regional-owned enterprises. The New Electricity Law also allows private business enterprises, cooperatives and non-governmental enterprises to participate in the electricity supply business. However, under the New Electricity Law, state-owned enterprises, which includes us, have the first priority to decide whether to be the electricity supplier for the public needs of a specified area before such right can be awarded to anyone else. If we decline the offer to undertake a public electricity supply business for the specified area, the central Government or the regional governments, in accordance with their respective authority, may offer the right to maintain the public electricity supply business to regional-owned enterprises, private enterprises or cooperatives.

Furthermore, if there are no regional-owned companies, private enterprises or cooperatives that elect to supply electricity in an area, the central Government is obliged by the New Electricity Law to instruct state-owned enterprises, which includes us, to supply electricity in such area.

Electricity Master Plan

The supply and utilization of electricity in Indonesia is based on electricity master plans (each, a "Master Plan"). Unlike the Old Electricity Law, which stipulated that there would only be a single national Master Plan determined by the Minister of Energy and Mineral Resources, the New Electricity Law stipulates that there will be a national Master Plan and multiple regional Master Plans. The national Master Plan is required to be determined by the central Government after consulting with the Indonesian House of Representatives ("DPR") and also involving the regional governments, while each regional Master Plan is required to be made by referring to the national Master Plan and issued by the respective regional governments after further consultation with the regional house of representatives ("DPRD").

Currently, we have prepared an electricity supply business plan for the period of 2011-2020 which has been approved by the Ministry of Energy and Mineral Resources as set forth under the Decree of Ministry of Energy and Mineral Resources No. 3314K/21/MEM/2011 dated December 30, 2011.

Types of Electricity Industry

The New Electricity Law divides the electricity industry into two main sectors, namely the electricity supply business and the electricity supporting business. The electricity supply business is divided into electricity supply business for the public and the electricity supply business for private users. The electricity supporting business is further divided into the electricity supporting services business and the electricity supporting industry business.

The electricity supply business covers electricity generation, transmission, distribution and sales. Meanwhile, the electricity supporting services and industry businesses cover, among others: (i) consultation on installation of electricity equipment; (ii) construction and installation of electricity equipment; (iii) inspection and testing of electricity equipment; (iv) operation and maintenance of electricity equipment; and (v) electricity equipment and utilization industry business.

Electricity Supply Business Licensing

Under the Old Electricity Law, the electricity supply business license was issued in the form of: (i) an electricity business license for public use ("IUKU"); (ii) an electricity business license for self-use ("IUKS"); or (iii) an electricity business proxy, or PKUK, of which we were the only holder.

However, under the New Electricity Law, the PKUK is no longer recognized, and the electricity supply business license will be issued in the form of: (i) an Electricity Supply Business License ("IUPTL") for the purpose of supplying electricity for public use; or (ii) an Operation License, for the purpose of supplying electricity for private use with certain capacity.

Coverage of Licenses

Under the New Electricity Law, the IUPTL covers the following business activities: (i) electricity generation; (ii) electricity transmission; (iii) electricity distribution; and (iv) electricity sale. An IUPTL can be issued separately for each type of electricity business activity. The New Electricity Law allows the integration of electricity business activities for a business entity which conducts an electricity supply business for public needs with a business area.

Obligations of License Holder

Pursuant to the New Electricity Law, holders of an IUPTL are obliged to:

- supply electricity that meets the required standard of quality;

  GR No. 14 mandates the Minster of Energy and Mineral Resources, or mayor/regent (in accordance with its authority) to determine the required standard of quality of electricity supply which must be followed by IUPTL holders and any violation of this standard of quality of electricity supply shall be subject to sanction in the form of compensation payment to the customers which will be further regulated by the Minster of Energy and Mineral Resources, or mayor/regent.

- provide the best services to the consumers and society;

- comply with electricity safety standards; and

- prioritize the use of domestic products and supplies.

Business Area

The New Electricity Law introduces the concept of business area, which is an area that is prescribed and designated by the central Government within which a business that has an IUPTL may conduct its business (a "Business Area"). Pursuant to the New Electricity Law, and GR 14, only one business entity will have permission, within a single Business Area, to conduct an integrated electricity supply business for public needs, and this limitation is expected to apply to us. The limitation also applies to business entities whose activities only cover distribution and/or sale of electricity for public needs.

Based on GR 14, the Business Area will be stipulated by the Minister of Energy and Mineral Resources. In addition, Governor or Mayor/Regent is required for the stipulation of a Business Area if the relevant IUPTL is issued by Governor or Mayor/Regent.

Licensing Authorities

- Under the New Electricity Law and GR 14, the IUPTL may be issued by the regent or mayor, the governor or the Minister of Energy and Mineral Resources, in accordance with the following scheme: regent or mayor, for:

  (i) a business entity which has a Business Area that only includes a single regency or municipality; or

  (ii) a business entity which sells electricity and/or leases electricity networks to a holder of an IUPTL that was be issued by the regent or mayor;

- Governor, for:

  (i) a business entity which has a Business Area that overlays multiple regencies and/or municipalities; or

  (ii) *a business entity which sells electricity and/or leases electricity networks to a holder of* an IUPTL that was issued by the governor; and

- Ministry of Energy and Mineral Resources, for:

  (i) a business entity which has a Business Area that overlays multiple provinces;

  (ii) a state-owned enterprise; or

  (iii) a business entity which sells electricity and/or leases electricity networks to a holder of an IUPTL that was issued by the Minister of Energy and Mineral Resources.

Transitional Provisions

Under the New Electricity Law, we are deemed as having already obtained the IUPTL. However, within two years of the enactment of the New Electricity Law, the central Government is required to complete the administration and adjustment of our IUPTL in accordance with the provisions of the New Electricity Law.

Considering the transitional provisions above, on 30 September 2011, the integrated IUPTL for our Company, covering the business activities of electricity generation, transmission, distribution and sale, was issued by the Minister of Energy and Mineral Resources. Based on our IUPTL, our Business Area covers all territory of the Republic of Indonesia except for the area which is stipulated by the Government as a business area of other state-owned enterprises, regional-owned enterprises, private entities or cooperatives.

Electricity Export-Import

Based on GR 42, an IUPTL holder can conduct cross country electricity sale and purchase activities after obtaining approval from the Minister of Energy and Mineral Resources. In addition, the purchase price for cross-border electricity sale and purchase must be approved by the Minister of Energy and Mineral Resources.

Export of electricity can be carried out provided that

(a) local electricity demand has been fulfilled;

(b) the sales price is not subsidized;

(c) the export does not affect the quality and reliability local electricity provision.

Import of electricity can be carried out provided that, among others:

(a) local electricity demand has not been fulfilled;

(b) imported electricity is only to support fulfillment of local electricity needs;

(c) it does not cause any adverse effect to the state interest which related to sovereignty, security, and economic development;

(d) the import is for increasing the quality and reliability of the local power supply;

(e) the import will not impede the capacity of onshore power development; and

(f) the import will not cause any dependency on the power supply from overseas

The permit for either export and import of electricity will be valid for five years and is extendable.

Land Utilization

Based on the New Electricity Law and GR 12, the holder of IUPTL must provide land title compensation or compensation to the holders of land title, building and plants on the land it uses. Land title compensation is granted for direct use of land by the holder of IUPTL and buildings and plants on the land. The amount of compensation granted to the holders of land title, buildings and plants must be determined by an independent appraisal (*lembaga penilai independent)* appointed by the Minister, Governor or Regent/Mayor pursuant to his authority. Further provisions on the calculation formula and payment procedures for land, building and plants compensation will be regulated under a ministerial regulation. Any land issues arisen from the use of the land must be settled by the holder of IUPTL before it starts its business activities. However, the obligation to pay such compensation will not be required if certain buildings, plants and others are erected on the lands which have obtained a location permit for power supply business and land title compensation or compensation for those land titles, buildings and plants has been paid to the owners.

Tariff Structure

Under the terms of the Old Electricity Law, the electricity tariffs charged by us are required to be approved by the President of the Republic of Indonesia based on a proposal by the Minister of Energy and Mineral Resources. However, under the New Electricity Law, as we would be considered a holder of an IUPTL, our electricity tariff for our consumers shall be determined by the President of the Republic of Indonesia with the prior approval of the DPR, which shall consider the balance between the national, regional, consumer and electricity business players interests.

The New Electricity Law also allows the central Government to set different consumer tariffs within a single Business Area. However, until there are further implementing regulations, it is unclear how this policy will be implemented or how any such implementation will affect our business, financial condition, results of operations or prospects. For further discussion of this issue, see "Risk Factors — Risks Relating to our Business and Operations — Under the New Electricity Law, the procedure for setting tariffs has changed, and tariffs may be less uniform, resulting in lower revenues."

As mentioned above, the New Electricity Law stipulates that all of the Old Electricity Regulations are still valid unless they contravene the provisions of the New Electricity Law or have been replaced. Therefore, we believe that the most recent electricity tariff formula that was stipulated under Presidential Decree No. 8/2011 on the Electricity Selling Price of Perusahaan Perseroan (Persero) PT Perusahaan Listrik Negara ("PD 8"), dated February 7, 2011 and valid from July 1, 2010, which has not been amended, is still valid. Under PD 8, we are obliged to improve and publicly disclose our quality standards for each services unit on a quarterly basis.

If we fail to meet these quality standards, especially the standards relating to duration and quantity of electricity disturbance and errors on meter reading, we will be obliged to reduce our electricity invoice for the relevant consumers by certain amounts calculated on the basis of a formula set forth by the Minister of Energy and Mineral Resources.

The following table sets forth our average selling price by each tariff category of customer for the years ended December 31, 2007 to 2011 and for the six months ended June 30, 2012.

	Year ended December 31,					Six months ended June
Customer Classification	**2007**	**2008**	**2009**	**2010**	**2011**	**30, 2012**
			(Rp per kWh)			
Residential	572	588	589	616	618	636
Industrial	621	622	644	661	695	715
Business	773	851	891	934	951	972
Public	645	680	686	756	775	808
Average selling price	629	653	670	699	714	734

Starting in 1994, we prepared a regular tariff adjustment mechanism which consisted of a structural adjustment that would take place once a year and formula-based quarterly tariff adjustments that would take into account changes in the input costs from inflation, changes in fuel prices, power purchase price and exchange rates. This automatic tariff adjustment mechanism was intended to keep the tariff level constant in real terms.

This automatic tariff adjustment mechanism was suspended after the Asian financial crisis in 1997. The Government is currently exploring reintroducing an automatic tariff adjustment mechanism.

Subsidies

The New Electricity Law does not provide any specific provisions concerning subsidies, and, therefore, we believe that the current regulation on subsidies is still valid. As our tariffs have historically been lower than our costs, we rely on Government subsidies to meet the difference between our costs to produce electricity we sell and the prices we are permitted to charge under the tariffs set by the Government. To offset rising fuel costs and the slow growth of average tariffs received, the Government has increased subsidies since 2004. The subsidies we receive from the Government cover the following costs: electric power purchases from IPPs, fuel and lubricants expenses (such as for fuel oil, natural gas, geothermal, coal, lubricating oil and levy for surface water), maintenance expenses (such as for materials and contract services), personnel expenses, administration expenses, depreciation of fixed operational assets and interest and financing costs. We do not receive Government subsidies for costs that are not related to the generation of electricity, such as the operating costs of our telecommunications subsidiary or of our engineering services subsidiary.

Our Subsidy for 2012

For the year ending December 31, 2012, the total subsidy approved by the Government in accordance with Article 8 of the Law No. 22 Year 2011, as amended by Law No. 4 Year 2012, SREB (as awarded)is Rp64,973 billion (U.S.$6,854 million), which has been revised from an originally approved subsidy amount of Rp44,960 billion (U.S.$4,743 million). We have received subsidy payments in respect of the first half of 2012 amounting to Rp35,754 billion (U.S.$3,772 million) which comprised the release of funds from the escrow account in respect of the 2011 subsidy amounting to Rp284 billion (U.S.$30 million), the release of funds in respect of the 2010 subsidy amounting to Rp4,507 billion (U.S.$475 million) and partial collection for current year subsidy amounting to Rp30,963 billion (U.S.$3,266 million). For the six months ended June 30, 2012, we recognized Rp48,088 billion (U.S.$5,073 million) as revenue from the Government's electricity subsidy.

Our Subsidy for 2011

For the year ending December 31, 2011, the total subsidy approved by the Government was Rp86,245 billion (U.S.$9,098 million), which has been revised from an originally approved subsidy amount of Rp40,700 billion (U.S.$4,293 million). During the 2011 financial year, we received subsidy payments of Rp90,435 billion (U.S.$9,540 million) which comprised the release of funds from the escrow account in respect of the 2010 subsidy amounting to Rp271 billion (U.S.$29 million), the release of funds in respect of the 2009 subsidy amounting to Rp4,580 billion (U.S.$483 million) and partial collection for current year subsidy amounting to Rp85,583 billion (U.S.$9,028 million).

Our Subsidy for 2010

For the year ended December 31, 2010, the total subsidy approved by the Government was Rp53,606 billion. For the year ended December 31, 2010, we recognized Rp58,108 billion as revenue from the Government's electricity subsidy. During the 2010 financial year, we received subsidy payments of Rp57,330 billion which comprised the release of funds from the escrow account in respect of the 2009 subsidy amounting to Rp4,000 billion and partial collection of current year subsidy amounting to Rp53,330 billion.

Our Subsidy for 2009

For the year ending December 31, 2009, the total subsidy approved by the Government was Rp45,139 billion. For the year ended December 31, 2009, we recognized Rp53,720 billion as revenue from the Government's electricity subsidy. During the 2009 financial year, we received subsidy payments of Rp52,434 billion which comprised a previously undisbursed subsidy from 2007 amounting to Rp4,407 billion, a previously undisbursed subsidy from 2008 amounting to Rp2,887 billion and partial collection of current year subsidy amounting to Rp45,139 billion.

On November 10, 2010, the Minister of Finance approved our revised subsidy for the financial year 2011 with an 8.0% PSO Margin as stipulated under Law No. 10 Year 2010 on SREB of 2011. The government-approved subsidy for 2012 provides for a PSO Margin of 7.0%, as stipulated under Law No. 4 Year 2012 on SREB 2012.

The following table sets forth certain information regarding the subsidies we have received from the Government with respect to previous fiscal years.

Year ended December 31,	Government-approved budgeted subsidy	Government's electricity subsidy as a result of compliance audit by State Auditor
	(Rp billions)	
2007	39,269	37,481
2008(1)	80,396	78,577
2009	45,139	53,720
2010	53,606	58,108
2011	86,245	93,178
2012	64,973	N/A(2)

Notes:

(1) Subsidy over-payment for 2008 amounting to Rp1,818 billion was offset against the subsidy receivable in 2009.

(2) Compliance audit by State Auditor yet to be completed.

Government subsidies prior to the adoption of the Ministry of Finance Regulation in 2005 were different in certain material respects. In 2004, the Government subsidy only covered our costs related to our customers that subscribe for electricity power up to 450 VA in certain tariff categories. In 2005, our subsidy increased significantly because it was expanded to cover electricity purchasing costs for all of our customer categories with average sales tariffs that are lower than the cost per that tariff category. Another significant difference in the subsidy process was that each month we invoiced the Government for 90.0% of the estimated monthly subsidy prior to 2005, which was increased to 95.0% starting in 2005.

The Ministry of Finance implemented Regulation 111 as amended by Regulation 162, which was enacted on December 17, 2007 and has retroactive effect from October 1, 2007, which resulted in important changes to the subsidy process, including:

- the total amount of subsidy we ultimately receive for a year can be adjusted upward based on our actual cost following the Government audit by the State Auditor;
- our costs of supply will be calculated based on a formula determined by DGEEU;
- calculation of our network transmission and distribution losses, which are factored into the determination of cost of supply, will be adjusted by DGEEU quarterly based on actual losses;
- DGEEU will determine the quarterly and annual realization of network transmission and distribution losses not later than 15 days after receiving the complete data from us regarding the realization of network transmission and distribution losses;
- we shall submit a request for payment of electricity subsidy, which is conveyed in writing to the Director of Non-Tax State Revenue with a copy made available to the Director General of Treasury Affairs on a monthly basis. The request for payment of electricity subsidy shall be accompanied by supporting data including, among others, interim cost of supply. The interim cost of supply (Rp/kWh) data is:
  - used in the determination of the amount of electricity subsidy in the annual state budget or revised annual state budget; or

- based on the result of the audit by the institution authorized to audit our working plan and company budget;

- we will receive 95.0% of the difference between budgeted costs of production (including the PSO Margin) and actual revenues as our subsidy for each month in the subsequent month, with the remainder to be paid quarterly, based on an un-audited report of our actual costs; and

- the subsidy for the month of November is to be paid in December and the subsidy for December is to be put in an escrow account for our benefit and paid in January, in each case based on actual sales and budgeted costs of electricity, resulting in a subsidy that is more reflective of our actual costs and sales in the last two months of the year.

There is a specific formula to calculate the subsidy of electricity as follows:

S	=	- (HJTL - BPP (1 + m)) x V, where
S	=	electricity subsidy
HJTL	=	average selling price of electricity (Rp/kWH) of the respective tariff categories
BPP	=	average cost of electricity (Rp/kWh) at various voltages in the respective tariff categories
M	=	PSO Margin (%)
V	=	selling volume of electricity (kWH) for every tariff category.

In calculating the amount of electricity subsidy for a fiscal year, DGEEU may consider the PSO Margin recommended by the State Minister for State-owned Enterprises where the PSO Margin is to be added to create a positive value (gross profit) in calculating the total subsidy of electricity and to produce the amount of electricity subsidy stipulated in the annual state budget or the revised annual state budget.

The final amount of electricity subsidy in one fiscal year shall be stipulated based on the State Auditor's audit report which is submitted to the Minister of Finance.

There is no cap for electricity subsidy. If there is a negative discrepancy of payments of electricity subsidy between what has already been paid to us and the audit results, the amount of the negative discrepancy can be proposed to be allocated in the APBN for the next budget year (with the approval of the Minister of Finance). However, if the result is a positive discrepancy, we shall promptly remit the overpayment to the State General Cash Account as non-tax state revenue in accordance with the prevailing law.

Also see "Relationship with the Government" and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors that affect our financial performance — Subsidies".

Land Procurement

On December 16, 2011, the Indonesian Parliament passed the Bill on Land Procurement for Public Interest, which came into force on January 14, 2012 as Law No. 2 of 2012 on Land Procurement for Public Interest ("**Land Procurement Law**"). On August 7, 2012, the implementing regulation of the Land Procurement Law, i.e., Presidential Regulation No. 71 of 2012 on Land Procurement Process for Public Interest Project ("**PR 71/2012**") was issued. The Land Procurement Law and PR 71/2012 introduce clear and expedited steps for the procurement of land for public interest. The Land Procurement Law and PR 71/2012 are expected to provide a more effective legal basis for public interest land procurement which, prior to the effectiveness of the Land Procurement Law, was regulated by Presidential Regulation No. 36 of 2005 on Land Procurement for Public Interest, as amended by Presidential Regulation No. 65 of 2006. Under the Land Procurement Law, the term "public interest" is defined as the interest of the Indonesian people, nation and community that should be manifested by the Government and used optimally for the welfare of all the people of Indonesia. The Land Procurement Law opens the possibility for state-owned enterprises who receive a special assignment from the Government to procure land for public interest projects using the procedures provided under the Land Procurement Law.

Under the Land Procurement Law, the Government and/or the regional government are given the task of ensuring the availability of land required for public interest. The Land Procurement Law also clearly stipulates that a party (the "**Entitled Party**") who owns or otherwise controls the assessable land procurement objects, which are defined as land, space under and above the land, buildings, plants, any object related to the land or other object ("**Land Procurement Objects**") is obliged to release its rights upon such Land Procurement Object for the purpose of public interest land procurement, following the provision of fair and reasonable compensation or a legally binding court decision. After such land is released, it becomes the property of the government, the regional government or a state-owned enterprise, as the case may be.

The Land Procurement Law specifically stipulates the development projects for public interest among others as follows:

(1) oil, gas, and geothermal infrastructure;

(2) power plant, power transmission, switch yard, power network and distribution;

Initially, a government entity that plans to procure land for public interest must send a notification to the local society and have a public consultation with the parties related to the Land Procurement Objects, including any Entitled Party regarding the proposed development plan, until a consensus is reached. In the event that no consensus can be reached or there occurs any objection to the proposed development plan, the Governor will establish a team to examine the reasons for the objections. Based on this, the Governor will decide whether the objections are valid. To the extent that such objections are denied, the Entitled Party may file a legal claim at the State Administrative Court, whose decision can thereafter be subject to final appeal at the Supreme Court. If by virtue of a legally binding court decision, the land has been approved to be procured for public interest, then the National Land Agency shall appoint an independent appraisal team to determine the compensation value to be paid to the Entitled Party. To challenge the compensation value, the Entitled Party may file a legal claim at a District Court and if necessary, the decision of the District Court can be filed for final appeal at the Supreme Court.

Maximum Period for Land Acquisition

If there are no objections or appeal requests, the land acquisition process will take around 319 working days. If there is an objection or appeal request, PR 71/2012 sets a maximum of 583 working days from the date the Governor receives the land acquisition plan documents until the land certification/registration process. The land title itself is extinguished upon the granting of the compensation or the deposit of the compensation in the court or upon completion of land title release. PR 71/2012 also allows commencement of construction above the procured land after delivery of the procured land to the institution that needs the land without waiting for the land certificate to be issued.

Land Procurement Stage

Under Land Procurement Law, land procurement can be divided into four stages: planning, preparation, execution and land delivery. The PR 71/2012 provides specific delegation to relevant officials for the implementation of each stage above:

- Planning - The acquiring institution (e.g., the government institution, state-owned enterprise with special assignment from the Government) will be responsible for preparing the land acquisition plan documents which must be submitted to the relevant Governor.

- Preparation - Preparation is conducted by the relevant Governor through a preparation team which consists of the relevant mayor/regent, relevant units in the province, the acquiring institution, and other relevant institutions. The Governor is allowed to delegate these preparation tasks and authority to the relevant mayor/regent.

- Execution - The execution of land acquisition falls within the authority of the Head of BPN (National Land Agency), which is implemented through the head of the BPN regional office, or the head of the land office, which will act as the head of land acquisition ("**Head of Land Acquisition**"). The Head of Land Acquisition will form a land acquisition team and lead the negotiation with the affected landowners.

- Delivery - The delivery of the procured land to the acquiring institution will be conducted by the Head of Land Acquisition.

Land "Ownership" Evidence

The Land Procurement Law extends the type of parties who can receive compensation in a land acquisition process by including among others: indigenous people, people who control state land in good faith, owners of buildings, and trustees of *waqaf* land. PR 71/2012 provides further details of types of documents and conditions that prove the "ownership" or entitlement over the land. If there is no sufficient land entitlement evidence, PR 71/2012 allows the person claiming to own the land to provide supporting evidence in the form of written statements from a minimum of two local people that have no family relationship until the second degree with the person claiming to own the land confirming that the person is the real owner or is a person who is entitled to the relevant land. Implementation of this non-family relationship test could be problematic since any non-family person controlled by the person claiming to own the land can just simply issue these statements.

MANAGEMENT

In accordance with Indonesian law, we have both a Board of Commissioners and a Board of Directors. The two boards are separate and no individual may serve as a member on both boards.

The rights and obligations of each member of the Board of Commissioners and Board of Directors are regulated by our articles of association (the "Articles") and by the decisions of our shareholders in general meeting. Under the Articles, the Board of Directors must consist of one or more members, one of which will be appointed as the President Director. The President Director is entitled to act for and on behalf of us, provided that his actions have been approved in the meeting of the Board of Directors. The Board of Commissioners must consist of one or more Commissioners, one of which will be appointed as the President Commissioner.

Board of Commissioners

The principal function of the Board of Commissioners is to supervise the policy of the Board of Directors in running our Company and to give advice to the Board of Directors.

Members of the Board of Commissioners are appointed and removed at a general meeting of shareholders. The Board of Commissioners comprises seven members, including the President Commissioner.

The following table sets forth the current members of the Board of Commissioners.

Name	Position	Age	Position held since
Yogo Pratomo	President Commissioner	55	2009
Wimpy S. Tjetjep	Commissioner	59	2009
Syahrial Loetan	Commissioner	61	2009
Abdul Aziz	Commissioner	50	2009
Rahmat Waluyanto	Commissioner	55	2007
Lutfi Hamid	Independent Commissioner	54	2003
Adang Firman	Independent Commissioner	61	2009
Andin Hadiyanto	Commissioner	47	2012

Yogo Pratomo

Yogo Pratomo was appointed as our President Commissioner in December 2009. He has also held the position of Chairman of the Daily Coordination for Team Acceleration Program (according to Presidential Decree No. 72/2006 manage projects of 10,000 MW electricity) since 2006. He has served as Director General of Electricity and Utilization (1999-2006), as an expert staff of the Ministry of Energy and Mineral Resources (1999-2003), Head of Planning at the Ministry of Energy and Mineral Resources (1998-1999), Director of Program Development for the Electrical office of the Ministry of Energy and Mineral Resources (1995-1998), Head of Sub-Directorate Electrical Program (1993-1995), Section Head of the Electrical formulation Program (1992-1993), and the Staff Development Directorate of Energy (1988-1992). He obtained a Bachelor's degree in Electrical Engineering from the Bandung Institute of Technology in 1980, a Master's degree in Economics and Energy Policy from the University of Wisconsin, Madison, USA (1984) and a Doctorate in Economics and Energy Policy from the University of Wisconsin, Madison, USA (1988).

Wimpy S. Tjetjep

Wimpy S. Tjetjep was appointed as our Commissioner in December 2009. Previously, he served as Deputy Coordinator for the Ministry of Economic Affairs Energy, Mineral Resources and Forestry in 2005, Head of the Research and Development Division for the Ministry of Energy and Mineral Resources (2003), Director General of Geology and Mineral Resources (2001-2003), Deputy

Chairman of the Geography Working Team for Defense (1999), Director for Planology Geology, Directorate General of Field Geology and Mineral Resources (1995), Volcanology Field Director to the Directorate General of Geology and Mineral Resources (1993-1998), Head of Sub-Directorate of Volcano Field Analysis to the Directorate of Volcanology (1989-1993), Chief of the Division of Physical Sciences Directorate for Volcanology (1984-1989), geophysicist to the Directorate of Volcanology (1979-1984) and Geologist to the Directorate of Volcanology (1978-1979). He obtained a Bachelor's degree in Engineering Geology from the Insititut Teknologi Bandung in 1977, a Master's degree from De Nancy's National Geophysics Institute of Polytechnique, France in 1981, and a Doctorate in Geophysics from the National Institute of De Politechnique Lorraine, France in 1983.

Syahrial Loetan

Syahrial Loetan was appointed as our Commissioner in December 2009. He also serves as Secretary to the Minister of State Affairs PPN/BAPPENAS Secretary since 2005. At BAPPENAS Secretary, he has previously served as the Chief Inspector (2003-2005), Director of Multilateral Financing (2002-2003), Director of evaluation and observation of Finance (2001-2002), Head of Observation and Evaluation (2000-2001), Head of Observation for the Implementation Development Project (1997-2000) and Senior Advisor to the Head of Urban Development Agency (1996-1997). He obtained a Bachelor's degree in Civil Engineering from the Bandung Institute of Technology in 1976 and a Master's degree in City Planning from the University of California, Berkeley, USA in 1991.

Abdul Aziz

Abdul Aziz was appointed as our Commissioner in December 2009. He has also served as the Special Assistant Minister for State Owned Enterprises since 2009. Previously, he has held the positions of Director of PT Sarana Jasa Utama (Manejemen midwives engaged in building) (2005-2009), Commissioner of PT Panca Nugraha Paramitra (1997-2005), General Manager of PT Pasarini Padibumi (1995-1997), Manager of PT Pasarini Padibumi (1993-1995), Chief Executive Officer of Magazine Ulumul Qur'an (1990-1993) and Staff Marketing for PT Agribusiness Development Center (PPA) (1988-1990). He obtained a Bachelor's degree in Civil Engineering from the Bogor Institute of Agriculture in 1982 and a Master's degree from the Institute for Educational Development and Sustainability in 1992.

Rahmat Waluyanto

Rahmat Waluyanto was appointed as our Commissioner in June 2007. He is also the Alternate Governor of the International Monetary Fund since 2008, the Director General of Debt Management, Department of Finance since 2006, Commissioner of PT Polytama Propindo, Jakarta since 2005 and a Member of Indonesian Audit Committee Association since 2004. Formerly, he was the Director of State Debt Securities Management at the Directorate General for Treasury of Ministry of Finance (2005-2006) and Head of Sub-directorate for Portfolio and Risk Management (2004-2005). He also held the positions of Head of Portfolio Management Department at the State Bond Management Office (2001-2004), Coordinator of Cash Management Division at the Directorate General for Financial Institutions (2000-2001), Head of Sub-directorate at the Directorate for Supervision of Accountants and Appraisers (1999-2000), Head of Section at the Directorate for Financial and Accounting Institution (1988-1993) and Staff of Directorate for Supervision of State-Owned Enterprises (1985-1988). He obtained a Bachelor's degree in Accounting from Faculty of Economics, University of Gadjah Mada in 1983, a post-graduate degree in Business Administration (Finance) at the University of Denver, Colorado, USA, in 1992 and obtained a Doctorate in Accounting and Finance from the University of Birmingham, England, United Kingdom, in 1997.

Lutfi Hamid

Lutfi Hamid was appointed as our Independent Commissioner in October 2003. His other positions include Developer Consultant of PT Relasindo Citra Graha, Bandung branch since 1991. Formerly, he was the Project Manager of PT Handara Graha, Bandung branch dealing with projects of PT Dirgantara

Indonesia (formerly PT IPTN) from 1977 until 1991. He was also the Chief Designer of LIPI Office, Bank Exim, Reservoir Putat Gege, Kilometer Transmission, Pipe Bridge, Umbulan Complex, Villa Abdullah Al Syai, Office Building of Kodya Bandung, IPP Office, Guest House of PT IPT Nurtaino. He obtained a Bachelor's degree in Civil Engineering from the Bandung Institute of Technology, Indonesia in 1974.

Adang Firman

Adang Firman was appointed as our Independent Commissioner in December 2009. He has previously served as the Metro Jaya Police Chief (2006-2008), Deputy Chief of Police Operations Division of the Republic of Indonesia (2006), Senior Advisor for Management of the Indonesian Police Headquarters (2004-2005), Widya Iswara Sespati Police (2003-2004), Chief of West Sumatra (2001-2003), Assistant Chief of Operations for Keplisian Republic of Indonesia (2000-2001) and Vice Governor PTIK (2000). He graduated from the Police Academy of the Republic of Indonesia Armed Forces (military academy) in 1973, the College of Police Science in 1981, SESPIMPOL in 1990 and LEMHANAS in 1997.

Andin Hadiyanto

Andin Hadiyanto was appointed as our Commissioner in October 2012. He has also served as Executive Secretary of the Fiscal Policy Office, Ministry of Finance since January 2012. Formerly, he was the Director of the Center for Regional and Bilateral Policy (2011-2012), Director of Center for International Policy and Cooperation (2009-2011) and Director of Center for Business Climate Research and Development (2006-2009). He also held the positions of Division Head of the Center for Macroeconomic Analysis (2001-2005) and Staff of Budget Analysis Bureau, Agency for Fiscal and Monetary Analysis Ministry of Finance (1995-2000). He obtained a Bachelor's degree in Economics from the Faculty of Economics, University of Gadjah Mada in 1989, a post-graduate degree in Art at the Graduate School of International Development, Nagoya University, Japan in 1997 and obtained a Doctor of Philosophy at Nagoya University, Japan in 2000.

Board of Directors

Members of the Board of Directors are appointed and removed at a general meeting of shareholders. The Board of Directors is comprised of ten directors, including the President Director. The Board of Directors is responsible for the management of our business.

The following table sets forth the current members of the Board of Directors.

Name	Office/Division	Age	Appointed since
Nur Pamudji	President Director	51	2011
I.G.A. Ngurah Adnyana	Director of Operations in Jawa Bali	55	2009
Moch. Harry Jaya Pahlawan	Director of Operations in West Indonesia	54	2009
Vickner Sinaga	Director of Operations in East Indonesia	54	2009
Nasri Sebayang	Director of Construction	55	2009
Bagiyo Riawan	Director of Strategic Procurement	54	2009
Murtaqi Syamsuddin	Director of Planning and Risk Management	55	2009
Eddy D. Erningpraja	Director of Human Resources and General Affairs	53	2009
Setio Anggoro Dewo	Director of Finance	51	2008

Nur Pamudji

Nur Pamudji was appointed as our President Director in November 2011. Formerly, he was Director of Primary Energy (2009-2011), General Manager of the Java-Bali Transmission and Load Dispatch Center (2008-2009), Manager for Power System Operations for the Java-Bali grid (2005-2008) and Manager for Transmission in the South Sulawesi Region (2001-2002). During the period from 2004 to 2005, he lead a team to develop the PLN Competency-based Human Resource Management system. He joined the Company in 1985 as a Power System Operations Engineer (1985-2001). He obtained a Bachelor's degree in Electrical Engineering from the Bandung Institute of Technology, Indonesia in 1985, a Master's degree in Engineering from the University of New South Wales, Australia in 1995 and a Master's degree in Public Management from the National University of Singapore in 2003.

I.G.A. Ngurah Adnyana

I.G.A. Ngurah Adnyana was appointed as our Director of Operations in Java-Bali in December 2009 and continued to serve in the same position when Mr. Nur Pamudji replaced Mr. Dahlan Iskan as President Director in November 2011. Formerly, he has served as the Deputy Director of Distribution (2007-2009), General Manager of PLN Bali Distribution (2000-2007), Deputy Manager of Operations at PLN East Java Distribution (1998-2000), Deputy Manager of Operations at PLN South Kalimantan (1994-1998) and Deputy Manager of Operations at PLN Maluku (1990-1994). He obtained a Bachelor's degree in Electrical Engineering from the Bandung Institute of Technology, Indonesia in 1981 and a Master's degree in Technology from the Surabaya Institute of Technology, Indonesia in 2001.

Harry Jaya Pahlawan

Harry Jaya Pahlawan was appointed as our Director of Operations in West Indonesia in December 2009 and continued to serve in the same position when Mr. Nur Pamudji replaced Mr. Dahlan Iskan as President Director in November 2011. Formerly, he was our Vice President for International Corporation (2008-2009), our Corporate Secretary (2005-2008), the Corporate Planning Expert (2005-2006), the General Manager of PLN South Sumatra, Jambi and Bengkulu Region (2002-2005), Corporate Secretary Assistant (2001-2002), the Management Supervisory Manager at our generation subsidiary, PT PJB (1999-2001) and Head of Public and Investor Relations at PT Pembangkitan Jawa Bali (1997-1999). He obtained his Bachelor's degree in Electrical Engineering from the University of Indonesia in 1984 and a diploma in Economics Development and a Master of Science in Energy Economics from the University of Surrey, England, United Kingdom in 1991 and 1992, respectively.

Vickner Sinaga

Vickner Sinaga was appointed as our Director of Operations in East Indonesia in December 2009 and continued to serve in the same position when Mr. Nur Pamudji replaced Mr. Dahlan Iskan as President Director in November 2011. Formerly, he was our Vice President of IPP and Construction at our Head Office (2009), Head of Electricity Solution Team for North Sumatera (2008), General Manager of PLN Project Generation and Transmission Kalimantan (2006), Head of PT PLN (Persero) Project Generation and Transmission Kalimantan (2004), Head of Operation Division at PLN Project Generation and Transmission Kalimantan (2001), Head of Transmission 500 kV Project at PLN Project Generation and Transmission West Java and Jakarta (1998). He obtained his Bachelor's degree in S1 Electricity from the University of North Sumatera, Medan in 1981, and a Master's degree in Business Management from the University of Prasetya Mulya, Jakarta in 2001.

Nasri Sebayang

Nasri Sebayang was appointed as our Director of Construction in November 2011. Formerly, he was Director of Planning and Technology (2009-2011), our Head of Primary Energy Unit (2008-2009), Deputy Director of Independent Power Producers (2006-2008), the Head of the Risk Management Unit (2006), General Manager of PLN Muara Tawar Generation (2005-2006), Manager of HR at PLN Muara Tawar Generation (2003-2005), Head of the Operations Division from PLN Transmission and Generation Project of North Sumatra (2000-2003) and headed various hydro development projects from 1993 until 2000. He obtained his Bachelor's degree in Civil Engineering from the University of North Sumatra in 1979.

Bagiyo Riawan

Bagiyo Riawan was appointed as our Director of Strategic Procurement in December 2009 and continued to serve in the same position when Mr. Nur Pamudji replaced Mr. Dahlan Iskan as President Director in November 2011. Formerly, he was Deputy Director of Java-Bali Power Generation in (2008-2009), Production Director at our subsidiary PT PJB (2002-2008) and was also employed in various capacities at PT PJB, including as the Manager of Budgeting and Corporate Planning, (2001-2002), the Manager of Commerce (1997-2001), the Assistant Manager of Commerce (1996-1997) and the Assistant Manager of Technology Development (1995-1996). He obtained a Bachelor's degree in Mechanical Engineering from the Surabaya Institute of Technology, Indonesia in 1984 and a Master's degree in Management from the Bandung Institute of Technology, Indonesia in 2001.

Murtaqi Syamsuddin

Murtaqi Syamsuddin was appointed as our Director of Planning and Risk Management in March 2008. Formerly, he was Director of Business and Risk Management (2003-2011), the General Manager of PLN Distribution for West Java and Banten (2003-2008), a Marketing and Business Unit Development Expert (2001-2003), Corporate Secretary (2000-2001), Head of Employee Information System Sub Division (1998-2000) and Deputy Manager of Planning at PLN North Sumatra (1996-1998). He obtained his Bachelor's degree in Electrical Engineering from the University of Indonesia in 1981 and Master's degree in Business Administration in Corporate Finance from the University of Oregon in 2003.

Eddy D. Erningpraja

Eddy D. Erningpraja was appointed as our Director of Human Resource and General Affairs in December 2009 and continued to serve in the same position when Mr. Nur Pamudji replaced Mr. Dahlan Iskan as President Director in November 2011. Formerly, he was our Deputy Director of Human Resource System Development (2009), Executive Secretary of Director of Human Resource (2008-2009), Expert of Human Resource System Development (2007-2008), Manager of Human Resource and Organization at PLN Transmission and Load Dispatch Center Sumatera (2005-2007), Head of Pulogadung Sector at PLN Transmission and Load Dispatch Center Jawa-Bali (1999-2004) and Head of Engineering Division at PLN Transmission and Load Dispatch Center Jawa Bali (1994-1999). He obtained a Bachelor's Degree in Electrical Engineering from University of Indonesia, Jakarta in 1985, and Master of Industrial Technic from Bandung Institute of Technology, Indonesia in 1998.

Setio Anggoro Dewo

Setio Anggoro Dewo was appointed as our Director of Finance in March 2008 and continued to serve in the same position when Mr. Nur Pamudji replaced Mr. Dahlan Iskan as President Director in November 2011. He was the Independent Commissioner of Indonesia Power and Indosat. He is also a Researcher at LPEM, University of Indonesia since 2008, the Chairman of Accounting Post Graduate Program and a Senior Lecturer in Economics at the University of Indonesia since 1990. He obtained a Bachelor's degree in Economics from the University of Indonesia in 1986, a Master of Business Administration in Economics from the Catholic University of Leuveun, Belgium in 1990 and a Doctorate in Economics from the University of Melbourne, Australia in 2003.

Senior Management

The following table sets forth certain details of our senior management.

Name	Office/Division	Age	Appointed since
Djoko Prasetyo	Head of System Planning Division	55	2010
Gong Matua Hasibuan	Caretaker Head of Budget Planning and Controlling and Performance Division	44	2012
Beni Hermawan	Head of Accounting, Tax and Insurance Division	54	2010
I Made Ro Sakya	Head of Corporate Strategic Planning Division	53	2010
Djoko Hastowo	President Director of PT Indonesia Power	57	2010
M. Danny Buldansyah	President Director of PT Indonesia Comnets Plus	49	2012
Susanto Purnomo	President Director of PT PJB	59	2009
Achmad Taufik Haji	Head of Distribution and Customer Services Java-Bali Division	53	2012
Amir Rosidin	Head of Business & Risk Management Division	53	2010
Edi Sukmoro	Head of General Affair Division	53	2010
Sriyono D. Siswoyo	Head of Organization Development Division	53	2012
Roikhan	Head of Human Resource Development and Talent Division	51	2010
Assistia Semiawan	Transaction Electric Power Expert	54	2010
Agoes Priambodo	Head of Transmission Java-Bali Division	53	2012
Eko Soedartanto Aris	Head of Construction and IPP West Indonesia Division	55	2010
Nasser Iskandar	Head of Generation West Indonesia Division	55	2010
Benny M. Marbun	Head of Business	52	2010
Muhammad Ikbal Nur	Caretaker Head of Corporate Finance Division	43	2012

Djoko Prasetyo

Djoko Prasetyo was appointed as our Head of System Planning Division in February 2010. Formerly, he was our Deputy Director of System Planning (2008-2010) at our Head Office, General Manager of PLN Research and Development Services (2004-2008), System Planning Expert (2001-2004), General Manager of PLN Generation and Transmission-North Sumatra (2000-2001), Head of Engineering Sub Division at PLN Java-Bali Transmission and Load Dispatch Center (1999-2000) and Head of the 500 kV Transmission Unit (1996-1999). He obtained a Bachelor's degree in Electrical Engineering from the Bandung Institute of Technology, Indonesia in 1981 and a Doctorate in Electrical Engineering from the University of New South Wales, Australia in 1997.

Gong Matua Hasibuan

Gong Matua Hasibuan was appointed as our Acting Head of Budget Planning and Controlling Division in May 2012. Formerly, he was Acting Head of Corporate Finance Division in June 2011, Senior Manager of Finance Planning Sub Division at our Head Office (2010-2011), Covenant Controlling Specialist at our Head Office (2008-2010) and Funding Specialist at our Head Office (2006-2008). He obtained a Bachelor's degree in Accounting from STIE Nusa Bangsa Medan, Indonesia in 1994 and a Master's degree in Finance Management from Indonesia University, Jakarta in 2008.

Beni Hermawan

Beni Hermawan was appointed as our Head of Accounting, Tax and Insurance Division in February 2010. Formerly, he was the Deputy Director of Accounting, Tax and Insurance (2008-2010), Deputy Director of Accounting (2007-2008), Financial Management Expert of our Business Unit Oversight Committee (2006-2007), a member of our Business Unit Oversight Committee (2004-2006), the Director of Finance of our wholly-owned generation subsidiary, PT Pembangkitan Java-Bali

(2002-2004), the Accounting and IT Manager of the same subsidiary (1996-2002), Head of Administration and Finance at PLN North Sumatra Project (1994-1996) and Accounting Manager of the Head Office (1989-1994). He obtained his Bachelor's degree in Economics from the University of Pajajaran in 1983 and a Master of Business Administration from the Bandung Institute of Technology, Indonesia in 2002.

I Made Ro Sakya

I Made Ro Sakya was appointed as our Head of Strategic Corporate Planning Division in March 2010. Formerly, he was the Deputy Director of Technology at our Head Office and General Manager of the Electric Power Research & Development (2008-2010), the Assistant of the Director of Transmission and Distribution in PLN (2004-2008), the Manager for Power Purchase Settlement in PLN Java-Bali Load Dispatched & Transmission (2004-2006) and the Manager of Bidding and System Operation (2000-2004). He joined the Company in 1985. He obtained a Bachelor's degree in Electrical Engineering from the Bandung Institute of Technology, Indonesia in 1985, and a Master of Engineering from the Melbourne University, Australia in 1994.

Djoko Hastowo

Djoko Hastowo was appointed as the President Director of our subsidiary, PT Indonesia Power in December 2009. Formerly, he was the Deputy Director of Human Resource Development and Talent (2009), the General Manager of PLN Management and Construction Services (2008-2009), the Deputy Director of Transmission Supervision at our Head Office (2004-2008) and the Manager of Technical at Technical Division at PLN Power System Operations for Java-Bali grid (2001-2004). He obtained a Bachelor's degree in Electrical Engineering from the Bandung Institute of Technology, Indonesia in 1979.

M. Danny Buldansyah

M. Danny Buldansyah was appointed as the President Director of our subsidiary, PT Indonesia Comnets Plus, in February 2012. He was not an internal PLN promotion but recruited from Bakrie Telecom at which he served as Deputy President Director (2007-2011). He also worked in PT Excelcomindo Pratama as Network Services Director (1996-2006). He obtained a Bachelor's degree in Electrical Engineering from the Bandung Institute of Technology, Indonesia in 1987.

Susanto Purnomo

Susanto Purnomo was appointed as the President Director of our subsidiary, PT Pembangkitan Jawa Bali (PT PJB) in 2009. He had started a career as a PLN employee in 1979. Formerly, he was the Director of Development and Commerce at PT PJB (2004) and Director of Human Resources at PT Indonesia Power (2007). He obtained a Bachelor's degree in Electrical Engineering from Bandung Institute of Technology, Indonesia in 1979, and a Master of Business Administration Technology from the same college.

Achmad Taufik Haji

Achmad Taufik Haji was appointed as our Head of Distribution and Customer Services Java-Bali Division in May 2012. Formerly, he was our General Manager of PLN Distribution West Java and Banten (2010-2012), Deputy Director of Java-Bali Business and Customer Services (2008-2009), General Manager of Riau (2002-2008), Manager of Enterprises at PLN Region West Sumatera and Riau (2001-2002), Manager of Mojokerto Branch (1999-2001), Manager of Pekanbaru (1997-1999) and Manager of Kuala Kapuas (1994-1997). He obtained a Bachelor's degree in Electrical Engineering from Bandung Institute of Technology, Indonesia in 1983 and Master of Electrical Engineering from Surabaya Institute of Technology, Indonesia in 2001.

Amir Rosidin

Amir Rosidin was appointed as our Head of Business and Risk Management Division in March 2010. Formerly, he was our General Manager of PLN Region South Sumatera, Jambi and Bengkulu (2010), General Manager of PLN Region Nusa Tenggara Timur (2008-2009), Manager of Planning Sub Division at PLN Distribution West Java and Banten (2003-2007), Manager of Distribution Control Center at PLN Distribution Jakarta Raya and Tangerang (1996-2002), andManager of Tangerang Branch (1994-1996). He obtained a Bachelor's degree in Electrical Engineering from Bandung Institute of Technology, Indonesia in 1985 and Master of Business Administration from ST-PPM, Indonesia in 1998.

Edi Sukmoro

Edi Sukmoro was appointed as our Head of General Affair Division in February 2010. Formerly, he was our Vice President of Property Management at our Head Office (2009-2010), Deputy Director of Budget Planning and Controlling (2008-2009), Manager of Business Electricity Supply (2003-2007) and Corporate Planning Expert at our Head Office (2001-2003). He obtained a Bachelor's degree in Civil Engineering from Bandung Institute of Technology, Indonesia in 1986 and a Master's degree in Engineering from the University of Melbourne, Australia in 1996.

Sriyono D. Siswoyo

Sriyono D. Siswoyo was appointed as our Head of Organization Development Division in February 2012. Formerly, he was assigned to PLN Batam which is PLN's subsidiary (2008-2012) and held the position of Director of Human Resource. He was Manager of Coordination and Administration at PLN Pusat (2003-2008), Expert on Ventures Development (2001-2003), Expert on Resources Potential Analysis (1198-2001) and Head of Financial Directorate (1996-1998). He obtained a Bachelor's degree in Civil Engineering from Bandung Institute of Technology, Indonesia in 1984 and a Master's degree in Management from University of Melbourne, Australia in 1996.

Roikhan

Roikhan was appointed as our Head of Human Resource Development and Talent Division in February 2010. Formerly, he was as our Deputy Director of Human Resource Development and Talent (2010), Assistant Deputy Director of Carrier Development Sub Division (2009), Manager of the Regional Transmission Unit East Java and Bali (2008-2009), Manager of the Regional Transmission Unit Central Java and DIY (2005-2007) and Deputy Manager of Business and Budgeting Sub Division at PLN Transmission and Load Dispatch Center Java-Bali (2003-2005). He obtained a Bachelor's degree in Electrical Engineering from Bandung Institute of Technology, Indonesia in 1986 and a Master's degree in Electrical Engineering from Bandung Institute of Technology, Indonesia in 1998.

Assistia Semiawan

Assistia Semiawan was appointed as our Transaction Electric Powert Expert at our Head Office in February 2010. Formerly, she was our Vice President of Environmental and Electricity Safety at our Head Office (2008-2010) and Deputy Director of Executive Development, Human Resources Division (2003-2008). She was an expert in environmental matters and dealt with various environmental issues in transmission, hydro and geothermal electricity generating plants' development from 1988 until 2003 and she was the Secretary for the IPP Contract Negotiation Team (1998-2003), Environmental Specialist (1996-1998) and Environmental Specialist (1989-1995). She has also served as a member of the Board of Commissioners for the Retirement Foundation PT PLN (Persero) since 2004. She was also secretary to the Independent Power Purchase/Power Purchase Agreement renegotiation team (1995-1998). She obtained a Bachelor's degree in Technical Geology from Bandung Institute of Technology, Indonesia in 1984 and a Master's degree in Environmental Science from Murdoch University, Western Australia in 1995.

Agoes Priambodo

Agoes Priambodo was appointed as our Head of Transmission Java-Bali Division in March 2012. Formerly, he was Principal Engineer on Transmission (2011-2012), General Manager of Sumatra Transmission and Load Management Center (2010-2011), Senior Engineer on Transmission (2009-2010), Manager of East Java Region (2001-2005) and Head of Extra High Voltage Transmission Sector (2000-2001). He obtained a Bachelor's degree in Electrical Engineering from Sepuluh November Institute of Technology Surabaya, Indonesia in 1986 and a Master's degree in Industry from the same Insitute in 2004.

Eko Soedartanto Aris

Eko Soedartanto Aris was appointed as our Head of Construction and IPP West Indonesia in March 2010. Formerly, he was our General Manager of PLN Indramayu Generation Project (2009-2010), Generation Construction expert at our Head Office (2008-2009), Support Business Development at Sales and New Business Development Division at our Head Office (2003-2008) and Head of Operation Sub Division at PLN Generation and Transmission Project South Sumatera, Jambi and Bengkulu (2000-2003). He obtained a Bachelor's degree in Industrial Engineering from the Bandung Institute of Technology, Indonesia in 1982.

Nasser Iskandar

Nasser Iskandar was appointed as our Head of Generation West Indonesia Division in March 2010. Formerly, he was General Manager of Sumatra II Unit of Generation (2009-2010), Expert on Contract and Claim Management (2003-2009) and Expert on Control System (2001-2002). He obtained a Bachelor's degree in Electrical Engineering from Hasanuddin University Ujung Pandang, Indonesia in 1982.

Benny M. Marbun

Benny M. Marbun was appointed as our Head of Business and Customer Services Division in March 2010. Formerly, he was our General Manager of PLN Region Papua (2008-2010), Customer Services Expert at our Head Office (2003-2008), Customer Services Specialist at our Head Office (2002-2003), Manager of South Surabaya Branch (2000-2002), Manager of Jayapura Branch (1999-2000), Manager of Fak-Fak Branch (1997-1999) and Manager of Kebayoran Branch (1995-1997). He obtained a Bachelor's degree in Electrical Engineering from Gajah Mada University, Indonesia in 1985 and a Master's degree in Electrical Engineering from Indonesia University, Jakarta in 1994.

Muhammad Ikbal Nur

Muhammad Ikbal Nur was appointed as our Caretaker Head of Corporate Finance Division in June 2012. Formerly, he was our Senior Manager of Financial Projection (2008-2012), Expert on Sumatra-Kalimantan Generation System Planning (2007-2008) and Expert on Generation System Planning (2002-2007). He obtained a Bachelor's degree in Electricity from University of Indonesia in 1991 and Master's degree in Engineering Management from Curtin University of Technology, Australia in 2007.

Compensation

Payment of compensation to the commissioners and directors is determined at the annual general meeting of shareholders. In 2011, total salaries of the commissioners and directors as a group was Rp69.8 billion (U.S.$7 million).

Employees

As of June 30, 2012, we had a total of approximately 47,250 employees, of whom approximately 40,756 were employed by our Company and approximately 6,494 were employed by our subsidiaries. The following table sets forth details of our employees by unit types for our Company and the aggregate number of employees of our subsidiaries.

Unit Assignment	Year ended December 31, 2009	2010	2011	As of June 30, 2012
Head office	597	817	878	821
External organizational assignments	458	386	297	351
Distribution	14,154	12,843	12,576	12,245
Regions	15,541	15,952	15,358	16,257
Transmission and dispatch centers	5,356	5,580	5,441	5,323
Generation	1,957	2,605	2,623	2,412
Projects	633	866	1,563	1,875
Services	1,127	1,204	2,468	1,472
Company Total	39,205	40,253	41,204	40,756
Subsidiaries Total	5,795	6,043	6,411	6,494
Total (Company and Subsidiaries)	45,000	46,296	47,615	47,250

The following table sets forth the details of the employees of our Company by profession as of December 31, 2011.

	Year ended December 31, 2011
Profession	
Generation	5,446
Transmission	4,091
Distribution	9,708
Engineering & Construction	2,606
Customer Services	4,595
Finances	3,780
Other	10,978
Total	41,204

In addition to our full-time employees, we also rely on outsourced labor. We hire outsourced labor through a labor service agreement with Perusahaan Penyedia Jasa Tenaga Kerja ("PJTK"). Each outsourced employee signs a contract with PJTK. Wages and benefits, terms of employment and dispute settlement mechanisms for outsourced employees are determined by PJTK.

As of June 30, 2012, approximately 40,756 of our employees were members of a labor union, Serikat Pekerja PT PLN (Persero). We consider our relationship with the union to be good.

We have a number of training and education programs for our employees. Training and development is generally classified into the following five categories:

- basic management training and middle management training;
- functional training, such as training with respect to generation, transmission, distribution;
- support training to develop interpersonal skills, negotiation skills and presentation skills;

- individual training, such as providing employees with educational scholarships; and

- on-the-job training through specific assignments.

We have a retirement fund, Dana Pensiun PLN (the "Fund"), which provides retirement benefits based on the retirement base income and the respective employment period. Retirement benefits are provided from the Fund on a monthly basis to the former employee on the basis of a contributory program (the "Defined Benefit Program"). Contributions are made by us and the employee to the Defined Benefit Program during the employment period based on the rules of the Fund.

Other retirement benefits that an employee receives and that are funded by us include a post-employment benefit amount and health care benefits. Each employee also participates in a retirement training program shortly before retirement.

We also provide certain health care benefits to our employees and their families. Health care benefits include in-patient and out-patient treatment and periodic medical check-ups.

SOLE SHAREHOLDER

The following table sets forth certain information with respect to our shareholder as of June 30, 2012.

Shareholder	Number of shares	%
Republic of Indonesia	46,197,380	100
Total	46,197,380	100

1 General

The particular terms of any Notes sold will be described in an accompanying supplement to this Offering Memorandum (a "Pricing Supplement"). The terms and conditions set forth in "Description of the Notes" below will apply to each Note unless otherwise specified in the applicable Pricing Supplement and in such Note.

The Notes will be duly authorized issues of Notes of Perusahaan Perseroan (Persero) PT Perusahaan Listrik Negara (the "Company") (each Note a "Note", and collectively, the "Notes"), and will be issued pursuant to an Indenture dated as of September 21, 2011, between the Company and Deutsche Bank Trust Company Americas, as Trustee (the "Trustee"), as amended, supplemented and/or restated from time to time (the "Indenture"). The terms of the Notes will be subject to all the provisions contained in the Indenture and the conditions set out in the Note (as modified and supplemented by the applicable Pricing Supplement, the "Conditions"). The Pricing Supplement for each Note will supplement the Conditions and may specify other terms and conditions, which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of the Note. The holders of the Notes (the "Holders") will be entitled to the benefits of, be bound by, and be deemed to have notice of, all of the provisions of the Indenture. A copy of the Indenture is on file and may be inspected at the Corporate Trust Office of the Trustee in New York City. All capitalized terms used in this "Description of the Notes" but not defined herein shall have the meanings assigned to them in the Indenture and in the Pricing Supplement.

The Notes will be direct, unconditional, unsecured and general obligations of the Company without preference granted by the Company to one above the other. The Notes will rank equal in right of payment among themselves and with all other unsecured and unsubordinated indebtedness of the Company.

Registered Notes will be issued in fully registered form, without coupons. Registered Notes may be issued in certificated form (the "Certificated Securities"), or may be represented by one or more registered global securities (each, a "Registered Global Security") held by or on behalf of the Depositary. Certificated Securities will be available only in the limited circumstances set forth in the Indenture. The Registered Notes, and transfers thereof, will be registered as provided in Clause 2.6 of the Indenture. Any person in whose name a Registered Note is registered may (to the fullest extent permitted by applicable law) be treated at all times, by all persons and for all purposes as the absolute owner of such Registered Note regardless of any notice of ownership, theft, loss or any writing thereon.

Bearer Notes will be issued in bearer form, with Coupons (and, where appropriate, Talons) attached, except in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in the Conditions are not applicable. Installment Notes will be issued with one or more Receipts attached. Bearer Notes may be issued in definitive form, or may be represented by one or more registered global securities held by or on behalf of the Depositary. Definitive Bearer Notes will be available only in the limited circumstances set forth in the Indenture. Any holder of any Bearer Note, Receipt, Coupon or Talon may (to the fullest extent permitted by applicable law) be treated at all times, by all persons and for all purposes as the absolute owner of such Bearer Note, Receipt, Coupon or Talon regardless of any notice of ownership, theft, loss or any writing thereon. Title to the Bearer Notes and any Coupon will pass by delivery.

Notes may be issued with the benefit of a guarantee. Details of any guarantee and the guarantor will be set out in the applicable Pricing Supplement.

2 Principal and Interest

The Company, for value received, will promise to pay to the Holder of a Note on the Maturity Date (or on such earlier date as the amount payable upon redemption under the Conditions may become repayable in accordance with the Conditions) the amount payable upon redemption to the Holder under the Conditions and (unless the Note does not bear interest under the Conditions) to pay to the Holder interest in respect of such Note from the Interest Commencement Date in arrears at the rates, in the amounts and on the dates for payment provided for in the Conditions together with such other sums and additional amounts (if any) as may be payable under the Conditions, in accordance with the Conditions.

2A. General

A Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Note, an Installment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown in the Pricing Supplement. Details of such Interest, Redemption and/or Payment Basis not set out in this "Description of the Notes" will be set out in the Pricing Supplement.

2B. Interest and Calculations

(a) **Interest on Fixed Rate Notes**: Each Fixed Rate Note will bear interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrears on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 2B(h).

(b) **Interest on Floating Rate Notes and Index Linked Interest Notes**:

(i) *Interest Payment Dates*: Each Floating Rate Note and Index Linked Interest Note will bear interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrears on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 2B(h). Such Interest Payment Date(s) is either shown in the Pricing Supplement as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is shown in the Pricing Supplement, Interest Payment Date shall mean each date which falls the number of months or other period shown in the Pricing Supplement as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) *Business Day Convention*: If any date referred to in the Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) *Rate of Interest for Floating Rate Notes*: The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified in the Pricing Supplement and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the Pricing Supplement.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of Condition 2B(b)(iii)(A), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified in the Pricing Supplement;

(y) the Designated Maturity is a period specified in the Pricing Supplement; and

(z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified in the Pricing Supplement.

For the purposes of Condition 2B(b)(iii)(A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

(x) Where Screen Rate Determination is specified in the Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the Pricing Supplement as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the Pricing Supplement.

(y) If the Relevant Screen Page is not available or if, Condition 2B(b)(iii)(B)(x)(1) applies and no such offered quotation appears on the Relevant Screen Page or if Condition 2B(b)(iii)(B)(x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent.

(z) If Condition 2B(b)(iii)(B)(y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Trustee and the Company suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market as at 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, the Euro-zone inter bank market as at 11.00 a.m. (Brussels time), as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this Condition 2B(b)(iii)(B)(z), the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(iv) *Rate of Interest for Index Linked Interest Notes*: The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined in the manner specified in the Pricing Supplement and interest will accrue by reference to an Index or Formula as specified in the Pricing Supplement.

Zero Coupon Notes: Where a Note, the Interest Basis of which is specified to be Zero Coupon, is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortization Yield (as described in Condition 8(b)(i)).

Dual Currency Notes: In the case of Dual Currency Notes, if the rate or amount of interest is to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified in the Pricing Supplement.

Partly Paid Notes: In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the Pricing Supplement.

Accrual of Interest: Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 2B to the Relevant Date (as defined in Condition 9).

Margin, Maximum/Minimum Rates of Interest, Installment Amounts and Redemption Amounts and Rounding:

(i) If any Margin is specified in the Pricing Supplement (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 2B(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to Condition 2B(g)(ii).

(ii) If any Maximum or Minimum Rate of Interest, Installment Amount or Redemption Amount is specified in the Pricing Supplement, then any Rate of Interest, Installment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to the Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "unit" means the lowest amount of such currency that is available as legal tender in the country or countries of such currency.

Calculations: The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified in the Pricing Supplement, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Installment Amounts: The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Installment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Installment Amount to be notified to the Trustee, the Company, each of the Paying Agents, the Holders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 2B(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 7, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition 2B(i) but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

Determination or Calculation by Trustee: If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Accrual Period or any Interest Amount, Installment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, the Trustee shall do so (or shall appoint an agent on its behalf to do so) and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply the foregoing provisions of this Condition 2B(j), with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

Definitions: For the purposes of this "Description of the Notes," unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Business Day**" means:

(i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial center for such currency; and/or

(ii) in the case of euro, a day on which the TARGET System is operating (a "**TARGET Business Day**"); and/or

(iii) in the case of a currency and/or one or more Business Centers, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Center(s) or, if no currency is indicated, generally in each of the Business Centers.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the "**Calculation Period**"):

(i) if "**Actual/Actual**" or "**Actual/Actual — ISDA**" is specified in the Pricing Supplement, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non leap year divided by 365)

(ii) if "**Actual/365 (Fixed)**" is specified in the Pricing Supplement, the actual number of days in the Calculation Period divided by 365

(iii) if "**Actual/360**" is specified in the Pricing Supplement, the actual number of days in the Calculation Period divided by 360

(iv) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the Pricing Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2\text{-}Y_1)]+[30 \text{ x } (M_2-M_1)]+(D_2-D_1)}{360}$$

where:

"**Y1**"	=	is the year, expressed as a number, in which the first day of the Calculation Period falls;
"**Y2**"	=	is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;
"**M1**"	=	is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;
"**M2**"	=	is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;
"**D1**"	=	is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and
"**D2**"	=	is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30.

(v) if "**30E/360**" or "**Eurobond Basis**" is specified in the Pricing Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2\text{-}Y_1)]+[30 \text{ x } (M_2-M_1)]+(D_2-D_1)}{360}$$

where:

"**Y1**" = is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y2**" = is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M1**" = is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M2**" = is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D1**" = is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"**D2**" = is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30.

(vi) if "**30E/360 (ISDA)**" is specified in the Pricing Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2\text{-}Y_1)]+[30 \text{ x } (M_2-M_1)]+(D_2-D_1)}{360}$$

where:

"**Y1**" = is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y2**" = is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M1**" = is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M2**" = is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D1**" = is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

"**D2**" = is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30.

(vii) if "**Actual/Actual-ICMA**" is specified in the Pricing Supplement,

(a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(b) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date and

"**Determination Date**" means the date(s) specified as such in the Pricing Supplement or, if none is so specified, the Interest Payment Date(s).

"**Euro-zone**" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

"**Interest Accrual Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

"**Interest Amount**" means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified in the Pricing Supplement, shall mean the Fixed Coupon Amount or Broken Amount specified in the Pricing Supplement as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified in, or determined in accordance with the provisions of, the Pricing Supplement.

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such in the Pricing Supplement or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

"**Interest Payment Date**" means the date or dates specified as such in, or determined in accordance with the provisions of, the Pricing Supplement.

"**Interest Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified in the Pricing Supplement.

"**ISDA Definitions**" means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified in the Pricing Supplement.

"**Rate of Interest**" means the rate or rates of interest payable from time to time in respect of the Note specified in the Pricing Supplement or calculated or determined in accordance with the Conditions and/or the provisions of the Pricing Supplement.

"**Redemption Amount**" means the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, each as specified as such in, or determined in accordance with the provisions of, the Pricing Supplement.

"**Redemption Date**" means the Optional Redemption Date specified in the applicable Pricing Supplement or such other date set for redemption of the Notes pursuant to Condition 8.

"**Reference Banks**" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent or as specified in the Pricing Supplement.

"**Reference Rate**" means the rate specified as such in the Pricing Supplement.

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified in the Pricing Supplement.

"**Specified Currency**" means the currency specified as such in the Pricing Supplement or, if none is specified, the currency in which the Notes are denominated.

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on November 19, 2007 or any successor thereto.

Calculation Agent: The Company shall procure that there shall at all times be one or more Calculation Agents if provision is made for them in the Pricing Supplement and for so long as any Note is Outstanding (as defined in the Indenture). Where more than one Calculation Agent is appointed in respect of the Notes, references in the Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Installment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Company shall appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over the counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

2C. Redenomination, Renominalization and Reconventioning

Where Redenomination, Renominalization and Reconventioning is specified in the Pricing Supplement as being Applicable in relation to Notes denominated in the currency of a member state which becomes or announces its intention to become a Participating Member State:

(i) the Company may, without the consent of the Holders of the Notes, on giving not less than 30 days' prior notice ("**Redenomination Notice**") to the Holders of the Notes in accordance with Condition 13, the Trustee and the Paying Agents, with effect from (and including) the Redenomination Date, elect that the aggregate principal amount of each Holder's holding of Notes shall be redenominated into Euro with an aggregate principal amount equal to their aggregate principal amount in the Relevant Currency and the amount of such payment shall be rounded to the nearest Euro 0.01. The rate for the conversion of the Relevant Currency (as defined below) into Euro shall be the rate established by the Council of the European Union pursuant to Article 881(4) of the Treaty establishing the European Community (the "**Treaty**") (including compliance with rules relating to roundings in accordance with applicable European Community regulations).

"**Participating Member State**" means a Member State of the European Communities which adopts the Euro as its lawful currency in accordance with the Treaty.

"**Redenomination Date**" means any Interest Payment Date falling on or after the date on which the country of the Relevant Currency becomes a Participating Member State, which is specified in the Redenomination Notice.

"**Relevant Currency**" means the currency of denomination of the Notes shown on such Notes and which is specified in the Pricing Supplement.

On or after the Redenomination Date, notwithstanding the other provisions of the Conditions, all payments in respect of the Notes will be made solely in Euro, including payments of interest in respect of a period before the Redenomination Date. Payments will be made in Euro by credit or transfer to a Euro account (or any other account to which Euro may be credited or transferred) specified by the payee. The Company shall appoint an exchange agent if necessary to comply with the procedures and requirements of the relevant clearing system and to give effect to this Condition 2C. None of the Company, the Trustee or any Paying Agent shall be liable to any Holder of Notes or other person for any commissions, costs, losses or expenses in relation to or resulting from the credit or transfer of Euro or any currency conversion or rounding effected in connection therewith;

(ii) provided that the Notes are represented by a Registered Global Security, the Company may, without the consent of the Holders of the Notes, on giving at least 30 days' prior notice to the Holders of the Notes in accordance with Condition 13, the Trustee and the Paying Agents, with effect from the Redenomination Date or such later date as it may specify in that notice, procure that the denomination of the Notes shall be Euro 0.01 and integral multiples thereof;

(iii) the Company may, without the consent of the Holders of the Notes, on giving at least 30 days' prior notice to the Holders of the Notes in accordance with Condition 13, the Trustee and the Paying Agents, with effect from the Redenomination Date or such later Interest Payment Date as it may specify in that notice, elect to amend the conventions which apply in respect of the Notes.

In particular, the Company may procure that the definition of "Business Day" and "Financial Center" in Condition 2B shall be amended so as to be a day on which TARGET is operating, and that, if interest is required to be calculated for a period of less than one year, it will be calculated on the basis of the actual number of days elapsed divided by 365 (or, if any of the days on the basis of the actual number of days elapsed divided by 365 (or, if any of the days elapsed fall in a leap year, the sum of (A) the number of those days falling in a leap year divided by 366 and (B) the number of those days falling in a non leap year divided by 365) or on any other basis which is customary and which the Company deems appropriate.

3 Payments

(a) **Registered Notes**: Principal of (and premium, if any, on) the Notes will be payable against surrender of such Notes at the Corporate Trust Office of the Trustee or, subject to applicable laws and regulations, at the specified office of the applicable Paying Agent in the Place of Payment, by check in the Specified Currency drawn on, or by transfer to an account in the Specified Currency maintained by the Holder with, a bank located in New York City (or, the Financial Center set out in the Pricing Supplement). Unless specified in the Pricing Supplement, payment of interest (including Additional Amounts (as defined below)) on Registered Notes will be made to the persons in whose name such Registered Notes are registered at the end of the fifteenth day preceding the date on which interest is to be paid (each, a "**Record Date**"), whether or not such day is a Business Day (as defined below), notwithstanding the cancellation of such Registered Notes upon any transfer or exchange thereof subsequent to the Record Date and prior to such Interest Payment Date; **provided** that if and to the extent the Company shall default in the payment of the interest due on such Interest Payment Date, such defaulted interest shall be paid to the persons in whose names such Registered Notes are registered as of a subsequent record date established by the Company by notice, as provided in Condition 13, by or on behalf of the Company to the Holders not less than 15 days preceding such subsequent record date, such record date to be not less than 10 days preceding the date of payment of such defaulted interest. Payment of interest on Certificated Securities will be made (i) by a check in the Specified Currency drawn on a bank in New York City (or, the Financial Center set out in the Pricing Supplement) mailed to the Holder at such Holder's registered address or (ii) upon application by the Holder of at least the amount specified in the Pricing Supplement in principal amount of Certificated Securities to the Trustee not later than the relevant Record Date, by wire transfer in immediately available funds to an account maintained by the Holder with a bank in New York City (or, the Financial Center set out in the Pricing Supplement), Payment of interest on a Registered Global Security will be made (i) by a check in the Specified Currency drawn on a bank in New York City delivered to the Depositary at its registered address or (ii) by wire transfer in immediately available funds to an in the Specified Currency account maintained by the Depositary with a bank in New York City (or, the Financial Center set out in the Pricing Supplement).

(b) **Bearer Notes**: Each Paying Agent acting through its specified office outside the United States, its territories and possessions should make payments of principal and interest in respect of Bearer Notes in accordance with the terms of the Indenture applicable to such Bearer Notes; provided, however, that:

(i) if any Temporary Global Note, Permanent Global Note, Definitive Bearer Note, Receipt or Coupon is presented or surrendered for payment to any Paying Agent and such Paying Agent has delivered a replacement therefor or has been notified that the same has been replaced, such Paying Agent should promptly notify the Company of such presentation or surrender and shall not make payment against the same until it is so instructed by the Company and has received the amount to be so paid;

(ii) a Paying Agent should not be obliged (but shall be entitled) to make payments of principal or interest in respect of the Bearer Notes, if it is not able to establish that the Trustee has received (whether or not at the due time) the full amount of any payment due to it;

(iii) the relevant Paying Agent should cancel or procure the cancellation of each Temporary Global Note, Permanent Global Note, Definitive Bearer Note (together, in the case of early redemption, with such unmatured Receipts or Coupons or unexchanged Talons as are attached to such Definitive Bearer Note at the time of such redemption), Receipt, Coupon or Talon, against surrender of which it has made full payment and should (if such Paying Agent is not the Trustee) deliver or procure the delivery of each Temporary Global Note, Permanent Global Note, Definitive Bearer Note (together with, as aforesaid, such unmatured Receipts or Coupons or unexchanged Talons as are attached to or surrendered with the relevant Bearer Notes), Receipt, Coupon or Talon so cancelled by it to, or to the order of, the Trustee; or

(iv) in the case of payment of interest, principal or, as the case may be, any other amount against presentation of a Temporary Global Note, the relevant Paying Agent should note or procure that there is noted on the schedule thereto (or, in the absence of a schedule, on the face thereof) the amount of such payment and, in the case of payment of principal, the remaining principal amount of the relevant Bearer Note (which shall be the previous principal amount less the principal which has then been paid) and shall procure the signature of such notation on its behalf.

(v) Payments of principal and interest on Bearer Global Notes will be made in a manner specified in the relevant Bearer Global Notes against presentation or surrender, as the case may be, of such Bearer Global Note at the office of the relevant Paying Agent outside of the United States. A record of each payment of principal and any payment of interest will be made on each relevant Bearer Global Note by the relevant Paying Agent and such record will be prima facie evidence that the payment in question has been made absent manifest error.

Payments of principal and interest on Definitive Bearer Notes will be made against presentation or surrender, as the case may be, of such Definitive Bearer Note at the office of the relevant Paying Agent outside of the United States. Payments of interest in respect of Definitive Bearer Notes will be made only against surrender of Coupons and payments of principal will be made only against surrender of Receipts, in each, at the office of the relevant Paying Agent outside of the United States. Notwithstanding the provisions of Condition 3(b) and 3(c), if payments of interest and/or principal on a Bearer Note will be made in U.S. Dollars, such payments may be made in the United States if:

(1) the Company has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. Dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;

(2) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. Dollars; and

(3) such payment is then permitted under United States law without involving, in the opinion of the Company, adverse tax consequences to the Company.

A record of each payment of principal and any payment of interest will be made on each relevant Bearer Global Notes by the relevant Paying Agent and such record will be prima facie evidence that the payment in question has been made, absent manifest error.

No Paying Agent should exercise any Lien, right of set-off or similar claim against any person to whom it makes any payment under Section 309(a) in respect thereof, nor shall any commission or expenses be charged by it to any such person in respect thereof.

If a Paying Agent makes any payment in accordance with Condition 3(a)(i), it should notify the Trustee of the amount so paid by it, the serial number of the relevant Temporary Global Note, Permanent Global Note or Definitive Bearer Note against presentation or surrender of which payment of principal or interest was made and the number of Coupons by maturity against which payment of interest was made.

If at any time and for any reason a Paying Agent makes a partial payment in respect of a Temporary Global Note, Permanent Global Note, Definitive Bearer Note, Receipt or Coupon presented for payment to it, such Paying Agent should endorse thereon a statement indicating the amount and date of such payment.

Unless another Business Day Convention is specified in the Pricing Supplement in any case where the date of payment of the principal of, or interest (including Additional Amounts), on the Notes shall not be a Business Day, then payment of principal or interest (including Additional Amounts) need not be made on such date at the relevant place of payment but may be made on the next succeeding Business Day. Any payment made on a date other than the date on which such payment is due as set forth herein shall have the same force and effect as if made on the date on which such payment is due, and no interest shall accrue for the period after such date.

Interest in respect of any period of less than one year shall be calculated on the basis of the Day Count Fraction specified in the Pricing Supplement.

All monies paid by or on behalf of the Company to the Trustee or to any Paying Agent for payment of the principal of, or interest (including Additional Amounts) on, any Note and not applied but remaining unclaimed for two years after the date upon which such amount shall have become due and payable shall be repaid to or for the account of the Company by the Trustee or such Paying Agent, the receipt of such repayment to be confirmed promptly in writing by or on behalf of the Company. The Holder or Holders of such Note or Notes shall thereafter look only to the Company for the payment that such Holder may be entitled to collect, and all liability of the Trustee or such Paying Agent with respect to such monies shall thereupon cease.

If the Company at any time defaults in the payment of any principal of, or interest (including Additional Amounts) on, the Notes, the Company will pay interest on the amount in default (to the extent permitted by law in the case of interest on interest), calculated for each day until paid, at the rate per annum specified in the Pricing Supplement, together with Additional Amounts, if applicable.

4 Taxation

All payments made by the Company, a Successor (as defined under Condition 6A (Limitations on Mergers, Consolidations, Etc.)) or any Subsidiary Guarantor under or with respect to the Notes or the Note Guarantee, as applicable, will be made free and clear of and without withholding or deduction for or on account of, any present or future Taxes imposed or levied by, or on behalf of, any government or political subdivision or territory or possession of any government or any authority or agency therein or thereof having power to tax in any jurisdiction in which the Company, the Successor or such Subsidiary Guarantor is organized or is otherwise resident for tax purposes or any jurisdiction from or through which payment is made (each a "**Relevant Taxing Jurisdiction**"), unless the Company, the Successor or such Subsidiary Guarantor is required to withhold or deduct Taxes by law or by the interpretation or administration thereof. If the Company, a Successor or any Subsidiary Guarantor is required to withhold or deduct any amount for or on account of Taxes imposed by a Relevant Taxing Jurisdiction, from any payment made under or with respect to the Notes or the Note Guarantee, as applicable, the Company, the Successor or such Subsidiary Guarantor will pay such additional amounts ("**Additional Amounts**") as may be necessary so that the net amount received by each

Holder of Notes (including Additional Amounts) after such withholding or deduction will equal the amount the Holder would have received if such Taxes had not been withheld or deducted; provided, however, that no Additional Amounts will be payable with respect to:

(1) any Tax that would not have been imposed, payable or due but for:

the existence of any present or former connection between the Holder (or the beneficial owner of, or person ultimately entitled to obtain an interest in, such Notes) and the Relevant Taxing Jurisdiction (including being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in, or being physically present in, the Relevant Taxing Jurisdiction) other than the mere holding of the Notes or enforcement of rights thereunder or the receipt of payments in respect thereof;

the failure of the Holder or beneficial owner to comply with a timely request of the Company, a Successor or any Subsidiary Guarantor addressed to the Holder or beneficial owner, as the case may be, to provide information concerning such Holder's or beneficial owner's nationality, residence, identity or connection with any Relevant Taxing Jurisdiction, if and to the extent that due and timely compliance with such request would have reduced or eliminated any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder or beneficial owner;

the presentation of Notes (where presentation is required) for payment more than 30 days after the date such payment was due and payable or was duly provided for, whichever is later; or

the presentation of such Note (in cases in which presentation is required) for payment in the Relevant Taxing Jurisdiction, unless such Note could not have been presented for payment elsewhere;

(2) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;

(3) any withholding or deduction in respect of any Tax where such withholding or deduction is imposed or levied on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26 27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive;

(4) any tax, duty, assessment or other governmental charge which is payable otherwise than by deduction or withholding from payments of (or in respect of) principal of, premium, if any, or interest on the Notes or under the Note Guarantees;

(5) any withholding or deduction by or on behalf of a Holder of Notes who would have been able to avoid such deduction or withholding by presenting the relevant Note to another paying Agent in a Member State of the European Union; or

(6) any combination of Taxes referred to in the preceding clauses (1), (2), (3), (4) and (5).

In addition, Additional Amounts will not be payable (i) if the beneficial owner of, or person ultimately entitled to obtain an interest in, such Notes had been the Holder of the Notes and such beneficial owner would not be entitled to the payment of Additional Amounts by reason of clause (1), (2), (3), (4), (5) or (6) above or (ii) with respect to any Tax which is payable otherwise than by withholding from payments of, or in respect of principal of, or any interest on, the Notes.

Whenever in the Indenture or in the Conditions there is mentioned, in any context, the payment of amounts based upon the principal amount of the Notes or of principal, interest or of any other amount payable under or with respect to any of the Notes, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

Upon request, the Company, a Successor or any Subsidiary Guarantor will provide the Trustee with documentation satisfactory to the Trustee evidencing the payment of Additional Amounts.

5 Covenants

For the purposes of this "Description of the Notes", the terms defined below have the following meanings:

"**Acquired Indebtedness**" means (i) with respect to any Person that becomes a Restricted Subsidiary after the Issue Date, Indebtedness of such Person and its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary that was not incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary and (ii) with respect to the Company or any Restricted Subsidiary, any Indebtedness of a Person (other than the Company or a Restricted Subsidiary) existing at the time such Person is merged with or into the Company or a Restricted Subsidiary, or Indebtedness expressly assumed by the Company or any Restricted Subsidiary in connection with the acquisition of an asset or assets from another Person (other than the Company or a Restricted Subsidiary), which Indebtedness was not, in any case, incurred by such other Person in connection with, or in contemplation of, such merger or acquisition.

"**Affiliate**" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing. For purposes of the covenant described under Condition 5F (Limitations on Asset Sales) only, "Affiliate" shall also mean any beneficial owner of Capital Stock representing 10% or more of the total voting power of the Voting Stock (on a fully diluted basis) of the Company or of rights or warrants to purchase such Capital Stock (whether or not currently exercisable) and any Person who would be an Affiliate of any such beneficial owner pursuant to the first sentence hereof.

"**asset**" means any asset or property.

"**Asset Acquisition**" means:

(1) an Investment by the Company or any Restricted Subsidiary in any other Person if, as a result of such Investment, such Person shall become a Restricted Subsidiary, or shall be merged with or into the Company or any Restricted Subsidiary, or

(2) the acquisition by the Company or any Restricted Subsidiary of all or substantially all of the assets of any other Person other than the Company or a Restricted Subsidiary or any division or line of business of any other Person.

"**Asset Sale**" means any sale, issuance, conveyance, transfer, lease, assignment or other disposition by the Company or any Restricted Subsidiary to any Person other than the Company or any Restricted Subsidiary (including by means of a Sale and Leaseback Transaction or a merger or consolidation) (collectively, for purposes of this definition, a "transfer"), in one transaction or a series of related transactions, of any assets (including Equity Interests) of the Company or any Restricted Subsidiary. For purposes of this definition, the term "Asset Sale" shall not include:

(1) the sale or other disposition of Temporary Cash Investments;

(2) sales, transfers or other dispositions of inventory, receivables and other current assets in the ordinary course of business;

(3) transfers of assets (including Equity Interests) that are governed by, and made in accordance with, the provisions described under Condition 6A (Limitations on Mergers, Consolidations, Etc.);

(4) the creation or realization of any Permitted Lien;

(5) transfers of damaged, worn-out or obsolete equipment or assets that, in the Company's reasonable judgment, are no longer used or useful in the business of the Company or its Restricted Subsidiaries; and

(6) any transfer or series of related transfers that, but for this clause, would be Asset Sales, if after giving effect to such transfers, the aggregate Fair Market Value of the assets transferred in such transaction or any such series of related transactions does not exceed U.S.$1 million (or the Dollar Equivalent thereof).

"**Attributable Indebtedness**," when used with respect to any Sale and Leaseback Transaction, means, as at the time of determination, the present value (discounted at a rate equivalent to the rate of interest implicit in such transaction) determined in accordance with GAAP of the total obligations of the lessee for rental payments during the remaining term of the lease included in any such Sale and Leaseback Transaction, including any period for which such lease has been extended or may, at the option of lessor, be extended; provided, however, that if the Sale and Leaseback Transaction is a Capitalized Lease Obligation, the Attributable Indebtedness shall be determined in accordance with the definition of Capitalized Lease Obligation.

"**Bankruptcy Law**" means any applicable bankruptcy, insolvency or similar law for the relief of debtors.

"**Board of Directors**" means, with respect to any Person, the board of directors or comparable governing body of such Person or any committee thereof duly authorized to take the action purported to be taken by such committee.

"**Capital Stock**" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, including common stock, preferred stock, limited liability company interests and partnership interests.

"**Capitalized Lease**" means a lease required to be capitalized for financial reporting purposes in accordance with GAAP; provided that "Capitalized Lease" shall not include any concession, deed, contract, agreement or other arrangement relating to or in connection with the provision, supply or sale or receipt, procurement or purchase (whether by way of cash, set-off or otherwise) of power or electricity (howsoever described and in any form) entered into by the Company or any of its Subsidiaries with IPPs or other providers or producers of power or electricity, which is treated as a lease required to be capitalized for financial reporting purposes in accordance with GAAP, whether as a result of the adoption of the Revised Statements of Financial Accounting Standards No. 30 or any similar, related or other standard or pronouncement or any application or interpretation thereof.

“**Change of Control**” means the occurrence of an event in which the Government of Indonesia ceases to own, directly or indirectly, more than 50% of the voting securities of the Company or, if and when issued, the Class A Dwiwarna Share.

“**Change of Control Triggering Event**” means the occurrence of both a Change of Control and a Rating Decline.

“**Class A Dwiwarna Share**” means, if and when issued, the special share held by the Government of Indonesia that has exclusive rights as set out in the Company’s Articles of Incorporation.

“**Commission**” means the United States Securities and Exchange Commission, as from time to time constituted, or if at any time after the execution of the Indenture such Commission is not existing and performing the applicable duties now assigned to it, then the body or bodies performing such duties at such time.

“**Consolidated Amortization Expense**” for any period means the amortization expense of the Company and the Restricted Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP.

“**Consolidated Cash Flow**” for any period means, without duplication, the sum of the amounts for such period of:

(1) Consolidated Net Income; plus

(2) in each case only to the extent deducted in determining Consolidated Net Income:

(a) Consolidated Income Tax Expense;

Consolidated Amortization Expense (but only to the extent not included in Consolidated Interest Expense);

Consolidated Depreciation Expense;

Consolidated Interest Expense; and

all other non-cash items reducing the Consolidated Net Income (excluding any non-cash charge that results in an accrual of a reserve for cash charges in any future period) for such period,

in each case determined on a consolidated basis in accordance with GAAP; minus

(3) the aggregate amount of all non-cash items, determined on a consolidated basis, to the extent such items increased Consolidated Net Income for such period,

provided that if any Restricted Subsidiary is not a Wholly-Owned Restricted Subsidiary, Consolidated Cash Flow shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (a) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (b) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Company or any Restricted Subsidiary.

“**Consolidated Depreciation Expense**” for any period means the depreciation expense of the Company and the Restricted Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP.

"**Consolidated Income Tax Expense**" for any period means the provision for taxes of the Company and the Restricted Subsidiaries (other than income taxes attributable to extraordinary and non-recurring gains or sales of assets).

"**Consolidated Interest Coverage Ratio**" means the ratio of (1) Consolidated Cash Flow during the most recent two consecutive semi-annual fiscal periods (the "**Two Half-Year Period**") ending on or prior to the date of the transaction giving rise to the need to calculate the Consolidated Interest Coverage Ratio (the "**Transaction Date**") for which consolidated financial statements of the Company (which the Company will use its reasonable best efforts to compile in a timely manner) are available and have been provided to the Trustee to (2) Consolidated Interest Expense for the Two Half-Year Period. For purposes of this definition, Consolidated Cash Flow and Consolidated Interest Expense shall be calculated after giving effect on a pro forma basis for the period of such calculation to:

(1) the incurrence of any Indebtedness or the issuance of any Preferred Stock of the Company or any Restricted Subsidiary (and the application of the proceeds thereof) and any repayment of other Indebtedness or redemption of other Preferred Stock (and the application of the proceeds therefrom) (other than the incurrence or repayment of Indebtedness in the ordinary course of business for working capital purposes pursuant to any revolving credit arrangement in effect on the last day of the Two Half-Year Period) occurring during the Two Half-Year Period or at any time subsequent to the last day of the Two Half-Year Period and on or prior to the Transaction Date, as if such incurrence, repayment, issuance or redemption, as the case may be (and the application of the proceeds thereof), occurred on the first day of the Two Half-Year Period; provided that, in the event of any such repayment or redemption, Consolidated Cash Flow for such the Two Half-Year Period will not include any interest income actually earned during the Two Half-Year Period in respect of the funds used to repay or redeem such Indebtedness or Preferred Stock; and

(2) any Asset Sale or other disposition (including giving pro forma effect to the application of proceeds of any Asset Sale or other disposition) or Asset Acquisition (including, without limitation, any Asset Acquisition giving rise to the need to make such calculation as a result of the Company or any Restricted Subsidiary (including any Person who becomes a Restricted Subsidiary as a result of such Asset Acquisition) incurring Acquired Indebtedness and also including any Consolidated Cash Flow associated with any such Asset Acquisition) occurring during the Two Half-Year Period or at any time subsequent to the last day of the Two Half-Year Period and on or prior to the Transaction Date, as if such Asset Sale or other disposition or Asset Acquisition (including the incurrence of, or assumption or liability for, any such Indebtedness or Acquired Indebtedness) occurred on the first day of the Two Half-Year Period.

If the Company or any Restricted Subsidiary directly or indirectly guarantees Indebtedness of a third Person, the preceding sentence shall give effect to the incurrence of such guaranteed Indebtedness as if the Company or such Restricted Subsidiary had directly incurred or otherwise assumed such guaranteed Indebtedness.

In calculating Consolidated Interest Expense for purposes of determining this Consolidated Interest Coverage Ratio:

(1) interest on outstanding Indebtedness determined on a fluctuating basis as of the Transaction Date and which will continue to be so determined thereafter shall be deemed to have accrued at a fixed rate per annum equal to the rate of interest on this Indebtedness in effect on the Transaction Date;

(2) if interest on any Indebtedness actually incurred on the Transaction Date may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rates, then the interest rate in effect on the Transaction Date will be deemed to have been in effect during the Two Half-Year Period; and

(3) notwithstanding clause (1) or (2) above, interest on Indebtedness determined on a fluctuating basis, to the extent such interest is covered by agreements relating to Hedging Obligations, shall be deemed to accrue at the rate per annum resulting after giving effect to the operation of these agreements (if such agreement has a remaining term in excess of 12 months or, if shorter, a remaining term at least equal to the remaining term of such Indebtedness).

"**Consolidated Interest Expense**" for any period means the sum, without duplication, of the total interest expense of the Company and the Restricted Subsidiaries for such period whether paid or accrued, determined on a consolidated basis in accordance with GAAP and including, without duplication:

(1) imputed interest on Capitalized Lease Obligations and Attributable Indebtedness;

(2) commissions, discounts and other fees and charges owed with respect to letters of credit securing financial obligations, bankers' acceptance financing and receivables financings;

(3) the net costs associated with Hedging Obligations;

(4) amortization of debt issuance costs, debt discount, original issue discount or premium and other financing fees and expenses;

(5) the interest portion of any deferred payment obligations;

(6) all other non-cash interest expense;

(7) capitalized interest;

(8) the product of (a) all dividend payments on any series of Disqualified Capital Stock of the Company or any Preferred Stock of any Restricted Subsidiary (other than any such Disqualified Capital Stock or any Preferred Stock held by the Company or a Restricted Subsidiary), multiplied by (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined federal, state and local statutory tax rates of the Company and the Restricted Subsidiaries, expressed as a decimal;

(9) all interest payable with respect to discontinued operations; and

(10) all interest on any Indebtedness of any other Person guaranteed by the Company or any Restricted Subsidiary or secured by a Lien on assets of the Company or any Restricted Subsidiary.

"**Consolidated Net Income**" for any period means the net income (or loss) of the Company and the Restricted Subsidiaries for such period determined on a consolidated basis in accordance with GAAP; provided that there shall be excluded from such net income (to the extent otherwise included therein), without duplication:

(1) any net income of any Person (other than the Company) if such Person is not a Restricted Subsidiary, except that:

(a) subject to the exclusion contained in clause (5) below, the Company's equity in the net income of any such Person for such period shall be included in such Consolidated Net

Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and

the Company's equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income;

(2) except to the extent includible in the consolidated net income of the Company pursuant to the foregoing clause (1), the net income (or loss) of any Person that accrued prior to the date that (a) such Person becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any Restricted Subsidiary or (b) the assets of such Person are acquired by the Company or any Restricted Subsidiary;

(3) the net income of any Restricted Subsidiary during such period to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of that income is not permitted by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary during such period, except that the Company's equity in a net loss of any such Restricted Subsidiary for such period shall be included in determining Consolidated Net Income;

(4) in the case of a successor to the Company by consolidation, merger or transfer of its assets, any income (or loss) of the successor prior to such merger, consolidation or transfer of assets;

(5) any net after-tax gains realized on (i) the sale or other disposition of (A) any property or assets of the Company, any Restricted Subsidiary or any other Person (including pursuant to any sale-and-lease back arrangement) which is not sold in the ordinary course of its business or (B) any securities of any Person (including any gains by the Company realized on sales of Capital Stock of the Company or any Restricted Subsidiary) or (ii) the extinguishment of any Indebtedness of the Company or any Restricted Subsidiary;

(6) any extraordinary gain, together with any related provision for taxes on any such extraordinary gain, realized by the Company or any Restricted Subsidiary during such period;

(7) the cumulative effect of a change in accounting principles; and

(8) any translation gains and losses due solely to fluctuations in currency values and related tax effects.

"**Consolidated Net Worth**" means, with respect to any Person as of any date, the consolidated stockholders' equity of such Person as set forth on the most recently available quarterly or annual consolidated financial statements of such Person prepared in accordance with GAAP (which such Person shall use its reasonable best efforts to compile in a timely manner), less (without duplication) (1) any amounts thereof attributable to Disqualified Capital Stock of such Person or its Subsidiaries or any amount attributable to Unrestricted Subsidiaries and (2) all write-ups (other than write-ups resulting from foreign currency translations and write-ups of tangible assets of a going concern business made within twelve months after the acquisition of such business) subsequent to the Issue Date in the book value of any asset owned by such Person or a Subsidiary of such Person.

"**Default**" means (1) any Event of Default or (2) any event, act or condition that, after notice or the passage of time or both, would be an Event of Default.

"**Disclosure Package**" shall have the meaning as set forth in the Program Agreement.

"**Disqualified Capital Stock**" of any Person means (1) any Capital Stock of such Person that, by its terms, or by the terms of any related agreement or of any security into which it is convertible, puttable or exchangeable, is, or upon the happening of any event or the passage of time would be, required to be redeemed by such Person, whether or not at the option of the holder thereof, or matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, in whole or in part, on or prior to the date which is 91 days after the final maturity date of the Notes or (2) any options, warrants or rights that are convertible into or exchangeable for such Capital Stock or that are required to be redeemed by such person, whether or not at the option of the holder thereof, on or prior to the date which is 183 days after the final maturity date of the Notes; *provided, however*, that any Capital Stock that would not constitute Disqualified Capital Stock but for provisions thereof giving holders thereof (or the holders of any security into or for which such Capital Stock is convertible, exchangeable or exercisable) the right to require the Company to redeem such Capital Stock upon the occurrence of a change in control or an asset sale occurring prior to the final maturity date of the Notes shall not constitute Disqualified Capital Stock if the change in control or asset sale provisions applicable to such Capital Stock are no more favorable to such holders than the provisions described under Condition 5L (Change of Control) or Condition 5F (Limitations on Asset Sales), as applicable, and such Capital Stock specifically provides that the Company will not redeem any such Capital Stock pursuant to such provisions prior to the Company's purchase of the Notes as required pursuant to the provisions described under Condition 5L (Change of Control) or Condition 5F (Limitations on Asset Sales), as applicable.

"**Dollar Equivalent**" means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

"**Equity Interests**" of any Person means (1) Capital Stock of such Person and (2) all warrants, options or other rights (whether or not currently exercisable), to acquire Capital Stock of such Person.

"**Export Credit Agency**" means a public agency or an entity established by a country to provide support to corporations from their home country that export overseas by way of government-backed loans, guarantees, and/or insurance.

"**Fair Market Value**" means, with respect to any asset, the price (after taking into account any liabilities relating to such asset) that would be negotiated in an arm's-length transaction for cash between a willing seller and a willing and able buyer, neither of which is under any compulsion to complete the transaction. Fair Market Value (other than of any asset with a public trading market) in excess of U.S.$5 million (or the Dollar Equivalent thereof) shall be determined by the Board of Directors of the Company acting reasonably and in good faith and shall be evidenced by a board resolution delivered to the Trustee.

"**Fitch**" means Fitch Ratings Ltd., and its successors.

"**Finance Subsidiary**" means a Wholly Owned Subsidiary of the Company which:

(1) does not own directly or indirectly, any material assets or other property (other than Notes payable to it by the Company or a Wholly Owned Subsidiary and Temporary Cash Investments), and does not incur, directly or indirectly, any material liabilities or obligations other than its obligations pursuant to Indebtedness it is permitted to incur under Condition 5A (Limitations on Additional Indebtedness) and pursuant to business activities permitted by this definition and entered into in the ordinary course of business;

(2) does not engage in any trade or conduct any business activities other than financing, treasury, cash management, hedging and cash pooling activities on behalf of the Company and its Wholly Owned Subsidiaries and those activities incidental thereto; and

(3) does not have, directly or indirectly, any Subsidiaries.

"**GAAP**" means generally accepted accounting principles in Indonesia as in effect from time to time. All ratios and computations contained or referred to in the Indenture and the Conditions shall be computed in conformity with GAAP applied on a consistent basis, unless otherwise specified.

"**guarantee**" means a direct or indirect guarantee by any Person of any Indebtedness or other obligation of any other Person and includes any obligation, direct or indirect, contingent or otherwise, of such Person: (1) to purchase or pay (or advance or supply funds for the purchase or payment of) Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise); or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part). "guarantee," when used as a verb, and "guaranteed" have correlative meanings.

"**Hedging Obligations**" of any Person means the obligations of such Person pursuant to (1) any interest rate swap agreement, interest rate collar agreement or other similar agreement or arrangement designed to protect such Person against fluctuations in interest rates, (2) agreements or arrangements designed to protect such Person against fluctuations in foreign currency exchange rates in the conduct of its operations, or (3) any forward contract, commodity swap agreement, commodity option agreement or other similar agreement or arrangement designed to protect such Person against fluctuations in commodity prices, in each case entered into in the ordinary course of business for bona fide hedging purposes and not for the purpose of speculation.

"**incur**" means, with respect to any Indebtedness or Obligation, incur, create, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to such Indebtedness or Obligation; provided that (1) the Indebtedness of a Person existing at the time such Person became a Restricted Subsidiary shall be deemed to have been incurred by such Restricted Subsidiary and (2) neither the accrual of interest nor the accretion of original issue discount shall be deemed to be an incurrence of Indebtedness; provided, however, that in each case the amount thereof is for all other purposes included in the Consolidated Interest Expense and Indebtedness of the Company or the relevant Restricted Subsidiary as accrued or accreted.

"**Indebtedness**" of any Person at any date means, without duplication:

(1) all liabilities, contingent or otherwise, of such Person for borrowed money (whether or not the recourse of the lender is to the whole of the assets of such Person or only to a portion thereof);

(2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all obligations of such Person in respect of letters of credit or other similar instruments (or reimbursement obligations with respect thereto);

(4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except trade payables due within 90 days and accrued expenses incurred by such Person in the ordinary course of business in connection with obtaining goods, materials or services;

(5) the maximum fixed redemption or repurchase price (plus accrued dividends) of all Disqualified Capital Stock of such Person, or Preferred Stock of a non-Guarantor Restricted Subsidiary;

(6) all Capitalized Lease Obligations of such Person;

(7) all Indebtedness of others secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person;

(8) all Indebtedness of others guaranteed by such Person to the extent of such guarantee; provided that Indebtedness of the Company or its Subsidiaries that is guaranteed by the Company or it's Subsidiaries shall only be counted once in the calculation of the amount of Indebtedness of the Company and its Subsidiaries on a consolidated basis;

(9) all Attributable Indebtedness;

(10) to the extent not otherwise included in this definition, Hedging Obligations of such Person; and

(11) all obligations of such Person under conditional sale or other title retention agreements relating to assets purchased by such Person.

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation, and will be (a) the accreted value thereof, in the case of any Indebtedness issued with original issue discount and (b) the principal amount thereof, together with any interest thereon that is more than 30 days past due, in the case of any other Indebtedness. In the case of clause (7), the amount of Indebtedness will be the lesser of (a) the Fair Market Value of any asset subject to a Lien securing the Indebtedness of others on the date of determination and (b) the amount of the Indebtedness secured; provided, however, that money borrowed and set aside at the time of the incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be "Indebtedness" so long as such money is held to secure the payment of such interest.

For purposes of clause (5), the "maximum fixed redemption or repurchase price" of any Disqualified Capital Stock that do not have a fixed redemption or repurchase price shall be calculated in accordance with the terms of such Disqualified Capital Stock as if such Disqualified Capital Stock were redeemed or repurchased on any date on which an amount of Indebtedness outstanding shall be required to be determined pursuant to the Indenture and the Conditions.

"**Investment Grade**" means a rating of "AAA," "AA," "A" or "BBB," as modified by a "+" or "-" indication, or an equivalent rating representing one of the four highest Rating Categories, by S&P or any of its successors or assigns or a rating of "Aaa," or "Aa," "A" or "Baa," as modified by a "1," "2" or "3" indication, or an equivalent rating representing one of the four highest Rating Categories, by Moody's or any of its successors or assigns or a rating of "AAA," "AA," "A," or "BBB," as modified by a "+" or "-" indication, or an equivalent rating representing one of the four highest rating categories, by Fitch or any of its successors or assigns, or the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Company as having been substituted for S&P, Moody's or Fitch or two or three of them, as the case may be.

"**Investments**" of any Person means:

(1) all direct or indirect investments by such Person in any other Person in the form of loans, advances or other credit extensions or capital contributions (by means of any transfer of cash or other assets to others or any payments for assets or services for the account or use of others) to such other Person, and any guarantee of Indebtedness or other obligation of any other Person;

(2) all purchases (or other acquisitions for consideration) by such Person of Indebtedness, Equity Interests or other securities issued by any other Person; and

(3) all other items that would be classified as investments (including purchases of assets outside the ordinary course of business) on a balance sheet of such Person prepared in accordance with GAAP.

"**Issue Date**" means the date of issuance of the relevant Note.

"**Lien**" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

"**Moody's**" means Moody's Investors Service, Inc., and its successors.

"**Multi-lateral Lending Agency**" means an internationally-recognized multilateral development finance agency that makes loans to capital projects that are guaranteed by the recipient country.

"**Net Available Proceeds**" means, with respect to any Asset Sale, the proceeds received thereof in the form of cash or cash equivalents, net of:

(1) brokerage commissions and other fees and expenses (including fees and expenses of legal counsel, accountants and investment banks) of such Asset Sale;

(2) provisions for taxes payable as a result of such Asset Sale (after taking into account any available tax credits or deductions and any tax sharing arrangements);

(3) amounts required to be paid to any Person (other than the Company or any Restricted Subsidiary) owning a beneficial interest in the assets subject to the Asset Sale or having a Lien thereon;

(4) payments of unassumed liabilities (not constituting Indebtedness) relating to the assets sold at the time of, or within 30 days after the date of, such Asset Sale; and

(5) appropriate amounts to be provided by the Company or any Restricted Subsidiary, as the case may be, as a reserve required in accordance with GAAP against any liabilities associated with such Asset Sale and retained by the Company or any Restricted Subsidiary, as the case may be, after such Asset Sale, including pensions and other postemployment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as reflected in an Officers' Certificate delivered to the Trustee; provided, however, that any amounts remaining after adjustments, revaluations or liquidations of such reserves shall constitute Net Available Proceeds.

"**Non-Recourse Debt**" means Indebtedness of a Subsidiary:

(1) as to which neither the Company nor any Restricted Subsidiary (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness) or (b) is directly or indirectly liable as a guarantor or otherwise; and

(2) no default with respect to which (including any rights that the holders thereof may have to take enforcement action against a Subsidiary) would permit upon notice, lapse of time or both any holder of any other Indebtedness (other than the Notes) of the Company or any Restricted Subsidiary to declare a default on such other Indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity.

"**Note Guarantee**" means the guarantee by each Subsidiary Guarantor of the obligations of the Company with respect to the Notes.

"**Obligation**" means any principal, interest, penalties, fees, indemnification, reimbursements, costs, expenses, damages and other liabilities payable under the documentation governing any Indebtedness.

"**Officer**" means the Chairman of the Board of Directors, the Chief Executive Officer, the Chief Financial Officer, the President Commissioner, the President Director, the President, any Vice President, the Treasurer or the Secretary, in each case, of the Company.

"**Pari passu Indebtedness**" means any Indebtedness of the Company or any Subsidiary Guarantor that ranks pari passu as to payment with the Notes or the Note Guarantees, as applicable.

"**Permitted Business**" means the businesses engaged in by the Company and its Subsidiaries on the Issue Date as described in the Disclosure Package and businesses that are reasonably related thereto or reasonable extensions thereof or incidental thereto.

"**Permitted Liens**" means the following types of Liens:

(1) Liens for taxes, assessments or governmental charges or claims contested in good faith by appropriate proceedings promptly instituted and diligently conducted and as to which the Company or the Restricted Subsidiaries shall have set aside on its books such reserves as may be required pursuant to GAAP;

(2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, materialmen, repairmen and other Liens imposed by law incurred in the ordinary course of business for sums not yet delinquent or being contested in good faith by appropriate proceedings promptly instituted and diligently conducted and as to which the Company or the Restricted Subsidiaries shall have set aside on its books such reserves as may be required pursuant to GAAP;

(3) Liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government contracts, performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);

(4) Liens arising from attachment or the rendering of a final judgment or order against the Company or any Restricted Subsidiary that does not give rise to a Default;

(5) Liens securing reimbursement obligations with respect to commercial letters of credit which encumber documents and other assets relating to such letters of credit and products and proceeds thereof or Liens in favor of any bank having right of setoff, revocation, refund or chargeback with respect to money or instruments of the Company or any Restricted Subsidiary on deposit with or in possession of such bank;

(6) Liens securing Indebtedness under Hedging Obligations incurred pursuant to clause (3) of the second paragraph in Condition 5A (Limitations on Additional Indebtedness);

(7) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company or any Restricted Subsidiary;

(8) any interest or title of a lessor in the property subject to any operating lease;

(9) easements, rights-of-way, municipal and zoning restrictions and other similar charges, restrictions or encumbrances in respect of real property in favor of governmental agencies or utility companies, which do not materially adversely affect the value of such property or materially impair the use of the purposes of which such property are held by the Company or any Restricted Subsidiary;

(10) Liens securing all of the Notes and Liens securing any Note Guarantee;

(11) Liens existing on the Issue Date;

(12) Liens in favor of the Company or a Restricted Subsidiary;

(13) Liens on assets of a Person existing at the time such Person is acquired or merged with or into or consolidated with the Company or any Restricted Subsidiary (and not created in anticipation or contemplation thereof) provided that such Liens do not extend to or cover any assets of the Company or any Restricted Subsidiary other than the assets acquired;

(14) Liens securing any Indebtedness (other than any Relevant Indebtedness) of the Company or a Restricted Subsidiary (including such liens in existence on the Issue Date) that, together with any Permitted Subsidiary Indebtedness then outstanding (other than the Permitted Subsidiary Indebtedness secured by such liens), in aggregate amount outstanding does not exceed the lesser of (a) the amount equal to 10% of the total consolidated indebtedness of the Company and the Restricted Subsidiaries and (b) the amount equal to 15% of the consolidated total assets of the Company and the Restricted Subsidiaries; and

(15) Liens in respect of Purchase Money Indebtedness of the Company extended by Export Credit Agencies and Multi-lateral Lending Agencies.

"**Permitted Subsidiary Indebtedness**" means Indebtedness of the Restricted Subsidiaries (excluding the Subsidiary Guarantors), taken as a whole (but excluding the amount of any Indebtedness of any Restricted Subsidiary permitted under clauses (3), (4) or (8) of the second paragraph of the covenant described under Condition 5A (Limitations on Additional Indebtedness), provided that, on the date of the incurrence of such Indebtedness or issuance of such Preferred Stock, as the case may be, and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness and Preferred Stock, together with all other Indebtedness of the Restricted Subsidiaries (excluding the Subsidiary Guarantors) then outstanding and any Indebtedness of the Company and the Restricted Subsidiaries (including the Subsidiary Guarantors) secured by Liens permitted to exist or be incurred under clause (14) of the definition of Permitted Liens (but excluding Liens permitted to exist or be incurred under clause (15) of the definition of Permitted Liens), in aggregate amount outstanding does not exceed the lesser of (a) the amount equal to 10% of the total consolidated Indebtedness of the Company and the Restricted Subsidiaries (including the Subsidiary Guarantors) and (b) the amount equal to 15% of the consolidated total assets of the Company and the Restricted Subsidiaries (including the Subsidiary Guarantors).

"**Preferred Stock**" means, with respect to any Person, any and all preferred or preference stock or other similar equity interests (however designated) of such Person that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over any other class of Equity Interests of such Person.

"**Purchase Money Indebtedness**" means Indebtedness incurred to finance all or part of the purchase price or cost of construction of or addition or improvement to any asset used or to be used by the Company or a Restricted Subsidiary; provided, however, that (i) the principal amount of such Purchase Money Indebtedness does not exceed 100% of the purchase price or cost of the asset being financed, (ii) any Lien arising in connection with any such Indebtedness shall be limited to the specified asset being financed or, in the case of real property or fixtures, or additions and improvements, the property on, or to, which such asset is attached or addition or improvement is made and (iii) that such Indebtedness is incurred within 180 days after such purchase of, or addition or improvement to, such assets is made by the Company or any Restricted Subsidiary.

"**Rating Agencies**" means (i) S&P, (ii) Moody's and (iii) Fitch; provided that, if S&P, Moody's, Fitch, two of any of the three or all three of them shall not make a rating of the Notes publicly available, an internationally recognized securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for S&P, Moody's, Fitch, two of any of the three or all three of them, as the case may be.

"**Rating Category**" means (i) with respect to S&P, any of the following categories: "BB," "B," "CCC," "CC," "C" and "D" (or equivalent successor categories); (ii) with respect to Moody's, any of the following categories: "Ba," "B," "Caa," "Ca, "C" and "D" (or equivalent successor categories); (iii) with respect to Fitch, any of the following categories: "BB," "B," "CCC," "CC," "C," or "D" (or equivalent successor categories); and (iv) the equivalent of any such category of S&P, Moody's or Fitch used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories ("+" and "-" for S&P; "1," "2" and "3" for Moody's; "+" and "-" for Fitch; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from "BB+" to "BB," as well as from "BB- " to "B+," will constitute a decrease of one gradation).

"**Rating Date**" means, in connection with actions contemplated under Condition 6A (Limitations on Mergers, Consolidations, Etc.), that date which is 90 days prior to the earlier of (x) the occurrence of any such actions as set forth therein and (y) a public notice of the occurrence of any such actions.

"**Rating Decline**" means, in connection with actions contemplated under Condition 6A (Limitations on Mergers, Consolidations, Etc.) and Condition 5L (Change of Control), the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

(1) in the event the Notes are rated by all three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any two of the three or all three Rating Agencies shall be below Investment Grade;

(2) in the event the Notes are rated by any two, but not three, of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by either of such two Rating Agencies shall be below Investment Grade;

(3) in the event the Notes are rated by one, and only one, of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade;

(4) in the event the Notes are rated below Investment Grade by all three of the Rating Agencies on the Rating Date, the rating of the Notes by any two of the three or all three Rating Agencies shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories); or

(5) in the event the Notes are rated below Investment Grade by any two, but not three, Rating Agencies on the Rating Date, the rating of the Notes by both of such two Rating Agencies shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

"**Ratio Exception**" has the meaning set forth in the proviso in the first paragraph of the covenant described under Condition 5A (Limitations on Additional Indebtedness) in the Conditions.

"**Refinancing Indebtedness**" means Indebtedness of the Company or a Restricted Subsidiary issued in exchange for, or the proceeds from the issuance and sale or disbursement of which are used substantially concurrently to redeem or refinance in whole or in part any Indebtedness of the Company or any Restricted Subsidiary, (the "**Refinanced Indebtedness**") in a principal amount not in excess of the principal amount of the Refinanced Indebtedness so redeemed or refinanced (or, if such Refinancing Indebtedness refinances Indebtedness under a revolving credit facility or other agreement providing a commitment for subsequent borrowings, with a maximum commitment not to exceed the maximum commitment under such revolving credit facility or other agreement) plus the reasonable costs related to such refinancing; provided that:

(1) Indebtedness of the Company or a Subsidiary Guarantor may not be refinanced with Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor;

(2) if the Refinanced Indebtedness was subordinated to or pari passu with the Notes or the Note Guarantees, as the case may be, then such Refinancing Indebtedness, by its terms, is expressly pari passu with (in the case of Refinanced Indebtedness that was pari passu with) or subordinate in right of payment to (in the case of Refinanced Indebtedness that was subordinated to) the Notes or the Note Guarantees, as the case may be, at least to the same extent as the Refinanced Indebtedness; and

(3) the Refinancing Indebtedness is scheduled to mature either (a) no earlier than the Refinanced Indebtedness being redeemed or refinanced or (b) after the maturity date of the Notes.

"**Relevant Indebtedness**" means bonds, notes, debentures or similar securities capable of being quoted on any stock exchange or other securities market.

"**Restricted Subsidiary**" means any Subsidiary of the Company other than an Unrestricted Subsidiary.

"**S&P**" means Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc., and its successors.

"**Sale and Leaseback Transactions**" means with respect to any Person a direct or indirect arrangement with any bank, insurance company or other lender or investor or to which such lender or investor is a party, providing for the leasing by such Person of any asset of such Person which has been or is being sold or transferred by such Person to such lender or investor or to any Person to whom funds have been or are to be advanced by such lender or investor on the security of such asset.

"**Senior Indebtedness**" means, at any time, (1) all Indebtedness of the Company under the Notes and the Subsidiary Guarantors under the Note Guarantees, and (2) other Indebtedness of the Company and the Restricted Subsidiaries, whether presently outstanding or hereafter incurred, which is not Subordinated Indebtedness.

"**Subordinated Indebtedness**" means Indebtedness of the Company or any Subsidiary Guarantor that is subordinated in right of payment to the Notes or any Note Guarantee, as applicable, pursuant to a written agreement to that effect.

"**Subsidiary**" means, with respect to any Person:

(1) any corporation, limited liability company, association or other business entity of which more than 50% of the total voting power of the capital stock entitled (without regard to the occurrence of any contingency) to vote in the election of the Board of Directors thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of such Person (or a combination thereof); and

(2) any partnership (a) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (b) the only general partners of which are such Person or of one or more Subsidiaries of such Person (or a combination thereof).

Unless otherwise specified, "Subsidiary" refers to a Subsidiary of the Company.

"**Subsidiary Guarantee**" means any guarantee of the obligations of the Company under the Indenture and the Notes by any Subsidiary Guarantor.

"**Subsidiary Guarantors**" means each Restricted Subsidiary that becomes a Subsidiary Guarantor by the terms of the Indenture, in each case, until such Person is released from its Subsidiary Guarantee.

"**Tax**" shall mean any tax, duty, levy, impost, assessment or other governmental charge (including penalties, interest and any other liabilities related thereto).

"**Temporary Cash Investments**" means any of the following:

(1) any Investment in marketable obligations with a maturity of 360 days or less issued or directly and fully guaranteed or insured by the United States of America and any state of the European Economic Area or any agency or instrumentality thereof (provided that the full faith and credit of the United States of America or any state of the European Economic Area, as applicable, is pledged in support thereof);

(2) Investments in demand and time deposits and certificates of deposit or acceptances with a maturity of 180 days or less of any financial institution that is a member of the Federal Reserve System of the United States of America or organized under the laws of any state of the European Economic Area, having combined capital and surplus and undivided profits of not less than U.S.$100 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated "A" (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act);

(3) Investments in time deposit accounts, certificates of deposit and money market deposits maturing within 90 days of the date of acquisition thereof issued by PT Bank Mandiri (Persero) Tbk; PT Bank Central Asia Tbk; PT Bank Negara Indonesia (Persero) Tbk; or PT Bank Rakyat Indonesia (Persero) Tbk or any other bank organized under the laws of Indonesia whose long term debt is rated as high or higher than any of those banks; provided, however, that no more than the greater of (i) U.S.$10 million (or the Dollar Equivalent thereof) and (ii) 50% of the aggregate of all Temporary Cash Investments may at any date of determination be made in any one such entity;

(4) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank meeting the qualifications described in clause (2) above;

(5) Investments in commercial paper, maturing not more than 180 days after the date of acquisition, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of "P-2" (or higher) according to Moody's or "A-2" (or higher) according to S&P;

(6) Investments in securities with maturities of one year or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least "A" by S&P or "A" by Moody's; and

(7) Investments in any mutual fund that has at least 95% of its assets continuously invested in Investments described in (1) through (6) above.

"**Unrestricted Subsidiary**" means (1) any Subsidiary that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors of the Company in accordance with Condition 5G (Limitations on Designation of Unrestricted Subsidiaries) and (2) any Subsidiary of an Unrestricted Subsidiary.

"**U.S. Government Obligations**" means direct non-callable obligations of, or obligations guaranteed by, the United States of America for the payment of which guarantee or obligations the full faith and credit of the United States of America is pledged.

"**Voting Stock**" with respect to any Person, means securities of any class of Equity Interests of such Person entitling the holders thereof (whether at all times or only so long as no senior class of stock or other relevant equity interest has voting power by reason of any contingency) to vote in the election of members of the Board of Directors of such Person.

"**Wholly-Owned**" means, with respect to a Restricted Subsidiary, the ownership of 100% of the Equity Interests of each Restricted Subsidiary (except for directors' qualifying shares or certain minority interests owned by other Persons solely due to local law requirements that there be more than one stockholder, but which interest is not in excess of what is required for such purpose) by the Company or through one or more Wholly Owned Restricted Subsidiaries.

5A. Limitations on Additional Indebtedness

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, incur any Indebtedness (including Acquired Indebtedness); provided that (i) the Company and the Subsidiary Guarantors may incur additional Indebtedness and (ii) the Restricted Subsidiaries that are not Subsidiary Guarantors may incur Permitted Subsidiary Indebtedness, if, after giving effect thereto, the Consolidated Interest Coverage Ratio would be at least 2.0 to 1.00 (the "**Ratio Exception**").

Notwithstanding the above, each of the following shall be permitted (the "**Permitted Indebtedness**"):

(1) the Notes (excluding any Additional Notes) and the Note Guarantees issued on the Issue Date;

(2) Indebtedness of the Company and the Restricted Subsidiaries to the extent outstanding on the Issue Date (other than Indebtedness referred to in clauses (1) and (3);

(3) Indebtedness under Hedging Obligations; provided that such Hedging Obligations are directly related to payment obligations on Indebtedness otherwise permitted to be incurred or not prohibited by this covenant;

(4) Indebtedness of the Company owed to a Restricted Subsidiary and Indebtedness of any Restricted Subsidiary owed to the Company or any other Restricted Subsidiary; provided, however, that (a) upon any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or such Indebtedness being owed to any Person other than the Company or a Restricted Subsidiary, the Company or such Restricted Subsidiary, as applicable, shall be deemed to have incurred Indebtedness not permitted by this clause (4) and (b) if the Company or any Subsidiary Guarantor is the obligor on such Indebtedness and the obligee is not the Company or a Subsidiary Guarantor, such Indebtedness must be unsecured and expressly subordinated in right of payment to the Notes, in the case of the Company, or the Note Guarantee of such Subsidiary Guarantor, in the case of a Subsidiary Guarantor;

(5) Indebtedness in respect of bid, performance or surety bonds issued for the account of the Company or any Restricted Subsidiary in the ordinary course of business, including guarantees or obligations of the Company or any Restricted Subsidiary with respect to letters of credit supporting such bid, performance or surety obligations, or reimbursement obligations with respect to letters of credit in respect of workers' compensation claims or self-insurance obligations (in each case other than for an obligation for money borrowed);

(6) Indebtedness constituting reimbursement obligations with respect to letters of credit or trade guarantees issued in the ordinary course of business; provided that, upon the drawing of such letters of credit or trade guarantees, such obligations are reimbursed within 30 days following such drawing;

(7) Refinancing Indebtedness with respect to Indebtedness incurred pursuant to the Ratio Exception or clause (1), (2) or (4) or this clause (7);

(8) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Company or any Restricted Subsidiary pursuant to such agreements, in any case, incurred in connection with the disposition of any business, assets or Restricted Subsidiary, other than guarantees of Indebtedness incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; provided that the maximum aggregate liability in respect of all such Indebtedness in the nature of such guarantee shall at no time exceed the gross proceeds actually received from the sale of such business, assets or Restricted Subsidiary;

(9) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; provided, however, that such Indebtedness is extinguished within 10 Business Days of incurrence; and

(10) Indebtedness of a Finance Subsidiary; provided, however, that:

(i) such Indebtedness is unconditionally guaranteed by the Company;

(ii) such Indebtedness, if incurred by the Company or a Subsidiary Guarantor, would be permitted to be incurred by the Company under another provision of this covenant (including, without limitation, clause (7) above), and the Company's guarantee thereof will be deemed to be an incurrence of such Indebtedness by the Company under the relevant other provisions of this covenant; and

(iii) all of the net proceeds of such Indebtedness (net of related expenses) are lent, directly or indirectly, by such Finance Subsidiary to the Company or a Subsidiary Guarantor.

For purposes of determining compliance with this covenant, in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Indebtedness described in clauses (1) through (10) above or is entitled to be incurred pursuant to the Ratio Exception, the Company shall, in its sole discretion, classify such item of Indebtedness and may divide and classify such Indebtedness in more than one of the types of Indebtedness described. Guarantees of, or obligations in respect of letters of credit relating to, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness will not be included.

5B. Limitations on Layering Indebtedness

The Company will not, and will not permit any Subsidiary Guarantor to, directly or indirectly, incur any Indebtedness that is or purports to be by its terms (or by the terms of any agreement governing such Indebtedness) subordinated to any other Indebtedness of the Company or such Subsidiary Guarantor, as the case may be, unless such Indebtedness is also by its terms (or by the terms of any agreement governing such Indebtedness) made expressly subordinate to the Notes or the applicable Note Guarantee, on substantially the same terms and in the same manner as such Indebtedness is subordinated to such other Indebtedness of the Company or such Subsidiary Guarantor, as the case may be.

5C. Limitations on Dividends by the Company

As long as any Note remains outstanding, the Company will not pay, make or declare any dividend or other distribution in respect of any financial year of the Company or otherwise until the aggregate amount available for distribution to its shareholders has been determined and then only in an amount not exceeding 50% of the Consolidated Net Income for the immediately preceding financial year (the "Distributable Amount"), provided that if in any financial year after the Issue Date less than the Distributable Amount for such financial year is distributed, the Company will be entitled to so distribute the undistributed portion of such Distributable Amount in subsequent financial years.

5D. Limitations on Dividend and Other Restrictions Affecting Restricted Subsidiaries

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on or in respect of its Equity Interests;

(2) make loans or advances or pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary; or

(3) transfer any of its assets to the Company or any other Restricted Subsidiary.

The foregoing restrictions shall not apply to:

(1) encumbrances or restrictions existing under or by reason of applicable law;

(2) encumbrances or restrictions existing under the Indenture, the Notes, and the Note Guarantees;

(3) encumbrances and restrictions existing under agreements existing on the Issue Date as in effect on that date;

(4) with respect to clause (3) only of the first paragraph of this covenant, encumbrances or restrictions that restrict in a customary manner the subletting, assignment or transfer of any assets subject to a lease or license entered into in the ordinary course of business;

(5) with respect to clause (3) only of the first paragraph of this covenant, restrictions on the transfer of assets subject to any Lien permitted under the Indenture and the Conditions imposed by the holder of such Lien;

(6) with respect to clause (3) only of the first paragraph of this covenant, any encumbrance or restriction existing by virtue of any transfer of, agreement to transfer, option or right with respect to, or Lien on, any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture or the Conditions;

(7) restrictions imposed under any agreement to sell all or substantially all of the Capital Stock or assets of a Restricted Subsidiary permitted under the Indenture and the Conditions, which restrict distributions or payments by such Restricted Subsidiary pending the closing of such sale;

(8) encumbrances and restrictions in any instrument governing Acquired Indebtedness, which encumbrance or restriction is not applicable to any Person, or the assets of any Person, other than the Person or the assets of the Person so acquired;

(9) any encumbrances or restrictions imposed by any amendments or refinancings of the contracts, instruments or obligations referred to in clauses (2), (3) and (8) above; provided that such amendments or refinancings are, in the good faith judgment of the Company's Board of Directors, no more materially restrictive with respect to such encumbrances and restrictions than those prior to such amendment or refinancing;

(10) encumbrances and restrictions contained in joint venture or similar agreements permitted under the Indenture and the Conditions if (as determined in good faith by the Company's Board of Directors) (a) the encumbrances or restrictions are customary for a joint venture or similar agreement of that type and (b) the encumbrances or restrictions would not, at the time agreed to, be expected to materially adversely affect the ability of the Company to make required payments on the Notes or of any Subsidiary Guarantor to make payments under its Note Guarantee; and

(11) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business.

5E. Limitations on Liens

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, incur, assume or permit or suffer to exist any Lien of any nature whatsoever (other than

Permitted Liens) against any assets of the Company or any Restricted Subsidiary (including Equity Interests of a Restricted Subsidiary), whether owned at the Issue Date or thereafter acquired, or any proceeds therefrom, or assign or otherwise convey any right to receive income or profits therefrom, unless contemporaneously therewith:

(1) in the case of any Lien securing an obligation that ranks *pari passu* with the Notes or a Note Guarantee, effective provision is made to secure the Notes or such Note Guarantee, as the case may be, with a Lien on the same collateral, that is at least equal and ratable with or prior to the Lien securing such obligation; and

(2) in the case of any Lien securing an obligation that is subordinated in right of payment to the Notes or a Note Guarantee, effective provision is made to secure the Notes or such Note Guarantee, as the case may be, with a Lien on the same collateral that is prior to the Lien securing such subordinated obligation,

in each case, for so long as such obligation is secured by such Lien.

5F. Limitations on Asset Sales

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, consummate any Asset Sale unless:

(1) the Company or such Restricted Subsidiary receives consideration at the time of such Asset Sale at least equal to the Fair Market Value of the assets included in such Asset Sale; and

(2) at least 75% of the total consideration received in such Asset Sale or series of related Asset Sales consists of cash or cash equivalents.

For purposes of clause (2), the following shall be deemed to be cash:

(a) the amount (without duplication) of any liabilities (other than Subordinated Indebtedness) of the Company or such Restricted Subsidiary that is expressly assumed by the transferee in such Asset Sale and with respect to which the Company or such Restricted Subsidiary, as the case may be, is unconditionally released by the holder of such Indebtedness;

the amount of any obligations received from such transferee that are within 30 days converted by the Company or such Restricted Subsidiary to cash (to the extent of the cash actually so received); and

the Fair Market Value of any assets received by the Company or any Restricted Subsidiary to be used by it in the Permitted Business.

If at any time any non-cash consideration received by the Company or any Restricted Subsidiary, as the case may be, in connection with any Asset Sale is repaid or converted into or sold or otherwise disposed of for cash (other than interest received with respect to any such non-cash consideration), then the date of such repayment, conversion or disposition shall be deemed to constitute the date of an Asset Sale hereunder and the Net Available Proceeds thereof shall be applied in accordance with this covenant.

If the Company or any Restricted Subsidiary engages in an Asset Sale, the Company or such Restricted Subsidiary may apply all or any of the Net Available Proceeds therefrom to:

(1) permanently prepay, repay, redeem or purchase Senior Indebtedness of the Company or a Restricted Subsidiary (in each case other than Indebtedness owed to the Company or an Affiliate of the Company, or Disqualified Capital Stock); and/or

(2) the purchase of assets or the allocation of the Net Available Proceeds to an identified project for the acquisition or construction of assets, in each case, to be used by the Company or any Restricted Subsidiary in the Permitted Business;

provided that, pending the final application of any such Net Available Proceeds in accordance with clause (1) or (2) of this paragraph, the Company and its Restricted Subsidiaries may temporarily reduce revolving credit borrowings or otherwise invest such Net Available Proceeds in Temporary Cash Investments.

The amount of Net Available Proceeds not applied or invested as provided in this paragraph will constitute "**Excess Proceeds**."

On the 361st day after an Asset Sale or such earlier date, if any, as the Company determines not to apply the Excess Proceeds relating to such Asset Sale as set forth in the preceding paragraphs, the Company will be required to make an offer to purchase from all Holders and, if applicable, redeem (or make an offer to do so) any Pari passu Indebtedness of the Company the provisions of which require the Company to redeem such Indebtedness with the proceeds from any Asset Sales (or offer to do so), in an aggregate principal amount of Notes and such Pari passu Indebtedness equal to the amount of such Excess Proceeds as follows:

(1) the Company will (a) make an offer to purchase (a "**Net Proceeds Offer**") to all Holders in accordance with the procedures set forth in the Indenture and the Conditions, and (b) redeem (or make an offer to do so) any such other Pari passu Indebtedness, pro rata in proportion to the respective principal amounts of the Notes and such other Pari passu Indebtedness required to be redeemed, the maximum principal amount of Notes and Pari passu Indebtedness that may be redeemed out of the amount (the "**Payment Amount**") of such Excess Proceeds;

(2) the offer price for the Notes (the "**Offered Price**") will be payable in cash in an amount equal to 100% of the principal amount of the Notes tendered pursuant to a Net Proceeds Offer, plus accrued and unpaid interest thereon, if any, to the date such Net Proceeds Offer is consummated (the "**Net Proceeds Payment Date**"), in accordance with the procedures set forth in the Indenture and the Conditions and the redemption price for such Pari passu Indebtedness (the "**Pari passu Indebtedness Price**") shall be as set forth in the related documentation governing such Indebtedness;

(3) if the aggregate Offered Price of Notes validly tendered and not withdrawn by Holders thereof exceeds the pro rata portion of the Payment Amount allocable to the Notes, Notes to be purchased will be selected on a pro rata basis; or by such method as the Trustee shall deem fair and appropriate in accordance with the procedures of DTC, Euroclear and Clearstream; and

(4) upon completion of such Net Proceeds Offer in accordance with the foregoing provisions, the amount of Excess Proceeds with respect to which such Net Proceeds Offer was made shall be deemed to be zero.

The Company shall not be required to make such an offer to purchase Notes or Pari passu Indebtedness pursuant to this covenant if the Excess Proceeds available therefor is less than U.S.$15 million.

To the extent that the sum of the aggregate Offered Price of Notes tendered pursuant to a Net Proceeds Offer and the aggregate Pari passu Indebtedness Price paid to the holders of such Pari passu Indebtedness is less than the Payment Amount relating thereto (such shortfall constituting a "**Net Proceeds Deficiency**"), the Company may use the Net Proceeds Deficiency, or a portion thereof, for general corporate purposes, subject to the provisions of the Indenture and the Conditions.

The Company will comply with applicable tender offer rules, including any applicable laws and regulations in connection with the purchase of Notes pursuant to a Net Proceeds Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of this Condition 5F, the Company shall comply with the applicable securities laws and regulations and will not be deemed to have breached their obligations under Condition 5F (Limitations on Asset Sales) by virtue of this compliance.

5G. Limitations on Designation of Unrestricted Subsidiaries

The Company may designate a Subsidiary of the Company as an "Unrestricted Subsidiary" under the Indenture and the Conditions (a "**Designation**") only if no Default shall have occurred and be continuing at the time of or after giving effect to such Designation.

No Subsidiary shall be Designated as an "Unrestricted Subsidiary" unless such Subsidiary:

(1) has no Indebtedness other than Non-Recourse Debt;

(2) does not own any Preferred Stock of any Restricted Subsidiary or hold any Indebtedness of, or Lien on any property of the Company or any Restricted Subsidiary, if such Preferred Stock or Indebtedness could not be incurred under the covenant as described in Condition 5A (Limitations on Additional Indebtedness) or such Lien would violate the covenant described under Condition 5E (Limitations on Liens);

(3) is not a party to any agreement, contract, arrangement or understanding with the Company or any Restricted Subsidiary unless the terms of the agreement, contract, arrangement or understanding are no less favorable to the Company or the Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Company, provided that this clause (3) will not apply to loans by the Government that have been passed through from the Company or any Restricted Subsidiary on terms no less favorable than those received from the Government; and

(4) is a Person with respect to which neither the Company nor any Restricted Subsidiary has any direct or indirect legal obligation (a) to subscribe for additional Equity Interests or (b) to maintain or preserve the Person's financial condition or to cause the Person to achieve any specified levels of operating results.

The Company may redesignate an Unrestricted Subsidiary as a Restricted Subsidiary (a "**Redesignation**") only if:

(1) no Default shall have occurred and be continuing after giving effect to such Redesignation;

(2) all Liens and Indebtedness of such Unrestricted Subsidiary outstanding immediately following such Redesignation would, if incurred or made at such time, have been permitted to be incurred or made for all purposes of the Indenture and the Conditions; and

(3) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary).

All Designations and Redesignations must be evidenced by resolutions of the Board of Directors of the Company, delivered to the Trustee certifying compliance with the foregoing provisions.

5H. Limitations on Sale and Leaseback Transactions

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into any Sale and Leaseback Transaction, except between a Restricted Subsidiary and the Company or another Restricted Subsidiary; provided that the Company may enter into a Sale and Leaseback Transaction if:

(1) the Company could have (a) incurred the Attributable Indebtedness relating to such Sale and Leaseback Transaction pursuant to the covenant described under Condition 5A (Limitations on Additional Indebtedness) and (b) incurred a Lien to secure such Indebtedness without equally and ratably securing the Notes pursuant to the covenant described under Condition 5E (Limitations on Liens);

(2) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the asset that is the subject of such Sale and Leaseback Transaction; and

(3) the transfer of assets in such Sale and Leaseback Transaction is permitted by, and the Company applies the proceeds of such transaction in accordance with, the covenant described under Condition 5F (Limitations on Asset Sales).

5I. Limitations on the Issuance or Sale of Equity Interests of Restricted Subsidiaries

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, sell or issue any shares of Equity Interests of any Restricted Subsidiary except (1) in the case of a Restricted Subsidiary, to the Company or a Wholly-Owned Restricted Subsidiary, (2) to the extent such Equity Interests represent directors' qualifying shares or shares required by applicable law to be held by a Person other than the Company or a Wholly-Owned Restricted Subsidiary, or (3) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); provided that the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the covenant described under Condition 5F (Limitations on Asset Sales). The sale of all the Equity Interests of any Restricted Subsidiary is permitted by this covenant but is subject to the limitations described under Condition 5F (Limitations on Asset Sales).

5J. Limitations on Issuances of Guarantees by Restricted Subsidiaries

The Company will not permit any Restricted Subsidiary which is not a Subsidiary Guarantor, directly or indirectly, to guarantee any Indebtedness ("**Guaranteed Indebtedness**") of the Company or any other Restricted Subsidiary, unless (1) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture in form satisfactory to the Trustee providing for an unsubordinated Subsidiary Guarantee of payment of the Notes by such Restricted Subsidiary and (2) such Restricted Subsidiary waives and will not in any manner whatsoever claim, or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Company or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee until the Notes have been paid in full.

If the Guaranteed Indebtedness (1) ranks pari passu in right of payment with the Notes or any Note Guarantee, then the guarantee of such Guaranteed Indebtedness shall rank pari passu in right of payment with, or subordinated to, the Note Guarantee or (2) is subordinated in right of payment to the Notes or any Note Guarantee, then the guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Note Guarantee at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes or the Note Guarantees.

5K. Conduct of Business

The Company will not, and will not permit any Restricted Subsidiary to, engage in any business other than the Permitted Business.

5L. Change of Control

Upon the occurrence of any Change of Control Triggering Event, each Holder will have the right to require that the Company purchase that Holder's Notes for a cash price (the "**Change of Control Purchase Price**") equal to 101% of the principal amount of the Notes to be purchased, plus accrued and unpaid interest thereon, if any, to the date of purchase (the "**Change of Control Payment Date**").

Within 30 days following any Change of Control Triggering Event, the Company will mail, or cause to be mailed, to the Holders, with a copy to the Trustee, a notice:

(1) describing the transaction or transactions that constitute the Change of Control Triggering Event;

(2) offering to purchase, pursuant to the procedures required by the Indenture and the Conditions and described in the notice (a "**Change of Control Offer**"), on a date specified in the notice (which shall be a Business Day not earlier than 30 days but not later than 60 days from the date the notice is mailed) and for the Change of Control Purchase Price, all Notes properly tendered by such Holder pursuant to such Change of Control Offer; and

(3) describing the procedures that Holders must follow to accept the Change of Control Offer.

The Change of Control Offer is required to remain open for at least 20 Business Days or for such longer period as is required by law.

The Company will publicly announce the results of the Change of Control Offer on or as soon as practicable after the date of purchase.

The Company's obligation to make a Change of Control Offer will be satisfied if a third party makes the Change of Control Offer in the manner and at the times and otherwise in compliance with the requirements applicable to a Change of Control Offer made by the Company and purchases all Notes properly tendered and not withdrawn under the Change of Control Offer.

The Company will comply with applicable tender offer rules, including any applicable laws and regulations in connection with the purchase of Notes pursuant to a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with the "Change of Control Triggering Event" provisions of the Indenture and the Conditions, the Company shall comply with the applicable securities laws and regulations and will not be deemed to have breached their obligations under the "Change of Control Triggering Event" provisions of the Indenture and the Conditions by virtue of this compliance.

The Company may acquire Notes by means other than a redemption, whether pursuant to a tender offer, open market purchase or otherwise, so long as the acquisition does not otherwise violate the terms of the Indenture or the Conditions.

5M. Reports

(1) So long as any of the Notes remain outstanding, the Company will file with the Trustee and furnish to the Holders upon request:

(a) as soon as they are available, but in any event within 180 calendar days after the end of the fiscal year of the Company, copies of its financial statements (on a consolidated basis) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of an internationally recognized firm of independent accountants; and as soon as they are available, but in any event within 90 calendar days after the end of each half-year fiscal period of the Company, copies of its financial statements (on a consolidated basis) in respect of such quarterly period (including a statement of income, balance sheet and cash flow statement), unaudited and as prepared by the Company;

provided that if at any time the common stock of the Company is listed for trading on a recognized stock exchange, the Company will additionally file with the Trustee, as soon as they are available but in any event not more than 10 calendar days after they are filed with the recognized stock exchange on which the Company's common stock is at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange.

(2) In addition, so long as any of the Notes remain outstanding, the Company will provide to the Trustee (a) within 190 days after the close of each fiscal year, an Officers' Certificate stating the Consolidated Interest Coverage Ratio with respect to the four most recent fiscal quarters and showing in reasonable detail the calculation of the Consolidated Interest Coverage Ratio, including the arithmetic computations of each component of the Consolidated Interest Coverage Ratio; (b) within 210 days after the close of each fiscal year, an Officers' Certificate from the Company as to the knowledge of such officers of the Company's compliance with all conditions and covenants under the Indenture and the Conditions during such fiscal year; and (c) as soon as possible and in any event within 30 days after the Company becomes aware or should reasonably become aware of the occurrence of a Default, an Officers' Certificate setting forth the details of the Default, and the action which the Company proposes to take with respect thereto.

If the Company has designated any one or more of its Subsidiaries as Unrestricted Subsidiaries, which in aggregate represent or account for 10% or more of the Company's consolidated total assets or net income, then the quarterly and annual financial information required by this covenant will include a reasonably detailed presentation of the financial condition and results of operations of the Company and the Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries.

So long as the Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) of the Securities Act, the Company will furnish, upon the request of any Holder or any holder of a beneficial interest in a Note, such information as is specified in paragraph (d)(4) of Rule 144A, to such Holder or beneficial owner or to a prospective purchaser of such Note or interest therein who is a qualified institutional buyer (as defined in Rule 144A),in order to permit compliance by such holder or beneficial owner with Rule 144A in connection with the resale of such Note or beneficial interest therein in reliance on Rule 144A unless, at the time of such request, the Company is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, or is included in the list of foreign private issuers that claim exemption from the registration requirements of Section 12(g) of the Exchange Act (and therefore is required to furnish the Commission certain information pursuant to Rule 12g3-2(b) under the Exchange Act).

5N. Use of Proceeds

The Company will not, and will not permit any Restricted Subsidiary to, use the net proceeds from the sale of the Notes, in any material amount, for any purpose other than the approximate amounts and for the purposes specified under the caption "Use of Proceeds" in the Disclosure Package.

5O. Government Approvals and Licenses; Compliance with Law

The Company will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the Permitted Business, (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except in each case to the extent that failure so to obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Company and its Restricted Subsidiaries taken as a whole or (b) the ability of the Company or any Subsidiary Guarantor to perform its obligations under the Notes, the relevant Note Guarantee, the Indenture or the Conditions.

5P. Maintenance of Insurance

The Company shall and cause each of its Subsidiaries to maintain insurance policies covering such risks, in such amounts and with such terms as are normally carried by similar companies engaged in a similar business to the Permitted Business in the country in which such entity is located.

5Q. Payment of Stamp Duties and Other Taxes

The Company will pay any present or future stamp, court or documentary duties or taxes, or any other excise or property taxes, charges or similar levies which arise under the laws of the Republic of Indonesia, or the United States or any political subdivision or taxing authority thereof respectively, from the execution, delivery, registration, enforcement, redemption or retirement of the Notes or any other document or instrument relating thereto.

5R. Listing of the Notes

The Company shall make such filings, registrations or qualifications and take all other necessary action and will use its best efforts to obtain such consents, approvals and authorizations, if any, and satisfy all conditions that the SGX-ST may impose on listing of the Notes and shall use its best efforts to obtain such listing by no later than the fifth Business Day following the Issue Date and maintain such listing.

5S. No Payments for Consents

The Company will not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture, the Conditions, the Notes or the Note Guarantees unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or amendment.

6 Successor Corporation

6A. Limitations on Mergers, Consolidations, Etc.

The Company will not, directly or indirectly, in a single transaction or a series of related transactions, consolidate or merge with or into another Person, permit any Person to merge with or into it, or sell, lease, transfer, convey or otherwise dispose of or assign all or substantially all of the assets of the Company and the Restricted Subsidiaries (taken as a whole) unless:

(1) either:

(a) the Company will be the surviving or continuing Person; or

the Person formed by or surviving such consolidation or merger or to which such sale, lease, transfer conveyance or other disposition shall be made (or, in the case of a Plan of Liquidation, any Person to which assets are transferred) (collectively, the "**Successor**") is a corporation organized and existing under the laws of Indonesia, Singapore, Mauritius, any member state of the European Union or the British Virgin Islands or any State of the United States of America or the District of Columbia, and the Successor expressly assumes, by supplemental indenture in form satisfactory to the Trustee, all of the obligations of the Company under its Note Guarantee, the Indenture and the Conditions;

(2) immediately after giving effect to such transaction (and treating any Indebtedness which becomes an obligation of the Successor or any Subsidiary as a result of such transaction as having been incurred by such Successor or such Subsidiary at the time of such transaction), no Default shall have occurred and be continuing;

(3) immediately after and giving effect to such transaction on a pro forma basis, (a) the Consolidated Net Worth of the Company or the Successor, as the case may be, would be at least equal to the Consolidated Net Worth of the Company immediately prior to such transaction and (b) the Company or the Successor, as the case may be, could incur U.S.$1.00 of additional Indebtedness pursuant to the Ratio Exception;

(4) each Subsidiary Guarantor, unless such Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under this section, shall execute and deliver a supplemental indenture to the Indenture in form satisfactory to the Trustee confirming that its Subsidiary Guarantee shall apply to the obligations of the Company or the Successor in accordance with the Notes and the Indenture;

(5) no Rating Decline shall have occurred; and

(6) the Company delivers to the Trustee (a) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clause (3) above) and (b) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and such supplemental indenture complies with this provision and that all conditions precedent provided for herein relating to such transaction have been complied with.

No Subsidiary Guarantor will, directly or indirectly, in a single transaction or a series of related transactions, consolidate or merge with or into another Person, permit any Person to merge with or into it, or sell, lease, transfer, convey or otherwise dispose of or assign all or substantially all of its assets to another Person (other than the Company or another Restricted Subsidiary), unless:

(1) either:

(a) such Subsidiary Guarantor will be the surviving or continuing Person; or

the Person formed by or surviving any such consolidation or merger assumes, by supplemental indenture in form satisfactory to the Trustee, all of the obligations of such Subsidiary Guarantor under its Subsidiary Guarantee and the Indenture;

(2) immediately after giving pro forma effect to such transaction, no Default shall have occurred and be continuing;

(3) immediately after giving pro forma effect to such transaction, (a) the Consolidated Net Worth of the Company would be at least equal to the Consolidated Net Worth of the Company immediately prior to such transaction and (b) the Company could incur U.S.$1.00 of additional Indebtedness pursuant to the Ratio Exception;

(4) no Rating Decline shall have occurred; and

(5) the Company delivers to the Trustee (a) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clause (3) above) and (b) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and such supplemental indenture complies with this provision and that all conditions precedent provided for herein relating to such transaction have been complied with;

provided that this paragraph shall not apply to any sale or other disposition (not being the sale or disposition of all or substantially all of its properties or assets) that complies with the "Limitations on Asset Sales" covenant or the "Limitations on Sale and Leaseback Transactions" covenant or any Restricted Subsidiary whose Subsidiary Guarantee is unconditionally released in accordance with the provisions described under Clause 10.5 (*Release of Subsidiary Guarantee of a Subsidiary Guarantor*) of the Indenture.

For purposes of the foregoing, the transfer (by lease, assignment, sale or otherwise, in a single transaction or series of transactions) of all or substantially all of the assets of one or more Restricted Subsidiaries, the Equity Interests of which constitute all or substantially all of the assets of the Company, will be deemed to be the transfer of all or substantially all of the assets of the Company.

Upon any consolidation, combination or merger of the Company or a Subsidiary Guarantor, or any transfer of all or substantially all of the assets of the Company in accordance with the foregoing, in which the Company or such Subsidiary Guarantor is not the continuing obligor under the Notes or its Note Guarantee, the surviving entity formed by such consolidation or into which the Company or such Subsidiary Guarantor is merged or to which the conveyance, lease or transfer is made will succeed to, and be substituted for, and may exercise every right and power of, the Company or such Subsidiary Guarantor under the Indenture, the Notes and the Note Guarantees with the same effect as if such surviving entity had been named therein as the Company or such Subsidiary Guarantor and, except in the case of a conveyance, transfer or lease, the Company or such Subsidiary Guarantor, as the case may be, will be released from the obligation to pay the principal of and interest on the Notes or in respect of its Note Guarantee, as the case may be, and all of the Company's or such Subsidiary Guarantor's other obligations and covenants under the Notes, the Indenture and its Note Guarantee, if applicable.

6B. Successor Person Substituted

(1) Upon any consolidation, combination or merger of the Company or a Subsidiary Guarantor, or any transfer of all or substantially all of the assets of the Company in accordance with Condition 6A, in which the Company or such Subsidiary Guarantor is not the continuing obligor under the Notes or its Note Guarantee, the surviving entity formed by such consolidation or into which the Company or such Subsidiary Guarantor is merged or the Person to which the conveyance, lease or transfer by the Company is made will succeed to, and be substituted for, and may exercise every right and power of, the Company or such Subsidiary Guarantor under the Indenture, the Notes and the Note Guarantees with the same effect as if such surviving entity had been named therein as the Company or such Subsidiary Guarantor and, except in the case of a lease, the Company or such Subsidiary Guarantor, as the case may be, will be released from the obligation to pay the principal of and interest on the Notes or in respect of its Note Guarantee, as the case may be, and all of the Company's or such Subsidiary Guarantor's other obligations and covenants under the Notes, the Indenture and its Note Guarantee, if applicable.

(2) Notwithstanding the foregoing, any Restricted Subsidiary may consolidate with, merge with or into or convey, transfer or lease, in one transaction or a series of transactions, all or substantially all of its assets to the Company or another Restricted Subsidiary.

7 Events of Default

Each of the following is an "Event of Default":

(1) failure to pay interest on any of the Notes when it becomes due and payable and the continuance of any such failure for 30 days;

(2) failure to pay the principal of, or premium, if any, on, any of the Notes when it becomes due and payable, whether at stated maturity, upon redemption, upon purchase, upon acceleration or otherwise;

(3) failure by the Company or any Restricted Subsidiary to comply with any of its agreements or covenants described above under Condition 6A (Limitations on Mergers, Consolidations, Etc.) or in respect of its obligations to make a Change of Control Offer as described above under Condition 5L (Change of Control) or Net Proceeds Offer as described above under Condition 5F (Limitations on Asset Sales);

(4) failure by the Company or any Restricted Subsidiary to comply with any other agreement or covenant in the Indenture or the Conditions (other than a default specified in clause (1), (2) or (3) above) and continuance of this failure for 30 days after notice of the failure has been given to the Company by the Trustee or by the Holders of at least 25% of the aggregate principal amount of the Notes then outstanding;

(5) default under any mortgage, indenture or other instrument or agreement under which there may be issued or by which there may be secured or evidenced Indebtedness of the Company or any Restricted Subsidiary, whether such Indebtedness now exists or is incurred after the Issue Date, which default:

(a) is caused by a failure to pay when due principal of, or premium, if any, on, such Indebtedness, or

(b) results in the acceleration of such Indebtedness (or, except in the case of Indebtedness owed to the Government of Indonesia, Export Credit Agencies or Multi-lateral Lending Agencies, renders such Indebtedness capable of being accelerated) prior to its express final maturity, and

in each case, the principal amount of such Indebtedness, together with any other Indebtedness with respect to which an event described in clause (a) or (b) has occurred and is continuing, aggregates U.S.$20 million (or the Dollar Equivalent thereof) or more;

(6) one or more final judgments or orders that exceed U.S.$5 million (or the Dollar Equivalent thereof) in the aggregate for the payment of money have been entered by a court or courts of competent jurisdiction against the Company or any Restricted Subsidiary and such judgment or judgments have not been satisfied, stayed, annulled or rescinded for a period of 60 days during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

(7) the Company or any Restricted Subsidiary pursuant to or within the meaning of any Bankruptcy Law:

(a) commences a voluntary case;

consents to the entry of an order for relief against it in an involuntary case;

consents to the appointment of a Custodian of it or for all or substantially all of its assets; or makes a general assignment for the benefit of its creditors;

(8) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(a) is for relief against the Company or any Restricted Subsidiary as debtor in an involuntary case;

appoints a Custodian of the Company or any Restricted Subsidiary or a Custodian for all or substantially all of the assets of the Company or any Restricted Subsidiary; or

orders the liquidation of the Company or any Restricted Subsidiary, and the order or decree remains unstayed and in effect for 60 days;

(9) any Note Guarantee ceases to be in full force and effect (other than in accordance with the terms of such Note Guarantee and the Indenture) or is declared null and void and unenforceable or found to be invalid or any Subsidiary Guarantor denies its liability under its Note Guarantee (other than by reason of release of a Subsidiary Guarantor from its Note Guarantee in accordance with the terms of the Indenture and the Note Guarantee);

(10) a moratorium is agreed or declared in respect of any Indebtedness of the Company or any Subsidiary Guarantor or any governmental authority shall take any action to condemn, seize, nationalize or appropriate all or a substantial part of the assets of the Company or any Subsidiary Guarantor or all or a substantial part of the Capital Stock of the Company or any Subsidiary Guarantor, the Notes or any Note Guarantee, or the Company or any Subsidiary Guarantor shall be prevented from exercising normal control over all or a substantial part of its property;

(11) the Company or any Subsidiary Guarantor repudiates the Indenture, the Notes or any Note Guarantee or does or causes or permits to be done any act or thing evidencing an intention to repudiate such agreement; or

(12) the capital and/or currency exchange controls in place in the Republic of Indonesia on the Issue Date shall be modified or amended in a manner that prevents or will prevent the Company or any Subsidiary Guarantor from performing its payment obligations under the Indenture, the Notes or any Note Guarantee.

If an Event of Default (other than an Event of Default specified in Condition 7(7) or Condition 7(8)) shall have occurred and be continuing under the Indenture or the Notes, the Trustee, by written notice to the Company, or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company and the Trustee, may declare all amounts owing under the Notes to be due and payable immediately. Upon such declaration of acceleration, the aggregate principal of and accrued and unpaid interest on the outstanding Notes shall immediately become due and payable; provided, however, that after such acceleration, but before a judgment or decree based on acceleration, the Holders of a majority in aggregate principal amount of such outstanding Notes may, under certain circumstances, rescind and annul such acceleration:

(1) if the rescission would not conflict with any judgment or decree;

(2) if all Events of Default, other than nonpayment of principal or interest that has become due solely because of the acceleration, have been cured or waived;

(3) to the extent the payment of such interest is lawful, interest on overdue installments of interest and overdue principal, which has become due otherwise than by such declaration of acceleration, has been paid;

(4) the Company has paid all sums paid or advanced by the Trustee hereunder and its compensation and reimbursed the Trustee for its expenses, disbursements and advances and those of its agents and counsel; and

(5) in the event of the cure or waiver of an Event of Default of the type described in Condition 7(7) or Condition 7(8)) above, the Trustee shall have received an Officers' Certificate and an Opinion of Counsel that such Event of Default has been cured or waived.

No such rescission shall affect any subsequent Default or impair any right consequent thereto. If an Event of Default specified in Condition 7(7) or Condition 7(8)) occurs with respect to the Company or any Restricted Subsidiary and is continuing, then all unpaid principal of, premium, if any, and accrued and unpaid interest on all of the outstanding Notes shall ipso facto become and be immediately due and payable without any notice, declaration or other act on the part of the Trustee or any Holder.

8 Redemption

(a) **Redemption by Installments and Final Redemption**:

(i) Unless previously redeemed, purchased and cancelled each Note that provides for Installment Dates and Installment Amounts shall be partially redeemed on each Installment Date at the related Installment Amount specified in the Pricing Supplement. The outstanding nominal amount of each such Note shall be reduced by the Installment Amount (or, if such Installment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Installment Date, unless payment of the Installment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Installment Amount.

(ii) Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified in the Pricing Supplement at its Final Redemption Amount (which, unless otherwise provided in the Pricing Supplement, is its nominal amount) or, in the case of a Note falling within Condition 8(a)(i) above, its final installment Amount.

Early Redemption:

(i) *Zero Coupon Notes*:

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 8(c) or upon it becoming due and payable as provided in Condition 7 shall be the Amortized Face Amount (calculated as provided below) of such Note unless otherwise specified in the Pricing Supplement.

(B) Subject to the provisions of Condition 8(b)(i)(C) below, the Amortized Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortization Yield (which, if none is shown in the Pricing Supplement, shall be such rate as would produce an Amortized Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 8(c) or upon it becoming due and payable as provided in Condition 7 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortized Face Amount of such Note as defined in Condition 8(b)(i)(B) above, except that such Condition shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortized Face Amount in accordance with this Condition 8(b)(i)(C) shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 7.

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown in the Pricing Supplement.

(ii) *Other Notes*: The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 8(c) or upon it becoming due and payable as provided in Condition 7, shall be the Final Redemption Amount unless otherwise specified in the Pricing Supplement.

Redemption for Taxation Reasons:

The Notes may be redeemed, at the option of the Company or a Successor, in whole but not in part, on any Interest Payment Date (if the Note is either a Floating Rate Note or an Index Linked Note) or at any time (if the Note is neither a Floating Rate Note nor an Index Linked Note), upon giving not less than 30 days' but not more than 60 days' notice to the Holders (which notice shall be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company or the Successor, as the case may be, for redemption if, as a result of:

(i) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) or treaties of a Relevant Taxing Jurisdiction affecting taxation; or

(ii) any change in the existing official position, application or interpretation of or the stating of an official position, regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction) or treaties,

which change or amendment is announced and becomes effective on or after the Issue Date, the Company, a Successor or a Subsidiary Guarantor, as the case may be, is, or on the next date of interest payment on the Notes would be, required to pay Additional Amounts with respect to any payment due or to become due under the Notes, the Note Guarantees or the Indenture, and such requirement cannot be avoided by the taking of reasonable measures by the Company, a Successor or a Subsidiary Guarantor, as the case may be; provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company, a Successor or a Subsidiary Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due; provided further that where any such requirement to pay Additional Amounts is due to taxes of the Republic of Indonesia (or any political subdivision or taxing authority thereof or therein), the Company or such Successor shall be permitted to redeem the Notes in accordance with the provisions above only if the rate of withholding or deduction so required is in excess of 20.0% (the "**Minimum Withholding Level**").

Prior to the publication and mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company, a Successor or a Subsidiary Guarantor, as the case may be, will deliver to the Trustee:

(1) an Officers' Certificate stating that such change or amendment referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company, a Successor or a Subsidiary Guarantor, as the case may be, by taking reasonable measures available to it;

(2) an Opinion of Counsel or an opinion of a tax consultant of internationally recognized standing that the requirement to pay such Additional Amounts results from such change or amendment referred to in the prior paragraph; and

(3) in the case of a redemption where the Minimum Withholding Level has been exceeded, an Opinion of Counsel or an opinion of a tax consultant of internationally recognized standing that the Company, the Successor or any Subsidiary Guarantor, as the case may be, has or will become obliged to pay Additional Amounts exceeding the Minimum Withholding Level.

The Trustee shall accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders.

Redemption at the Option of the Company:

If Call Option is specified in the Pricing Supplement, the Company or a Successor may, on giving not less than 20 nor more than 30 days' irrevocable notice to the Holders (or such other notice period as may be specified in the Pricing Supplement) redeem all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified in the Pricing Supplement and no greater than the Maximum Redemption Amount to be redeemed specified in the Pricing Supplement.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 8(d).

In the case of a partial redemption the notice to Holders shall, in the case of Bearer Notes, also contain the certificate numbers of the Bearer Notes or, in the case of Registered Notes, specify the nominal amount of Registered Notes selected and the holder(s) of such Registered Notes, to be redeemed, which shall have been selected in such place as the Trustee may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

Redemption at the Option of Holders:

If Put Option is specified in the Pricing Supplement, the Company or a Successor shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Company (or such other notice period as may be specified in the Pricing Supplement) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit a duly completed option exercise notice in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period with the Registrar or any Transfer Agent at its specified office, in the case of Definitive Notes together with the relevant Definitive Note representing such Note(s). No Note so deposited and option exercised may be withdrawn without the prior consent of the Company.

Partly Paid Notes:

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition 8 and the provisions specified in the Pricing Supplement.

9 Replacement, Exchange and Transfer of Notes

(a) Upon the terms and subject to the conditions set forth in the Indenture, in case any Note shall become mutilated, defaced or be apparently destroyed, lost or stolen, the Company will execute, and upon the request of the Company, the Trustee or the Registrar, as applicable, shall authenticate and deliver, a new Note bearing a number not contemporaneously Outstanding, in exchange and substitution for the mutilated or defaced Note, or in lieu of and in substitution for the apparently destroyed, lost or stolen Note. In every case, the applicant for a substitute Note shall furnish to the Company and to the Trustee such security and/or indemnity as may be required by each of them to indemnify, defend and to save each of them and any agent of the Company or the Trustee harmless and, in every case of destruction, loss or theft, evidence to their satisfaction of the apparent destruction, loss or theft of such Note and of the ownership thereof. Upon the issuance of any substitute Note, the Holder of such Note, if so requested by the Company, shall pay a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee and counsel to the Trustee) connected with the preparation and issuance of the substitute Note.

(b) Upon the terms and subject to the conditions set forth in the Indenture, and subject to Condition 9(e), a Definitive Note or Notes may be changed for an equal aggregate principal amount of Certificated Securities in the Specified Denominations, and a beneficial interest in the Registered Global Security may be exchanged for Certificated Securities in the Specified Denominations or for a beneficial interest in another Registered Global Security by the Holder or Holders surrendering the Note or Notes for exchange at the Corporate Trust Office of the Trustee in The City of New York or at the office of a transfer agent, together with a written request for the exchange. Definitive Notes will only be issued in exchange for interests in a Registered Global Security pursuant to Clauses 2.5.7 through 2.5.11 of the Indenture. The exchange of the Notes will be made by the Trustee in The City of New York.

(c) Upon the terms and subject to the conditions set forth in the Indenture, and subject to Condition 9(e), a Certificated Security may be transferred in whole or in a smaller Specified Denomination by the Holder or Holders surrendering the Certificated Security for transfer at the Corporate Trust Office of the Trustee in The City of New York or at the office of a Paying Agent accompanied by an executed instrument of transfer substantially as set forth in Exhibit K to the Indenture. The registration of transfer of the Notes will be made by the Trustee in The City of New York.

(d) The costs and expenses of effecting any exchange, transfer or registration of transfer pursuant to this Condition 9 will be borne by the Company, except for the expenses of delivery (if any) not made by regular mail and the payment of a sum sufficient to cover any stamp duty, transfer tax or other governmental charge or insurance charge that may be imposed in relation thereto, which will be borne by the Holder.

(e) The Trustee may decline to accept any request for an exchange or registration of transfer of any Registered Note during the period of 15 days preceding the due date for any payment of principal of or interest on the Registered Notes.

10 Trustee

For a description of the duties and the immunities and rights of the Trustee under the Indenture, reference is made to the Indenture, and the obligations of the Trustee to the Holder of a Note are subject to such immunities and rights.

11 Paying Agents; Transfer Agents; Registrar

The Company has initially appointed the Paying Agents, transfer agents and registrar. The Company may at any time appoint additional or other Paying Agents, transfer agents and, with respect to Registered Notes, registrars and terminate the appointment of those or any Paying Agents, transfer agents and registrar, provided that while the Notes are Outstanding the Company will maintain in London and, with respect to Registered Notes, New York City (i) a Paying Agent, (ii) an office or agency where the Notes may be presented for exchange, transfer and registration of transfer as provided in the Indenture and (iii) with respect to Registered Notes, a registrar. In addition, if and for so long as the Securities are listed on the SGX-ST and the rules of such exchange so require, the Company will maintain a Paying Agent and Transfer Agent in Singapore. Notice of any such termination or appointment and of any change in the office through which any Paying Agent, transfer agent or registrar will act will be promptly given in the manner described in Condition 13.

12 Enforcement

Subject to Clause 4.7 of the Indenture, no Holder shall have any right to institute any proceeding with respect to the Indenture or the Notes or any remedy thereunder, unless the Trustee (i) has failed to act for a period of 60 days after receiving written notice of a continuing Event of Default by such Holder and a request to act by Holders of at least 25% in aggregate principal amount of Notes outstanding; (ii) has been offered indemnity and/or security satisfactory to it; and (iii) has not received from the Holders of a majority in aggregate principal amount of the outstanding Notes a direction inconsistent with such request; provided, however that such limitations do not apply to a suit instituted by a Holder for enforcement of payment of the principal of or interest on such Note on or after the due date therefor (after giving effect to the grace period specified in Condition 7(1)).

13 Notices

Notices by the Company will be in writing in the English language and will be mailed to Holders of Notes at their registered addresses and shall be deemed to have been given on the date of such mailing. So long as the Notes are listed on the SGX-ST and the rules of the exchange so require, notices to Holders will be valid if published in a daily newspaper having general circulation in Singapore (which is expected to be The Business Times). Any such notice shall be deemed to have been given on the date of such publication, or if published more than once, on the first date on which publication is made. If publication is not practicable, the Company will have validly given notice if it gives notice in accordance with the rules of the SGX-ST.

14 Further Issues of Notes

The Company may, without the consent of the Holders, create and issue additional Notes with the same terms and conditions as the Notes (or that are the same except for the amount of the first interest payment and for the interest paid on the Notes prior to the issuance of the additional Notes). The Company may consolidate such additional Notes with the outstanding Notes to form a single Series, so long as (i) such additional Notes do not have a greater amount of original issue discount for United States federal tax purposes than the outstanding Notes have as of the date of the issue of such additional Notes or (ii) such additional Notes do not bear the same CUSIP number, ISIN number or Common Code as the outstanding Notes unless the additional Notes are fungible with the outstanding Notes for U.S. federal income tax purposes.

15 No Sinking Fund

The Notes will not be subject to any sinking fund.

16 Authentication

A Note shall not become valid or obligatory until the certificate of authentication hereon shall have been duly signed by the Trustee or its agent.

17 Governing Law; Agent for Service; Submission to Jurisdiction; Waiver of Immunity

(a) The Notes will be governed by and interpreted in accordance with the laws of the State of New York.

(b) The Company hereby irrevocably submits to the non-exclusive jurisdiction of any New York State or United States Federal Court located in the Borough of Manhattan, The City of New York, over any suit, action or proceeding arising out of or relating to the Indenture, the Guarantee or any Note. The Company hereby irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of venue of any such suit, action or proceeding brought in such courts and any claim that any such suit, action or proceeding brought in such courts has been brought in an inconvenient forum. To the extent that the Company has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process with respect to itself or its property, the Company hereby irrevocably waives such immunity in respect of its obligations under the Indenture, the Guarantee and any Note. The Company agrees that final judgment in any such suit, action or proceeding brought in such a court shall be conclusive and binding on the Company and, to the extent permitted by applicable law, may be enforced in any court to the jurisdiction of which the Company, as the case may be, is subject by a suit upon such judgment or in any manner provided by law; provided that service of process is effected upon the Company, as the case may be, in the manner specified in the following paragraph or as otherwise permitted by law.

(c) As long as any of the Notes remain Outstanding, the Company shall at all times have an authorized agent in New York City upon whom process may be served in any legal action or proceeding arising out of or relating to this Indenture, the Guarantee or any Note. Service of process upon such agent and written notice of such service mailed or delivered to the Company, as the case may be, shall to the fullest extent permitted by law be deemed in every respect effective service of process upon the Company in any such legal action or proceeding. The Company has appointed CT Corporation System as its agent for such purpose, and covenants and agrees that service of process in any suit, action or proceeding may be made upon it at the office of such agent at 111 Eighth Avenue, New York, New York 10011 (or at such other address or at the office of such other authorized agent as the Company, as the case may be, may designate by written notice to the Trustee from time to time).

(d) The Company will not bring any claim or otherwise initiate any legal action in any court or other tribunal in Indonesia against the Trustee, any Agents or any Holder of the Notes (in their capacity as a Holder of the Notes) on the basis that any offering of the Notes by the Company, the Indenture, any Guarantee of the Notes pursuant to the Indenture, any purchase agreements entered into by the Company in relation to the issue and sale of the Notes by the Issuer under the Indenture or any transaction contemplated thereby is or was invalid or illegal under any Indonesian law, regulation, court order or decree or was induced in any way by fraud, manipulation, legal manufacturing, fiction, fabrication or other deceptive means.

18 Purchases of Notes by the Company

The Company may at any time purchase or acquire any of the Notes in any manner and at any price. The Notes which are purchased or acquired by the Company may, at the Company's discretion, be held, resold or surrendered to the Trustee for cancellation.

19 Amendment, Supplement and Waiver

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders under the Indenture and the Notes at any time by the Company and the Trustee with the consent of the Holders of a majority in aggregate principal amount of the Notes at the time outstanding. The Indenture also contains provisions permitting the Holders of a majority in aggregate principal amount of the Notes at the time outstanding, on behalf of the Holders of all Notes, to waive compliance by the Company with certain provisions of the Indenture and the Notes and certain past defaults under the Indenture and their consequences. Any such consent or waiver by or on behalf of the Holder of the Note shall be conclusive and binding upon such Holder and upon all future Holders of the Note and of any Note issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof whether or not notation of such consent or waiver is made upon the Note. Subject to the foregoing, the Indenture and the Notes may be amended by the Company and the Trustee, without the consent of any Holder, for the purpose of, among other things, curing any ambiguity, omission, defect or inconsistency, adding guarantees with respect to the Notes or to secure the Notes or making any change that does not adversely affect the rights of any Holder of the Notes.

No reference herein to the Indenture and no provision of the Note or of this Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of (and premium, if any) and interest and Additional Amount on the Note at the times, place, and rate, and in currency, herein prescribed.

20 Transfers

(a) Restricted Global Security

Unless otherwise specified in the applicable Pricing Supplement, if (1) the owner of a beneficial interest in a Restricted Global Security wishes to transfer such interest (or portion thereof) to a Non U.S. Person pursuant to Regulation S and (2) such Non U.S. Person wishes to hold its interest in the Note through a beneficial interest in the Unrestricted Global Security, (x) upon receipt by the Registrar, as Transfer Agent, of:

(i) instructions from the Holder of the Restricted Global Security directing the Custodian and Registrar to credit or cause to be credited a beneficial interest in the Unrestricted Global Security equal to the principal amount of the beneficial interest in the Restricted Global Security to be transferred; and

(ii) a certificate from the transferor as to compliance with Regulation S in form and substance required by the Indenture,

and (y) subject to the rules and procedures of DTC and the common depositary for Euroclear and Clearstream, the Registrar, as Transfer Agent, shall instruct DTC to increase the Unrestricted Global Security and decrease the Restricted Global Security by such amount in accordance with the foregoing, and the Registrar, as Transfer Agent, shall instruct the common depositary for Euroclear and Clearstream, as the case may be, concurrently with such reduction, to increase the principal amount of the Unrestricted Global Security of the same Series by the aggregate principal amount of the beneficial interest in the Restricted Global Security to be so exchanged or transferred, and to credit or cause to be credited to the account of the person specified in such instructions a beneficial interest in such Unrestricted Global Security equal to the reduction in the principal amount of such Restricted Global Security.

Unrestricted Global Security

Unless otherwise specified in the applicable Pricing Supplement, if the owner of an interest in a Unrestricted Global Security wishes to transfer such interest (or any portion thereof) to a QIB pursuant to Rule 144A prior to the expiration of the Distribution Compliance Period therefor, (x) upon receipt by the Registrar, as Transfer Agent, of:

(i) instructions from the Holder of the Unrestricted Global Security directing the Custodian and Registrar to credit or cause to be credited a beneficial interest in the Restricted Global Security equal to the principal amount of the beneficial interest in the Unrestricted Global Security to be transferred; and

(ii) a certificate from the transferor as to compliance with Rule 144A in form and substance required by the Indenture,

and (y) in accordance with the rules and procedures of DTC, the common depositary for Euroclear and Clearstream, the Registrar, as Transfer Agent, shall instruct DTC to increase the Restricted Global Security and decrease the Unrestricted Global Security by such amount in accordance with the foregoing and the Registrar, as Transfer Agent, shall instruct the common depositary for Euroclear and Clearstream, or the custodian for DTC, as applicable, to reduce the principal amount of the Unrestricted Global Security by the aggregate principal amount of the beneficial interest in such Unrestricted Global Security or to be exchanged or transferred, and the Registrar, as Transfer Agent, shall instruct DTC, concurrently with such reduction, to increase the principal amount of such Restricted Global Security by the aggregate principal amount of the beneficial interest in such Unrestricted Global Security to be so exchanged or transferred, and to credit or cause to be credited to the account of the person specified in such instructions a beneficial interest in the Restricted Global Security equal to the reduction in the principal amount of such Unrestricted Global Security.

Other Transfers or Exchanges

Any transfer of Restricted Global Securities not described above (other than a transfer of a beneficial interest in a Global Security that does not involve an exchange of such interest for a Certificated Security or a beneficial interest in another Global Security, which must be effected in accordance with applicable law and the rules and procedures of DTC, the common depositary for Euroclear and Clearstream, but is not subject to any procedure required by the Indenture) shall be made only upon receipt by the Registrar of such opinions of counsel, certificates and/or other information reasonably required by and satisfactory to it in order to ensure compliance with the Securities Act or in accordance with the above. Certificated Securities will not be exchangeable for Bearer Notes.

FORMS OF THE NOTES

The Notes of each Series will be in bearer or registered form.

Unless otherwise provided with respect to a particular Series, Notes of each Series sold outside the United States in reliance on Regulation S will be represented by interests in a Temporary Global Note (as defined below), Permanent Global Note (as defined below) or by a permanent global note in registered form, without interest coupons (an "Unrestricted Global Security"), which may be deposited with a common depositary for, and registered in the name of a nominee of, Euroclear and Clearstream. With respect to all offers or sales by a Dealer of an unsold allotment or subscription, beneficial interests in a Temporary Global Note or Bearer Notes issued in definitive form ("Definitive Bearer Note") may not be offered or sold to, or for the account or benefit of, a U.S. person (unless pursuant to the Securities Act or an exemption therefrom) and may be held only through Euroclear and Clearstream, as the case may be. Temporary Global Notes, Permanent Global Notes and Unrestricted Global Securities will be exchangeable for Bearer Definitive Notes or Certificated Securities, as applicable, only in limited circumstances as more fully described in Global Clearance and Settlement Systems.

Notes of each Series to be issued in registered form ("Registered Notes") may only be offered and sold in the United States in private transactions: (i) to QIBs or (ii) to Institutional Accredited Investors who agree to purchase the Notes for their own account and not with a view to the distribution thereof. Registered Notes of each Series sold in private transactions to QIBs pursuant to Rule 144A will, unless specified in the applicable Pricing Supplement, be represented by a restricted permanent global note in registered form, without coupons (a "Restricted Global Security") deposited with a custodian for, and registered in the name of a nominee of, DTC.

Registered Notes of each Series sold to Institutional Accredited Investors will be in definitive form, registered in the name of the holder thereof, such Notes are defined as 4(2) Notes in the Indenture. Notes in fully-registered certificated form (other than a global security (as defined below) evidencing all or part of a Series of Notes (each a "Certificated Security") will, at the request of the holder (except to the extent otherwise indicated in the applicable Pricing Supplement), be issued in exchange for interests in an Unrestricted Global Certificate or a Restricted Global Certificate (each a "Registered Global Security") upon compliance with the procedures for exchange as described in the Indenture.

Notes of each Series to be issued in bearer form ("Bearer Notes") will be initially represented by either a temporary global Note (a "Temporary Global Note") or a permanent global Note (a "Permanent Global Note" and together with a Temporary Global Note, a "Bearer Global Note") that will be deposited on the issue date thereof with a common depositary on behalf of Euroclear and Clearstream or any other agreed clearance system compatible with Euroclear and Clearstream.

Each Bearer Note, Receipt, Coupon and Talon will bear the following legend: "Any United States person (as defined in the Internal Revenue Code of the United States) who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".

Bearer Notes will be assigned a Common Code and relevant ISIN (as applicable). Registered Notes will be assigned (as applicable) a Common Code, ISIN and CUSIP number. If a further Series is issued in the case of a Temporary Global Note, the Trustee shall arrange that the Notes of such Series shall be assigned (as applicable) a CUSIP number, Common Code and a relevant ISIN that are different from the CUSIP number, Common Code and relevant ISIN, as the case may be, assigned to Notes of any other Series until such time as is required by applicable law. At the end of such period, the CUSIP number, Common Code and relevant ISIN, as the case may be, thereafter applicable to the Notes of the relevant Series will be notified by the Trustee to the Relevant Dealers.

Each Temporary Global Note will be exchangeable, free of charge to the Noteholder, on or after its Exchange Date:

(a) if the relevant Pricing Supplement indicates that such Temporary Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see "Subscription and Sale"), in whole, but not in part, for the Definitive Bearer Notes described below; and

(b) in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Indenture for interests in a Permanent Global Note or, if so provided in the relevant Pricing Supplement, for Definitive Bearer Notes.

Each Permanent Global Note will be exchangeable, free of charge to the Noteholder, on or after its Exchange Date in whole but not in part for Definitive Bearer Notes:

(a) an Event of Default has occurred in respect of any Note of the relevant Series; or

(b) if the Permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so.

In the event that a Bearer Global Note is exchanged for Definitive Bearer Notes, such Definitive Bearer Notes shall be issued in Specified Denomination(s) only. A holder of Notes with a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

Exchange Date means the later of (i) 40 days after the Issue Date and (ii) the expiration of the period that ends 40 days after completion of the distribution of the relevant Series of Notes, as certified by the Relevant Dealer(s) to the Company and the Trustee and is a day (other than a Saturday or Sunday) on which banks in the city where the Bearer Global Note is deposited is open for business.

All Notes will be issued pursuant to the Indenture.

No beneficial owner of an interest in a Global Security will be able to exchange or transfer that interest, except in accordance with the applicable procedures of DTC, Euroclear and/or Clearstream, in each case, to the extent applicable.

So long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Company shall appoint and maintain a paying agent in Singapore, where such Notes may be presented or surrendered for payment or redemption, in the event that the Global Security representing such Notes is exchanged for definitive Notes. In addition, an announcement of such exchange will be made through the SGX-ST. Such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

FORM OF PRICING SUPPLEMENT

Pricing Supplement dated [●]
PERUSAHAAN PERSEROAN (PERSERO) PT PERUSAHAAN LISTRIK NEGARA

Issue of [Aggregate Nominal Amount of Series] [Title of Notes] (the "**Notes**")
under its U.S.$2,000,000,000 Global Medium Term Note Program

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth

in the Offering Memorandum dated September 21, 2011 [and the supplemental [Offering Memorandum] dated [●]]]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Memorandum [as so supplemented].

[*The following alternative language applies if the first issue of a Series which is being increased was issued under Offering Memorandum with an earlier date.*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Offering Memorandum dated [original date]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Memorandum dated [current date] [and the supplemental Offering Memorandum dated [●]], save in respect of the Conditions which are extracted from the Offering Memorandum dated [original date] and are attached hereto.]

[*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Pricing Supplement.*]

1	Issuer:		Perusahaan Perseroan (Persero) PT Perusahaan Listrik Negara
2	[(i)]	Series Number:	[●]
	[(ii)	Tranche]:	[●]
3	Specified Currency or Currencies:		[●]
4	Aggregate Nominal Amount:		[●]
5	[(i)]	Issue Price:	[●]% of the Aggregate Nominal Amount [plus accrued interest from *[insert date]* (*in the case of fungible issues only*, if applicable)]
	[(ii)	Net Proceeds:	[●] (Required only for listed issues)]
6	(i)	Specified Denominations:	[●]
	(ii)	Calculation Amount:	[●]
7	(i)	Issue Date:	[●]
	(ii)	Interest Commencement Date:	[*Specify*/Issue Date/Not Applicable]
8	Maturity Date:		[*Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*]
9	(i)Interest Basis:		[●% Fixed Rate] [[*specify reference rate*] +/- ●% Floating Rate]

		[Zero Coupon] [Other (*specify*)] (further particulars specified below)
	(ii) Default Rate:	[[●] (*specify*/None)]
10	Redemption/Payment Basis:	[Redemption at par] [Partly Paid] [Instalment] [Other (*specify*)]
11	Change of Interest or Redemption/ Payment Basis:	[*Specify details of any provision for convertibility of Notes into another interest or redemption/ payment basis*]
12	Put/Call Options:	[Investor Put] [Issuer Call] [(further particulars specified below)]
13	[(i)] Status of the Notes:	Senior
	[(ii) Guarantee:	[Not Applicable/*give details*]
14	Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15	**Fixed Rate Note Provisions**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Rate[(s)] of Interest:	[●]% per annum [payable [annually/semi-annually/quarterly/monthly] in arrears]
	(ii) Interest Payment Date(s):	[●] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]/not adjusted]
	(iii) Fixed Coupon Amount[(s)]:	[●] per Calculation Amount
	(iv) Broken Amount(s):	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
	(v) Day Count Fraction:	[30/360 / Actual/Actual (ICMA/ISDA) / other]
	(vi) [Determination Dates:	[●] in each year (*insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual(ICMA)*)]
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/*give details*]
16	**Floating Rate Note Provisions**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Interest Period(s):	[●]
	(ii) Specified Interest Payment Dates:	[●]

(iii)	Interest Period Date:	[●] (*Not applicable unless different from Interest Payment Date*)
(iv)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
(v)	Business Centre(s):	[●]
(vi)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other (*give details*)]
(vii)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Agent]):	[●]
(viii)	Screen Rate Determination:	
	— Reference Rate:	[●]
	— Interest Determination Date(s):	[●]
	— Relevant Screen Page:	[●]
(ix)	ISDA Determination:	
	— Floating Rate Option:	[●]
	— Designated Maturity:	[●]
	— Reset Date:	[●]
(x)	Margin(s):	[+/-][●]% per annum
(xi)	Minimum Rate of Interest:	[●]% per annum
(xii)	Maximum Rate of Interest:	[●]% per annum
(xiii)	Day Count Fraction:	[●]
(xiv)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[●]
17	**Zero Coupon Note Provisions**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(xv)	Amortisation Yield:	[●]% per annum
(xvi)	Any other formula/basis of determining amount payable:	[●]

18	**Index-Linked Interest Note Provisions**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Index/Formula:	[*give or annex details*]
	(ii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Agent]):	[●]
	(iii)	Provisions for determining Rate of Interest and/or Interest Amount where calculation by reference to Index and/or Formula is impossible or impracticable or otherwise disrupted:	[●]
	(iv)	Interest Determination Date(s):	[●]
	(v)	Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[●]
	(vi)	Interest Period(s):	[●]
	(vii)	Specified Interest Payment Dates:	[●]
	(viii)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
	(ix)	Business Center(s):	[●]
	(x)	Minimum Rate of Interest:	[●]% per annum
	(xi)	Maximum Rate of Interest:	[●]% per annum
	(xii)	Day Count Fraction:	[●]
19	**Dual Currency Note Provisions**		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(i)	Rate of Exchange/method of calculating Rate of Exchange:	[*give details*]
	(ii)	Party, if any, responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Agent]);	[●]
	(iii)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[●]
	(iv)	Person at whose option Specified Currency(ies) is/are payable:	[●]

PROVISIONS RELATING TO REDEMPTION

20	**Call Option**	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) of each Note and specified denomination method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(iii) If redeemable in part:	
	(a) Minimum Redemption Amount:	[●] per Calculation Amount
	(b) Maximum Redemption Amount:	[●] per Calculation Amount
	(iv) Notice period	[●]
21	**Put Option**	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(v) Optional Redemption Date(s):	[●]
	(vi) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(vii) Notice period	[●]
22	**Final Redemption Amount of each Note**	[●] per Calculation Amount
23	**Early Redemption Amount**	
	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions):	[●]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24	(i) Form of Notes:	[Bearer Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice] [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]]

		(N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: "EUR50,000 and integral multiples of EUR1,000 in excess thereof up to and including EUR99,000". In addition, the "limited circumstances specified in the Permanent Global Note" option may have to be amended to permit such Specified Denomination construction. Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.)]
		[Registered Notes]
	(ii) Applicable TEFRA exemption	[C Rules/ D Rules/ Not Applicable]
25	New Global Note:	[Yes] [No]
26	Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature):	[Yes/No. If yes, give details]
27	Financial Center(s) or other special provisions relating to Payment Dates:	*[Note that this paragraph relates to the Payment Date and Place of Payment, and not interest period end dates, to which sub paragraphs 16 (ii), 17(iv) and 19(vii) relate]*
28	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details*]
29	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	[Not Applicable/*give details*]
30	Redenomination, Renominalisation and Reconventioning:	[Not Applicable/The provisions [in Condition 2C] [annexed to this Pricing Supplement] apply]
31	Consolidation provisions:	[Not Applicable/The provisions [In Condition ●] [annexed to this Pricing Supplement] apply]
32	Use of Proceeds:	[Not Applicable/*give details*]
33	Other terms or special conditions:	[Not Applicable/*give details*]

DISTRIBUTION

34	(i) If syndicated, names of Managers:	[Not Applicable/*give names*]
	(ii) Stabilizing Manager(s) (if any):	[Not Applicable/*give name*]
35	If non-syndicated, name of Dealer:	[Not Applicable/*give name*]

36	Additional selling restrictions:	[Not Applicable/*give details*]

OPERATIONAL INFORMATION

37	ISIN Code:	[●]
38	CUSIP:	[●]
39	Common Code:	[●]
40	Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking société anonyme and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
41	Delivery:	Delivery [against/free of] payment
42	Additional Paying Agent(s) (if any):	[●]

[PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for issue and admission to trading on the Singapore Exchange Securities Trading Limited of the Notes described herein pursuant to the U.S.$2,000,000,000 Global Medium Term Note Program of the Issuer.]

RESPONSIBILITY

The Issuer and [and the Guarantor(s)] accept responsibility for the information contained in this Pricing Supplement.

Signed on behalf of Perusahaan Perseroan (Persero) PT Perusahaan Listrik Negara

By: ____________________________

Duly authorized

GLOBAL CLEARANCE AND SETTLEMENT SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear and Clearstream (together, the "Clearing Systems") currently in effect. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. Our Company, any Arranger, Dealer, Trustee, Agent and party to the Indenture will not have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The relevant Pricing Supplement will specify the Clearing System(s) applicable for each series.

DTC

DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the United States Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the United States Securities Exchange Act of 1934, as amended. DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions among participants in such securities through electronic book-entry changes in accounts of the participants, thereby eliminating the need for physical movement of security certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Indirect access to DTC is available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC participant either directly or indirectly.

DTC will take any action permitted to be taken by the holder of a beneficial interest in a Global Security (including, without limitation, the presentation of a Global Security for exchange) only at the direction of one or more participants to whose account with DTC interests in such Registered Global Security are credited and only in respect of such portion of the aggregate principal amount of Notes in respect of which such participant or participants has or have given such direction. If an Event of Default under the Notes occurs, DTC will exchange the Global Security for Certificated Securities bearing the appropriate legend, which it will distribute to the relevant participants. DTC makes payments only in U.S. dollars.

Euroclear and Clearstream

Each of Euroclear and Clearstream holds securities for their account holders and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders, thereby eliminating the need for physical movements of certificates and any risks from lack of simultaneous transfers of securities.

Euroclear and Clearstream each provides various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream each also deals with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems which enables their respective account holders to settle trades with each other.

Account holders in Euroclear and Clearstream are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to both Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

An account holder's contractual relations with either Euroclear or Clearstream are governed by the respective rules and operating procedures of Euroclear or Clearstream and any applicable laws.

Both Euroclear and Clearstream act under those rules and operating procedures only on behalf of their respective account holders, and have no record of or relationship with persons holding through their respective holders.

Book-Entry Ownership of Global Certificates

Registered Notes

The Company will make applications to Euroclear and/or Clearstream for acceptance in their respective book-entry systems in respect of each Tranche of Notes to be represented by an Unrestricted Global Security. Each Unrestricted Global Security will have an ISIN or Common Code, and will be subject to restrictions on transfer contained in a legend appearing on the front of such Note, as set out under "Transfer Restrictions".

The Company will make applications to DTC for acceptance in its book-entry settlement system of the Notes represented by a Restricted Global Security. Each Restricted Global Security will have a CUSIP number. Each Restricted Global Security will be subject to restrictions on transfer contained in a legend appearing on the front of such Note, as set out under "Transfer Restrictions".

The custodian with whom the Global Securities are deposited (the "Custodian") and DTC will electronically record the principal amount of the Notes represented by the Restricted Global Security held within the DTC system. Investors may hold their interests in the Unrestricted Global Security only through Clearstream or Euroclear. Investors may hold such interests in Restricted Global Securities directly through DTC if they are participants in such system, or indirectly through organizations that are participants in such system.

Payments of principal and interest in respect of Restricted Global Securities registered in the name of DTC's nominee, will be to or to the order of its nominee as the registered holder of such Restricted Global Security. The Company expects that the nominee will, upon receipt of any such payment, immediately credit DTC participants' accounts with any such payments denominated in U.S. dollars in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Restricted Global Security as shown on the records of DTC or its nominee. In the case of any such payments which are denominated otherwise than in U.S. dollars payment of such amounts will be made to the Paying Agent on behalf of the nominee who will make payment of all or part of the amount to the beneficial holders of interests in such Restricted Global Securities directly, in the currency in which such payment was made and/or cause all or part of such payment to be converted into U.S. dollars and credited to the relevant participant's DTC account as aforesaid, in accordance with instructions received from DTC. The Company also expects that payments by DTC participants to owners of beneficial interests in such Restricted Global Securities held through such DTC participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC participants. None of the Company, the Trustee nor any agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in the Restricted Global Securities or for maintaining, supervising or reviewing any records relating to such ownership interests.

Bearer Notes

Bearer Notes held outside the United States may be held in book-entry form through Clearstream or Euroclear. In respect of Bearer Notes, as may be specified in the applicable Pricing Supplement, a

Temporary Global Note and/or a Permanent Global Note in bearer form without coupons will be deposited with a common depositary for Euroclear and Clearstream. Transfers of interests in a Temporary Global Note or a Permanent Global Note will be made in accordance with customary Euromarket practice.

Individual Certificated Securities

Registration of title to Notes in a name other than its nominee or a depositary for Euroclear and Clearstream or DTC will not be permitted unless (i) in the case of Restricted Securities, an event of default with respect to such Series has occurred and is continuing or DTC notifies us that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the Restricted Global Securities, or ceases to be a "clearing agency" registered under the Exchange Act, or is at any time no longer eligible to act as such and the Company is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC, (ii) in the case of Unrestricted Global Securities deposited with a common depositary for Euroclear or Clearstream, Euroclear or Clearstream is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, (iii) the Trustee has instituted or has been directed to institute any judicial proceeding in a court to enforce the rights of Holders of the Notes under the Notes and the Trustee has been advised by counsel that in connection with such proceeding it is necessary or appropriate for the Trustee to obtain possession of the Notes. In such circumstances, the Company will cause sufficient individual Certificated Securities to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Holder(s) of the Notes.

A person having an interest in a Global Security must provide the Registrar with:

(a) written order containing instructions and such other information as the Company and the Registrar may require to complete, execute and deliver such individual Certificated Securities; and

(b) in the case of a Restricted Global Security only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange, or in the case of a simultaneous resale pursuant to Rule l44A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. Certificated Securities issued pursuant to this paragraph (b) shall bear the legends applicable to transfers pursuant to Rule l44A.

Transfers of Notes represented by Global Securities

Transfers of interests in Global Securities within DTC, Euroclear and Clearstream will be in accordance with the usual rules and operating procedures of the relevant system. The laws in some states in the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer a beneficial interest in a Global Securities to such persons may require that such interests be exchanged for Notes in definitive form. Because DTC can only act on behalf of participants in DTC, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Global Security to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest may require that such interests be exchanged for Certificated Securities. The ability of the holder of a beneficial interest in any Note represented by the Global Securities to resell, pledge or otherwise transfer such interest may also be impaired if the proposed transferee of such interest is not eligible to hold the same through a participant or indirect participant in DTC.

Beneficial interests in an Unrestricted Global Security may be held through Clearstream or Euroclear. Clearstream and Euroclear will operate with respect to the Notes in accordance with customary Euromarket practice.

Secondary Trading, Same-Day Settlement and Payment

All payments made by the Company with respect to Notes registered in the name of Cede & Co., as nominee for DTC, will be passed through to DTC in same-day funds. In relation to secondary market trading, since the purchaser determines the place of delivery, it is important to establish at the time of the trade where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Trading Within Same Clearing System

The following describes the transfer mechanisms between DTC, Euroclear and Clearstream. Holders should note that transfers of beneficial interests in the Restricted Global Security, or the Unrestricted Global Security is subject to limitations as set forth in "Transfer Restrictions".

Trading within DTC. If neither the seller, nor the purchaser of Notes represented by any Global Security holds or will receive (as the case may be) such Notes through a participant in DTC acting on behalf of Euroclear or Clearstream, the trade will settle in same-day funds and in accordance with DTC rules, regulations and procedures.

Trading within Euroclear or Clearstream. Transfers between account holders in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Trading Between Clearing Systems

Trading between Euroclear or Clearstream seller and DTC purchaser involving only Global Securities. Due to time zone differences in their favor, Euroclear and Clearstream account holders may employ their customary procedures for transactions in which interests in a Global Security are to be transferred by Euroclear or Clearstream (as the case may be) to a participant in DTC. The seller will send instructions to Euroclear or Clearstream through a Euroclear or Clearstream account holder (as the case may be) at least one business day prior to settlement. In these cases, Euroclear or Clearstream will instruct its respective depositary to deliver the interests in the Global Security to the participant's account against payment. Payment will include interest (if any) accrued on such interests in the Note from (and including) the immediately preceding date for the payment of interest to (and excluding) the settlement date. The payment will then be reflected in the account of the Euroclear or Clearstream account holder the following day, and receipt of cash proceeds in the Euroclear or Clearstream account holder's account would be back-valued to the value date (which would be the preceding day when settlement occurred in New York). Should the Euroclear or Clearstream account holder have a line of credit in its respective Clearing System and elect to be in debit in anticipation of receipt of the sale proceeds in its account, the back-valuation will extinguish any overdraft charges incurred over that one-day period. If settlement is not completed on the intended value date (i.e. the trade fails), receipt of the cash proceeds in the Euroclear or Clearstream account holder's account would be valued instead as of the actual settlement date.

Trading between DTC seller and Euroclear or Clearstream purchaser involving only Global Securities. When interests in a Global Security are to be transferred from the account of a DTC participant to the account of a Euroclear or Clearstream account holder, the purchaser will send instructions to Euroclear or Clearstream through a Euroclear or Clearstream account holder, as the case may be, at least one business day prior to settlement. Euroclear or Clearstream, as the case may be, will instruct its respective depositary to receive such interests against payment. Payment will include interest (if any) accrued on such interest in the Global Security from (and including) the immediately preceding date for the payment of interest to (and excluding) the settlement date. Payment will then be made by the depositary to the participant's account against delivery of the interests in the Note. After settlement has been completed, the interests will be credited to the respective Clearing System, and by the Clearing System, in accordance with its usual procedures, to the Euroclear or Clearstream account holder's account. The securities credit will appear the next day

(Central European time) and the cash debit will be back-valued to, and any interest on the Note will accrue from, the value date (which would be the preceding day when settlement occurred in New York). If settlement is not completed on the intended value date (i.e. the trade fails), the Euroclear or Clearstream cash debit will be valued instead as of the actual settlement date.

Day traders that use Euroclear or Clearstream to purchase interests in an Unrestricted Global Security from participants for delivery to Euroclear or Clearstream account holders should note that these trades will automatically fail on the sale side unless affirmative action is taken. At least three techniques should be readily available to eliminate this potential problem:

(a) borrowing through Euroclear or Clearstream for one day (until the purchase side of the day trade is reflected in their Euroclear or Clearstream accounts) in accordance with the Clearing System's customary procedures;

(b) borrowing the interests in the United States from a participant no later than one day prior to settlement, which would give the interests sufficient time to be reflected in their Euroclear or Clearstream account in order to settle the sale side of the trade; or

(c) staggering the value date for the buy and sell sides of the trade so that the value date for the purchase from the participant is at least one day prior to the value date for the sale to the Euroclear or Clearstream account holder.

Euroclear or Clearstream account holders will need to make available to the respective Clearing System the funds necessary to process same-day funds settlement. The most direct means of doing so is to pre-position funds for settlement, either from cash on-hand or existing lines of credit, as such participants would for any settlement occurring within Euroclear or Clearstream. Under this approach, such participants may take on credit exposure to Euroclear or Clearstream until the interests in the Note are credited to their accounts one day later.

Alternatively, if Euroclear or Clearstream has extended a line of credit to a Euroclear or Clearstream account holder, as the case may be, such account holder may elect not to preposition funds and allow that credit line to be drawn upon to finance settlement. Under this procedure, Euroclear or Clearstream account holders purchasing interests in the Note held in DTC would incur overdraft charges for one day, assuming they cleared the overdraft when the interests in the Note were credited to their accounts. However, any interest on the Note would accrue from the value date. Therefore, in many cases the investment income on the interests in the Note held in DTC earned during that one-day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each account holder's particular cost of funds.

Since the settlement takes place during New York business hours, participants can employ their usual procedures for transferring interests in global Notes to the respective depositories of Euroclear or Clearstream for the benefit of Euroclear or Clearstream account holders. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the participants, a crossmarket transaction will settle no differently from a trade between participants.

Secondary trading in long-term notes and debentures of corporate issuers is generally settled in clearinghouse or next-day funds. In contrast, Notes held through participants or indirect participants will trade in DTC's Same-Day Funds Settlement System until the earliest of maturity or redemption, and secondary market trading activity in such Notes will therefore be required by DTC to settle in immediately available funds. No assurance can be given as to the effect, if any, of settlements in immediately available funds on trading activity in such Notes.

Although DTC, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in the Global Securities among participants and account holders of DTC, Clearstream and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Company, the Trustee, any agent, any Arranger or any Dealer will have the responsibility for the performance by DTC, Clearstream or Euroclear or their respective direct or indirect participants or account holders of their respective obligations under the rules and procedures governing their operations.

While a Restricted Global Security is lodged with DTC or its custodian, Notes represented by individual Certificated Securities will not be eligible for clearing or settlement through DTC, Clearstream or Euroclear.

TAXATION

Indonesian Taxation

The following is a summary with respect to taxes imposed by the Government of Indonesia. The summary does not address any laws other than the tax laws of Indonesia.

General

Resident taxpayers are generally subject to income tax in Indonesia on their net taxable income at the rate of 25% for corporate taxpayers and at progressive rates (maximum at 30%) for individual taxpayers. However, in calculating net taxable income for these purposes certain types of income may be excluded and instead are subject to final tax withholding at source on the gross amount.

Non-resident taxpayers who derive Indonesian sourced income, including interest, are generally subject to a final withholding tax on that income at 20%, as long as the income is not effectively connected to a permanent establishment of the non-resident in Indonesia. This withholding tax may be reduced or eliminated under the provisions of any applicable agreement for the avoidance of double taxation (a "tax treaty"), If the income is effectively connected with a permanent establishment in Indonesia, such income shall be regarded as income earned by the permanent establishment, and is taxable in the same manner as for Resident taxpayers. Furthermore, branch profit tax at 20% will be imposed on the net profit after income tax of the permanent establishment.

Witholding tax on interest income from the Notes

Based on Government Regulation No 16/2009 ("GR No 16") dated 9 February 2009, and Ministry of Finance (MoF) Regulation No. 85/PMK.03/2011 ("MoF Reg No-85") dated 23 May 2011, which has been amended most recently by MoF Regulation No 07/PMK.011/2012 ("MoF Reg No-07") dated 13 January 2012, any amount paid by the Company in the form of interest and/or discount (which in general is also treated as interest) in relation to the Notes will be subject to a final withholding tax under Article 4 (2) of the Indonesian income tax law. Interest is taxed on the gross value, while discount is taxed on the difference between the transfer value (or nominal value if held to maturity date) and acquisition cost of the Notes.

For a resident taxpayer or permanent establishment, a final withholding tax at 15% applies on interest from the Notes. However, an Indonesian bank or foreign bank having a permanent establishment in Indonesia is exempt from this. A special rate of 5% applies on interests received by a mutual fund until 2013, provided that the mutual fund is registered at the Indonesia Capital Market ("Bursa Efek Indonesia") and Financial Institutions Supervisory Board ("Bappepam").

For a non-resident taxpayer, a final withholding tax at 20% applies. However, the withholding tax rate could be reduced or exempt under an applicable tax treaty. For example, under the USA-Indonesia tax treaty, the withholding tax rate on interest may be reduced to 10%. Application of the reduced withholding tax rate is subject to requirements under the tax treaty and the Indonesian tax regulations (Please see "Anti-Avoidance Rule on the Tax Treaty and New CoD Requirements" below).

Withholding Tax on Sale or Disposal of the Notes

Based on GR No. 16 and MoF Reg No-85, which has been amended most recently by MoF Reg No-07, gains from disposal of the Notes are also considered as interest and are subject to the final withholding tax outlined above.

Under Article 3A of MoF Reg No-07, any negative discount or loss incurred from disposal of the Notes can be deducted from the amount of interest income in calculating the withholding tax on interest.

Tax Withholder Obligations

Based on Article 4 of MoF Reg No-85, which has been amended most recently by MoF Reg No-07, the following parties are liable for the withholding tax obligation on interest of the Notes or gains from disposal of the Notes:

a. Bond issuer or custodian as appointed paying agent, on:

- interest and/or discount received or earned by the Noteholders of interest bearing notes on interest payment date of the Notes; and

- discount received or gained by the Noteholders of non-interest bearing Notes, at the maturity of the Notes;

b. Securities company, dealer, or bank, as an intermediary (broker) in regard to interest on the Notes and/or discount received or gained by the Noteholders (sellers) during transactions; and/or

c. Securities company, dealer, bank, pension fund, or mutual fund, as a direct buyer of the Notes without intermediary (broker) parties, over interest on the Notes and/or discount received or gained by the Noteholders (sellers) during a sale of the Notes;

d. If the Notes are directly sold without intermediary parties (brokers), a custodian or sub-registry (as a recording party of the ownership change of the Notes) will be required to withhold the final withholding tax payable by the Noteholders (sellers) before the ownership change is done;

e. In the case the Notes are issued in bearer form, the issuer of the Notes or a custodian appointed as paying agent will be required to withhold the final withholding tax at:

- Interest payment date, for the interest income calculated based on full ownership period of the Notes since the latest interest due date. If the Noteholders can prove that they purchased the Notes from parties exempt from the final withholding tax or that have been taxed, their interest income is only subject to final withholding tax on their part ownership.

- Maturity date of the Notes, for any gain (discount income) calculated based on full ownership period of the Notes since its initial issuance date. If the Noteholders can prove that they purchased the Notes from parties exempt from the final withholding tax or that have been taxed, their discount income is only subject to the final withholding tax on their part ownership.

Anti-Avoidance Rule on the Tax Treaty and New CoD Requirements

Indonesia has concluded tax treaties with a number of countries, including the United States of America, the United Kingdom, the Netherlands, Australia, Belgium, Canada, France, Germany, Japan, Singapore, Sweden, and Switzerland. The relevant tax treaty may affect the definition of non-resident taxpayers and level of withholding tax applied to payments on the Notes.

Where a tax treaty exists and the eligibility requirements of that treaty are satisfied, a reduced rate of withholding tax may be applicable on interest (or payments in the nature of interest, such as premiums or discounts).

Indonesia has specific rules regarding the application of benefits under tax treaties. The requirements include that there is no misuse of the tax treaties and the non-resident taxpayers meet the administrative requirements under the Indonesian tax regulations. Some tax treaties also provide an exemption from Indonesian tax on any capital gains of non-resident taxpayers arising from alienation of certain properties in Indonesia.

Below are the more specific requirements to obtain tax treaty benefits in Indonesia:

In order for a non-resident recipient of the payment from Indonesia to be eligible for tax treaty relief, it must:

a. Not be an Indonesian tax resident;

b. Fulfill the administrative requirements to implement the tax treaty provision; and

c. Not commit any tax treaty misuse

The administrative requirement the non-resident taxpayer must meet to apply the tax treaty relief is to provide a valid certificate of domicile ("CoD"), which must be:

a. In the form prescribed by the ITO (i.e. Form DGT-1 or Form DGT-2, where applicable);

b. Filled in completely by the non-resident;

c. Signed by the non-resident;

d. Certified by the competent tax authority of the treaty country of the non-resident; and;

e. Submitted prior to the lodgement of the relevant monthly tax return of the tax withholder.

The CoD is valid for 12 months from the date of issue and must be renewed subsequently. However, Form DGT-1 page 2 must be produced by the non-bank non-resident income recipient in respect of each payment of income subject to withholding tax.

Furthermore, the prevailing regulation indicates that misuse of a tax treaty may occur in the event:

a. an income recipient is not the beneficial owner of the income (e.g. the income recipient is merely an agent or a nominee or a conduit company);

b. a transaction does not have economic substance and is structured with the sole purpose of enjoying tax treaty benefits; or

c. a transaction is structured such that the legal form is at variance with the economic substance for the sole purpose of enjoying tax treaty benefits,

The beneficial owner criteria shall be applied only to income for which the article in the relevant tax treaty contains the beneficial owner requirement.

The "beneficial owner" of the income is defined as the non-resident income recipient, which is not acting as an agent, a nominee, or a conduit company. "Agent" is defined as a person or an entity that acts as an intermediary and conducts action for and/or on behalf of another party. A "nominee" is defined as a person or an entity which legally owns an asset and/or income (i.e. a legal owner) for the interests of or based on instruction/mandate from the party who is the actual owner of the asset and/or the party who actually enjoys the benefit of the income. A "conduit company" is defined as a company which enjoys the tax treaty benefits in relation to income sourced from another country, while the economic benefits of the income are owned by other persons in another country who would not be able to enjoy the tax treaty benefit if such income were directly received by them. However, in practice the ITO does not apply a look through to the ultimate owner of the economic benefit of the income and therefore immediately denies application of any tax treaty provision if the Indonesian income is paid to a conduit company.

The following non-resident taxpayers, residing in a treaty partner country, shall not be deemed to commit tax treaty misuse:

a. An individual who is not acting as an agent or a nominee;

b. An institution whose name is clearly stated in the tax treaty or one that has been jointly agreed by the competent authorities in Indonesia and the treaty partner country;

c. A non-resident taxpayer that receives or earns income through a custodian in relation to income from transactions on the transfer of shares or bonds (Notes) that are traded or reported in a capital market in Indonesia, other than interest and dividend, in the case that the non-resident taxpayer is not acting as an agent or as a nominee;

d. A company whose shares are listed on the stock exchange and are regularly traded;

e. A pension fund that is established under the laws of the tax treaty partner country and is a tax subject of the tax treaty partner country;

f. A bank; or

g. A company that satisfies the following conditions:

- The establishment of the company in the tax treaty partner country or the arrangement of the transaction structure/scheme is not aimed solely at utilizing tax treaty benefits;

- The company has its own management to conduct business and the management has independent discretion;

- The company has employees;

- The company engages in genuine business activities;

- The income derived from Indonesia is subject to tax in the country of the recipient; and

- The company does not use more than 50% of its total income (non-consolidated) to fulfill obligations to other parties in the form of interest, royalty, or other fees (excluding reasonable remuneration to employees or dividends distribution to shareholders).

When a company receives income for which the provision in the relevant tax treaty does not stipulate a beneficial owner requirement, the company will not be deemed to commit misuse of the tax treaty provided that the establishment of the company or the arrangement of the transaction structure/ scheme is not aimed solely at utilizing the tax treaty benefits.

Stamp Duty

Stamp duty is currently immaterial. According to Government Regulation No. 24 of 2000, a document that affects a sale of Indonesian Notes is subject to stamp duty. Currently, the nominal amount of the Indonesian stamp duty is IDR 6,000 for transactions having a value greater than IDR 1,000,000 and IDR 3,000 for transactions having a value up to a maximum of IDR 1,000,000. Generally, the stamp duty is due at the time the document is executed. Stamp duty is payable by the party that benefits from the executed document unless both parties state otherwise.

Other Indonesian Taxes

There are no Indonesian estate, inheritance, succession, or gift taxes generally applicable to the acquisition, ownership or disposition of the Notes.

The above summary is not intended to constitute a complete analysis of all tax consequences relating to the ownership of the Notes. Prospective purchasers of the Notes should consult their own tax advisors concerning the tax consequences of their particular situations.

United States Taxation

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS OFFERING MEMORANDUM IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE COMPANY IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE COMPANY OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

* * * * *

The following is a summary of certain material U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes by a U.S. Holder (as defined below). This summary does not address the material U.S. federal income tax consequences of every type of Note which may be issued under the Program, and the relevant Pricing Supplement may contain additional or modified disclosure concerning the material U.S. federal income tax consequences relevant to such type of Note as appropriate. This summary deals only with purchasers of Notes that are U.S. Holders and that will hold the Notes as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors, and does not address state, local, foreign or other tax laws. In particular, this summary does not address tax considerations applicable to investors that own (directly or indirectly) 10.0% or more of the voting stock of the Company, nor does this summary discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, investors liable for the alternative minimum tax, individual retirement accounts and other tax-deferred accounts, tax-exempt organizations, dealers in securities or currencies, investors that will hold the Notes as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes or investors whose functional currency is not the U.S. dollar). Moreover, the summary deals only with Notes with a term of 30 years or less and does not deal with Partly Paid Notes. The U.S. federal income tax consequences of owning Notes with a longer term or Partly Paid Notes will be discussed in the applicable Pricing Supplement.

As used herein, the term "U.S. Holder" means a beneficial owner of Notes that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organized under the laws of the United States, any State thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in a partnership (including any entity treated as a partnership for U.S. federal income tax purposes) that holds Notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are partnerships should consult their tax adviser concerning the U.S. federal income tax consequences to their partners of the acquisition, ownership and disposition of Notes by the partnership.

The summary is based on the tax laws of the United States including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, as well as on the income tax treaty between the United States and Indonesia (the "Treaty") all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

Bearer Notes are not being offered to U.S. Holders. A U.S. Holder who owns a Bearer Note may be subject to limitations under United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the United States Internal Revenue Code.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

U.S. Federal Income Tax Characterization of the Notes

The characterization of a Series or Tranche of Notes may be uncertain and will depend on the terms of those Notes. The determination of whether an obligation represents debt, equity, or some other instrument or interest is based on all the relevant facts and circumstances. There may be no statutory, judicial or administrative authority directly addressing the characterization of some of the types of Notes that are anticipated to be issued under the Program or of instruments similar to the Notes.

Depending on the terms of a particular Series or Tranche of Notes, the Notes may not be characterized as debt for U.S. federal income tax purposes despite the form of the Notes as debt instruments. For example, Notes of a Series or Tranche may be more properly characterized as notional principal contracts, collateralised put options, prepaid forward contracts, or some other type of financial instrument. Alternatively, the Notes may be characterized as equity, or as representing an undivided proportionate ownership interest in the assets of, and share of the liabilities of the Company. Additional alternative characterizations may also be possible. Further possible characterizations, if applicable, may be discussed in the relevant Final Terms or any Prospectus or series prospectus.

No rulings will be sought from the Internal Revenue Service ("IRS") regarding the characterization of any of the Notes issued hereunder for U.S. federal income tax purposes. Each holder should consult its own tax adviser about the proper characterization of the Notes for U.S. federal income tax purposes and consequences to the holder of acquiring, owning or disposing of the Notes.

U.S. Federal Income Tax Treatment of Notes Treated as Debt

The following summary applies to Notes that are properly treated as debt for U.S. federal income tax purposes.

Payments of Interest

General

Interest on a Note, other than interest on a "Discount Note" that is not "qualified stated interest" (each as defined below under "Original Issue Discount — General"), will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on the U.S. Holder's method of accounting for tax purposes. Interest paid by the Company on the Notes and original issue discount ("OID"), if any, accrued with respect to the Notes (as described below under "Original Issue Discount") generally will constitute income from sources outside the United States. Prospective purchasers should consult their tax advisers concerning the applicability of the foreign tax credit and source of income rules to income attributable to the Notes.

Effect of Indonesian Withholding Taxes

As discussed in "Taxation — Indonesian Taxation," under current law payments of interest by the Company on the Notes to foreign investors are subject to a 20% Indonesian withholding tax. The rate of withholding tax applicable to U.S. Holders that are eligible for benefits under the Treaty is reduced to a maximum of 10%. The Company is liable for the payment of Additional Amounts (see "Description of the Notes - Taxation") so that U.S. Holders will receive the same amounts they would have received had no Indonesian withholding taxes been imposed. For U.S. federal income tax purposes, U.S. Holders will be treated as having received the amount of Indonesian taxes withheld by the Company with respect to a Note, and as then having paid over the withheld taxes to the Indonesian taxing authorities. As a result of this rule, the amount of interest income included in gross income for U.S. federal income tax purposes by a U.S. Holder with respect to a payment of interest will be greater than the amount of cash actually received (or receivable) by the U.S. Holder from the Company with respect to the payment.

Subject to certain limitations, a U.S. Holder will generally be entitled to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income, for Indonesian income taxes withheld. U.S. Holders that are eligible for benefits under the Treaty will not be entitled to a foreign tax credit for the amount of any Indonesian taxes withheld in excess of the 10% maximum rate and with respect to which the holder is entitled to obtain a refund from the Indonesian tax authorities. For purposes of the foreign tax credit limitation, foreign source income is classified in one of two "baskets", and the credit for foreign taxes on income in any basket is limited to U.S. federal income tax allocable to that income. Interest and OID (defined below) generally will constitute foreign source income in the "passive income" basket. In certain circumstances a U.S. Holder may be unable to claim foreign tax credits (and may instead be allowed deductions) for Indonesian taxes imposed on a payment of interest if the U.S. Holder has not held the Notes for at least 16 days during the 31-day period beginning on the date that is 15 days before the date on which the right to receive the payment arises. Since a U.S. Holder may be required to include OID on the Notes in its gross income in advance of any withholding of Indonesian income taxes from payments attributable to the OID (which would generally occur when the Note is repaid or redeemed), a U.S. Holder may not be entitled to a credit or deduction for these Indonesian income taxes in the year the OID is included in the U.S. Holder's gross income, and may be limited in its ability to credit or deduct in full the Indonesian taxes in the year those taxes are actually withheld by the Company. Prospective purchasers should consult their tax advisers concerning the foreign tax credit implications of the payment of these Indonesian taxes.

Original Issue Discount

General

The following is a summary of the principal U.S. federal income tax consequences of the ownership of Notes issued with OID. The following summary does not discuss Notes that are characterized as contingent payment debt instruments for U.S. federal income tax purposes. In the event the Company issues contingent payment debt instruments the applicable Pricing Supplement may describe the material U.S. federal income tax consequences thereof.

A Note, other than a Note with a term of one year or less (a "Short-Term Note"), will be treated as issued with OID (a "Discount Note") if the excess of the Note's "stated redemption price at maturity" over its issue price is equal to or more than a *de minimis* amount (0.25% of the Note's stated redemption price at maturity multiplied by the number of complete years to its maturity). Generally, the issue price of a Note will be the first price at which a substantial amount of Notes included in the issue of which the Note is a part is sold to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers. The stated redemption price at maturity of a Note is the total of all payments provided by the Note that are not payments of "qualified stated interest." A qualified stated interest payment is generally any one of a series of stated interest payments on a Note that are unconditionally payable at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods), or a variable rate (in the circumstances described below under "Variable Interest Rate Notes"), applied to the outstanding principal amount of the Note. An obligation that provides for the payment of amounts other than qualified stated interest before maturity (an "installment obligation") will be treated as a Discount Note if the excess of the Note's stated redemption price at maturity over its issue price is equal to or greater than 0.25% of the Note's stated redemption price at maturity multiplied by the weighted average maturity of the Note. A Note's weighted average maturity is the sum of the following amounts determined for each payment on a Note (other than a payment of qualified stated interest): (i) the number of complete years from the issue date until the payment is made multiplied by (ii) a fraction, the numerator of which is the amount of the payment and the denominator of which is the Note's stated redemption price at maturity. Solely for the purposes of determining whether a Note has OID, the Company will be deemed to exercise any call option that has the effect of decreasing the yield on the Note, and the U.S. Holder will be deemed to exercise any put option that has the effect of increasing the yield on the Note.

U.S. Holders of Discount Notes must include OID in income calculated on a constant-yield method before the receipt of cash attributable to the income, and generally will have to include in income increasingly greater amounts of OID over the life of the Discount Notes. The amount of OID includible in income by a U.S. Holder of a Discount Note is the sum of the daily portions of OID with respect to the Discount Note for each day during the taxable year or portion of the taxable year on which the U.S. Holder holds the Discount Note. The daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID allocable to that accrual period. Accrual periods with respect to a Note may be of any length selected by the U.S. Holder and may vary in length over the term of the Note as long as (i) no accrual period is longer than one year and (ii) each scheduled payment of interest or principal on the Note occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of (a) the product of the Discount Note's adjusted issue price at the beginning of the accrual period and the Discount Note's yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of qualified stated interest on the Note allocable to the accrual period. The "adjusted issue price" of a Discount Note at the beginning of any accrual period is the issue price of the Note increased by (x) the amount of accrued OID for each prior accrual period and decreased by (y) the amount of any payments previously made on the Note that were not qualified stated interest payments.

Acquisition Premium

A U.S. Holder that purchases a Discount Note for an amount less than or equal to the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, but in excess of its adjusted issue price (any such excess being "acquisition premium") and that does not make the election described below under "Election to Treat All Interest as Original Issue Discount", is permitted to reduce the daily portions of OID by a fraction, the numerator of which is the excess of the U.S. Holder's adjusted basis in the Note immediately after its purchase over the Note's adjusted issue price, and the denominator of which is the excess of the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, over the Note's adjusted issue price.

Short-Term Notes

In general, an individual or other cash basis U.S. Holder of a Short-Term Note is not required to accrue OID (as specially defined below for the purposes of this paragraph) for U.S. federal income tax purposes unless it elects to do so (but may be required to include any stated interest in income as the interest is received). Accrual basis U.S. Holders and certain other U.S. Holders are required to accrue OID on Short-Term Notes on a straight-line basis or, if the U.S. Holder so elects, under the constant-yield method (based on daily compounding). In the case of a U.S. Holder not required and not electing to include OID in income currently, any gain realized on the sale or retirement of the Short-Term Note will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant-yield method) through the date of sale or retirement. U.S. Holders who are not required and do not elect to accrue OID on Short-Term Notes will be required to defer deductions for interest on borrowings allocable to Short-Term Notes in an amount not exceeding the deferred income until the deferred income is realized.

For purposes of determining the amount of OID subject to these rules, all interest payments on a Short-Term Note are included in the Short-Term Note's stated redemption price at maturity. A U.S. Holder may elect to determine OID on a Short-Term Note as if the Short-Term Note had been originally issued to the U.S. Holder at the U.S. Holder's purchase price for the Short-Term Note. This election will apply to all obligations with a maturity of one year or less acquired by the U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.

Market Discount

A Note, other than a Short-Term Note, generally will be treated as purchased at a market discount (a "Market Discount Note") if the Note's stated redemption price at maturity or, in the case of a Discount Note, the Note's "revised issue price", exceeds the amount for which the U.S. Holder purchased the Note by at least 0.25% of the Note's stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the Note's maturity (or, in the case of a Note that is an installment obligation, the Note's weighted average maturity). If this excess is not sufficient to cause the Note to be a Market Discount Note, then the excess constitutes "de minimis market discount". For this purpose, the "revised issue price" of a Note generally equals its issue price, increased by the amount of any OID that has accrued on the Note and decreased by the amount of any payments previously made on the Note that were not qualified stated interest payments.

Under current law, any gain recognized on the maturity or disposition of a Market Discount Note (including any payment on a Note that is not qualified stated interest) will be treated as ordinary income to the extent that the gain does not exceed the accrued market discount on the Note. Alternatively, a U.S. Holder of a Market Discount Note may elect to include market discount in income currently over the life of the Note. This election will apply to all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year to which the election applies. This election may not be revoked without the consent of the IRS. A U.S. Holder of a Market Discount Note that does not elect to include market discount in income currently will generally be required to defer deductions for interest on borrowings incurred to purchase or carry a Market Discount Note that is in excess of the interest and OID on the Note includible in the U.S. Holder's income, to the extent that this excess interest expense does not exceed the portion of the market discount allocable to the days on which the Market Discount Note was held by the U.S. Holder.

Under current law, market discount will accrue on a straight-line basis unless the U.S. Holder elects to accrue the market discount on a constant-yield method. This election applies only to the Market Discount Note with respect to which it is made and is irrevocable.

Variable Interest Rate Notes

Notes that provide for interest at variable rates ("Variable Interest Rate Notes") generally will bear interest at a "qualified floating rate" and thus will be treated as "variable rate debt instruments" under Treasury regulations governing accrual of OID. A Variable Interest Rate Note will qualify as a "variable rate debt instrument" if (a) its issue price does not exceed the total noncontingent principal payments due under the Variable Interest Rate Note by more than a specified de minimis amount, (b) it provides for stated interest, paid or compounded at least annually, at (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate, or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate, and (c) it does not provide for any principal payments that are contingent (other than as described in (a) above).

A "qualified floating rate" is any variable rate where variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Variable Interest Rate Note is denominated. A fixed multiple of a qualified floating rate will constitute a qualified floating rate only if the multiple is greater than 0.65 but not more than 1.35. A variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate, will also constitute a qualified floating rate. In addition, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Variable Interest Rate Note (e.g., two or more qualified floating rates with values within 25 basis points of each other as determined on the Variable Interest Rate Note's issue date) will be treated as a single qualified floating rate. Notwithstanding the foregoing, a variable rate that would otherwise constitute a qualified floating rate but which is subject to one or more restrictions such as a maximum numerical limitation (i.e., a cap) or a minimum numerical limitation (i.e., a floor) may, under certain circumstances, fail to be treated as a qualified floating rate.

An "objective rate" is a rate that is not itself a qualified floating rate but which is determined using a single fixed formula and which is based on objective financial or economic information (e.g., one or more qualified floating rates or the yield of actively traded personal property). A rate will not qualify as an objective rate if it is based on information that is within the control of the Company (or a related party) or that is unique to the circumstances of the Company (or a related party), such as dividends, profits or the value of the Company's stock (although a rate does not fail to be an objective rate merely because it is based on the credit quality of the Company). Other variable interest rates may be treated as objective rates if so designated by the IRS in the future. Despite the foregoing, a variable rate of interest on a Variable Interest Rate Note will not constitute an objective rate if it is reasonably expected that the average value of the rate during the first half of the Variable Interest Rate Note's term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Variable Interest Rate Note's term. A "qualified inverse floating rate" is any objective rate where the rate is equal to a fixed rate minus a qualified floating rate, as long as variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate. If a Variable Interest Rate Note provides for stated interest at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period and if the variable rate on the Variable Interest Rate Note's issue date is intended to approximate the fixed rate (e.g., the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 25 basis points), then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be.

A qualified floating rate or objective rate in effect at any time during the term of the instrument must be set at a "current value" of that rate. A "current value" of a rate is the value of the rate on any day that is no earlier than 3 months prior to the first day on which that value is in effect and no later than 1 year following that first day.

If a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof qualifies as a "variable rate debt instrument", then any stated interest on the Note which is unconditionally payable in cash or property (other than debt instruments of the Company) at least annually will constitute qualified stated interest and will be taxed accordingly. Thus, a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof and that qualifies as a "variable rate debt instrument" will generally not be treated as having been issued with OID unless the Variable Interest Rate Note is issued at a "true" discount (i.e., at a price below the Note's stated principal amount) in excess of a specified de minimis amount. OID on a Variable Interest Rate Note arising from "true" discount is allocated to an accrual period using the constant yield method described above by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate, or (ii) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note.

In general, any other Variable Interest Rate Note that qualifies as a "variable rate debt instrument" will be converted into an "equivalent" fixed rate debt instrument for purposes of determining the amount and accrual of OID and qualified stated interest on the Variable Interest Rate Note. Such a Variable Interest Rate Note must be converted into an "equivalent" fixed rate debt instrument by substituting any qualified floating rate or qualified inverse floating rate provided for under the terms of the Variable Interest Rate Note with a fixed rate equal to the value of the qualified floating rate or qualified inverse floating rate, as the case may be, as of the Variable Interest Rate Note's issue date. Any objective rate (other than a qualified inverse floating rate) provided for under the terms of the Variable Interest Rate Note is converted into a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note. In the case of a Variable Interest Rate Note that qualifies as a "variable rate debt instrument" and provides for stated interest at a fixed rate in addition to either one or more qualified floating rates or a qualified inverse floating rate, the fixed rate is initially converted into a qualified floating rate (or a qualified inverse floating rate, if the Variable Interest Rate Note provides for a qualified inverse floating rate). Under these circumstances, the qualified floating rate or qualified inverse floating rate that replaces the fixed rate must be such that the fair market value of the Variable Interest Rate Note as of the Variable Interest Rate Note's issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for either the qualified floating rate or qualified inverse floating rate rather than the fixed rate. Subsequent to converting the fixed rate into either a qualified floating rate or a qualified inverse floating rate, the Variable Interest Rate Note is converted into an "equivalent" fixed rate debt instrument in the manner described above.

Once the Variable Interest Rate Note is converted into an "equivalent" fixed rate debt instrument pursuant to the foregoing rules, the amount of OID and qualified stated interest, if any, are determined for the "equivalent" fixed rate debt instrument by applying the general OID rules to the "equivalent" fixed rate debt instrument and a U.S. Holder of the Variable Interest Rate Note will account for the OID and qualified stated interest as if the U.S. Holder held the "equivalent" fixed rate debt instrument. In each accrual period, appropriate adjustments will be made to the amount of qualified stated interest or OID assumed to have been accrued or paid with respect to the "equivalent" fixed rate debt instrument in the event that these amounts differ from the actual amount of interest accrued or paid on the Variable Interest Rate Note during the accrual period.

If a Variable Interest Rate Note, such as a Note the payments on which are determined by reference to an index, does not qualify as a "variable rate debt instrument", then the Variable Interest Rate Note will be treated as a contingent payment debt obligation. The proper U.S. federal income tax treatment of Variable Interest Rate Notes that are treated as contingent payment debt obligations will be more fully described in the applicable Pricing Supplement.

Notes Purchased at a Premium

A U.S. Holder that purchases a Note for an amount in excess of its principal amount, or for a Discount Note, its stated redemption price at maturity, may elect to treat the excess as "amortizable bond premium", in which case the amount required to be included in the U.S. Holder's income each year with respect to interest on the Note will be reduced by the amount of amortizable bond premium allocable (based on the Note's yield to maturity) to that year. Any election to amortize bond premium will apply to all bonds (other than bonds the interest on which is excludable from gross income for U.S. federal income tax purposes) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. See also "Original Issue Discount — Election to Treat All Interest as Original Issue Discount".

Election to Treat All Interest as Original Issue Discount

A U.S. Holder may elect to include in gross income all interest that accrues on a Note using the constant-yield method described above under "Original Issue Discount — General," with certain modifications. For purposes of this election, interest includes stated interest, OID, de minimis OID, market discount, de minimis market discount and unstated interest, as adjusted by any amortisable bond premium (described above under "Notes Purchased at a Premium") or acquisition premium. This election will generally apply only to the Note with respect to which it is made and may not be revoked without the consent of the IRS. If the election to apply the constant-yield method to all interest on a Note is made with respect to a Market Discount Note, the electing U.S. Holder will be treated as having made the election discussed above under "Market Discount" to include market discount in income currently over the life of all debt instruments with market discount held or thereafter acquired by the U.S. Holder. U.S. Holders should consult their tax advisers concerning the propriety and consequences of this election.

Purchase, Sale and Retirement of Notes

A U.S. Holder's tax basis in a Note will generally be its cost, increased by the amount of any OID or market discount included in the U.S. Holder's income with respect to the Note and the amount, if any, of income attributable to de minimis OID and de minimis market discount included in the U.S. Holder's income with respect to the Note, and reduced by (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of any amortisable bond premium applied to reduce interest on the Note.

A U.S. Holder will generally recognize gain or loss on the sale or retirement of a Note equal to the difference between the amount realized on the sale or retirement and the tax basis of the Note. The amount realized does not include the amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income. Except to the extent described above under "Original Issue Discount — Market Discount" or "Original Issue Discount — Short Term Notes" or attributable to changes in exchange rates (as discussed below), gain or loss recognized on the sale or retirement of a Note will be capital gain or loss and will be long-term capital gain or loss if the U.S. Holder's holding period in the Notes exceeds one year.

Gain or loss realized by a U.S. Holder on the sale or retirement of a Note generally will be U.S. source.

Therefore, a U.S. Holder may have insufficient foreign source income to utilise foreign tax credits attributable to any Indonesian withholding tax imposed on the sale of disposition. See "Taxation — Indonesian Taxation". Prospective purchasers should consult their tax advisers as to the foreign tax implications of the sale or disposition of Notes.

Backup Withholding and Information Reporting

In general, payments of interest and accruals of OID on, and the proceeds of a sale, redemption or other disposition of, the Notes, payable to a U.S. Holder by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding will apply to these payments, including payments of OID, if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

Foreign Financial Asset Reporting

Certain reporting requirements apply to the holding of certain foreign financial assets, including debt of foreign entities, if the aggregate value of all of these assets exceeds $50,000 at the end of the taxable year or $75,000 at any time during the taxable year. The thresholds are higher for individuals living outside the United States and married couples filing jointly. The Notes are expected to constitute foreign financial assets subject to these requirements unless the Notes are held in an account at a financial institution (in which case the account may be reportable if maintained by a foreign financial institution). U.S. Holders should consult their tax advisors regarding the application of this legislation.

SUBSCRIPTION AND SALE

Summary of Program Agreement

Subject to the terms and conditions contained in a program agreement dated September 21, 2011, as amended and supplemented from time to time (the "Program Agreement"), between the Company, the Dealers and the Arrangers, the Notes may be offered on a continuous basis by the Company to the Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the Relevant Dealer(s). The Notes may also be sold by the Company through the Dealers, acting as agents of the Company. The Program Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally or severally underwritten by two or more Dealers.

The Company will pay the Relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Company has agreed to reimburse each of the Arrangers for certain of its expenses incurred in connection with the establishment of the Program and the Dealers for certain of their activities in connection with the Program.

The Company has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Program Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Company.

Other Relationships

The Dealers and the Arrangers and certain of their affiliates may from time to time engage in transactions with and perform services for the Company in the ordinary course of their business.

The Dealers and the Arrangers or certain of their respective affiliates may purchase Notes and be allocated Notes for asset management and/or proprietary purposes and not with a view to distribution.

Selling Restrictions

The Notes have not been and will not be registered under the laws of any jurisdiction, nor has any other action been taken, nor will any action be taken, by the Company, the Dealers or any other person that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any supplement hereto or thereto, or any other offering material relating to the Company or the Notes, in any country or jurisdiction where action for any such purpose may be required. The offer and sale of Notes, and the delivery of this Offering Memorandum, are restricted by law in certain jurisdictions and Notes may not be offered or sold, and this Offering Memorandum may not be distributed, in any jurisdiction under circumstances where such offer, sale or distribution would be prohibited or restricted by law.

Without limiting the foregoing, prospective purchasers of Notes should be aware of the following restrictions:

European Economic Area

In relation to each Member State of the European Economic Area that has implemented the Prospectus Directive (each, a "relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that relevant Member State (the "relevant implementation date"), an offer of the Notes which are the subject of the offering contemplated by this Offering Memorandum as completed by the Pricing Supplement in relation thereto may not be made to the public in that relevant Member State prior to the publication of a prospectus in relation to the Notes, except that, with effect from and including the relevant implementation date, an offer of such Notes may be offered to the public in that relevant Member State:

(i) to any legal entity which is a "qualified investor" as defined in the Prospectus Directive;

(ii) to investors with a minimum total consideration per investor of U.S.$100,000 (or equivalent) or, if the relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, U.S.$200,000 (or equivalent);

(iii) to fewer than 100, or if the relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than "qualified investors" as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Company for any such offer; or

(iv) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (i) to (iv) above shall require the publication by the Company or any Dealer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For purposes of this provision, the expression an "offer of Notes to the public" in any relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe to the Notes, as the same may be varied in that relevant Member State by any measure implementing the Prospectus Directive in that relevant Member State, and the expression "Prospectus Directive" means Directive 2003/71/EC (and the amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the relevant Member State), and includes any relevant implementing measure in each relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

Hong Kong

In relation to each Tranche of Notes issued by the Company, each Dealer has represented and agreed that it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Indonesia

This Offering does not constitute a public offering in Indonesia under Law Number 8 of 1995 on Capital Markets. The Disclosure Package may not be distributed in Indonesia and notes under the Program may not be offered or sold in Indonesia or to Indonesian citizens wherever they are domiciled, or to Indonesian residents in a manner which constitutes a public offer under the laws of Indonesia.

Singapore

This Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore, and the Notes will be offered pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"). Accordingly, each Dealer has represented, warranted and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor pursuant to Section 274 of the SFA, (ii) to a relevant person under Section 275(1), or any person pursuant to 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Note:

This Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable for six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer; or

(3) where the transfer is by operation of law; or

(4) pursuant to Section 276(7) of the SFA.

United Kingdom

Each Dealer has represented and agreed that:

(a) in relation to any Notes having a maturity of less than one year (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "FSMA") by the Company;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Company or any Guarantor; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

United States

The Notes have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. Each Dealer has agreed, and each further Dealer appointed under the Program will be required to agree, that it will not offer or sell any Notes within the United States, except as permitted by the Program Agreement.

Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the Internal Revenue Code and regulations thereunder.

The Notes are being offered and sold outside the United States in reliance on Regulation S. The Program Agreement provides that the Dealers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Notes within the United States only to qualified institutional buyers in reliance on Rule 144A.

In addition, until 40 days after the commencement of the offering of any identifiable Tranche of Notes, an offer or sale of Notes within the United States by any Dealer (whether or not participating in the offering of such Tranche of Notes) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

This Offering Memorandum has been prepared by the Company for use in connection with the offer and sale of the Notes outside the United States and for the resale of the Notes in the United States. The Company and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Offering Memorandum does not constitute an offer to any person in the United States or to any U.S. person, other than any qualified institutional buyer within the meaning of Rule 144A to whom an offer has been made directly by one of the Dealers or its U.S. broker dealer affiliate. Distribution of this Offering Memorandum by any non U.S. person outside the United States or by any qualified institutional buyer in the United States to any U.S. person or to any other person within the United States, other than any qualified institutional buyer and those persons, if any, retained to advise such non U.S. person or qualified institutional buyer with respect thereto, is unauthorized and any disclosure without the prior written consent of the Company of any of its contents to any such U.S. person or other person within the United States, other than any qualified institutional buyer and those persons, if any, retained to advise such non U.S. person or qualified institutional buyer, is prohibited.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act(i) of Japan (Act No.25 of 1948, as amended; the "FIEA") and each Dealer has represented and agreed that it has not directly or indirectly offered or sold and will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

General

Each Dealer has agreed or will agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Memorandum and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Company nor any other Dealer shall have any responsibility therefor.

Neither the Company nor any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the Relevant Dealer(s) will be required to comply with such other additional restrictions as the Company and the Relevant Dealer(s) shall agree and as shall be set forth in the applicable Pricing Supplement.

Purchasers of Notes sold by the Dealers may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the offering price and accrued interest, if any.

Each Series or Tranche of Notes is a new issue of securities with no established trading market. Any one or more of the Dealers may make a market in the Notes, but are not obliged to do so and may discontinue any market-marking, if commenced, at any time without notice. No assurance can be given as to the liquidity of the trading markets for the Notes.

Stabilization

In connection with the issue of Notes in any Series or Tranche under the Program, the Dealer or Dealers (if any) named as the Stabilizing Manager(s) (or persons acting on behalf of any Stabilizing Manager(s)) in the applicable Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes in such a Series at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Manager (or persons acting on behalf of a Stabilizing Manager) will undertake stabilization action. Any stabilization will be conducted in accordance with all applicable laws and regulations.

TRANSFER RESTRICTIONS

As a result of the following restrictions, purchasers of Notes in the United States are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of Notes.

Each prospective purchaser of Notes that have a legend regarding restrictions on transferability by accepting delivery of this Offering Memorandum, will be deemed to have represented and agreed that this Offering Memorandum is personal to such offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Notes. Distribution of this Offering Memorandum, or disclosure of any of its contents to any person other than such offeree and those persons, if any, retained to advise such offeree with respect thereto is unauthorized, and any disclosure of any of its contents, without the prior written consent of the Company, is prohibited.

The Notes have not been and will not be registered under the Securities Act or any other securities laws, and may not be offered or sold in the United States except pursuant to an effective registration statement or in accordance with an applicable exemption from the registration statement requirements of the Securities Act. Accordingly, the Notes are being offered and sold in the United States only to persons reasonably believed to be QIBs. The international offering is being made outside the United States to non-U.S. persons (in the case of Bearer Notes) in offshore transactions pursuant to Regulation S.

Sales within the United States

Each purchaser of Notes within the United States pursuant to Rule 144A by accepting this Offering Memorandum will be deemed to have represented, agreed and acknowledged as follows:

- It is (a) a QIB, (b) acquiring such Notes for its own account or for the account of a QIB and (c) aware, and each beneficial owner of such Notes has been advised, that the sale of such Notes to it is being made in reliance on Rule 144A.

- The Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred, except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), in each case, in accordance with any applicable securities laws of any state of the United States.

- Such Notes, for compliance with applicable law, will bear a legend to the following effect:

"THIS NOTE (OR ITS PREDECESSOR) HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER, AND WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER, THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") AND APPLICABLE SECURITIES LAWS OF THE STATES AND OTHER JURISDICTIONS OF THE UNITED STATES, AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER. TERMS USED HEREIN HAVE THE MEANINGS GIVEN THEM IN REGULATION S UNDER THE SECURITIES ACT. THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF REPRESENTS AND AGREES FOR THE BENEFIT OF THE COMPANY AND THE DEALERS THAT (A) IT AND ANY ACCOUNT FOR WHICH IT IS ACTING IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH SUCH ACCOUNT, THAT (B) THIS NOTE MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1)

IN THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF SUCH RULE 144A, (2) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND, IN EACH OF SUCH CASES, IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND THAT (C) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE TRANSFER RESTRICTIONS REFERRED TO IN (B) ABOVE.

FOR THE PURPOSES OF APPLYING THE ORIGINAL ISSUE DISCOUNT RULES UNDER THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, (1) THE ISSUE DATE OF THIS NOTE IS [●]; (2) THE YIELD TO MATURITY IS [●]% (COMPOUNDED SEMIANNUALLY); (3) THIS NOTE IS BEING ISSUED WITH ORIGINAL ISSUE DISCOUNT IN THE AMOUNT OF US$[●] PER US$1,000 PRINCIPAL AMOUNT; (4) THE [●] METHOD SPECIFIED IN THE PROPOSED TREASURY REGULATIONS HAS BEEN USED TO DETERMINE YIELD AND THE AMOUNT OF ORIGINAL ISSUE DISCOUNT ALLOCABLE TO THE SHORT INITIAL ACCRUAL PERIOD BEGINNING [●] AND ENDING [●]; AND (5) THE AMOUNT OF ORIGINAL ISSUE DISCOUNT ALLOCATED TO SUCH ACCRUAL PERIOD IS US$[●] PER US$[●] PRINCIPAL AMOUNT."

- It understands that the Company, the Registrar, the Arrangers, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Notes for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

- It understands that the Notes offered in reliance on Rule 144A will be represented by the Restricted Global Security. Before any interest in the Restricted Global Security may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Unrestricted Global Security, it will be required to provide the Registrar with a written certification (in the form provided in the Indenture) as to compliance with applicable securities laws.

Each Certificated Security that is offered and sold in the United States to an Institutional Accredited Investor pursuant to Section 4(2) of the Securities Act or in a transaction otherwise exempt from registration under the Securities Act will bear a legend to the following effect, in addition to such other legends as may be necessary or appropriate for compliance with applicable law:

"THIS NOTE (OR ITS PREDECESSOR) HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER, AND WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER, THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") AND UNDER APPLICABLE SECURITIES LAWS OF THE STATES AND OTHER JURISDICTIONS OF THE UNITED STATES, AND MAY NOT BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS NOTE ACKNOWLEDGES FOR THE BENEFIT OF THE COMPANY AND THE DEALERS THE RESTRICTIONS ON THE TRANSFER OF THIS NOTE SET FORTH BELOW AND AGREES THAT IT SHALL TRANSFER THIS NOTE ONLY AS PROVIDED IN THE INDENTURE ENTERED INTO BY THE COMPANY AND THE TRUSTEE AS OF SEPTEMBER 21, 2011. THE PURCHASER REPRESENTS THAT IT IS AN INSTITUTIONAL "ACCREDITED INVESTOR" (WITHIN THE MEANING OF RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) AND IT IS ACQUIRING THIS NOTE FOR INVESTMENT PURPOSES ONLY AND NOT WITH A VIEW TO

ANY RESALE OR DISTRIBUTION HEREOF, SUBJECT TO ITS ABILITY TO RESELL THIS NOTE PURSUANT TO RULE 144A OR REGULATION S UNDER THE SECURITIES ACT OR AS OTHERWISE PROVIDED BELOW AND SUBJECT IN ANY CASE TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF THE PROPERTY OF ANY PURCHASER SHALL AT ALL TIMES BE AND REMAIN WITHIN ITS CONTROL.

THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, RESELL OR OTHERWISE TRANSFER SUCH NOTE, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") WHICH IS ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE COMPANY WAS THE OWNER OF THIS NOTE (OR ANY PREDECESSOR OF SUCH NOTE), ONLY (A) IN THE UNITED STATES TO A PERSON WHOM IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF SUCH RULE 144A, (B) INSIDE THE UNITED STATES TO AN INSTITUTIONAL "ACCREDITED INVESTOR" (WITHIN THE MEANING OF RULE 501 (A)(1), (2), (3) or (7) UNDER THE SECURITIES ACT) THAT IS ACQUIRING THE NOTE FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL "ACCREDITED INVESTOR", IN EACH CASE, IN A MINIMUM PRINCIPAL AMOUNT OF THE NOTES OF US$250,000 AND MULTIPLES OF US$1,000 IN EXCESS THEREOF FOR INVESTMENT PURPOSES ONLY AND NOT WITH A VIEW TO, OR FOR OFFER OR RESALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, (C) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (D) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), (E) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR (F) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSES (B), (D) OR (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO THE COMPANY, AND, IN EACH OF THE FOREGOING CASES, A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS NOTE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND, IN EACH OF THE FOREGOING CASES, NOT IN VIOLATION OF ANY APPLICABLE STATE SECURITIES LAWS. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE. THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE TRANSFER RESTRICTIONS REFERRED TO IN THIS PARAGRAPH.

IF REQUESTED BY THE COMPANY OR A DEALER, THE PURCHASER AGREES TO PROVIDE THE INFORMATION NECESSARY TO DETERMINE WHETHER THE TRANSFER OF THIS NOTE IS PERMISSIBLE UNDER THE SECURITIES ACT. THIS NOTE AND RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS NOTE TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO THE RESALES OR TRANSFERS OF RESTRICTED SECURITIES GENERALLY. BY THE ACCEPTANCE OF THIS NOTE, THE HOLDER HEREOF SHALL BE DEEMED TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT.

FOR THE PURPOSES OF APPLYING THE ORIGINAL ISSUE DISCOUNT RULES UNDER THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, (1) THE ISSUE DATE OF THIS NOTE IS [●]; (2) THE YIELD TO MATURITY IS [●]% (COMPOUNDED SEMIANNUALLY); (3) THIS NOTE IS BEING ISSUED WITH ORIGINAL ISSUE DISCOUNT IN THE AMOUNT OF US$[●] PER US$1,000 PRINCIPAL AMOUNT; (4) THE [●] METHOD SPECIFIED IN THE PROPOSED

TREASURY REGULATIONS HAS BEEN USED TO DETERMINE YIELD AND THE AMOUNT OF ORIGINAL ISSUE DISCOUNT ALLOCABLE TO THE SHORT INITIAL ACCRUAL PERIOD BEGINNING [●] AND ENDING [●]; AND (5) THE AMOUNT OF ORIGINAL ISSUE DISCOUNT ALLOCATED TO SUCH ACCRUAL PERIOD IS US$[●] PER US$[●] PRINCIPAL AMOUNT.

IN CONNECTION WITH ANY TRANSFER, THE HOLDER WILL DELIVER TO THE REGISTRAR AND TRANSFER AGENT SUCH CERTIFICATES AND OTHER INFORMATION AS SUCH TRANSFER AGENT MAY REASONABLY REQUIRE TO CONFIRM THAT THE TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS."

Each purchaser of Certificated Securities will be required to deliver to the Company and the Registrar an investment letter substantially in the form prescribed in the Indenture. The Certificated Securities in definitive form will be subject to the transfer restrictions set forth in the above legend, such letter and in the Indenture. Inquiries concerning transfers of Notes should be made to any Dealer.

Sales outside the United States

Regulation S prohibits purchasers of the Notes under Regulation S from offering, selling or delivering the Notes within the United States or to or for the account or benefit of U.S. persons until the expiration of the period ending 40 days after the later of the commencement of the offering of the Notes and the date the Notes were originally issued (the "Distribution Compliance Period").

Each purchaser of the Notes outside the United States pursuant to Regulation S by accepting delivery of this Offering Memorandum and the Notes will be deemed to have represented, agreed and acknowledged that:

(i) It is, or at the time Notes are purchased will be, the beneficial owner of such Notes and (a) it is located outside the United States and (in the case of Bearer Notes) is not a U.S. person (as defined by the Internal Revenue Code) and it is located outside the United States and (b) it is not an affiliate of the Company or a person acting on behalf of such an affiliate.

(ii) Each purchaser of the Notes outside the United States pursuant to Regulation S and each subsequent purchaser of such Notes in resales prior to the expiration of the Distribution Compliance Period by accepting delivery of this Offering Memorandum and the Notes, will be deemed to have represented, agreed and acknowledged that:

  (a) It is, or at the time the Notes are purchased will be, the beneficial owner of such Notes and (I) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (II) it is not an affiliate of the Company or a person acting on behalf of such an affiliate.

  (b) It understands that such Notes and Note Guarantees have not been and will not be registered under the Securities Act and that, prior to the expiration of the Distribution Compliance Period, it will not offer, sell, pledge or otherwise transfer such Notes except (I) in accordance with Rule 144A under the Securities Act to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or the account of a QIB or (II) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.

  (c) The Company, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and, if any such acknowledgments, representations or agreements deemed to have been made by virtue of its purchase of the Notes are no longer accurate, it agrees to promptly notify us.

(d) It understands that the Notes offered in reliance on Regulation S will be represented by a Temporary Global Note or a Permanent Global Note, which will, unless otherwise agreed by us in accordance with applicable law, bear a legend substantially to the following effect:

THIS NOTE IN RESPECT HEREOF HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND, PRIOR TO THE EXPIRATION OF 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE NOTES AND THE LATEST CLOSING DATE ("DISTRIBUTION COMPLIANCE PERIOD"), MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

Prior to the expiration of the Distribution Compliance Period, before any interest in the Temporary Global Note or Permanent Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in such notes, it will be required to provide the Registrar with a written certification (in the form provided in the Indenture) as to compliance with the applicable securities laws.

General

Delivery of the Notes may be made against payment therefor on or about a date which will occur more than three business days after the date of pricing of the Notes which date may be specified in the Pricing Supplement. Pursuant to Rule 15c6 1 under the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Notes may initially settle on or about a date which will occur more than three business days after the date of pricing of the Notes to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Notes who wish to trade Notes on the date of pricing or the next succeeding business day should consult their own advisor.

VALIDITY OF THE NOTES

The validity of the Notes and certain legal matters under United States and New York law will be passed upon for our Company by Linklaters Singapore Pte. Ltd. Certain legal matters under United States and New York law with respect to the Notes will be passed upon for the Arrangers and Dealers by Shearman & Sterling LLP. Certain legal matters under Indonesian law with respect to the Notes will be passed upon for our Company by Hadiputranto, Hadinoto & Partners. Certain legal matters under Indonesian law with respect to the Notes will be passed upon for the Arrangers and Dealers by Hiswara Bunjamin & Tandjung.

INDEPENDENT AUDITORS

The restated consolidated financial statements of our Company included in this Offering Memorandum for the years ended December 31, 2009, 2010 and 2011 have been audited by Osman Bing Satrio & Rekan (an affiliate of Deloitte Southeast Asia Ltd, a member of Deloitte Touche Tohmatsu Limited), independent auditors, as stated in the report appearing herein. The unaudited consolidated financial statements as of and for the six-month periods ended June 30, 2012 and 2011 (restated) have been reviewed by Osman Bing Satrio & Rekan (an affiliate of Deloitte Southeast Asia Ltd, a member of Deloitte Touche Tohmatsu Limited), independent accountants, as stated in their review report appearing herein.

With respect to the unaudited interim financial information as of and for the six-month periods ended June 30, 2012 and 2011 (restated), included in this Offering Memorandum, the independent accountants have reported that they applied limited procedures for the review of such information in accordance with the standards established by the Indonesian Institute of Certified Public Accountants. However, their separate review report included in this Offering Memorandum states that they did not audit and they do not express such opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

RATINGS

The Program has been rated BBB- by Fitch, Baa3 by Moody's and BB by Standard & Poor's. There can be no assurance that the ratings will remain in effect for any given period or that the ratings will not be revised by the rating agencies in the future if, in their judgment, circumstances so warrant.

SUMMARY OF CERTAIN PRINCIPAL DIFFERENCES BETWEEN INDONESIAN GAAP AND U.S. GAAP

Our Company's restated consolidated financial statements included in the Offering Memorandum are prepared and presented in conformity with Indonesian GAAP, which differs in certain respects from U.S. GAAP. Such differences involve methods for measuring the amounts shown in the restated consolidated financial statements of our Company, as well as additional disclosures required by U.S. GAAP, which our Company has not made.

The following summarizes certain areas in which differences between Indonesian GAAP and U.S. GAAP could be significant to the financial position and results of operations of our Company. The summary below should not be construed to be exhaustive as no attempt has been made by the management of our Company to quantify the effects of those differences, nor has any complete reconciliation of Indonesian GAAP and U.S. GAAP been undertaken by our management. Had any such quantification or reconciliation been undertaken by the management of our Company, other potential significant accounting and disclosure differences may have come to their attention, which are not identified below.

Further, no attempt has been made to identify future differences between Indonesian GAAP and U.S. GAAP as a result of prescribed changes in accounting standards. Regulatory bodies that promulgate Indonesian GAAP and U.S. GAAP have significant projects on going that could affect future comparisons such as this one. Finally, no attempt has been made to identify future differences between Indonesian GAAP and U.S. GAAP that may affect the financial information as a result of transactions or events that may occur in the future.

Potential investors should consult their own professional advisors for an understanding of certain significant differences between Indonesian GAAP and U.S. GAAP and how these differences might affect the restated consolidated financial statements of our Company included elsewhere in this Offering Memorandum.

Consolidation

Under Indonesian GAAP, prior to January 1, 2011, control is presumed to exist when the parent entity owns, directly or indirectly through subsidiaries, more than 50% of the voting rights of an entity. Even when the parent entity owns 50% or less of the voting rights of an enterprise, control exists when one of the following conditions is met:

- having more than 50% of the voting rights by virtue of an agreement with other investors;
- having the right to govern the financial and operating policies of the enterprise under the article of association or an agreement;
- having the ability to appoint or remove the majority of the members of management; or
- having the ability to control the majority of votes at meetings of management.

Effective January 1, 2011 under Indonesian GAAP, there is one model for determining whether consolidation is appropriate that encompasses the guidance in both governance and economic indicators of control. Under the new standard, "control" is defined as the power to govern the financial and operating policies of an entity to obtain benefits from its activities. In this case, the definition of control encompasses both the notion of governance and the economic consequences of that governance. The new standard and interpretation provide indicators of when the substance of a relationship indicates control is present.

Under U.S. GAAP, an entity should first consider the guidance whether an entity is to be considered as a variable interest entity ("VIE"), after an assessment of control of its variable interest. VIEs are evaluated for consolidation based on all contractual, ownership, or other interest that expose their holders to the risks and rewards of the entity, where such interests are termed variable interests. The holder of a variable interest that receives the majority of the potential variability in expected losses or expected residual returns of the VIE is the VIE's primary beneficiary, and is required to consolidate the VIE.

Under U.S. GAAP, entities in a group generally require consolidation when one of the companies in a group directly or indirectly has a controlling financial interest in the other companies. The usual condition for controlling financial interest is ownership of a majority of the voting interest. Therefore, as a general rule, ownership by one company, directly or indirectly, of over 50% of the outstanding voting shares of another company is a condition pointing towards consolidation. Consolidation of majority-owned subsidiaries is required in the preparation of consolidated financial statements, unless control does not rest with the majority owner, or where control is likely to be temporary.

Statement of Cash Flows

Under Indonesian GAAP, companies which present their cash flows using the direct method are not required to present a reconciliation of net income to net cash flow from operating activities. Furthermore, cash flows from interest received and paid are disclosed in a consistent manner from period to period as operating, investing or financing activities.

Under U.S. GAAP, companies which present their cash flows using the direct method are required to present, in a separate schedule, a reconciliation of net income to cash flows from operating activities. Such reconciliation should separately report all major classes of reconciling items, including (a) the effects of all deferrals of past operating cash receipts and payments, such as changes during the period in inventory, deferred income, and all accruals of expected future operating cash receipts and payments, such as changes during the period in receivables and payables, and (b) the effects of all items which cash effects are investing or financing cash flows, such as depreciation, amortization of goodwill, gains or losses on sales of property, plant and equipment and discontinued operations and gains or losses on extinguishment of debt. Also, cash flows from interest received and paid are classified in the statement of cash flows as operating activity only.

Inventory

Under Indonesian GAAP, inventories are stated at the lower of acquisition cost or net realizable value. The net realizable value is the estimated selling price at the end of the reporting period reduced by the estimated expense incurred in connection with selling the product.

Under U.S. GAAP, inventories are measured at the lower of cost or market. Market is defined as the current replacement cost, which cannot exceed net realizable value or fall below net realizable value reduced by an approximately normal profit margin.

Under Indonesian GAAP, inventory provisions can be written back up so that the carrying amount is the lower of cost or revised net realizable value.

Under U.S. GAAP, a provision to write down inventories to the lower of cost or market cannot be reversed should the market value recover prior to the sale or disposition. As a result, under U.S. GAAP, write-downs of inventory can only be recovered through a sale or a disposition.

Taxation

Under Indonesian GAAP, deferred tax assets are only recognized if it is probable that future taxable profit will be available against which the deferred tax assets can be utilized and is calculated at the tax rates that have been enacted or substantively enacted at the end of the reporting period. The carrying amount of the deferred tax assets is reviewed periodically and reduced if appropriate. When an entity presents current and non-current classifications in its statement of financial position, it should not classify deferred tax assets (liabilities) as current assets (liabilities).

Under U.S. GAAP, deferred tax assets and liabilities are recognized to the extent that available evidence supports their realization and are measured using enacted tax rates for the period in which the asset or liability is expected to reverse. The future reversals of taxable temporary differences, taxable income in prior carry back periods (as permitted by tax law), tax planning strategies, and future taxable income exclusive of reversing temporary differences and carry forwards must be evaluated in determining whether or not a valuation allowance is necessary. A valuation allowance is provided if it is more likely than not that all or a portion of the deferred tax assets will not be realized. An entity should present current and non-current deferred tax assets and liabilities separately in a classified statement of financial position, consistent with the classification of the underlying asset or liability generating the temporary difference.

Under Indonesian GAAP, prior to January 1, 2012, the additional tax and penalties due in a tax assessment is charged to expense unless an objection or appeal is submitted, in which case the amounts paid is deferred and recognized as an asset. Effective January 1, 2012, additional tax and penalties due in a tax assessment is recorded as an asset if the asset recognition criteria are met.

U.S. GAAP prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a position taken or expected to be taken in a tax return.

Uncertain tax positions are recognized and measured using a two-step process, first determining whether a benefit may be recognized and subsequently measuring the amount of the benefit. Tax benefits from uncertain tax positions can be recognized only if it is more likely than not that the tax position is sustainable based on its technical merits. Uncertain tax positions are evaluated at the individual tax position level. The tax position is measured by using a cumulative probability model: the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement. The classification of interest and penalties related to uncertain tax positions (either in income tax expense or as a pre-tax item) represents an accounting policy decision that is to be consistently applied and disclosed.

Property, Plant and Equipment

Under Indonesian GAAP, an entity must make an accounting policy choice to measure a class of property, plant and equipment by using either the cost model or the revaluation model. In cases where the cost model was chosen, for certain assets that have been revalued in the prior year in accordance with government regulation, the revaluation amount is considered as deemed cost and the balance of revaluation surplus previously presented as a separate item in equity, is reclassified to retained earnings on the initial adoption of the standard.

Under U.S. GAAP, property, plant and equipment is measured at historical cost, and the revaluation model is not permitted.

Under Indonesian GAAP, residual values of property, plant and equipment need to be reviewed at least annually and if expectations of residual values differ from previous estimates, the change in residual value is accounted for prospectively as a change in estimate and may be adjusted upwards or downwards, as appropriate.

Under U.S. GAAP, if expectations of the residual values differ from previous estimates, the change in residual values is accounted for prospectively as a change in estimate only if the residual values have decreased (which would result in an increase in depreciation expense in future periods because of a corresponding increase in the depreciable amount of the asset). An upward adjustment of the residual value is not permitted under U.S. GAAP.

Under Indonesian GAAP, each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately (i.e., as if each component was a separate asset in its own right).

Under U.S. GAAP, an item of property, plant and equipment composed of significant parts is generally depreciated over a weighted-average useful life for the item as a whole. A components approach for depreciation is permitted but not required.

Under Indonesian GAAP, costs related to major inspection and overhaul are recognized as part of the carrying amount of property, plant and equipment if they meet the asset recognition criteria.

Under U.S. GAAP, there are three alternative methods of accounting for costs related to major inspection or overhaul: (1) direct expensing, (2) built-in overhaul, and (3) deferral.

Capitalization of Interest Cost in Construction in Progress

Under Indonesian GAAP, one of the criteria for capitalizing interest cost into a qualifying asset is that the interest should be attributable to the qualifying asset. A qualifying asset under Indonesian GAAP is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (i.e. a minimum of 12 months). Capitalizable interest costs include those arising from borrowings that are specifically attributable to the qualifying asset, which normally includes interest expense incurred on the borrowing, amortization of ancillary costs incurred in connection with the arrangement of the borrowings and exchange differences that are regarded as an adjustment of interest. Any interest income earned from temporary investment on unused borrowings is deducted from the capitalizable borrowing cost.

To the extent the funds are borrowed specifically to obtain a qualifying asset, the actual borrowing costs incurred on that borrowing are required to be capitalized.

If the funds are borrowed generally but are also used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization should be determined by applying a capitalization rate to the expenditures on that asset.

The capitalization rate should be the weighted average of the borrowing costs applicable to the borrowings of the enterprise that are outstanding during the period not including borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during a period should not exceed the amount of borrowing costs incurred during that period.

U.S. GAAP requires capitalization of borrowing costs on qualifying assets. To qualify, assets must require a period of time to get them ready for their intended use. Examples are assets that an enterprise constructs for its own use, such as facilities, and assets intended for sale or lease that are constructed as discrete projects, such as ships or real estate projects. However, interest cannot be capitalized for inventories that are routinely manufactured or otherwise produced in large quantities on a repetitive basis. Furthermore, foreign exchange gains and losses are not considered a component of financing costs and therefore are not capitalized.

The interest cost eligible for capitalization is the interest cost recognized on borrowings and other obligations. The amount capitalized is an allocation of the interest cost incurred during the period required to complete the asset. The interest rate for capitalization purposes is based on the rates on the enterprise's outstanding borrowings. If the enterprise associates a specific new borrowing with the asset, it may apply the rate on that borrowing to the appropriate portion of the expenditures for the asset. A weighted average of the rates on other borrowings is applied to expenditures not covered by specific new borrowings. Judgment is required concerning the selection of borrowings to be included in the calculation of the capitalization rate.

Impairment of Long-Lived Assets

Under Indonesian GAAP, an enterprise should assess at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the enterprise should estimate the recoverable amount of the asset. Impairment loss is recognized when the asset's carrying amount exceeds the recoverable amount, which is the higher of net selling price or value in use. An impairment loss is only reversed to the extent that the asset carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized. Reversal of impairment loss is required for assets, other than goodwill, if certain criteria are met.

Under U.S. GAAP, long-lived assets held and used by an entity are required to be tested for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset is not recoverable and exceeds its fair value. The asset's carrying amount is not recoverable if it exceeds the sum of the undiscounted cash flows, excluding interest charges expected to result from the use and eventual disposition of the asset. That assessment shall be based on the carrying amount of the asset at the date it is tested for recoverability, whether in use or under development. An impairment loss shall be measured as the amount by which the carrying amount of the asset exceeds the fair value of the asset. Subsequent reversal of previously recognized impairment loss is prohibited.

Employee Benefits

Under Indonesian GAAP, the liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plans assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefit will be paid, and that have terms to maturity approximating the terms of the related pension liability. Government bond yields should be used when there is no deep market in high-quality corporate bonds. Expected return on plan assets is determined based on market expectations at the beginning of the period for returns over the entire life of the obligation. Positive and negative past-service costs are recognized over the remaining vesting period. Where a benefit has already vested, the company should recognize past-service costs immediately. Actuarial gains and losses arising from experience adjustments, or changes in actuarial assumptions among others when exceeding 10.0% of the defined benefit obligation or 10.0% of the fair value of plan assets are charged or credited to income over the average remaining service lives of the related employees. There is no requirement to recognize a minimum pension liability.

U.S. GAAP is similar to Indonesian GAAP, except that government bonds are not specifically required. Rather, U.S. GAAP states that the selected discount rate should reflect the rates at which the benefits can be effectively settled. Companies may look to the rate of return on high-quality, fixed income investments with similar durations to those of the benefit obligation to establish the discount rate. Expected return on plan assets is determined based on the expected long-term rate of return on plan assets and the market-related value of plan assets. Positive prior service cost for current and former employees is recognized over the remaining service lives of active employees. Negative prior-service costs are used first to offset previous positive prior-service costs. Actuarial gains and losses and unrecognized prior service costs are amortized as a component of net periodic benefit cost. Further, U.S. GAAP requires, at a minimum, a liability for the amount of the unfunded accumulated benefit obligation be recognized at the end of the reporting period. If all or almost all plan participants are retired, actuarial gains and losses are amortized over the remaining life expectancy of the plan participants.

Government Subsidy

There are no specific provisions in Indonesian GAAP regarding the recognition of revenue from government subsidies. The Company and its subsidiaries recognize government subsidies as revenue on an accrual basis in accordance with the Decree of the Ministry of Finance of Indonesia.

U.S. GAAP does not have any specific guidance on the recognition of government subsidies.

Land Rights

In Indonesia, the title of land rests with the state under Basic Agrarian Law No. 5/1960. Land use is accomplished through land rights whereby the holder of the right enjoys the full use of the land for a stated period of time, subject to extensions. Land rights generally are freely tradeable and may be pledged as security under borrowing agreements. Under Indonesian GAAP, the cost of acquired land rights is not amortized unless (a) the condition of the land is no longer suitable for the main operation of the enterprise, (b) the nature of the enterprise's main operation will result in the abandonment of the land and buildings subsequent to completion of the project, or (c) management's prediction or certainty that an extension or removal of the land rights will not be obtained. Expenses associated with the acquisition of a government permit to use the land should be amortized over the period the holder is expected to retain the land rights.

Under U.S. GAAP, the cost of acquired land rights is amortized over the period for which the holder is expected to retain the land rights.

Investments in Associates

Under Indonesian GAAP, losses of the associates in excess of the Company and its subsidiaries' interest in those associates (which includes any long-term interests that, in substance, form part of the Company and its subsidiaries' net investment in the associate) are recognized only to the extent that the Company and its subsidiaries have incurred legal or constructive obligations or made payments on behalf of the associate.

Under U.S. GAAP, an investor should continue to recognize losses when the imminent return to profitable operations of an investee appears to be assured (even if the investor has not (1) guaranteed obligations of the investee or (2) otherwise committed to provide further financial support to the investee).

Revenue Recognition

The general principles for revenue recognition under Indonesian GAAP and U.S. GAAP are substantially consistent. However, under U.S. GAAP, more specific guidance should be followed, in particular for industry-specific issues. In addition, public companies must follow the more detailed guidance provided by the SEC.

Embedded Derivatives

Under Indonesian GAAP, non financial contracts denominated in a currency other than the functional currency of either of the contracting parties are closely related and therefore do not require bifurcation and separate accounting if such contracts are denominated in a currency that is commonly used in the economic environment in which the transaction takes place.

Under Indonesian GAAP, after initial recognition, an entity does not have to reassess or bifurcate and separately recognize embedded derivatives unless there is a significant modification in the cash flows or there is a reclassification out of fair value through profit or loss.

Under U.S. GAAP, if the pricing terms of the non financial contracts are not denominated in a currency that is either the local or functional currency of either party to the contract or are not denominated in a currency that is routinely used in international commerce, then such pricing is not clearly and closely related to the host contract.

Under U.S. GAAP, reassessment of embedded derivatives is required.

Finance Leases

U.S. GAAP defines a lease as a contract conveying the right to use property, plant or equipment for a stated period of time. A service agreement may be accounted for as a leasing arrangement, as opposed to a service contract, if the substance conveys a right to use the underlying property, plant and equipment.

Under Indonesian GAAP a lease is classified as a finance lease if it transfers substantially all risks and rewards incidental to ownership. At the commencement of the lease term, lessees shall recognize finance leases as assets and liabilities in their statements of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Minimum lease payments shall be apportioned between the finance charge and the reduction of the outstanding liability. The asset is depreciated over its useful life or the lease term if shorter. However, the latter is only permitted if there is no reasonable certainty of the lessee obtaining ownership of the asset. The following conditions normally lead to a finance lease: (a) ownership is transferred to lessee at the end of the lease term; (b) a bargain purchase option exists; (c) the lease term is for the majority of the leased asset's economic life; (d) the present value of minimum lease payments is equal to substantially all the fair value of the leased asset; and (e) the leased assets are of a specialized nature that only the lessee can use without major modification.

Under Indonesian GAAP, prior to January 1, 2012, the Company was exempted from applying Interpretation on Financial Accounting Standards ("ISAK") No. 8, "Determining Whether an Arrangement Contains a Lease" on its Power Purchase Agreements and Energy Sales Contracts as confirmed in a letter from the Chairman of the Capital Market and Financial Institutions Supervisory Agency (Bapepam-LK). Effective starting January 1, 2012, the Company retroactively applied the provisions of ISAK No. 8 on its Power Purchase Agreements and Energy Sales Contracts. "Management's Discussion and Analysis of Financial Condition and Results of Operation —Restatement of Prior Year Comparative Consolidated Financial Statements" and Note 59 to our restated consolidated financial statements included elsewhere in this Offering Memorandum.

Under U.S. GAAP, finance leases (capital leases) are recognized if one of the following criteria is met: (a) ownership of the leased assets transfers to the lessee at the end of the lease period; (b) the lease contains a bargain purchase option; (c) the term of the lease is equal to 75.0% or more of the estimated useful life of the assets; or (d) the net present value of the minimum lease payments, excluding executor costs, equals or exceeds 90.0% of the underlying fair value of the leased assets. If the lease meets the criteria of either (a) or (b) above, the asset is amortized in a manner consistent with the lessee's normal depreciation policy for owned fixed assets. If the lease does not meet the criteria of either (a) or (b) above, the asset is amortized in a manner consistent with the lessee's normal depreciation policy, except that the period of amortization shall be the lease term. The asset shall be amortized to its expected value, if any, to the lessee at the end of the lease term. Leases not meeting any of the four criteria for a capital lease included above should be accounted for as operating lease and lease payments are expensed as incurred on a straight-line basis.

Loans to (from) Related Parties and Imputed Interest

Under Indonesian GAAP, prior to January 1, 2010, loans made to (from) related parties are recognized as assets of the lender and as liabilities of the borrowing entity. Interest income or expense on such loans is recognized as interest income or expense based on the loans coupon interest rate as earned. Furthermore, there are no specific guidelines for imputing interest on non-interest bearing long term receivables from or payables to related parties or those that carry off-market interest rates. Effective starting January 1, 2010, Indonesian GAAP generally requires interest to be imputed on long term receivables from or payables to related parties that do not bear interest or bear off-market rate of interest. The adjustment to the carrying amount of the long term receivable or payable to related parties is initially accounted for as a current-period expense, income, or as a capital transaction based on its substance and subsequently amortized as interest using the effective interest rate over the term of the receivable or payable to related parties.

The effective interest rate used for calculating amortization under the effective interest method discounts estimated cash flows through the expected — not the contractual — life of the instrument. Generally, if the entity revises its estimate after initial recognition, the carrying amount of the financial liability should be revised to reflect actual and revised estimated cash flows at the original effective interest rate, with a cumulative-catch-up adjustment being recorded in profit and loss.

Under U.S. GAAP, imputing interest is generally required when an entity is party to a note that does not bear interest or bears other than market rate of interest. When the fair value of the note is established (based on a market transaction with similar terms), the difference between the fair value and the face amount constitutes an adjustment of the stated interest rate, if any. The difference should be treated as a premium or discount and amortized as interest over the life of the note using the effective interest rate.

The effective interest rate used for calculating amortization under the effective interest method generally discounts contractual cash flows through the contractual life of the instrument. However, there may be circumstances where expected life is used.

Non-Controlling Interests

Under Indonesian GAAP, prior to January 1, 2011, non-controlling interests are measured at their proportion of the carrying amount of the acquiree's assets and liabilities before the acquisition date. There is no specific guidance on how to account for transactions between the parent company and the non-controlling interests whether control is lost or not under Indonesian GAAP. Effective starting January 1, 2011, entities must make an accounting choice, on an acquisition-by-acquisition basis, for measurement of certain components of the noncontrolling interest at either (1) the noncontrolling interest's proportionate share of the net fair value of the acquiree's identifiable net assets or (2) fair value (same as entities under U.S. GAAP).

Under U.S. GAAP, non-controlling interests are measured at fair value. Under the fair value method, goodwill is recognized for both the controlling and non-controlling interests. Accordingly, an entity will recognize more goodwill under the fair value method than it will under the proportionate share method. In addition, no gains or losses are recognized in earnings for transactions between the parent company and the non-controlling interests — unless control is lost.

Other Disclosures

Certain additional disclosures not required under Indonesian GAAP are required to be disclosed under U.S. GAAP. Some of the areas where U.S. GAAP requires specific additional disclosures include, among others, concentrations of credit risk, significant customers and suppliers, pensions, and segment-related disclosures.

GENERAL INFORMATION

Authorization

We have obtained all necessary consents, approvals and authorizations in connection with the establishment of the Program and issue and performance of the Notes. The establishment of the Program and issue and performance of the Notes has been duly authorized by resolutions of our Board of Commissioners and Board of Directors dated July 13, 2011 and June 3, 2011 , respectively.

Litigation

Save as disclosed in this Offering Memorandum, neither our Company nor any of our assets are, nor have been, involved in or subject to any litigation, arbitration or administrative proceedings which may have, or have had, a significant effect on our financial position or which are or might be in context of the establishment of the Program and offering of the Notes. We are not aware that any such proceedings are pending or threatened.

No Material Adverse Change

There has been no significant change or any development reasonably likely to involve an adverse change in the condition (financial, trading or otherwise) or general affairs or results of operations of our Company since June 30, 2012 that is material in the context of the establishment of the Program and the issue of the Notes.

Listing of the Notes

Application will be made to the SGX-ST for permission to deal in and quotation of any Notes that may be issued pursuant to the Program and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. However, Notes may be issued under the Program that will not be listed on the SGX-ST or any other stock exchange, and the Pricing Supplement applicable to each Series or Tranche of Notes will specify whether or not the Notes will be listed on the SGX-ST or any other stock exchange.

Clearing Systems and Settlement

The appropriate common code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, upon acceptance into their respective clearing systems, will be specified in the applicable Pricing Supplement. In addition, the Company will make an application for any Restricted Global Securities to be accepted for trading in book-entry form by DTC. The CUSIP and/or CINS and/or Common Code and/or the ISIN for each Series of Notes will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system, the appropriate information will be specified in the applicable Pricing Supplement.

Accounts

Copies of the audited financial statements of our Company for the last three financial years, if any, may be obtained during normal business hours on any weekday (excluding public holidays) from the registered office of our Company and from the specified offices of the Trustee and the Paying Agent for the time being in New York.

Documents Available

For so long as any of the Notes remains outstanding, copies of the constitutional documents of our Company and the Transaction Documents will be available in English for inspection and obtainable free of charge, during normal business hours on any weekday (excluding public holidays) from the registered office of our Company and from the specified office of the Paying Agent for the time being in New York.

Submission to Jurisdiction and Choice of Law

Submission by the Company to the non-exclusive jurisdiction of any U.S. federal or New York State court located in the Borough of Manhattan, The City of New York, and the appointment of an agent for service of process, are valid and binding under Indonesian law. The choice of the laws of New York as the governing law for the Notes and the Indenture under the laws of Indonesia, is a valid choice of law and should be honored by the courts of Indonesia, subject to proof thereof and considerations of public policy. A judgment of a foreign (non-Indonesian) court will not be enforceable by the courts of Indonesia, although such a judgment could be admissible as evidence in a proceeding on the underlying claim in an Indonesian court and would be given such evidentiary weight as the court may deem appropriate.

GLOSSARY OF SELECTED ELECTRICITY TERMS

The following explanations are not technical definitions, but they could assist you in understanding some of the terms used in this Offering Memorandum.

Capacity Factor	The capacity factor is calculated by dividing (i) the total GWh produced, by (ii) MV capacity times the total number of hours in the year.
Electricity generating plant	An electric generator together with the turbine or other device which drives it.
ESC	Energy Sales Contract.
Gigawatt (GW)	1,000,000,000 watts (1,000 megawatts).
Gigawatt hour (GWh)	One gigawatt of power supplied or demanded for one hour.
Installed capacity	The maximum power which could be produced continuously throughout a prolonged period of operation. All equipment is assumed to be fully operational.
IPP	Independent power producer.
Kiloliter	A metric unit of volume equal to 1,000 liters.
Kilometer-circuit	The voulte kilometers of revenue producing circuits in service, determined by measuring the length in terms of kilometers of the actual path followed by the transmission/distribution medium.
Kilovolt (kV)	1,000 volts.
Kilowatt (kW)	1,000 watts.
Kilowatt hour (kWh)	One kilowatt of power supplied or demanded for one hour.
kVA	Kilovolt ampere.
Megavolt ampere (MVA)	1,000,000 volts ampere.
Megawatt (MW)	1,000,000 watts (1,000 kilowatts).
Megawatt hour (MWh)	One megawatt of power supplied or demanded for one hour.
MMSCF	Million metric standard cubic feet.
PPA	Power purchase agreement.
SAIDI	System Average Interruption Duration Index, which is a measure of system reliability.
SAIFI	System Average Interruption Frequency Index, which is a measure of system reliability.
Substation	Equipment which switches and/or changes or regulates the voltage of electricity in a transmission and distribution system.

TBtu	Tera British thermal unit.
TMC	Total maintenance contract.
Volt	The basic unit of electric force analogous to water pressure in pounds per square inch.
Volt ampere	The basic unit of apparent electrical power.
Watt	The basic unit of active electrical power.

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PERUSAHAAN PERSEROAN (PERSERO)
PT PERUSAHAAN LISTRIK NEGARA
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIODS ENDED
JUNE 30, 2012 AND 2011 (UNAUDITED)
AND FOR THE YEARS ENDED
DECEMBER 31, 2011, 2010 AND 2009 (AUDITED)

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PT PLN (PERSERO)

Jalan Trunojoyo Blok M 1/135 Kebayoran Baru - Jakarta 12160
Telp. : (021) 7261875, 7261122, 7262234
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Kotak Pos : 4322/KBB Faximile : (021) 7221330 Alamat Kawat : PLNPST

**DIRECTORS' STATEMENT LETTER
RELATING TO THE RESPONSIBILITY ON THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2012 AND 2011 (UNAUDITED)
AND FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009 (AUDITED)**

We, the undersigned:

1.	Name	:	NUR PAMUDJI
	Office address	:	PT PLN (PERSERO) Jl. Trunojoyo Blok M I/135 Jakarta Selatan
	Domicile as stated in ID Card	:	Komplek PLN P3B RT 005 RW 007 Kelurahan Krukut, Limo Depok
	Phone number	:	(021) 7220300
	Position	:	PRESIDENT DIRECTOR
2.	Name	:	SETIO ANGGORO DEWO
	Office address	:	PT PLN (PERSERO) Jl. Trunojoyo Blok M I/135 Jakarta Selatan
	Domicile as stated in ID Card	:	Jl. Cilandak Permai Raya No. 15A Cilandak Barat Jakarta Selatan 12340
	Phone number	:	(021) 7392038
	Position	:	FINANCE DIRECTOR

state that:

1. We are responsible for the preparation and presentation of the consolidated financial statements;
2. The consolidated financial statements have been prepared and presented in accordance with Financial Accounting Standard in Indonesia;
3. a. All information contained in the consolidated financial statements is complete and correct;
   b. The consolidated financial statements do not contain misleading material information or facts, and do not omit material information and facts;
4. We are responsible for the Company and its subsidiaries internal control system.

This statement letter is made truthfully.

Jakarta, September 4, 2012

METERAI TEMPEL
27931AAF997120632
ENAM RIBU RUPIAH
6000 DJP

PT PLN (Persero) DIREKSI

NUR PAMUDJI
President Director

SETIO ANGGORO DEWO
Finance Director

MODEL 1001

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Independent Accountants' Report

No. SR112 0097 PLN OS

The Stockholder, Board of Commissioners and Directors
PERUSAHAAN PERSEROAN (PERSERO) PT PERUSAHAAN LISTRIK NEGARA

We have reviewed the accompanying consolidated statements of financial position of Perusahaan Perseroan (Persero) PT Perusahaan Listrik Negara and its subsidiaries as of June 30, 2012 and 2011, and the related consolidated statements of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for six-month periods then ended. These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards established by the Indonesian Institute of Certified Public Accountants. A review of financial statements consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards established by the Indonesian Institute of Certified Public Accountants, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the consolidated financial statements as of June 30, 2012 and 2011 and for the six-month periods then ended in conformity with Financial Accounting Standards in Indonesia.

As discussed in Note 39 to the consolidated financial statements, the Company recognized revenue from Government's electricity subsidy on accrual basis which was computed in accordance with the provisions of the Rule of the Ministry of Finance of the Republic of Indonesia amounting to Rp 48,088,384 million and Rp 40,861,629 million for the six-month periods ended June 30, 2012 and 2011, respectively.

We have previously reviewed, in accordance with standards established by the Indonesian Institute of Certified Public Accountants, the consolidated statements of financial position of Perusahaan Perseroan (Persero) PT Perusahaan Listrik Negara and its subsidiaries as of June 30, 2011, and the related consolidated statements of comprehensive income, consolidated statements of changes in equity, and consolidated statements cash flows for six-month periods then ended. In our report dated August 22, 2011, based on our review, we were not aware of any material modifications that should be made to those consolidated financial statements.

Effective January 1, 2012, as discussed in Note 2 to the consolidated financial statements, the Company and its subsidiaries adopted ISAK 8 "Determining Whether an Arrangement Contains a Lease", and restated the accompanying prior year comparative financial statements for the change. We also have audited the adjustments to the June 30, 2011 consolidated financial statements to retrospectively adopt ISAK 8. In our opinion, such adjustments are appropriate and have been properly applied.

OSMAN BING SATRIO & REKAN

Drs. Osman Sitorus
License of Public Accountant No. AP.0567

August 15, 2012, except for Note 60 as to which the date is September 4, 2012

The accompanying consolidated financial statements are not intended to present the financial position, results of operations, and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than those in Indonesia. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in Indonesia.

Deloitte.

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Independent Auditors' Report

No. GA112 0768 PLN OS

The Stockholder, Board of Commissioners and Directors
PERUSAHAAN PERSEROAN (PERSERO) PT PERUSAHAAN LISTRIK NEGARA

We have audited the accompanying consolidated statements of financial position of Perusahaan Perseroan (Persero) PT Perusahaan Listrik Negara and its subsidiaries as of December 31, 2011, 2010, 2009 and January 1, 2009/ December 31, 2008, and the related consolidated statements of comprehensive income, consolidated statements of changes in equity, and consolidated statements of cash flows for the years ended December 31, 2011, 2010 and 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards established by the Indonesian Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Perusahaan Perseroan (Persero) PT Perusahaan Listrik Negara and its subsidiaries as of December 31, 2011, 2010, 2009 and January 1, 2009/ December 31, 2008, and the results of their operations and their cash flows for the years ended December 31, 2011, 2010 and 2009 in conformity with Financial Accounting Standards in Indonesia.

As discussed in Note 39 to the consolidated financial statements, the Company recognized revenue from Government's electricity subsidy on accrual basis which was computed in accordance with the provisions of the Rule of the Ministry of Finance of the Republic of Indonesia amounting to Rp 93,177,740 million in 2011, Rp 58,108,418 million in 2010 and Rp 53,719,818 million in 2009.

We have previously audited, in accordance with auditing standard established by the Indonesian Institute of Certified Public Accountants, the consolidated statements of financial position of Perusahaan Perseroan (Persero) PT Perusahaan Listrik Negara and its subsidiaries as of December 31, 2011, 2010, 2009 and January 1, 2009/ December 31, 2008, and the related consolidated statements of comprehensive income, consolidated statements of changes in equity, and consolidated statements cash flows for the years ended December 31, 2011, 2010 and 2009. In our report dated March 26, 2012, March 25, 2011, March 31, 2010 and April 3, 2009, based on our audits, we expressed an unqualified opinion on those consolidated financial statements.

Osman Bing Satrio & Rekan

Effective January 1, 2012, as discussed in Note 2 to the consolidated financial statements, the Company and its subsidiaries adopted ISAK 8 "Determining Whether an Arrangement Contains a Lease", and restated the accompanying prior year comparative financial statements for the change. We also have audited the adjustments to the 2011, 2010 and 2009 consolidated financial statements and the consolidated statement of financial position at January 1, 2009/ December 31, 2008 to retrospectively adopt ISAK 8. In our opinion, such adjustments are appropriate and have been properly applied.

OSMAN BING SATRIO & REKAN

Drs. Osman Sitorus
License of Public Accountant No. AP.0567

March 26, 2012, except for Note 60 as to which the date is September 4, 2012

The accompanying consolidated financial statements are not intended to present the financial position, results of operations, and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than those in Indonesia. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in Indonesia.

PERUSAHAAN PERSEROAN (PERSERO)
PT PERUSAHAAN LISTRIK NEGARA AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011 (UNAUDITED) AND DECEMBER 31, 2011, 2010, 2009 AND JANUARY 1, 2009/ DECEMBER 31, 2008 (AUDITED)
(Figures in tables stated in millions of Rupiah)

	Notes	June 30, 2012	June 30, 2011 *)	December 31, 2011 *)	December 31, 2010 *)	December 31, 2009 *)	January 1, 2009/ December 31, 2008 *)
ASSETS							
NONCURRENT ASSETS							
Property, plant and equipment - net of accumulated depreciation of Rp 141,982,661 million as of June 30, 2012, Rp 125,076,004 million as of June 30, 2011, Rp 132,978,177 million as of December 31, 2011, Rp 117,645,247 million as of December 31, 2010, Rp 104,645,340 million as of December 31, 2009 and Rp 91,492,548 million as of January 1, 2009	6	328,272,271	254,275,155	302,489,947	247,561,715	246,024,262	236,282,691
Construction in progress	7	105,251,028	110,053,846	98,057,296	106,839,853	78,482,316	53,120,352
Investment properties	8	158,102	151,319	152,796	145,020	138,442	138,442
Investments in associates	9	1,453,302	1,065,181	1,142,850	883,012	788,470	482,606
Deferred tax assets	49	19,479	12,900	18,018	11,278	8,059	8,767
Assets not used in operations	10	1,174,531	1,168,042	1,713,669	1,299,503	1,021,434	1,331,105
Receivables from related parties	11,54	216,778	133,141	212,709	232,250	1,193,648	1,317,182
Restricted cash in banks and time deposits	12	5,054,612	2,492,625	3,889,763	2,407,587	3,210,105	4,313,731
Other receivables	18	336,227	387,547	355,270	319,567	490,638	439,750
Other noncurrent assets	13	1,894,907	1,915,669	1,497,943	1,627,358	3,713,859	1,476,665
Total Noncurrent Assets		443,831,237	371,655,425	409,530,261	361,327,143	335,071,233	298,911,291
CURRENT ASSETS							
Cash and cash equivalents	14	19,377,409	20,619,311	22,088,093	19,716,798	13,043,196	6,387,627
Short-term investments	15	440,675	1,134,983	636,264	828,739	1,715,844	5,207,014
Trade accounts receivable - net of allowance for doubtful accounts of Rp 427,621 million as of June 30, 2012, Rp 385,678 million as of June 30, 2011, Rp 356,147 million as of December 31, 2011, Rp 330,451 million as of December 31, 2010, Rp 341,204 million as of December 31, 2009 and Rp 625,222 million as of January 1, 2009	16	4,336,429	5,186,511	3,504,823	2,875,168	2,555,458	1,708,320
Receivables on electricity subsidy	17,39	24,435,641	37,231,133	12,101,668	9,358,747	8,580,474	7,294,364
Other receivables	18	701,289	450,527	598,750	623,506	213,467	324,330
Inventories - net of allowance for decline in value of Rp 152,354 million as of June 30, 2012, Rp 107,852 million as of June 30, 2011, Rp 130,777 million as of December 31, 2011, Rp 98,898 million as of December 31, 2010, Rp 94,557 million as of December 31, 2009 and Rp 79,123 million as of January 1, 2009	19	14,263,736	11,498,057	15,654,105	9,927,314	9,721,258	9,091,138
Prepaid taxes	20	2,377,826	632,506	2,396,990	550,880	236,375	129,924
Prepaid expenses and advances	21	1,131,401	1,265,654	1,204,393	826,907	668,318	784,213
Receivables from related parties	11,54	67,914	139,422	67,256	65,227	-	-
Total Current Assets		67,132,320	78,158,104	58,252,342	44,773,286	36,734,390	30,926,930
TOTAL ASSETS		510,963,557	449,813,529	467,782,603	406,100,429	371,805,623	329,838,221

*) As restated - Note 59

See accompanying notes to consolidated financial statements which are an integral part of the consolidated financial statements.

(Figures in tables stated in millions of Rupiah) - Continued

	Notes	June 30, 2012	June 30, 2011 *)	December 31, 2011 *)	December 31, 2010 *)	December 31, 2009 *)	January 1, 2009/ December 31, 2008 *)
LIABILITIES AND EQUITY							
EQUITY							
Equity attributable to owners of the Company							
Capital stock - par value of Rp 1 million per share							
Authorized - 63,000,000 shares							
Subscribed and paid-up - 46,197,380 shares in 2012 and 2011 and 46,107,154 shares in 2010, 2009 and 2008	22	46,197,380	46,107,154	46,197,380	46,107,154	46,107,154	46,107,154
Additional paid-in capital	23	40,846,995	37,470,580	40,050,208	37,122,096	34,819,299	30,965,460
Retained earnings							
Appropriated		17,343,884	13,720,014	13,720,014	8,248,328	1,894,149	1,894,149
Unappropriated		38,851,142	50,899,407	45,948,843	50,539,170	50,552,521	35,990,172
Equity attributable to owners of the Company		143,239,401	148,197,155	145,916,445	142,016,748	133,373,123	114,956,935
Non-controlling interests		101,307	78,396	96,391	97,027	91,911	78,755
Total Equity		143,340,708	148,275,551	146,012,836	142,113,775	133,465,034	115,035,690
NONCURRENT LIABILITIES							
Deferred revenue	24	16,827,817	12,318,479	14,587,906	10,126,136	8,297,478	7,556,638
Deferred tax liabilities - net	49	4,942,162	7,321,753	6,384,701	7,284,638	6,610,040	3,349,980
Long-term liabilities - net of current maturities							
Two-step loans	25	28,796,767	23,945,190	27,036,690	22,803,597	19,111,614	18,929,074
Government loans	26	8,942,427	1,922,906	6,016,818	2,016,668	2,937,926	3,231,719
Lease liabilities	27	98,619,252	61,679,689	77,690,486	61,406,202	63,507,779	75,058,654
Bank loans and medium term notes	28	47,669,068	38,940,597	46,003,191	36,400,362	23,705,248	10,192,011
Bonds payable	29	56,877,322	45,297,749	55,908,388	46,656,045	46,246,024	28,508,458
Electricity purchase payable	30	5,566,984	5,213,837	5,413,311	5,536,202	5,956,304	7,125,277
Payable to related parties	31	10,654	-	13,991	-	17,721	30,135
Employee benefits obligation	52	20,587,174	17,616,042	18,967,344	16,358,885	13,902,579	12,968,866
Other payables	33	174,880	58,090	196,508	1,368	46,865	147,839
Total Noncurrent Liabilities		289,014,507	214,314,332	258,219,334	208,590,103	190,339,578	167,098,651
CURRENT LIABILITIES							
Trade accounts payable							
Related parties	32,54	10,855,811	26,123,093	14,070,569	5,712,663	8,831,743	14,733,887
Third parties	32,57	11,834,393	8,812,038	7,875,637	5,698,660	4,879,081	7,823,530
Taxes payable	34	704,324	1,047,711	955,509	905,656	557,007	685,784
Accrued expenses	35	5,508,631	5,691,266	6,060,347	6,309,999	5,808,696	4,733,417
Customers' security deposits	36	6,489,195	6,503,003	6,511,261	6,544,422	5,961,009	5,401,137
Project cost payable	37	1,878,446	1,395,602	2,467,142	3,689,316	3,799,851	1,224,998
Current maturities of long-term liabilities							
Two-step loans	25	2,145,501	2,167,195	2,236,422	2,088,093	2,082,552	2,287,600
Government loans	26	293,793	340,620	346,372	344,065	349,091	354,118
Lease liabilities	27	3,566,011	1,971,377	2,803,911	1,901,397	1,606,934	1,734,560
Bank loans and medium term notes	28	12,259,783	10,569,192	4,694,652	3,343,493	1,842,542	2,508,315
Bonds payable	29	-	3,866,277	-	4,045,950	-	-
Electricity purchase payable	30	197,174	170,424	184,130	174,006	173,392	192,511
Payable to related parties	31,54	4,213,826	5,291,631	663,384	577,478	434,685	389,730
Employee benefits obligation	52	1,560,545	1,558,464	1,611,500	1,438,655	1,566,829	1,398,355
Other payables	33	17,100,909	11,715,753	13,069,597	12,622,698	10,107,599	4,235,938
Total Current Liabilities		78,608,342	87,223,646	63,550,433	55,396,551	48,001,011	47,703,880
TOTAL LIABILITIES		367,622,849	301,537,978	321,769,767	263,986,654	238,340,589	214,802,531
TOTAL EQUITY AND LIABILITIES		510,963,557	449,813,529	467,782,603	406,100,429	371,805,623	329,838,221

*) As restated - Note 59

See accompanying notes to consolidated financial statements which are an integral part of the consolidated financial statements.

PERUSAHAAN PERSEROAN (PERSERO)
PT PERUSAHAAN LISTRIK NEGARA AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2012 AND 2011 (UNAUDITED)
AND FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009 (AUDITED)
(Figures in tables stated in millions of Rupiah)

	Notes	2012 (Six months)	2011 *) (Six months)	2011 *) (One year)	2010 *) (One year)	2009 *) (One year)
REVENUES						
Sale of electricity	38	62,180,915	56,929,622	112,844,853	102,973,531	90,172,100
Government's electricity subsidy	39	48,088,384	40,861,629	93,177,740	58,108,418	53,719,818
Customer connection fees	24	664,030	510,680	1,008,730	760,837	651,716
Others	40	438,223	262,672	986,500	532,508	678,510
Total Revenues		111,371,552	98,564,603	208,017,823	162,375,294	145,222,144
OPERATING EXPENSES						
Fuel and lubricants	41	65,548,823	63,016,755	131,157,604	93,898,743	85,498,930
Purchased electricity	42	1,383,951	565,913	1,256,713	893,144	808,962
Lease	43	3,100,800	2,423,000	5,775,859	3,227,651	2,851,128
Maintenance	44	6,831,270	5,795,792	13,592,563	11,740,829	9,940,274
Personnel	45	6,280,404	5,491,212	13,197,075	12,954,417	9,758,314
Depreciation	6	9,464,488	7,666,588	16,254,552	14,691,919	13,921,222
Others	46	2,303,788	1,840,217	4,405,234	4,286,003	4,035,539
Total Operating Expenses		94,913,524	86,799,477	185,639,600	141,692,706	126,814,369
INCOME BEFORE FINANCIAL AND OTHER ITEMS		16,458,028	11,765,126	22,378,223	20,682,588	18,407,775
NET FINANCIAL AND OTHER ITEMS						
Interest income		221,387	332,966	503,983	753,181	366,731
Gain (loss) on foreign exchange - net	55	(6,741,138)	5,596,364	(1,833,390)	4,336,472	15,666,111
Financial cost	47	(11,459,237)	(8,151,929)	(17,361,067)	(15,177,481)	(16,149,230)
Others - net	48	731,712	1,734,662	1,827,246	1,158,741	259,041
Net Financial and Other Items		(17,247,276)	(487,937)	(16,863,228)	(8,929,087)	142,653
PROFIT (LOSS) BEFORE TAX		(789,248)	11,277,189	5,514,995	11,753,501	18,550,428
TAX BENEFIT (EXPENSE)	49	820,333	(918,897)	(88,880)	(1,406,341)	(3,983,649)
INCOME FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME		31,085	10,358,292	5,426,115	10,347,160	14,566,779
Income for the year and total comprehensive income attributable to :						
Owners of the Company		26,169	10,376,923	5,426,359	10,340,828	14,562,349
Non-controlling interest		4,916	(18,631)	(244)	6,332	4,430
Total		31,085	10,358,292	5,426,115	10,347,160	14,566,779
BASIC EARNINGS PER SHARE (In full Rupiah amount)	50	566	225,061	117,594	224,278	315,837

*) As restated - Note 59

See accompanying notes to consolidated financial statements which are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2012 AND 2011 (UNAUDITED)
AND FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009 (AUDITED)
(Figures in tables stated in millions of Rupiah)

	Notes	Subscribed and paid-up capital stock	Additional paid-in capital	Retained earnings Appropriated	Retained earnings Unappropriated	Equity attributable to owners of the Company	Non-controlling interest	Total equity
Balance as of January 1, 2009, as previously reported		46,107,154	30,965,460	1,894,149	48,019,804	126,986,567	78,755	127,065,322
The effects of retrospective application of ISAK 8	59	-	-	-	(12,029,632)	(12,029,632)	-	(12,029,632)
Balance as of January 1, 2009, as restated		46,107,154	30,965,460	1,894,149	35,990,172	114,956,935	78,755	115,035,690
Additions during the year	23	-	3,853,839	-	-	3,853,839	10,000	3,863,839
Dividends		-	-	-	-	-	(1,274)	(1,274)
Total comprehensive income for the year		-	-	-	14,562,349	14,562,349	4,430	14,566,779
Balance as of December 31, 2009		46,107,154	34,819,299	1,894,149	50,552,521	133,373,123	91,911	133,465,034
Additions during the year	23	-	2,302,797	-	-	2,302,797	-	2,302,797
Appropriation during the year	51	-	-	6,354,179	(6,354,179)	-	-	-
Dividends	51	-	-	-	(4,000,000)	(4,000,000)	-	(4,000,000)
Dividends attributed to non-controlling interest		-	-	-	-	-	(1,216)	(1,216)
Total comprehensive income for the year		-	-	-	10,340,828	10,340,828	6,332	10,347,160
Balance as of December 31, 2010		46,107,154	37,122,096	8,248,328	50,539,170	142,016,748	97,027	142,113,775
Additions during the year	22,23	90,226	2,928,112	-	-	3,018,338	-	3,018,338
Appropriation during the year	51	-	-	5,471,686	(5,471,686)	-	-	-
Dividends	51	-	-	-	(4,545,000)	(4,545,000)	-	(4,545,000)
Dividends attributed to non-controlling interest		-	-	-	-	-	(392)	(392)
Total comprehensive income for the year		-	-	-	5,426,359	5,426,359	(244)	5,426,115
Balance as of December 31, 2011		46,197,380	40,050,208	13,720,014	45,948,843	145,916,445	96,391	146,012,836
Balance as of January 1, 2011, as previously reported		46,107,154	37,122,096	8,248,328	58,107,990	149,585,568	97,027	149,682,595
The effects of retrospective application of ISAK 8	59	-	-	-	(7,568,820)	(7,568,820)	-	(7,568,820)
Balance as of January 1, 2011, as restated		46,107,154	37,122,096	8,248,328	50,539,170	142,016,748	97,027	142,113,775
Additions during the period	23	-	348,484	-	-	348,484	-	348,484
Appropriation during the period	51	-	-	5,471,686	(5,471,686)	-	-	-
Dividends	51	-	-	-	(4,545,000)	(4,545,000)	-	(4,545,000)
Total comprehensive income for the period		-	-	-	10,376,923	10,376,923	(18,631)	10,358,292
Balance as of June 30, 2011		46,107,154	37,470,580	13,720,014	50,899,407	148,197,155	78,396	148,275,551
Balance as of January 1, 2012, as previously reported		46,197,380	40,050,208	13,720,014	55,285,174	155,252,776	96,391	155,349,167
The effects of retrospective application of ISAK 8		-	-	-	(9,336,331)	(9,336,331)	-	(9,336,331)
Balance as of January 1, 2012, as restated		46,197,380	40,050,208	13,720,014	45,948,843	145,916,445	96,391	146,012,836
Additions during the period	23	-	796,787	-	-	796,787	-	796,787
Appropriation during the period	51	-	-	3,623,870	(3,623,870)	-	-	-
Dividends	51	-	-	-	(3,500,000)	(3,500,000)	-	(3,500,000)
Total comprehensive income for the period		-	-	-	26,169	26,169	4,916	31,085
Balance as of June 30, 2012		46,197,380	40,846,995	17,343,884	38,851,142	143,239,401	101,307	143,340,708

See accompanying notes to consolidated financial statements
which are an integral part of the consolidated financial statements.

PERUSAHAAN PERSEROAN (PERSERO)
PT PERUSAHAAN LISTRIK NEGARA AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2012 AND 2011 (UNAUDITED)
AND FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009 (AUDITED)
(Figures in tables stated in millions of Rupiah)

	2012 (Six months)	2011 *) (Six months)	2011 *) (One year)	2010 *) (One year)	2009 *) (One year)
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers	66,316,985	59,348,502	123,313,808	107,113,132	92,645,263
Cash paid to suppliers	(77,702,227)	(52,207,355)	(153,601,871)	(110,713,734)	(110,828,237)
Cash paid to employees	(4,361,211)	(4,301,829)	(10,457,035)	(10,510,534)	(8,435,612)
Cash provided by (used in) operations	(15,746,453)	2,839,318	(40,745,098)	(14,111,136)	(26,618,586)
Government subsidy received	35,754,411	12,989,243	90,434,819	54,153,118	49,048,741
Interest expense paid	(12,257,025)	(10,399,184)	(17,774,973)	(16,628,190)	(15,387,961)
Interest received	220,451	365,440	519,395	797,362	281,527
Income tax restitution received	-	85,984	109,756	27,989	17,745
Income tax paid	(732,313)	(631,783)	(921,971)	(897,177)	(809,044)
Net Cash Provided by Operating Activities	7,239,071	5,249,018	31,621,928	23,341,966	6,532,422
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of assets not used in operations	6,312	16,856	34,345	72,499	12,464
Additions to property, plant and equipment	(106,037)	(1,276,829)	(7,301,505)	(3,090,096)	(3,225,411)
Additions to construction in progress	(15,542,593)	(10,865,442)	(31,856,413)	(30,360,169)	(30,954,032)
Decrease (increase) in receivables from related parties	(1,870)	2,500	8,032	822,345	2,592
Acquisition of investments in subsidiary	(109,200)	-	-	-	-
Decrease in (acquisition of) investments in associates	(136,603)	(75,233)	(136,319)	28,772	(319)
Withdrawal (placement) of restricted cash in banks and time deposits	(1,183,911)	(164,292)	(1,703,775)	963,014	481,753
Payment of payable on acquisition of investment in non-listed shares	-	-	-	(12,957)	(2,808)
Withdrawal (placement) of short-term investments	195,589	(335,794)	196,787	855,627	3,118,792
Net Cash Used in Investing Activities	(16,878,313)	(12,698,234)	(40,758,848)	(30,720,965)	(30,566,969)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issuance of bonds	-	-	9,035,000	6,000,000	21,415,000
Payment of bonds issuance costs	-	-	(97,531)	(19,940)	(237,833)
Payment of bonds payable	(892,000)	-	(3,980,250)	-	-
Payment of two-step loans	(1,115,024)	(1,125,880)	(2,279,438)	(2,068,932)	(2,021,405)
Proceeds from Government loans	3,000,023	-	4,499,977	-	-
Payment of Government loans	(146,896)	(146,896)	(293,793)	(293,793)	(293,793)
Dividends paid	-	-	(4,545,000)	(4,000,000)	-
Paid in capital of subsidiary by minority stockholder	-	-	-	-	9,999
Proceeds from bank loans	34,674,866	11,230,490	58,712,266	17,981,692	16,439,433
Payment of bank loans	(26,709,096)	(613,728)	(47,502,177)	(1,842,542)	(2,508,315)
Payment of electricity purchase payable	(76,976)	(77,632)	(155,823)	(159,377)	(167,283)
Payment of lease liabilities	(1,806,339)	(914,625)	(1,916,219)	(1,544,507)	(1,945,687)
Net Cash Provided by Financing Activities	6,928,558	8,351,729	11,477,012	14,052,601	30,690,116
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,710,684)	902,513	2,340,092	6,673,602	6,655,569
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	22,088,093	19,716,798	19,716,798	13,043,196	6,387,627
Cash and cash equivalent at beginning of year of subsidiary (Note 22)	-	-	31,203	-	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	19,377,409	20,619,311	22,088,093	19,716,798	13,043,196

*) As restated - Note 59

See accompanying notes to consolidated financial statements
which are an integral part of the consolidated financial statements.

1. GENERAL

a. Establishment and General Information

Perusahaan Perseroan (Persero) PT Perusahaan Listrik Negara (the Company) was established in 1961 as a unit of the Ministry of Energy and Public Works. The Company is a business continuation of several Dutch electricity companies taken over by the Government of the Republic of Indonesia (Government). The Dutch electricity companies include among others: NV ANIEM, NV SEM, NV OJEM, NV EMS, NV EMBALOM, NV GEBEO, NV OGEM and NV WEMI. Based on Government Regulation No. 19 year 1965, the Company's status was changed to that of a legal entity. Subsequently, based on Government Regulation No. 30 year 1970, as amended by Government Regulation No. 18 year 1972, the Company became a Perusahaan Umum (Perum). Based on notarial deed of Sutjipto, S.H., notary in Jakarta, No. 169 dated July 30, 1994, the Company's status was changed to a limited liability company and was named Perusahaan Perseroan PT Perusahaan Listrik Negara or PT PLN (Persero). This change was approved by the Minister of Justice in his decision letter No. C2-11.519.HT.01.01.Th.94 dated August 1, 1994 and was published in State Gazette of the Republic of Indonesia No. 73 dated September 13, 1994, Supplement No. 6731.

The articles of association of the Company was recently amended by (i) notarial deed No. 2 dated July 1, 2008 of Lenny Janis Ishak S.H., notary in Jakarta, to conform with Law No. 40 year 2007 on Limited Liability Companies. This change was approved by the Minister of Law and Human Rights of the Republic of Indonesia in his decision letter No. AHU-46951.AH.01.02 Th 2008 dated August 1, 2008, and was published in State Gazette of the Republic of Indonesia No. 92 dated November 14, 2008, Supplement No. 23523 (ii) notarial deed No. 4 dated August 5, 2011 of Lenny Janis Ishak S.H., notary in Jakarta, in accordance with article 4 section (2) concerning the increase the subscribed and paid-up capital. This change was received and recorded in the Department of Law and Human Rights of the Republic of Indonesia with letter No. AHU-AH.01.10-26937 dated August 19, 2011.

The Company is domiciled in Jakarta, with 46 business unit offices spread all over Indonesia. The Company's head office is located at Jl. Trunojoyo Blok M I No. 135, Jakarta.

In accordance with article 3 of the Company's articles of association, the scope of its activities is to run electricity business for public use, which is satisfactory both in quantity and quality and also to earn profit, and perform the assignment from the Government in electricity business in order to support development with the application of the principles of Limited Liability Companies.

Based on Law No. 19 year 2003, regarding "State-Owned Enterprises (BUMN)", the Government is obliged to provide compensation to these BUMN, which were appointed to perform special assignment, for all expenses which they have incurred, including expected return (margin). The Company is a BUMN, which performs a special assignment of providing electricity power with subsidy to the public (Note 39).

As of June 30, 2012 and 2011 and December 31, 2011, 2010, 2009 and January 1, 2009 the Company and its subsidiaries had total number of employees of 47,250, 47,013, 47,615, 46,296, 45,000 and 44,750, respectively.

b. Public Offering of Bonds of the Company

Majapahit Holding B.V., Netherlands, a wholly-owned special-purpose subsidiary of the Company, issued Guaranteed Notes due in 2020 on November 6, 2009, Guaranteed Notes due in 2019 on August 7, 2009, Guaranteed Notes due in 2017 and 2037 on June 28, 2007 and Guaranteed Notes due in 2016 on October 16, 2006. These Guaranteed Notes are listed in the Singapore Exchange Securities Trading Limited.

The Company also issued several PLN Bonds and Notes, most recently, Global Medium Term Notes Year 2011. These Global Medium Term Notes will be due in 2021 and are listed in the Singapore Exchange Securities Trading Limited (Note 29).

(Figures in tables stated in millions of Rupiah) - Continued

c. Management and Other Information

As of June 30, 2012 and 2011 and December 31, 2011, 2010, 2009 and January 1, 2009, the Company's management consisted of the following:

	June 30, 2012	December 31, 2011	June 30, 2011 and December 31, 2010
President Commissioner	Yogo Pratomo	Yogo Pratomo	Yogo Pratomo
Commissioners	Wimpy S.Tjetjep	Wimpy S.Tjetjep	Wimpy S.Tjetjep
	Syahrial Loetan	Syahrial Loetan	Syahrial Loetan
	Rahmat Waluyanto	Rahmat Waluyanto	Rahmat Waluyanto
	Abdul Azis	Abdul Azis	Abdul Azis
Independent Commissioners	Lutfi Hamid	Lutfi Hamid	Lutfi Hamid
	Adang Firman	Adang Firman	Adang Firman
President Director	Nur Pamudji	Nur Pamudji	Dahlan Iskan
Director of Java-Bali Operations	I.G.A Ngurah Adnyana	I.G.A Ngurah Adnyana	I.G.A Ngurah Adnyana
Director of West Indonesia Operations	Moch. Harry Jaya Pahlawan	Moch. Harry Jaya Pahlawan	Moch. Harry Jaya Pahlawan
Director of East Indonesia Operations	Vickner Sinaga	Vickner Sinaga	Vickner Sinaga
Director of Strategic Procurement	Bagiyo Riawan	Bagiyo Riawan	Bagiyo Riawan
Director of Construction	Nasri Sebayang	Nasri Sebayang	-
Director of Planning and Risk Management	Murtaqi Syamsuddin	Murtaqi Syamsuddin	-
Director of Human Resource & General Affairs	Eddy D. Erningpraja	Eddy D. Erningpraja	Eddy D. Erningpraja
Director of Finance	Setio Anggoro Dewo	Setio Anggoro Dewo	Setio Anggoro Dewo
Director of Primary Energy	-	-	Nur Pamudji
Director of Planning & Technology	-	-	Nasri Sebayang
Director of Business and Risk Management	-	-	Murtaqi Syamsuddin
Audit Committee			
Chairman	Lutfi Hamid	Lutfi Hamid	Lutfi Hamid
Vice Chairman	Adang Firman	Adang Firman	Adang Firman
Members	Elok Tresnaningsih	Elok Tresnaningsih	Elok Tresnaningsih
	Lilik Safrudin Ismail	Sugianto	Sugianto
	-	Sugeng Rochadi	Sugeng Rochadi
	-	Lilik Safrudin Ismail	Lilik Safrudin Ismail
	-	Djuprianto	Djuprianto

	December 31, 2009	January 1, 2009
President Commissioner	Yogo Pratomo	Alhilal Hamdi
Commissioners	Wimpy S.Tjetjep	Isnuwardianto
	Syahrial Loetan	Komara Djaja
	Rahmat Waluyanto	Rahmat Waluyanto
	Abdul Azis	-
Independent Commissioners	Lutfi Hamid	Lutfi Hamid
	Adang Firman	Bambang PS Brojonegoro
President Director	Dahlan Iskan	Fahmi Muchtar
Vice President Director	-	Rudiantara
Director of Java-Bali Operations	I.G.A Ngurah Adnyana	-
Director of West Indonesia Operations	Moch. Harry Jaya Pahlawan	-
Director of East Indonesia Operations	Vickner Sinaga	-
Director of Primary Energy	Nur Pamudji	-
Director of Strategic Procurement	Bagiyo Riawan	-
Director of Planning & Technology	Nasri Sebayang	Bambang Praptono
Director of Business and Risk Management	Murtaqi Syamsuddin	-
Director of Human Resource & General Affairs	Eddy D. Erningpraja	Supriadi
Director of Finance	Setio Anggoro Dewo	Setio Anggoro Dewo
Director of Strategic Construction	-	Moch. Agung Nugroho
Director of Java-Madura-Bali	-	Murtaqi Syamsuddin
Director of Outside Java-Madura-Bali	-	Hariadi Sadono
Audit Committee		
Chairman	Lutfi Hamid	Lutfi Hamid
Vice Chairman	Komara Djaja	Bambang PS Brojonegoro
Members	Elok Tresnaningsih	Elok Tresnaningsih
	Sugianto	Sugianto
	Syamsul Arifin	Syamsul Arifin
	Lilik Safrudin Ismail	Lilik Safrudin Ismail
	Maman Suparman	Maman Suparman

As of June 30, 2012, the Company's corporate secretary is Adi Supriono. As of June 30, 2011 and December 31, 2011, 2010 and 2009 the Company's corporate secretary is Ida Bagus GD Mardawa Padangratha. As of January 1, 2009 the Company's corporate secretary is Supriyanto.

The Company's Board of Commissioners were appointed based on Decision Letter of Minister of State-Owned Enterprise of the Republic of Indonesia No. KEP-253/MBU/2009 dated December 22, 2009, as stated in notarial deed No. 31 dated December 28, 2009 of Devi Yunanda S.H., Mkn, substitute of Lenny Janis Ishak S.H.

The Company's Directors were appointed based on Decision Letter of the Minister of State-Owned Enterprise of the Republic of Indonesia No. KEP-224/MBU/2011 dated October 31, 2011, as stated in notarial deed No. 1 dated November 3, 2011 of Lenny Janis Ishak S.H.

2. ADOPTION OF NEW AND REVISED STATEMENTS OF FINANCIAL ACCOUNTING STANDARDS (PSAK) AND INTERPRETATIONS OF PSAK (ISAK)

a. Standards effective in the current period

In the current period, the Company and its subsidiaries have adopted all of the new and revised Standards and Interpretations issued by the Financial Accounting Standards Board of the Indonesian Institute of Accountants (DSAK-IAI) that are relevant to their operations and effective for accounting periods beginning on January 1, 2012. The adoption of these new and revised Standards and Interpretations has resulted in changes to the Company and its subsidiaries' accounting policies in the following areas, and affected the consolidated financial statement disclosures for the current and prior years:

- PSAK 24 (revised 2010), Employee Benefits

  This revised standard has introduced an option for recognizing actuarial gains and losses in full in the period in which they occur, outside profit or loss, in the statement of comprehensive income. The revised standard also (a) specified how the Company and its subsidiaries' account for defined benefit group plan in their separate or individual financial statements and (b) requires the Company to give additional disclosures (Note 52).

- PSAK 60, Financial Instruments: Disclosures

  This standard has combined all disclosures relating to financial instruments into a single standard and replaces the disclosure requirements in PSAK 50 (revised 2006). The standard requires extensive disclosures about the significance of financial instruments relative to an entity's financial position and performance, and quantitative and qualitative disclosures on the nature and extent of financial risks. Adoption of this standard resulted in the inclusion of additional disclosures in the financial statements (Note 58).

The following new and revised standard and interpretations have also been adopted in these consolidated financial statements. Their adoption has not had any significant impact on the amounts reported in these consolidated financial statements but may impact the accounting for future transactions or arrangements:

- PSAK 10 (revised 2010), The Effects of Changes in Foreign Exchange Rates
- PSAK 13 (revised 2011), Investment Property
- PSAK 16 (revised 2011), Property, Plant and Equipment
- PSAK 18 (revised 2010), Accounting and Reporting by Retirement Benefit Plans
- PSAK 26 (revised 2011), Borrowing Costs
- PSAK 28 (revised 2011), Accounting for Casualty Insurance Contracts
- PSAK 30 (revised 2011), Lease
- PSAK 33 (revised 2011), Stripping Cost Activity and Environmental Management in the Public Mining
- PSAK 34 (revised 2010), Construction Contracts
- PSAK 36 (revised 2011), Accounting for Life Insurance Contract
- PSAK 45 (revised 2010), Financial Reporting for Non-profit Organization
- PSAK 46 (revised 2010), Income Taxes

- PSAK 50 (revised 2010), Financial Instruments: Presentation
- PSAK 53 (revised 2010), Share-Based Payments
- PSAK 55 (revised 2011), Financial Instrument: Recognition and measurement
- PSAK 56 (revised 2011), Earnings per Share
- PSAK 61, Accounting for Government Grants and Disclosure of Government Assistance
- PSAK 62, Insurance Contracts
- PSAK 63, Financial Reporting in Hyperinflationary Economies
- PSAK 64, Exploration for and Evaluation of Mineral Resources
- ISAK 13, Hedges of Net Investment in Foreign Operation
- ISAK 15, PSAK 24 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- ISAK 16, Service Concession Arrangements
- ISAK 18, Government Assistance - No Specific Relation to Operating Activities
- ISAK 19, Applying the Restatement Approach Under PSAK 63: Financial Reporting in Hyperinflationary Economies
- ISAK 20, Income Taxes – Change in Tax Status of an Entity or its Shareholders
- ISAK 22, Service Concession Arrangements: Disclosures
- ISAK 23, Operating Lease - Incentives
- ISAK 24, Evaluating the Substance of Transactions Involving the Legal form of a Lease
- ISAK 25, Land Rights
- ISAK 26, Reassesment of Embedded Derivatives

b. ISAK 8, Determining Whether an Arrangement Contains a Lease

Interpretation of Financial Accounting Standard (ISAK) 8 “Determining Whether an Arrangement Contains a Lease” provides guidance for determining whether an arrangement is or contains lease that should be accounted for in accordance with PSAK 30 (revised 2011).

The electric power business in Indonesia is controlled by the Government and carried-out by the Company as a state-owned enterprise, which serves as the holder of Electricity Business Proxy. The holder of Electricity Business Proxy and each holder of Electricity Business License for public use must ensure the adequacy of electric power supply in each of their operating areas.

The Company and its subsidiaries entered into power purchase agreements (PPA) and energy sales contracts (ESC) with Independent Power Producers (IPPs). Those IPPs are holders of Electricity Business License for public use, which may be granted to other business entities with responsibility to generate electricity for public use.

Based on letter No. S-2366/BL/2009 dated March 30, 2009 from the Chairman of Capital Market and Financial Institutions Supervisory Agency (Bapepam-LK), the Company and its subsidiaries have been exempted from applying the provisions of ISAK 8 until DSAK-IAI issued an accounting interpretation that can specifically address the accounting for its Power Supply Contracts. As a result, the Company and its subsidiaries continued to follow its existing accounting policy in which the supply of electricity is accounted for as a normal purchase of commodity.

Upon effectivity of ISAK 16 on January 1, 2012, management has assessed the impact of such Interpretation on the Company’s Power Supply Contracts with IPPs and determined that such transactions do not qualify under the scope of the Interpretation, which provides guidance on the accounting by operators for public-to-private concession arrangements. Subsequently, on its letter dated December 22, 2011 to the Chairman of Bapepam-LK, the management has decided to make a voluntary change in accounting policy and apply the provisions of ISAK 8, in accordance with PSAK 30 (revised 2011), on its Power Supply Contracts beginning January 1, 2012.

The Company adopted a retrospective application of ISAK 8, resulting to restatement of the Company’s consolidated financial statements (Note 59).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of Compliance

The consolidated financial statements have been prepared in accordance with Indonesian Financial Accounting Standards. These financial statements are not intended to present the financial position, result of operations and cash flows in accordance with accounting principles and reporting practices generally accepted in other countries and jurisdictions.

b. Consolidated Financial Statement Presentation

The consolidated financial statements, except for the consolidated statements of cash flows, are prepared under the accrual basis of accounting. The reporting currency used in the preparation of the consolidated financial statements is the Indonesian Rupiah, while the measurement basis is the historical cost, except for certain accounts which are measured on the bases described in the related accounting policies.

The consolidated statements of cash flows are prepared using the direct method with classifications of cash flows into operating, investing and financing activities.

c. Principles of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statements of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of the subsidiaries to bring the accounting policies used in line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interest in subsidiaries are identified separately and presented within equity. Effective January 1, 2011, the interest of non-controlling shareholders maybe initially measured either at fair value or at the non-controlling interests' proportionate share of fair value of the acquiree's identifiable net asset. The choice of measurement is made on acquisition by acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interest is the amount of those interests at initial recognition plus non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interest even if this results in the non-controlling interests having a deficit balance.

Previously, the non-controlling interest is measured on initial recognition at the non-controlling interests' proportionate share in the historical cost of the identifiable net assets of the acquiree. Where the losses applicable to the non-controlling interest exceed their interest in the equity of the subsidiary, the excess and any further losses attributable to the non-controlling interest are charged against the majority interest except to the extent that the non-controlling interest has a binding obligation to, and is able to, make good the losses.

Changes in the Company and its subsidiaries interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Company and its subsidiaries interest and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

The Company has carried forward and opted to present as a separate item within equity, the remaining balance related to the effect of prior year's capital transaction of the subsidiary with third parties.

d. Business Combinations

Acquisition of subsidiaries and businesses are accounted for using the acquisition method. The cost of the business combination is the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss. For prior year business combination, any cost directly attributable to the business combination is considered as part of the cost of business combination.

Where applicable, the consideration for the acquisition includes any assets or liabilities resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they quality as measurement period adjusments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant accounting standards. Changes in the fair value of contingent classified as equity are not recognized.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under PSAK 22 (revised 2010), Business Combination, are recognized at fair value, except for certain assets and liabilities that are measured using the relevant standards. For prior year business combination where the Company acquired less than all the shares of the subsidiary, the minority's proportion of those assets and liabilities is stated at their pre-acquisition carrying amounts.

If the initial accounting for business combination is incomplete by the end of the reporting period in which the combination occurs, the Company and its subsidiaries report provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amount recognized as of that date.

The measurement period is the period from date of acquisition to the date the Company obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

e. Foreign Currency Transactions and Translation

The books of accounts of the Company and its subsidiaries, except for Majapahit Holding B.V. (MH) and Majapahit Finance B.V. (MF), are maintained in Indonesian Rupiah. Transactions during the period involving foreign currencies are recorded at the rates of exchange prevailing at the time the transactions are made. At reporting date, monetary assets and liabilities denominated in foreign currencies are adjusted to reflect the rates of exchange prevailing at that date. The resulting gains or losses are credited or charged to profit or loss, except those foreign exchange differences which are capitalized as borrowing costs.

Operating activities of MH and MF are an integral part of the Company's activities, hence the books of accounts of MH and MF, which are maintained in foreign currency, are translated into Rupiah using the same procedures adopted by the Company.

f. Transactions with Related Parties

A related party is a person or entity that is related to the Company and its subsidiaries (the reporting entity).

a. A person or a close member of that person's family is related to a reporting entity if that person:

   i. has control or joint control over the reporting entity;
   ii. has significant influence over the reporting entity; or

   iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b. An entity is related to a reporting entity if any of the following conditions applies:

i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

iii. Both entities are joint ventures of the same third party.

iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

vi. The entity is controlled or jointly controlled by a person identified in (a).

vii. A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

All transactions with related parties, whether or not made at similar terms and conditions as those transacted with third parties, are disclosed in the consolidated financial statements.

g. Financial Assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as a fair value through profit or loss, which are initially measured at fair value.

The Company and subsidiaries financial assets are classified into the following specified categories: available-for-sale and loans and receivables.

Available-for-sale financial assets (AFS)

Investments in nonlisted equity instruments that are not quoted in an active market and whose fair value cannot be reliably measured are also classified as AFS, measured at cost less impairment.

Dividends on AFS equity instruments, if any, are recognised in profit or loss when the Company and its subsidiaries' right to receive the dividends is established.

Loans and receivables

Cash and cash equivalents, trade receivable and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for financial instruments.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company and its subsidiaries' past experiences of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in statement of comprehensive income.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in equity are reclassified to statement of comprehensive income.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income.

Derecognition of financial assets

The Company and its subsidiaries derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company and its subsidiaries neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company and its subsidiaries recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company and its subsidiaries retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company and its subsidiaries continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

h. Financial Liabilities and Equity Instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Company and its subsidiaries are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Two step loans, government loans, bank loans and medium term notes, bonds payable, electricity purchase payable and other borrowings are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method, with interest expense recognised on an effective yield basis.

Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings.

Derecognition of financial liabilities

The Company and its subsidiaries derecognise financial liabilities when, and only when, the Company’s and its subsidiaries’ obligations are discharged, cancelled or they expire.

i. Netting of Financial Assets and Financial Liabilities

The Company and its subsidiaries only offset financial assets and liabilities and present the net amount in the statement of financial position where they:

- currently have a legal enforceable right to set off the recognized amount; and
- intend either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

j. Use of Estimates

The preparation of consolidated financial statements in conformity with Indonesian Financial Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could be different from those estimates.

k. Property, Plant and Equipment – Direct Acquisition

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes, are stated at cost, less accumulated depreciation and any accumulated impairment losses. Property, plant and equipment include major spare parts and stand-by equipment, with economic benefits of more than one year, which are used to ensure the continuity and stability of the power plant operations and electricity installations necessary to produce and distribute electricity.

(Figures in tables stated in millions of Rupiah) - Continued

Depreciation is recognized so as to write-off the cost of assets less residual values using the straight-line method based on their estimated economic useful lives as follows :

	Years
Buildings, reservoir and infrastructure	10 – 47
Installations and power plant	13 – 30
Transmission equipment	37
Distribution equipment	15 – 37
General equipment	4 – 8
Motor vehicles	3 – 5
Spare parts	10 – 25
Telecommunication and data processing equipment	5 – 10
Vessel and equipment	10 – 15

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or where shorter, the term of the relevant lease.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Land is stated at cost and is not depreciated.

The cost of maintenance and repairs are charged to operation as incurred. Other costs incurred subsequently to add to, replace part of, or service an item of property, plant and equipment, are recognized as asset if, and only if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

When assets are retired or otherwise disposed of, their carrying values are removed from the accounts and any resulting gain or loss is reflected in the statement of comprehensive income.

l. Impairment of Non-Financial Assets

At reporting date, the Company and its subsidiaries review the carrying amounts of non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company and its subsidiaries estimate the recoverable amount of the cash-generating unit to which the asset belongs.

Estimated recoverable amount is the higher of fair value less cost to sell or value in use. If the recoverable amount of a non-financial asset (cash-generating unit) is less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount and an impairment loss is recognised immediately in profit or loss.

Accounting policy for impairment of financial assets is discussed in Note 3g.

m. Leases

The Company and its subsidiaries determined that certain power purchase agreements and energy sales contracts with Independent Power Producers qualify as leases on the basis that the Company and its subsidiaries and the IPPs have take or pay arrangements where the Company is taking more than an insignificant amount of electricity and energy output from the power plants. This type of arrangement is determined to be a finance lease where a significant portion of the risks and rewards of ownership of certain power plants have been transferred to the Company and its subsidiaries on the basis that the lease term is for the major part of the economic life of the assets and there is bargain purchase option at the end of the lease term.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognized as assets of the Company and its subsidiaries at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as expenses on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as expenses in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as liabilities. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

n. Construction in Progress

Construction in progress represents costs directly related to the construction of property, plant and equipment. Construction in progress is stated at cost, which includes borrowing costs during construction on debts incurred to finance the construction and depreciation of property and equipment that were used in the construction. Construction in progress is transferred to the respective property, plant and equipment account when completed and ready for use.

o. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in statement of comprehensive income in the period in which they are incurred.

p. Investment Properties

Investment properties are properties (land or a building - or part of building – or both) held to earn rentals or for capital appreciation or both. Investment properties are measured at cost less accumulated depreciation and any accumulated impairment losses.

Land is stated at cost and is not depreciated.

q. Assets Not Used In Operations

This account comprised of property, plant and equipment which are temporarily not used in operations and assets which are held for disposal. Assets not used in operations are depreciated using the same method and based on the economic useful lives of the property, plant and equipment. Assets for disposal are stated at the lower of carrying amount or fair value less cost to sell.

r. Investments in Associates

An associate is an entity over which the Company and its subsidiaries are in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

The assets and liabilities and results of operations of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when investment is classified as held for sale, in which case, it is accounted for in accordance with PSAK 58 (revised 2009), Non-Current Assets Held for Sale and Discountinued Operations. Investments in associates are carried in the consolidated statement of financial position at cost as adjusted by post-acquisition changes in the Company and its subsidiaries' share of the net assets of the associate, less any impairment in the value of the individual investments. Losses of the associates in excess of the Company and its subsidiaries' interest in those associates (which includes any long-term interests that, in substance, form part of the Company and its subsidiaries' net investment in the associate) are recognized only to the extent that the Company and its subsidiaries have incurred legal or constructive obligations or made payments on behalf of the associate.

When the Company and its subsidiaries transact with an associate, profits and losses are eliminated to the extent of their interest in the relevant associate.

s. Restricted Cash in Banks and Time Deposits

Restricted cash in banks and time deposits are classified as loans and receivable. Refer to Note 3g for the accounting policy on loans and receivables.

t. Deferred Charges

Costs of software and legal processing of landrights are deferred and amortized using the straight-line method over their beneficial periods.

u. Prepaid Expenses

Prepaid expenses are amortized over their beneficial periods using the straight-line method.

v. Cash and Cash Equivalents

For cash flow presentation purposes, cash and cash equivalents consist of cash on hand and in banks and all unrestricted investments with maturities of three months or less from the date of placement.

w. Inventories

Inventories are stated at cost or net realizable value, whichever is lower. Cost is determined using the weighted average method.

x. Borrowings and Bonds Payable

Borrowings and bonds payable are classified as financial liabilities. Refer to Note 3h for the accounting policy on financial liabilities.

Two-step loans are recognized based on the Withdrawal Authorization (WA) or other similar documents.

y. Deferred Revenue

Connection fees received from customers are deferred and amortized at the rate of 5% per annum starting from the connection date.

z. Revenue and Expense Recognition

Revenue from sale of electricity is recognized based on electricity usage (kWh). Expenses are recognized when incurred (accrual basis).

Interest revenue is accrued on time basis, by reference to the principal outstanding and at the applicable interest rate.

aa. Purchase of Electricity

The Company and its subsidiaries have various Power Purchase Agreements (PPA) and Energy Sales Contracts (ESC) with Independent Power Producers (IPP). Under those contracts, the Company and its subsidiaries pay IPP for the supply of energy at an amount determined in accordance with the payment formula in which payment for different cost components, such as capacity and energy components for the PPA, resource and generation components for the ESC, as well as operations and maintenance components, depends on the level of energy supplied and other variables stipulated in the agreement.

Prior to January 1, 2012, the costs of energy purchased from IPP are recognized as incurred based on the terms of the contracts, and presented in statements of comprehensive income as purchased electricity.

Starting January 1, 2012, as a result of adoption of ISAK 8, the Company and its subsidiaries have reclassified the portion of purchased electricity related to PPAs and ESCs that have been determined as lease. The Company and its subsidiaries adopted a retrospective application of the Interpretation (Notes 42 and 59).

Purchased electricity are expensed as incurred for PPA contracts that are not within the scope of ISAK 8.

bb. Government Subsidy

Government subsidy of electricity is recognized as revenue on accrual basis which is computed in accordance with the provisions stipulated in the Decree of Ministry of Finance of the Republic of Indonesia. The difference between the amount of electricity subsidy recognized as revenue and the final result of electricity subsidy computation is recorded when the final result of electricity subsidy computation is obtained.

cc. Employee Benefits

<u>Post-employment Benefits</u>

The Company and its subsidiaries established a defined benefit pension plan covering all of their permanent employees. The Company and its subsidiaries also provide other unfunded defined post-employment benefit plans for their qualifying employees based on the Company and its subsidiaries' policies.

Post-employment benefits are determined using the Projected Unit Credit Method. The accumulated unrecognized actuarial gains and losses that exceed 10% of the greater of the present value of the defined benefit obligations and the fair value of plan assets, is recognized on straight-line basis over the expected average remaining service years of the participating employees. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

The employee benefits obligation recognized in the consolidated statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, and reduced by the fair value of scheme assets.

<u>Long-term Benefits</u>

Long-term benefits are determined using the Projected Unit Credit Method. Past service cost and actuarial gains (losses) are recognized immediately to the current operations.

The long-term employee benefits obligation recognized in the consolidated statement of financial position represents the present value of the defined benefit obligation.

dd. Provisions

Provisions are recognized when the Company and its subsidiaries have a present obligation (legal or constructive) as a result of a past event, it is probable that the Company and its subsidiaries will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

ee. Income Tax

Current tax expense is determined based on the taxable profit for the year computed using the prevailing tax rates.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that taxable income will be available in future periods against which the deductible temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on the tax rates (and tax laws) that have been enacted, or substantively enacted, by the end of the reporting period.

The measurement of deferred tax assets and liabilities reflects the consequences that would follow from the manner in which the Company and its subsidiaries expect, at the end of the reporting period, to recover or settle the carrying amount of their assets and liabilities.

The carrying amount of deferred tax asset is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company and its subsidiaries intend to settle their current tax assets and current tax liabilities on a net basis.

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside of profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside of profit or loss.

ff. Earnings per Share

Basic earnings per share is computed by dividing income for the period attributable to owners of the Company by the weighted average number of shares outstanding during the period.

Diluted earnings per share is computed by dividing income for the period by the weighted average number of shares outstanding as adjusted for the effects of all dilutive potential ordinary shares.

gg. Segment Information

Operating segments are identified on the basis of internal reports about components of the Company and its subsidiaries are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performances. In contrast, the predecessor standard required the Company and its subsidiaries to identify two sets of segments (business and geographical), using a risks and returns approach.

An operating segment is a component of an entity:

a) that engages in business activities from which it may earn revenue and incur expenses (including revenue and expenses relating to the transaction with other components of the same entity);

b) whose operating results are reviewed regularly by the entity's chief operating decision maker to make decision about resources to be allocated to the segments and assess its performance; and

c) for which discrete financial information is available.

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of their performance is more specifically focused on the category of each product, which is similar to the business segment information reported in the prior periods.

4. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

Critical Judgments in Applying Accounting Policies

In the process of applying the accounting policies described in Note 3, management has not made any judgment that has significant impact on the amounts recognized in the consolidated financial statements, apart from those involving estimates, which is dealt with below.

Key Sources of Estimation Uncertainty

The key assumptions concerning future and other key sources of estimation at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

<u>Fair value of power plants held under finance lease</u>

The Company and its subsidiaries determined the fair value of certain power plants held under finance lease, as a result of adoption of ISAK 8, by applying appropriate valuation techniques using key assumptions from management which include estimations on discount rates used and allocation of payment components.

While it is believed that the assumptions are based on reasonable basis, significant changes in these assumptions may affect materially the recorded leased assets and leased liabilities, which may impact the result of the Company and its subsidiaries operation.

The carrying amount of leased assets and leased liabilities are disclosed in Notes 6 and 27, respectively.

<u>Impairment Loss on Loans and Receivables</u>

The Company and its subsidiaries assess their loans and receivables for impairment at each reporting date. In determining whether an impairment loss should be recorded in profit or loss, management makes judgment as to whether there is an objective evidence that loss event has occurred. Management also makes judgment as to the methodology and assumptions for estimating the amount and timing of future cash flows which are reviewed regularly to reduce any difference between loss estimate and actual loss. The carrying amount of loans and receivables are disclosed in Notes 11, 16, 17 and 18.

<u>Allowance for Decline in Value of Inventories</u>

The Company and its subsidiaries provide allowance for decline in value of inventories based on estimated future usage of such inventories. While it is believed that the assumptions used in the estimation of the allowance for decline in value of inventories are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of the allowance for decline in value of inventories, which ultimately will impact the result of the Company and its subsidiaries' operations. The carrying amount of inventories is disclosed in Note 19.

Estimated Useful Lives of Property, Plant and Equipment and Investment Properties

The useful life of each item of the Company and its subsidiaries property, plant and equipment and investment properties are estimated based on the period over which the asset is expected to be available for use. Such estimation is based on internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above.

A change in the estimated useful life of any item of property, plant and equipment would affect the recorded depreciation expense and decrease in the carrying values of property, plant and equipment.

The carrying amounts of property, plant and equipment and investment properties are disclosed in Notes 6 and 8.

Asset Impairment

Property, plant and equipment and intangible assets are reviewed for impairment whenever impairment indicators are present. Determining the value in use of assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets (cash generating unit) and a suitable discount rate in order to calculate the present value.

While it is believed that the assumptions used in the estimation of the value in use of assets reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse impact on the results of operations.

Based on the assessment of management, there is no impairment indication on the Company and its subsidiaries property, plant and equipment, as well as intangible assets. The carrying value of assets, on which impairment analysis are applied, were described in Notes 6, 7 and 10, respectively to the consolidated financial statements.

Employee Benefits

The determination of post-employment benefits obligation is dependent on selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include among others, discount rate and rate of salary increase. Actual results that differ from the Company and its subsidiaries assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. While it is believed that the Company and it subsidiaries assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Company and its subsidiaries' post-employment benefit obligations.

Employment benefit obligations are disclosed in Note 52.

5. SUBSIDIARIES

The Company has ownership interests, directly or indirectly, in the following subsidiaries :

			Percentage of Ownership							Total Assets Before Elimination **)					
			June 30,		December 31,			January 1, 2009/ December 31,	Year of	June 30,		December 31,			January 1, 2009/ December 31
Subsidiaries	Domicile	Nature of Business	2012	2011	2011	2010	2009	2008	Operation	2012	2011	2011	2010	2009	2008
			%	%	%	%	%	%							
PT Indonesia Power (IP) and its subsidiaries	Jakarta	Power generation	100.0	100.0	100.0	100.0	100.0	100.0	1995	53,230	60,290	53,479	52,336	53,723	55,544
PT Cogindo Dayabersama (CDB) *)	Jakarta	Cogeneration, energy service and management	99.9	99.9	99.9	99.9	99.9	99.9	1999	692	652	652	638	603	475
PT Artha Daya Coalindo (ADC) *)	Jakarta	Coal trading	60.0	60.0	60.0	60.0	60.0	60.0	1999	25	62	62	94	85	50
PT Indo Pusaka Berau (IPB) ***)	Berau	Coal trading	46.8	46.8	46.8	46.8	46.8	50.0	2005	215	197	197	188	176	158
PT Indo Ridlatama Power (IRP) *)	Kutai	Power generation	55.0	55.0	55.0	55.0	55.0	55.0	****)	2	2	2	2	1	2
PT Rajamandala Electric Power (REP) *)	Jakarta	Power generation	51.0	-	-	-	-	-	****)	18	-	-	-	-	-
PT Tangkuban Parahu Geothermal Power (TPGP) *)	Jakarta	Development of geothermal energy and electricity supplies	50.0	-	-	-	-	-	****)	6	-	-	-	-	-
PT Pembangkitan Jawa Bali (PJB) and its subsidiaries	Surabaya	Power generation	100.0	100.0	100.0	100.0	100.0	100.0	1995	39,686	44,525	41,652	39,394	39,093	40,204
PT PJB Service (PJBS) *)	Surabaya	Service	98.0	98.0	98.0	98.0	95.0	95.0	2001	200	189	204	166	167	99
PT Rekadaya Elektrika (RDE) *)	Jakarta	Electricity and engineering	97.7	92.1	97.7	92.1	92.1	92.1	2004	195	292	203	199	187	180
PT Rekadaya Elektrika Consult *)	Jakarta	Supervision and consulatation	99.8	99.8	99.8	99.80	-	-	2011	19	10	14	20	-	-
PT Navigat Innovative Indonesia (NII) *)	Palembang	Trading, construction, mining and agriculture	73.0	-	-	-	-	-	****)	155	-	-	-	-	-
PT Pelayanan Listrik Nasional Batam (PLN Batam)	Batam	Electricity supplier	100.0	100.0	100.0	100.0	100.0	100.0	2000	3,116	2,088	2,169	1,969	1,846	1,772
PT Indonesia Comnets Plus (ICON)	Jakarta	Telecommunication provider	100.0	100.0	100.0	100.0	100.0	100.0	2000	1,831	1,389	1,695	1,242	961	798
PT Prima Layanan Nasional Enjiniring (PLNE)	Jakarta	Engineering, procurement and construction	99.9	99.9	99.9	99.9	99.9	99.9	2003	269	165	276	166	153	92
PT Pelayanan Listrik Nasional Tarakan (PLN Tarakan)	Tarakan	Electricity supplier	100.0	100.0	100.0	100.0	100.0	100.0	2004	245	243	236	238	250	221
Majapahit Holding B.V. (MH) and its subsidiary	The Netherlands	Finance	100.0	100.0	100.0	100.0	100.0	100.0	2006	34,645	35,336	33,112	36,880	38,122	22,224
Majapahit Finance B.V. (MF) *)	The Netherlands	Finance	100.0	100.0	100.0	100.0	100.0	100.0	2006	35,149	36,835	36,835	37,983	38,125	22,439
PT PLN Batubara (PLN Batubara)	Jakarta	Coal trading	100.0	100.0	100.0	100.0	100.0	100.0	2009	1,157	624	428	206	17	25
PT Pengembangan Listrik Nasional Geothermal (PLN Geothermal)	Jakarta	Power generation	100.0	100.0	100.0	100.0	100.0	-	2010	71	53	67	45	24	-
PT Pelayaran Bahtera Adhiguna	Jakarta	Shipping	100.0	-	100.0	-	-	-	2011	552	-	589	-	-	-
PT Adhiguna Putera	Jakarta	Shipping services	100.0	-	100.0	-	-	-	2011	133	-	120	-	-	-
PT Haleyora Power	Jakarta	Power generation	100.0	-	100.0	-	-	-	****)	26	-	25	-	-	-

*) Indirect ownership
**) Stated in billions of Rupiah
***) IP has the power to govern IPB's financial and operating policies, hence its financial statements have been consolidated
****) Under development stage

In 2012, IP purchased 51% shares of PT Rajamandala Electric Power amounting to US$ 1,020,000, equivalent to Rp 9,168 million.

In 2012, IP purchased 50% shares of PT Tangkuban Parahu Geothermal Power amounting to US$ 350,000, equivalent to Rp 3,211 million.

In 2012, PJB purchased 73% shares of PT Navigat Innovative Indonesia amounting to Rp 109,200 million.

In August 2011, the Company issued new shares of stock to Government of Republic of Indonesia in the amount of Rp 90,226 million, equivalent to 90,226 shares. The additional issuance of shares to Government of Republic of Indonesia is for the transfer of 21,674 shares of the Government of Republic of Indonesia in PT Pelayaran Bahtera Adhiguna to the Company.

In 2011, the Company established PT Haleyora Power which is domiciled in Jakarta.

(Figures in tables stated in millions of Rupiah) - Continued

In 2010, PJBS increased its paid-up capital, therefore PJB's percentage of ownership increased to 98%.

In 2009, the Company established PLN Geothermal.

In 2009, IPB increased its paid-up capital amounting to Rp 9,999 million. IP did not subscribe its shares on this increase, hence, IP's percentage of ownership decreased to 46.8%.

6. PROPERTY, PLANT AND EQUIPMENT

	January 1, 2012 *)	Additions	Deductions	Reclassifications	June 30, 2012
At cost					
Direct acquisitions					
Land	8,346,234	30,461	6,966	269,267	8,638,996
Buildings, reservoir and infrastructure	40,287,413	30,664	6,865	2,369,538	42,680,750
Installation and power plant	140,824,350	1,634,026	209,480	4,693,796	146,942,692
Transmission equipment	63,650,299	14,932	112,066	1,797,851	65,351,016
Distribution equipment	82,838,314	363,362	21,163	3,622,672	86,803,185
General equipment	5,453,945	16,558	13,070	239,735	5,697,168
Motor vehicles	804,510	2,165	11,061	15,662	811,276
Spare parts	1,000,190	72,232	272,104	-	800,318
Telecommunication and data processing equipment	4,242,112	96,195	102,349	302,201	4,538,159
Vessels and equipment	313,192	-	-	-	313,192
Subtotal	347,760,559	2,260,595	755,124	13,310,722	362,576,752
Leased assets					
Land	58,591	-	-	-	58,591
Installation and power plant	87,648,974	19,970,615	-	-	107,619,589
Subtotal	87,707,565	19,970,615	-	-	107,678,180
Total	435,468,124	22,231,210	755,124	13,310,722	470,254,932
Accumulated depreciation					
Direct acquisitions					
Buildings, reservoir and infrastructure	9,795,369	715,191	9,508	-	10,501,052
Installation and power plant	48,295,978	3,491,502	270,051	-	51,517,429
Transmission equipment	16,720,484	1,088,314	43,257	11,538	17,777,079
Distribution equipment	28,478,842	1,547,915	9,731	12,154	30,029,180
General equipment	3,864,293	269,894	12,493	7,005	4,128,699
Motor vehicles	581,457	34,598	10,577	2,858	608,336
Spare parts	226,273	27,450	48,393	-	205,330
Telecommunication and data processing equipment	2,466,932	193,511	93,947	-	2,566,496
Vessels and equipment	46,161	6,607	-	-	52,768
Subtotal	110,475,789	7,374,982	497,957	33,555	117,386,369
Leased assets					
Installation and power plant	22,502,388	2,093,904	-	-	24,596,292
Total	132,978,177	9,468,886	497,957	33,555	141,982,661
Net Carrying Value	302,489,947				328,272,271

*) As restated - Note 59

(Figures in tables stated in millions of Rupiah) - Continued

	January 1, 2011 *)	Additions	Deductions	Reclassifications	June 30, 2011 *)
At cost					
Direct acquisitions					
Land	7,849,117	65,843	6,569	173,981	8,082,372
Buildings, reservoir and infrastructure	32,181,123	11,129	4,296	2,931,453	35,119,409
Installation and power plant	112,337,901	62,628	117,353	3,460,990	115,744,166
Transmission equipment	59,234,257	18,763	119,861	1,115,189	60,248,348
Distribution equipment	74,180,579	242,725	43,535	1,965,689	76,345,458
General equipment	4,389,819	133,934	25,528	174,698	4,672,923
Motor vehicles	636,978	6,704	6,126	18,952	656,508
Spare parts	947,069	304,688	374,442	-	877,315
Telecommunication and data processing equipment	3,638,654	11,138	3,627	230,960	3,877,125
Subtotal	295,395,497	857,552	701,337	10,071,912	305,623,624
Leased assets					
Land	58,591	-	-	-	58,591
Installation and power plant	69,752,874	3,916,070	-	-	73,668,944
Subtotal	69,811,465	3,916,070	-	-	73,727,535
Total	365,206,962	4,773,622	701,337	10,071,912	379,351,159
Accumulated depreciation					
Direct acquisitions					
Buildings, reservoir and infrastructure	8,584,841	589,716	2,264	1,620	9,173,913
Installation and power plant	42,714,534	2,868,948	156,644	-	45,426,838
Transmission equipment	14,821,075	998,657	40,937	3,630	15,782,425
Distribution equipment	25,726,842	1,382,399	16,945	2,128	27,094,424
General equipment	3,406,207	214,045	24,765	15,241	3,610,728
Motor vehicles	542,184	22,915	5,703	1,380	560,776
Spare parts	202,132	21,998	16,940	-	207,190
Telecommunication and data processing equipment	2,114,047	158,296	2,895	2,813	2,272,261
Subtotal	98,111,862	6,256,974	267,093	26,812	104,128,555
Leased assets					
Installation and power plant	19,533,385	1,414,064	-	-	20,947,449
Total	117,645,247	7,671,038	267,093	26,812	125,076,004
Net Carrying Value	247,561,715				254,275,155

*) As restated - Note 59

(Figures in tables stated in millions of Rupiah) - Continued

	January 1, 2011 *)	Additions	Deductions	Reclassifications	December 31, 2011 *)
At cost					
Direct acquisitions					
Land	7,849,117	293,444	76,905	280,578	8,346,234
Buildings, reservoir and infrastructure	32,181,123	92,849	22,441	8,035,882	40,287,413
Installation and power plant	112,337,901	251,356	404,519	28,639,612	140,824,350
Transmission equipment	59,234,257	54,918	512,177	4,873,301	63,650,299
Distribution equipment	74,180,579	1,286,153	304,389	7,675,971	82,838,314
General equipment	4,389,819	212,404	39,920	891,642	5,453,945
Motor vehicles	636,978	33,681	23,326	157,177	804,510
Spare parts	947,069	581,179	528,058	-	1,000,190
Telecommunication and data processing equipment	3,638,654	42,366	9,737	570,829	4,242,112
Vessels and equipment	-	313,192	-	-	313,192
Subtotal	295,395,497	3,161,542	1,921,472	51,124,992	347,760,559
Leased assets					
Land	58,591	-	-	-	58,591
Installation and power plant	69,752,874	17,896,100	-	-	87,648,974
Subtotal	69,811,465	17,896,100	-	-	87,707,565
Total	365,206,962	21,057,642	1,921,472	51,124,992	435,468,124
Accumulated depreciation					
Direct acquisitions					
Buildings, reservoir and infrastructure	8,584,841	1,213,533	12,656	9,651	9,795,369
Installation and power plant	42,714,534	6,315,175	779,211	45,480	48,295,978
Transmission equipment	14,821,075	2,050,908	177,003	25,504	16,720,484
Distribution equipment	25,726,842	2,829,187	165,158	87,971	28,478,842
General equipment	3,406,207	442,023	42,103	58,166	3,864,293
Motor vehicles	542,184	56,095	27,021	10,199	581,457
Spare parts	202,132	51,503	27,362	-	226,273
Telecommunication and data processing equipment	2,114,047	349,134	7,128	10,879	2,466,932
Vessels and equipment	-	46,161	-	-	46,161
Subtotal	98,111,862	13,353,719	1,237,642	247,850	110,475,789
Leased assets					
Installation and power plant	19,533,385	2,969,003	-	-	22,502,388
Total	117,645,247	16,322,722	1,237,642	247,850	132,978,177
Net Carrying Value	247,561,715				302,489,947

*) As restated - Note 59

(Figures in tables stated in millions of Rupiah) - Continued

	January 1, 2010 *)	Additions	Deductions	Reclassifications	December 31, 2010 *)
At cost					
Direct acquisitions					
Land	7,718,961	28,848	18,413	119,721	7,849,117
Buildings, reservoir and infrastructure	30,511,541	69,725	33,071	1,632,928	32,181,123
Installation and power plant	109,312,881	275,735	1,634,592	4,383,877	112,337,901
Transmission equipment	55,089,716	218,582	267,228	4,193,187	59,234,257
Distribution equipment	69,901,856	1,056,235	160,697	3,383,185	74,180,579
General equipment	4,114,744	145,139	16,132	146,068	4,389,819
Motor vehicles	624,655	5,593	24,078	30,808	636,978
Spare parts	985,925	174,191	213,047	-	947,069
Telecommunication and data processing equipment	3,283,437	35,578	4,917	324,556	3,638,654
Subtotal	281,543,716	2,009,626	2,372,175	14,214,330	295,395,497
Leased assets					
Land	58,591	-	-	-	58,591
Installation and power plant	69,067,295	685,579	-	-	69,752,874
Subtotal	69,125,886	685,579	-	-	69,811,465
Total	350,669,602	2,695,205	2,372,175	14,214,330	365,206,962
Accumulated depreciation					
Direct acquisitions					
Buildings, reservoir and infrastructure	7,496,456	1,038,896	15,776	65,265	8,584,841
Installation and power plant	38,666,660	5,603,080	1,555,206	-	42,714,534
Transmission equipment	12,999,144	1,913,223	104,395	13,103	14,821,075
Distribution equipment	23,149,522	2,635,796	66,039	7,563	25,726,842
General equipment	3,008,032	411,135	14,980	2,020	3,406,207
Motor vehicles	509,647	45,710	21,126	7,953	542,184
Spare parts	176,665	40,660	15,193	-	202,132
Telecommunication and data processing equipment	1,823,181	294,984	4,118	-	2,114,047
Subtotal	87,829,307	11,983,484	1,796,833	95,904	98,111,862
Leased assets					
Installation and power plant	16,816,033	2,717,352	-	-	19,533,385
Total	104,645,340	14,700,836	1,796,833	95,904	117,645,247
Net Carrying Value	246,024,262				247,561,715

*) As restated - Note 59

(Figures in tables stated in millions of Rupiah) - Continued

	January 1, 2009 *)	Additions	Deductions	Reclassifications	December 31, 2009 *)
At cost					
Direct acquisitions					
Land	7,710,976	4,961	2,332	5,356	7,718,961
Buildings, reservoir and infrastructure	28,411,869	50,942	21,223	2,069,953	30,511,541
Installation and power plant	96,967,754	283,163	804,521	12,866,485	109,312,881
Transmission equipment	52,704,164	33,106	233,534	2,585,980	55,089,716
Distribution equipment	66,502,744	1,108,755	150,296	2,440,653	69,901,856
General equipment	3,644,191	152,961	18,709	336,301	4,114,744
Motor vehicles	601,977	10,857	29,909	41,730	624,655
Spare parts	396,646	315,256	11,849	285,872	985,925
Telecommunication and data processing equipment	2,885,180	74,275	11,735	335,717	3,283,437
Subtotal	259,825,501	2,034,276	1,284,108	20,968,047	281,543,716
Leased assets					
Land	58,591	-	-	-	58,591
Installation and power plant	67,891,147	1,176,148	-	-	69,067,295
Subtotal	67,949,738	1,176,148	-	-	69,125,886
Total	327,775,239	3,210,424	1,284,108	20,968,047	350,669,602
Accumulated depreciation					
Direct acquisitions					
Buildings, reservoir and infrastructure	6,553,869	936,431	10,426	16,582	7,496,456
Installation and power plant	34,132,417	5,213,038	678,795	-	38,666,660
Transmission equipment	11,207,181	1,844,108	69,388	17,243	12,999,144
Distribution equipment	20,643,156	2,530,443	56,460	32,383	23,149,522
General equipment	2,621,140	405,369	18,477	-	3,008,032
Motor vehicles	470,325	48,093	15,332	6,561	509,647
Spare parts	136,438	38,844	3,632	5,015	176,665
Telecommunication and data processing equipment	1,582,435	244,476	6,961	3,231	1,823,181
Subtotal	77,346,961	11,260,802	859,471	81,015	87,829,307
Leased assets					
Installation and power plant	14,145,587	2,670,446	-	-	16,816,033
Total	91,492,548	13,931,248	859,471	81,015	104,645,340
Net Carrying Value	236,282,691				246,024,262

*) As restated - Note 59

Depreciation expense was allocated to the following :

	2012 (Six months)	2011 (Six months)	2011 (One year)	2010 (One year)	2009 (One year)
Operating expenses	9,464,488	7,666,588	16,254,552	14,691,919	13,921,222
Construction in progress	4,398	4,450	8,883	8,917	10,026
Total	9,468,886	7,671,038	16,263,435	14,700,836	13,931,248

Additional to accumulated depreciation in 2011 included beginning balance of accumulated depreciation of property, plant and equipment of PT Pelayaran Bahtera Adhiguna, a subsidiary which was consolidated in 2011, amounting to Rp 59,287 million.

Reclassifications of property, plant and equipment – direct acquisitions arise mainly from transfer of construction in progress and assets not used in operations amounting to Rp 14,700,654 million and Rp 23,024 million, respectively, for the six-month periods ended June 30, 2012 and Rp 9,170,239 million and Rp 58,472 million, respectively, for the six-month periods ended June 30, 2011, Rp 48,145,246 million and Rp 503,810 million, respectively, for the year ended December 31, 2011, Rp 13,061,873 million and Rp 395,335 million, respectively, for the year ended December 31, 2010 and Rp 19,233,077 million and Rp 790,073 million, respectively, for the year ended December 31, 2009 (Notes 7 and 10).

(Figures in tables stated in millions of Rupiah) - Continued

Deductions of property, plant and equipment include transfer to assets not used in operations with net carrying value of Rp 257,167 million and Rp 434,244 million, respectively, for the six-month periods ended June 30, 2012 and 2011, Rp 683,830 million, Rp 575,342 million and Rp 424,637 million for the years ended December 31, 2011, 2010 and 2009.

The Company and its subsidiaries own several pieces of land with Rights to Use (*Hak Pakai*), Building Use Rights (*Hak Guna Bangunan*). Rights to Use have no expiration date while Building Use Rights will expire between 20 to 30 years until 2016 to 2036. The Company and its subsidiaries also have several pieces of land, which are still being processed for extension and for transfer of certificate in the name of the Company and its subsidiaries.

Installation and power plant, transmission equipment and vessels were insured to several insurance companies, with PT Asuransi Tugu Kresna Pratama, a related party, acting as the lead underwriter, PT Asuransi Jasa Indonesia, related party, acting as the lead underwriter, PT Jardine Lloyd Thompson, PT Berdikari Insurance and PT Asuransi Wahana Tata against fire and other possible risks with insurance coverage of US$ 19,887 million and Rp 1,104,752 million as of June 30, 2012 and US$ 17,503 million and Rp 1,274,549 million as of June 30, 2011, US$ 17,455 million and Rp 1,077,801 million as of December 31, 2011, US$ 16,339 million and Rp 1,132,058 million as of December 31, 2010 and US$ 15,795 million and Rp 674,242 million as of December 31, 2009. Leased assets PLTU Tanjung Jati B 4 x 660 MW were insured to PT Asuransi Mitsui Sumitomo Indonesia against fire and other possible risks with insurance coverage of JPY 315,584 million as of June 30, 2012 and JPY 190,438 million as of June 30, 2011, JPY 300,484 million as of December 31, 2011, JPY 190,438 million as of December 31, 2010 and JPY 190,432 million as of December 31, 2009. Management believes that the insurance coverage is adequate to cover possible losses on the assets insured. The Company and its subsidiaries do not cover insurance protection for assets other than installation and power plant, transmission equipment and vessels.

As of June 30, 2012, telecommunication and data processing equipment with net carrying value amounting to Rp 11,635 million are used as collateral for loans to Bank Bukopin (Note 28).

Leased assets represent certain power plants under agreement with IPPs which were accounted for as finance lease in accordance with ISAK 8 (Note 59) and the PLTU Tanjung Jati B 4 x 660 MW power plant.

Management believes that there are no events or changes in circumstances which may indicate an impairment in value of property, plant and equipment as of the reporting date.

7. CONSTRUCTION IN PROGRESS

This account represents costs incurred in relation to the construction and renovation/betterment of power supply facilities, as follows :

	June 30,		December 31,			January 1, 2009/
	2012	2011	2011	2010	2009	December 31, 2008
Mandatory projects - Fast track program						
Power plants	57,700,905	66,193,747	54,123,611	66,939,888	48,725,115	27,232,992
Transmission	7,106,614	5,923,676	6,354,536	5,271,611	3,619,832	1,987,868
Total	64,807,519	72,117,423	60,478,147	72,211,499	52,344,947	29,220,860
Regular constructions						
Power plants	18,339,594	19,595,762	16,860,578	19,511,118	9,664,983	11,334,982
Transmission	19,731,909	17,105,987	18,761,718	14,421,413	15,831,524	11,665,178
Distribution	2,153,518	1,202,577	1,878,722	658,047	590,421	823,145
Equipment	218,488	32,097	78,131	37,776	50,441	76,187
Total	40,443,509	37,936,423	37,579,149	34,628,354	26,137,369	23,899,492
Total	105,251,028	110,053,846	98,057,296	106,839,853	78,482,316	53,120,352

(i) Fast track program

Fast track program represents projects mandated by the Government to the Company (Note 57). Construction in progress of fast track program include advance payments made to the contractors, borrowing costs and other capitalizable expenditures.

(Figures in tables stated in millions of Rupiah) - Continued

(ii) Regular constructions

Power Plants

Power plants under construction consist mainly of PLTP Sarulla 300 MW, PLTA Peusangan 88 MW, PLTP Ulubelu 2 x 55 MW, PLTGU Tanjung Priok 740 MW, PLTGU Keramasan 80 MW, PLTU NTB - Lombok 1 x 25 MW and PLTU NTT – Atambua 4 x 6 MW. PLTP Sarulla is a geothermal power plant which was taken over by the Company on January 23, 2004 from Unocal North Sumatera Geothermal Ltd. for US$ 60 million (Note 57).

Transmission

Transmission under construction consists mainly of projects of transmission lines of T/L 500 Kv in Java – Bali, T/L 150 Kv outside Java – Bali, substations 150 Kv and interconnection of transmission projects.

Distribution

Distribution under construction consists mainly of projects of mid and low voltage distribution lines of 20 Kv and distribution substation projects.

Constructions in progress are expected to be completed between 2012 and 2014.

For the six-month periods ended June 30, 2012 and 2011 and for the year ended December 31, 2011, 2010 and 2009, construction in progress which were completed and reclassified to property, plant and equipment amounted to Rp 14,700,654 million and Rp 9,170,239 million and Rp 48,145,246 million, Rp 13,061,873 million and Rp 19,233,077 million, respectively (Note 6).

Borrowing costs which were capitalized to construction in progress are as follows :

	2012 (Six months)	2011 (Six months)	2011 (One year)	2010 (One year)	2009 (One year)
Fast track program					
Interest expense	1,155,199	2,072,168	4,005,253	3,244,602	4,171,180
Loss (gain) on foreign exchange	676,175	-	315,914	-	(1,697,743)
Amortization of debt issuance cost	11,023	16,442	31,412	48,178	29,785
Total	1,842,397	2,088,610	4,352,579	3,292,780	2,503,222
Regular constructions					
Interest expense	189,764	193,773	514,590	800,144	690,154
Loss (gain) on foreign exchange	201,235	(405,138)	897,175	2,554,669	(2,457,134)
Amortization of debt issuance cost	3,718	3,526	3,985	3,345	2,617
Total	394,717	(207,839)	1,415,750	3,358,158	(1,764,363)
Total	2,237,114	1,880,771	5,768,329	6,650,938	738,859

Management believes that there are no events or changes in circumstances which may indicate an impairment in value of construction in progress as of the reporting date.

8. INVESTMENT PROPERTIES

This account pertains to pieces of land owned by PJB located in Paiton – East Java, Pluit – North Jakarta and Asahan – North Sumatera, which are rented to or used by independent power producers, PT Paiton Energy, PT Jawa Power, BUT Pertamina Hulu Energi ONJW Ltd., PT Bajradaya Sentranusa and PT Nusantara Regas.

The estimated fair value of these investment properties as of June 30, 2012 and 2011 and December 31, 2011, 2010, 2009 and January 1, 2009 amounted to Rp 204,777 million and Rp 190,503 million and Rp 173,545 million, Rp 164,713 million, Rp 154,737 million and Rp 166,841 million, respectively, which was determined based on the market value of tax object of each parcel of land.

(Figures in tables stated in millions of Rupiah) - Continued

9. INVESTMENTS IN ASSOCIATES

Details of investments in associates and consortiums are as follows :

				Percentage of ownership					
			Commercial	June 30,		December 31,			January 1, 2009/
	Domicile	Nature of business	operations	2012	2011	2011	2010	2009	December 31, 2008
				%	%	%	%	%	%
Direct ownership									
Equity method									
PT Geo Dipa Energi	Jakarta	Electricity supplier	2002	33.00	33.00	33.00	33.00	33.00	33.00
PT Unelec Indonesia	Jakarta	Electrical supports	1988	32.35	32.35	32.35	32.35	32.35	32.35
Indirect ownership									
Equity method									
PT Mitra Energi Batam	Batam	Electricity supplier	2004	30.00	30.00	30.00	30.00	30.00	30.00
PT Sumber Segara Primadaya	Cilacap	Electricity supplier	2006	49.00	49.00	49.00	49.00	49.00	49.00
PT Dalle Energy Batam	Batam	Electricity supplier	2006	20.00	20.00	20.00	20.00	20.00	20.00
PT Bajradaya Sentranusa	Asahan	Electricity supplier	2010	26.06	26.06	26.06	26.06	26.06	26.06
PT Bukit Pembangkit Innovative	Palembang	Electricity supplier	*)	37.25	29.15	29.15	29.15	20.00	20.00
PT Komipo Pembangkitan Jawa Bali	Jepara	Operational and maintenance	2010	49.00	49.00	49.00	49.00	-	-
PT Daya Citra Mulia	Banjarmasin	Coal mining and trading	2002	-	-	-	-	25.00	25.00
PT Tenaga Listrik Jayapura	Jayapura	Electricity supplier	*)	-	-	-	-	20.00	20.00
PT Perta Daya Gas	Jakarta	Transportation and storage of LNG	*)	35.00	-	-	-	-	-
Consortiums									
IP-NTP Consortium	Bandung	Electricity supplier	*)	-	80.00	80.00	80.00	80.00	80.00

*) Development stage

Changes in investments in associates and consortium are as follows :

	Carrying amount January 1, 2012	Additions (deduction)	Equity in net income (loss) of associates	Carrying amount June 30, 2012
PT Unelec Indonesia	110,496	(48,018)	130,252	192,730
PT Mitra Energi Batam	47,306	-	2,288	49,594
PT Sumber Segara Primadaya	529,613	-	25,851	555,464
PT Dalle Energy Batam	48,487	-	(2,047)	46,440
PT Bajradaya Sentranusa	168,052	-	(1,838)	166,214
PT Bukit Pembangkit Innovative	193,994	194,873	2,125	390,992
PT Komipo Pembangkitan Jawa Bali	43,750	(17,852)	17,220	43,118
PT Perta Daya Gas	-	8,750	-	8,750
IP-NTP Consortiums	1,152	(1,152)	-	-
Total	1,142,850	136,601	173,851	1,453,302

	Carrying amount January 1, 2011	Additions (deduction)	Equity in net income (loss) of associates	Carrying amount June 30, 2011
PT Unelec Indonesia	83,210	-	4,637	87,847
PT Mitra Energy Batam	43,962	-	1,002	44,964
PT Sumber Segara Primadaya	438,804	-	90,304	529,108
PT Dalle Energy Batam	46,239	-	2,174	48,413
PT Bajradaya Sentranusa	185,321	-	12,247	197,568
PT Bukit Pembangkit Innovative	56,097	77,172	(3,250)	130,019
PT Komipo Pembangkitan Jawa Bali	28,227	(2,940)	823	26,110
IP-NTP Consortiums	1,152	-	-	1,152
Total	883,012	74,232	107,937	1,065,181

(Figures in tables stated in millions of Rupiah) - Continued

	Carrying amount January 1, 2011	Additions (deduction)	Equity in net profit (loss) of associates	Carrying amount December 31, 2011
PT Unelec Indonesia	83,210	-	27,286	110,496
PT Mitra Energi Batam	43,962	-	3,344	47,306
PT Sumber Segara Primadaya	438,804	-	90,809	529,613
PT Dalle Energy Batam	46,239	-	2,248	48,487
PT Bajradaya Sentranusa	185,321	-	(17,269)	168,052
PT Bukit Pembangkit Innovative	56,097	139,259	(1,362)	193,994
PT Komipo Pembangkitan Jawa Bali	28,227	(2,940)	18,463	43,750
IP-NTP Consortiums	1,152	-	-	1,152
Total	883,012	136,319	123,519	1,142,850

	Carrying amount January 1, 2010	Additions (deduction)	Equity in net profit (loss) of associates	Carrying amount December 31, 2010
PT Geo Dipa Energi	47,963	-	(47,963)	-
PT Unelec Indonesia	103,796	(58,535)	37,949	83,210
PT Daya Citra Mulia	1,382	(1,382)	-	-
PT Mitra Energy Batam	41,904	-	2,058	43,962
PT Sumber Segara Primadaya	354,380	-	84,424	438,804
PT Dalle Energy Batam	22,549	21,400	2,290	46,239
PT Bajradaya Sentranusa	155,187	-	30,134	185,321
PT Tenaga Listrik Jayapura	1,344	(1,344)	-	-
PT Bukit Pembangkit Innovative	58,813	-	(2,716)	56,097
PT Komipo Pembangkitan Jawa Bali	-	11,089	17,138	28,227
IP-NTP Consortiums	1,152	-	-	1,152
Total	788,470	(28,772)	123,314	883,012

	Carrying amount January 1, 2009	Additions (deduction)	Equity in net profit (loss) of associates	Carrying amount December 31, 2009
PT Geo Dipa Energi	31,807	-	16,156	47,963
PT Unelec Indonesia	82,193	-	21,603	103,796
PT Daya Citra Mulia	1,365	-	17	1,382
PT Mitra Energy Batam	41,531	-	373	41,904
PT Sumber Segara Primadaya	121,472	-	232,908	354,380
PT Dalle Energy Batam	18,662	-	3,887	22,549
PT Bajradaya Sentranusa	122,632	-	32,555	155,187
PT Tenaga Listrik Jayapura	1,344	-	-	1,344
PT Bukit Pembangkit Innovative	60,448	-	(1,635)	58,813
PT Komipo Pembangkitan Jawa Bali	1,152	-	-	1,152
Total	482,606	-	305,864	788,470

PT Geo Dipa Energi

PT Geo Dipa Energi is a joint venture between the Company and Pertamina. It was established to continue the development of Dieng and Patuha power plant projects previously owned by Himpurna California Energy Limited and Patuha Power Limited.

As of June 30, 2012 and 2011, December 31, 2011 and 2010 the carrying amount of investment in PT Geo Dipa Energi is nil.

For the sixth-month periods ended June 30, 2012 and 2011 and the year ended December 31, 2011, the Company did not recognize share in net loss of PT Geo Dipa Energi amounting to Rp 32,202 million and Rp 11,599 million and Rp 10,270 million, respectively.

PT Unelec Indonesia (Unindo)

Unindo is a joint venture between the Company and Areva T & D Holdings. It was established to engage principally in the manufacture and sale of power and distribution transformers and switchgears. In 2012 and 2010, the Company received dividends from Unindo amounting to Rp 48,018 million and Rp 58,535 million, respectively.

PT Dalle Energy Batam

In 2010, PLN Batam increased its investment in shares amounting to Rp 21,400 million, without changing its percentage of ownership.

PT Bajradaya Sentranusa (BDSN)

PJB owns 243,707 BDSN shares with par value of Rp 1 million per share. Investment in stocks of PJB in BDSN, consisting of 262,707 shares, was pledged as security for the loan of BDSN from China Huadian Hongkong Company Limited.

PT Tenaga Listrik Jayapura (TLJ)

Based on the Extraordinary Stockholders' Meeting of TLJ dated June 17, 2008, it was agreed that TLJ will be liquidated. In 2010, TLJ was liquidated and PLN Tarakan received refund of the investment amounting to Rp 1,017 million and the difference with the carrying amount of Rp 327 million was recorded as other expense in the 2010 consolidated statement of comprehensive income.

PT Bukit Pembangkit Innovative (BPI)

In 2012, PJB increased its investment in shares of BPI amounting to Rp 194,873 million, thus PJB's percentage of ownership increased 37.25%.

In 2011, PJB increased its investment in shares amounting to Rp 139,259 million, without changing its percentage of ownership.

PT Komipo Pembangkitan Jawa Bali (KPJB)

In 2012 and 2011, PJB received dividend from KPJB amounting to Rp 17,852 million and Rp 2,940 million, respectively.

In 2010, PJB made investment in shares in KPJB amounting to USD 1,225,000, equivalent to Rp 11,089 million, or 49% of the issued share of KPJB.

PT Perta Daya Gas (PDG)

In 2012, IP made initial investment in shares of PDG amounting to Rp 8,750 million, or 35% of issued shares of PDG.

(Figures in tables stated in millions of Rupiah) - Continued

10. ASSETS NOT USED IN OPERATIONS

	June 30,		December 31,			January 1, 2009/
	2012	2011	2011	2010	2009	December 31, 2008
Assets for relocation, repairs and disposal						
At cost						
Property, plant and equipment to be relocated and not yet used in operations	1,234,676	1,069,564	1,591,778	1,141,354	926,871	1,247,359
Property, plant and equipment to be disposed of	2,504,541	2,663,891	2,629,462	2,546,234	2,430,897	1,923,734
Property, plant and equipment to be repaired	861,669	643,877	775,042	697,130	471,203	389,299
Spare parts to be disposed of	165,246	137,742	132,261	132,453	125,368	112,401
Construction in progress to be disposed of	3,146	3,145	3,146	4,733	4,733	4,733
Total	4,769,278	4,518,219	5,131,689	4,521,904	3,959,072	3,677,526
Accumulated depreciation and impairment in value						
Property, plant and equipment to be relocated and not yet used in operations	538,472	231,503	301,285	211,223	177,879	169,646
Property, plant and equipment to be disposed of	2,490,884	2,650,114	2,578,266	2,525,165	2,415,790	1,915,478
Property, plant and equipment to be repaired	438,246	340,847	415,291	362,002	223,870	152,208
Spare parts to be disposed of	126,587	127,155	122,620	121,866	117,954	106,944
Construction in progress to be disposed of	558	558	558	2,145	2,145	2,145
Total	3,594,747	3,350,177	3,418,020	3,222,401	2,937,638	2,346,421
Net Carrying Value	1,174,531	1,168,042	1,713,669	1,299,503	1,021,434	1,331,105

Loss on impairment of property, plant and equipment for the six-month periods ended June 30, 2012 and 2011 amounting to Rp 64,326 million and Rp 114,571 million, respectively, Rp 394,436, Rp 330,107 million and Rp 281,514 million for the years ended December 31, 2011, 2010 and 2009, respectively are recorded as other expenses (Note 48).

Certain assets not used in operations were sold with selling price of Rp 6,312 million and Rp 16,856 million for the six-month periods ended June 30, 2012 and 2011 and Rp 34,345 million, Rp 72,499 million and Rp 12,464 million for the years ended December 31, 2011, 2010 and 2009, respectively. The carrying value of such assets were nil, hence the proceeds from sale of assets represented gain on sale of assets not used on operations (Note 48).

Property, plant and equipment to be disposed of represent machine installations of PLTG Gresik, PLTGU Muara Tawar and PLTU Muara Karang, pipe gas installations, machine installations, building and infrastructure, housing and distribution equipment.

For the six-month periods ended June 30, 2012 and 2011 and for the year ended December 31, 2011, 2010, 2009, assets not used in operations reclassified to property, plant and equipment amounted to Rp 23,024 million and Rp 58,472 million, Rp 503,810 million, Rp 395,335 million and Rp 790,073 million, respectively (Note 6).

Management believes that impairment for assets not yet used in operations is adequate to cover possible loss on impairment on value of such assets.

(Figures in tables stated in millions of Rupiah) - Continued

11. RECEIVABLES FROM RELATED PARTIES

	June 30,		December 31,			January 1, 2009/
	2012	2011	2011	2010	2009	December 31, 2008
PT Sumber Segara Primadaya (US$ 21,342,532 in June 30, 2012, US$ 22,444,304 in June 30, 2011, US$ 21,997,133 in December 31, 2011, US$ 23,238,460 in December 31, 2010, US$ 126,416,382 in December 31, 2009 and US$ 118,433,250 in January 1, 2009)	202,327	192,953	199,470	208,937	1,188,314	1,296,844
PT Metaepsi Pejebe Power Generation, (US$ 4,500,000 in June 30, 2012, US$ 4,501,310 in June 30, 2011, US$ 4,500,000 in December 31, 2011, US$ 4,501,310 in December 31, 2010 and 2009 and US$ 4,501,347 in January 1, 2009)	42,660	38,698	40,806	40,472	42,312	49,289
PT Komipo Pembangkitan Jawa Bali (US$ 3,935,069 in June 30, 2011, US$ 3,677,768 in December 31, 2011 and US$ 3,677,819 in December 31, 2010)	35,647	33,830	33,350	33,067	-	-
PT Dalle Energy Batam	1,331	7,082	6,127	11,469	10,097	12,213
PT Mitra Energy Batam	2,727	-	212	3,532	15,569	-
PT TJK Power	-	-	-	-	18,114	18,114
PT Tenaga Listrik Jayapura (US$ 808,368)	-	-	-	-	-	8,852
PT Tenaga Listrik Bintan (US$ 78,345)	-	-	-	-	-	858
Total	284,692	272,563	279,965	297,477	1,274,406	1,386,170
Allowance for doubtful accounts	-	-	-	-	(80,758)	(68,988)
Total	284,692	272,563	279,965	297,477	1,193,648	1,317,182
Less current portion	67,914	139,422	67,256	65,227	-	-
Long-term portion	216,778	133,141	212,709	232,250	1,193,648	1,317,182

PT Sumber Segara Primadaya (S2P)

On January 28, 2004, PJB granted a long-term loan of US$ 52 million to S2P for the financing of PLTU Cilacap project. This loan will mature in nine years, including two years grace period, due on January 28, 2013 and bears interest at 12.907% per annum. The principal will be collected in 4 installments starting from July 28, 2011 until January 28, 2013. The loan was approved during the Extraordinary General Meeting of the Stockholders.

In 2010, this principal balance of the loan has been fully paid by S2P.

In 2006, PJB placed time deposits amounting to US$ 100 million in Bank Negara Indonesia as a guarantee of letter of credit obtained by S2P from such bank. On July 11, 2008, Bank Negara Indonesia executed its right, by confiscating the time deposits amounting to US$ 50 million, due to the failure of S2P to settle its unpaid letter of credit. PJB recorded such confiscation of time deposits amounting to US$ 50 million as receivables from S2P.

On December 17, 2009, the Company and S2P entered into settlement agreement of this loan, where S2P recognized the obligation for funds formerly used as collateral, which will be paid in variable installments starting December 2009 until April 28, 2014 with interest rate of 9% per annum. The interest payable from July 1, 2008 until December 31, 2009 amounting to US$ 6.75 million will be paid at one time on April 28, 2014. The interest from January 1, 2010 until April 28, 2014 will be paid monthly at 7% per annum and the remaining accumulated interest of 2% per annum will be paid at one time on April 28, 2014.

In 2010, these loan has been fully paid by S2P and the allowance provided for this receivable was reversed.

As of June 30, 2012 and 2011 and December 31, 2011, 2010 and 2009 and January 1, 2009 interest on receivables from S2P amounting to US$ 21,342,532 and US$ 22,444,304 and US$ 21,997,133, US$ 23,238,460 and US$ 27,416,372 and US$ 16,433,250, respectively, were recorded as receivables from related parties.

PT Metaepsi Pejebe Power Generation (Meppogen)

In 2007, PJB provided a convertible debt to Meppogen amounting to US$ 4.5 million which was used to fund the construction of Meppogen gas power plant in Gunung Megang – South Sumatra. This loan bears interest at SIBOR plus 4% - 5% per annum and will be paid monthly. PJB shall have the right to convert those loans into shares after the first year of the agreement. The number of converted shares to be issued shall be determined by dividing the conversion amount by the nominal value of the conversion shares as specified in the Articles of Association of Meppogen. This loan will mature on the third year with added premium of 15% per annum. As of the date of the issuance of the consolidated financial statement, the loan agreement has not been extended.

PT Komipo Pembangkitan Jawa Bali (KPJB)

On December 29, 2010, PJB agreed to provide loans to KPJB, in the form of shareholder loan with the aggregate principal amount of US$ 3,675 million and the loan bear interest at 14% per year. The objective of this loan is to provide cash reserve for KPJB in order to comply with the contractual obligation stipulated in the Expansion Operation and Maintenance Agreement with the Company, which requires KPJB to, at any time of the contract term, maintain the cash reserve for 6 months operation and maintenance of power plant. The term of the loan is 7 years starting from December 29, 2010. The interest will be due each December 29 and the initial first installment of principal payment will start on December 29, 2012.

On February 29, 2012, PJB agreed to amend the loan agreement and the shareholder loan was converted to Rupiah, amounting to Rp 33,494 million.

PT Dalle Energy Batam and PT Mitra Energy Batam

Accounts receivable from PT Dalle Energy Batam and PT Mitra Energy Batam represent receivables on penalty of power purchase contracts.

PT TJK Power (TJK)

Accounts receivable from TJK represent advance payment made by PLN Batam for the development cost of PLTU Tanjung Kasam owned by TJK.

The Company’s management consider these receivable from related parties to be collectible.

(Figures in tables stated in millions of Rupiah) - Continued

12. RESTRICTED CASH IN BANKS AND TIME DEPOSITS

	June 30,		December 31,			January 1, 2009/
	2012	2011	2011	2010	2009	December 31, 2008
Lease installments and operation guarantee (Note 27)						
Cash in bank						
Sumitomo Mitsui Banking Corporation, Singapore						
JPY	4,702,596	2,218,960	3,554,145	2,105,397	2,628,221	3,612,064
US$	288,899	218,343	257,734	138,372	329,060	459,224
Bank Bukopin - JPY	-	-	-	113,499	-	-
Guarantee deposit for gas purchases (Note 57)						
Time deposits						
Bank Mandiri - Rp - related party	743	269	269	-	-	-
Bank Mandiri - US$ - related party	5,381	4,499	4,746	-	-	-
Citibank - US$	-	-	-	-	51,273	59,727
Standard Chartered Bank - US$	-	-	-	-	45,608	53,053
Cash in banks						
Bank Internasional Indonesia - US$	-	-	-	-	93,145	108,119
Bank Mandiri - related party	-	-	-	-	-	5,000
Guarantee deposit for purchase of electricity (Note 57)						
Cash in bank						
Bank Central Asia	5,108	5,067	4,981	4,648	7,006	6,868
Time deposit						
Bank Mandiri - related party	1,500	1,500	1,500	1,500	1,500	1,500
Guarantee deposit for bank loans (Note 28)						
Time deposits - Bank Bukopin	4,949	4,913	5,000	4,848	5,000	5,000
Bank guarantee						
Cash in bank						
Bank Rakyat Indonesia - related party	44,424	37,605	46,628	35,723	46,710	-
Bank Mandiri - related party	623	1,469	1,420	3,600	2,582	3,176
Bank Negara Indonesia - related party	389	-	-	-	-	-
Time deposits						
Bank Mandiri - related party	-	-	112	-	-	-
Bank Niaga						
Rp	-	-	5,477	-	-	-
US$	-	-	7,751	-	-	-
Total	5,054,612	2,492,625	3,889,763	2,407,587	3,210,105	4,313,731
Interest rate per annum on time deposits						
Rupiah	0.10% - 6%	6.65% - 13%	2.59% - 8.25%	6.65% - 13%	6% - 13%	5.5% - 9%
US$	0.84% - 2%	5.5%	0.84% - 1.84%	-	0.01% - 1.47%	1.75%

The Company and subsidiaries recognized an adjustment to the carrying amount of restricted cash in banks and time deposits as of January 1, 2010 amounting to Rp 526,677 million (Note 47). The adjustment was made to adjust the carrying amount of restricted cash in bank and time deposits to its fair value due to initial adoption of PSAK 55 (revised 2006).

As of June 30, 2012, the Company established a reserve account to Sumitomo Mitsui Banking Corporation, Singapore amounting to JPY 25,754 million and US$ 60 million to fulfill the requirement of FLA (Note 27).

(Figures in tables stated in millions of Rupiah) - Continued

Details of restricted cash in banks and time deposits in foreign currencies are as follows:

	June 30, 2012		June 30, 2011		December 31, 2011		December 31, 2010		December 31, 2009		January 1, 2009 / December 31, 2008	
	In foreign currencies *)	Rp equivalent	In foreign currencies *)	Rp equivalent	In foreign currencies *)	Rp equivalent	In foreign currencies *)	Rp equivalent	In foreign currencies *)	Rp equivalent	In foreign currencies *)	Rp equivalent
US$	31,042,181	294,280	25,920,918	222,842	29,800,483	270,231	15,390,074	138,372	55,221,873	519,086	62,111,713	680,123
JPY	39,309,785,985	4,702,596	20,737,951,734	2,218,960	30,428,504,732	3,554,145	20,119,535,262	2,218,896	25,841,801,813	2,628,221	29,795,132,827	3,612,064
Total		4,996,876		2,441,802		3,824,376		2,357,268		3,147,307		4,292,187

*) In full amount

13. OTHER NONCURRENT ASSETS

	June 30,		December 31,			January 1, 2009/
	2012	2011	2011	2010	2009	December 31, 2008
Deferred charges - net						
Insurance premium (Notes 28 and 57)	-	-	-	319,621	1,898,770	-
Transaction cost	201,302	-	186,739	-	-	-
Landrights	42,924	43,949	43,682	43,603	48,187	31,226
Software	242,062	116,545	265,023	198,436	220,829	480,518
Total	486,288	160,494	495,444	561,660	2,167,786	511,744
Prepaid expenses						
Gas purchased	289,537	360,564	329,466	360,805	433,392	434,173
Pension (Note 52)	-	-	-	-	-	34,737
Others	16,040	128,708	9,349	126,557	93,455	121,674
Total	305,577	489,272	338,815	487,362	526,847	590,584
Advances for project development	1,069,185	1,228,046	625,827	541,479	974,869	330,299
Investment in non-listed shares	33,857	37,857	37,857	36,857	44,357	44,038
Total	1,894,907	1,915,669	1,497,943	1,627,358	3,713,859	1,476,665

Amortization expenses of deferred charges for the six-month periods ended June 30, 2012 and 2011 and for the years ended December 31, 2011, 2010 and 2009 amounted to Rp 70,627 million and Rp 67,952 million and Rp 137,041 million, Rp 160,719 million and Rp 324,823 million, respectively.

(Figures in tables stated in millions of Rupiah) - Continued

14. CASH AND CASH EQUIVALENTS

	June 30,		December 31,			January 1, 2009/
	2012	2011	2011	2010	2009	December 31, 2008
Cash on hand	20,851	24,950	23,179	44,634	46,627	59,255
Cash in banks						
Related parties						
Bank Rakyat Indonesia						
Rupiah	3,330,901	2,697,146	4,543,798	2,414,038	1,162,962	1,324,853
US$	707,018	525,367	2,671,235	660,124	634,801	354,586
JPY	2,465	629	31,667	4,472	761	552
EUR	18,628	1,973	33,959	1,862	123	60
Bank Negara Indonesia						
Rupiah	2,754,750	3,430,024	2,413,041	2,702,976	1,283,136	799,892
US$	426,517	1,235,629	659,700	137,903	556,962	286,403
CHF	5,184	4,823	4,497	4,628	4,217	5,006
EUR	5,446	7,856	3,661	6,175	5,291	1,314
Bank Mandiri						
Rupiah	2,612,831	1,931,460	4,264,032	1,853,320	1,216,084	753,597
US$	102,424	177,419	1,530,719	135,779	347,381	90,646
EUR	37,297	1,636	3,770	287	1,375	624
JPY	691	368	56	4	178	42
Total related parties	10,004,152	10,014,330	16,160,135	7,921,568	5,213,271	3,617,575
Third parties						
Bank Bukopin						
Rupiah	4,336,612	5,041,119	3,299,201	3,908,828	2,426,023	1,603,561
US$	332,578	328,160	144,699	766,660	273,190	91,720
JPY	3,642	3,460	3,777	29,192	35,820	-
EUR	27	-	27	-	-	-
Bank Danamon						
Rupiah	304,516	372,172	126,549	316,344	166,177	138,781
US$	1,976	-	1,890	1,873	1,958	7,167
Bank Central Asia						
Rupiah	149,487	733,505	31,064	480,757	32,055	43,696
US$	20,475	7,410	3,437	468	488	356
JPY	104	94	102	97	90	270
Bank Internasional Indonesia						
Rupiah	116,373	167,232	26,564	118,513	60,551	18,260
US$	37,340	35,102	35,571	34,923	34,124	6,165
EUR	180	183	-	183	206	235
Others (each below 5% of total)						
Rupiah	2,322,265	1,382,121	1,311,940	1,397,959	318,020	203,059
US$	230,186	178,348	179,734	395,692	338,033	7,212
JPY	407	233	296	25	13	9
EUR	-	-	-	-	877	-
SGD	-	-	-	-	1	2
Total third parties	7,856,168	8,249,139	5,164,851	7,451,514	3,687,626	2,120,493
Total cash on hand and in banks	17,881,171	18,288,419	21,348,165	15,417,716	8,947,524	5,797,323

(Figures in tables stated in millions of Rupiah) - Continued

	June 30,		December 31,			January 1, 2009/
	2012	2011	2011	2010	2009	December 31, 2008
Cash equivalents - time deposits						
Related parties						
Bank Rakyat Indonesia						
Rupiah	310,378	213,000	330,000	1,936,000	26,000	20,000
US$	-	-	-	-	1,880,000	-
Bank Negara Indonesia						
Rupiah	140,100	230,100	110,100	535,100	43,600	26,100
US$	-	-	-	-	1,880,000	-
Bank Mandiri						
Rupiah	53,358	585,893	60,041	350,153	43,233	10,603
US$	711	215,604	680	674	705	821
Total related parties	504,547	1,244,597	500,821	2,821,927	3,873,538	57,524
Third parties						
Bank Bukopin						
Rupiah	895,656	1,035,256	72,600	902,600	32,600	112,500
US$	-	-	67,882	66,106	48,762	-
Deutsch Bank, Amsterdam - US$	-	-	-	-	51,700	339,592
Others (each below 5% of total)						
Rupiah	17,084	37,281	24,617	490,207	62,738	39,359
US$	78,951	13,758	74,008	18,242	26,334	41,329
Total third parties	991,691	1,086,295	239,107	1,477,155	222,134	532,780
Total time deposits	1,496,238	2,330,892	739,928	4,299,082	4,095,672	590,304
Total Cash and Cash Equivalents	19,377,409	20,619,311	22,088,093	19,716,798	13,043,196	6,387,627
Interest rate per annum on time deposits						
Rupiah	5.5% - 6.5%	7.25% - 7.5%	5.5% - 8.25%	6% - 13.5%	6% - 13%	5.25% - 13%
US$	0.5% - 2%	2% - 2.25%	0.5% - 1.84%	3.25% - 4.25%	2% - 4%	3.75%

Details of cash and cash equivalents in foreign currencies are as follows :

	June 30, 2012		June 30, 2011		December 31, 2011		December 31, 2010		December 31, 2009		January 1, 2009 / December 31, 2008	
	In foreign currencies *)	Rp equivalent	In foreign currencies *)	Rp equivalent	In foreign currencies *)	Rp equivalent	In foreign currencies *)	Rp equivalent	In foreign currencies *)	Rp equivalent	In foreign currencies *)	Rp equivalent
US$	204,448,835	1,938,176	316,016,866	2,716,797	592,143,400	5,369,555	246,740,479	2,218,444	646,216,817	6,074,438	111,963,320	1,225,997
JPY	61,097,686	7,309	44,829,059	4,784	307,297,054	35,898	307,181,542	39,790	362,444,788	36,862	7,213,156	873
EUR	5,217,995	61,578	934,698	11,648	3,528,201	41,417	711,523	8,507	582,745	7,872	144,631	2,233
Others **)	546,870	5,184	561,019	4,823	495,954	4,497	514,706	4,628	448,717	4,218	457,300	5,008
Total		2,012,247		2,738,052		5,451,367		2,271,369		6,123,390		1,234,111

*) In full amount
**) Cash and cash equivalents denominated in other foreign currencies are presented as US$ equivalents using the exchange rates prevailing at reporting date.

(Figures in tables stated in millions of Rupiah) - Continued

15. SHORT-TERM INVESTMENTS

	June 30,		December 31,			January 1, 2009/
	2012	2011	2011	2010	2009	December 31, 2008
Time deposits						
Related parties						
Bank Rakyat Indonesia						
Rupiah	76,000	426,000	56,000	116,000	151,500	151,500
US$	-	-	-	-	-	1,095,000
Bank Negara Indonesia						
Rupiah	25,174	31,883	37,009	-	83,000	83,000
US$	-	-	-	-	517,000	602,250
Bank Mandiri						
Rupiah	1,000	11,000	1,000	-	136,160	135,130
US$	-	-	-	-	92,029	684,025
Total related parties	102,174	468,883	94,009	116,000	979,689	2,750,905
Third parties						
Bank Bukopin						
Rupiah	35,000	10,000	25,000	-	120,000	120,000
US$	284,400	644,774	507,808	691,977	560,883	2,285,132
Others (each below 5% of total)						
Rupiah	11,124	-	-	8,266	44,000	45,030
US$	-	-	-	-	1,880	2,190
Total third parties	330,524	654,774	532,808	700,243	726,763	2,452,352
Other investments - Rupiah	7,977	11,326	9,447	12,496	9,392	3,757
Total short-term investments	440,675	1,134,983	636,264	828,739	1,715,844	5,207,014
Interest rate per annum on time deposits						
Rupiah	5.75% - 7.2%	7% - 7.5%	5.19% - 7.7%	7% - 7.5%	6.5% - 10.5%	6% - 12.75%
US$	2%	2% - 2.25%	2.25%	1% - 3%	1% - 3%	2.5% - 4.75%

As of June 30, 2012 and 2011 and December 31, 2011, 2010, 2009 and January 1, 2009, short-term investments in foreign currencies amounted to US$ 30,000,000 (equivalent to Rp 284,400 million) US$ 75,000,000 (equivalent to Rp 644,774 million) and US$ 56,000,000 (equivalent to Rp 507,808 million), US$ 76,963,300 (equivalent to Rp 691,977 million), US$ 124,658,723 (equivalent to Rp 1,171,792 million) and US$ 426,355,879 (equivalent to Rp 4,668,597 million), respectively.

As of June 30, 2012, the Rupiah equivalent of time deposits used as guarantee deposits, are as follows :

Bank	Amount	Facility
Bank Bukopin - US$	284,400	Letter of credit guarantee project of PLTU Teluk Naga
Bank Rakyat Indonesia - Rupiah	6,000	Letter of credit guarantee project of PLTU 1 NTT, PLTU Kepri and PLTU Sulawesi Tenggara
Total	290,400	

The credit risk on these financial assets is considered negligible, since the counterparties are reputable banks of good quality credit ratings.

(Figures in tables stated in millions of Rupiah) - Continued

16. TRADE ACCOUNTS RECEIVABLE

	June 30,		December 31,			January 1, 2009/
	2012	2011	2011	2010	2009	December 31, 2008
a. By Debtor						
Related parties						
State-owned companies	52,146	86,580	8,418	39,619	28,988	19,439
Indonesian Armed Forces	758,882	602,100	909,177	515,380	410,864	298,663
Government	225,465	462,777	259,189	170,014	108,997	116,023
Total related parties	1,036,493	1,151,457	1,176,784	725,013	548,849	434,125
Third parties						
Public	3,727,557	4,420,732	2,684,186	2,480,606	2,347,813	1,899,417
Total	4,764,050	5,572,189	3,860,970	3,205,619	2,896,662	2,333,542
Allowance for doubtful accounts	(427,621)	(385,678)	(356,147)	(330,451)	(341,204)	(625,222)
Net	4,336,429	5,186,511	3,504,823	2,875,168	2,555,458	1,708,320
b. By Age Category						
Not yet due	1,806,513	713,661	1,328,773	1,079,971	819,676	285,609
1 to 90 days	1,664,937	4,087,559	1,467,713	1,609,154	1,575,222	1,306,621
91 to 360 days	1,000,342	274,108	718,243	202,504	263,410	443,257
More than 360 days	292,258	496,861	346,241	313,990	238,354	298,055
Total	4,764,050	5,572,189	3,860,970	3,205,619	2,896,662	2,333,542
Allowance for doubtful accounts	(427,621)	(385,678)	(356,147)	(330,451)	(341,204)	(625,222)
Net	4,336,429	5,186,511	3,504,823	2,875,168	2,555,458	1,708,320
Changes in the allowance for doubtful accounts						
Beginning balance	(356,147)	(330,451)	(330,451)	(341,204)	(625,222)	(370,688)
Additions	(86,088)	(57,055)	(116,820)	(89,062)	(69,809)	(375,707)
Write-off	14,614	1,828	91,124	99,815	353,827	121,173
Ending balance	(427,621)	(385,678)	(356,147)	(330,451)	(341,204)	(625,222)

A portion of the Company's trade receivables is secured by the customer's security deposit in case of default (Note 36).

The Company's management considers trade receivables that are neither past due nor impaired (not yet due) at the reporting date to be collectible.

17. RECEIVABLES ON ELECTRICITY SUBSIDY

	June 30,		December 31,			January 1, 2009/
	2012	2011	2011	2010	2009	December 31, 2008
Budget years						
2007	-	-	-	-	-	4,407,123
2008	-	-	-	-	-	2,887,241
2009	-	4,580,474	-	4,580,474	8,580,474	-
2010	-	4,506,798	4,506,798	4,778,273	-	-
2011	7,310,728	28,143,861	7,594,870	-	-	-
2012 (Note 39)	17,124,913	-	-	-	-	-
Total	24,435,641	37,231,133	12,101,668	9,358,747	8,580,474	7,294,364

In 2012, the Company collected the receivables on electricity subsidy for budget year 2011 and 2010 amounting to Rp 284,142 million and Rp 4,506,798 million, respectively.

In 2011, the Company collected the receivables on electricity subsidy for budget year 2010 and 2009 amounting to Rp 271,475 million and Rp 4,580,474 million, respectively.

In 2010, the Company collected the receivables on electricity subsidy for budget year 2009 amounting to Rp 4,000,000 million.

(Figures in tables stated in millions of Rupiah) - Continued

In 2009, the Company collected the receivables on electricity subsidy for budget year 2008 and 2007 amounting to Rp 4,705,443 million and Rp 4,407,123 million, respectively. The collection of receivables on electricity subsidy for budget year 2008 included subsidy overpayment amounting to Rp 1,818,202 million. The Company has paid such subsidy overpayment to the Government.

No impairment loss has been recorded in relation to the receivables mentioned above. No amounts in relation to these receivables are classified as past due. The credit risk on receivables on electricity subsidy is considered negligible, since the counterparty is the government of Indonesia.

18. OTHER RECEIVABLES

	June 30,		December 31,			January 1, 2009/
	2012	2011	2011	2010	2009	December 31, 2008
Employees	428,756	684,589	418,951	511,080	490,638	439,750
Others	608,760	153,485	535,069	431,993	213,467	324,330
Total	1,037,516	838,074	954,020	943,073	704,105	764,080
Less current portion	701,289	450,527	598,750	623,506	213,467	324,330
Long-term portion	336,227	387,547	355,270	319,567	490,638	439,750

Employees

Accounts receivable from employees represents housing loans, which are paid monthly through salary deduction.

No impairment loss has been recorded in relation to the receivables mentioned above. No amounts in relation to these receivables are classified as past due. The Company's management considers these receivables to be collectible.

19. INVENTORIES

	June 30,		December 31,			January 1, 2009/
	2012	2011	2011	2010	2009	December 31, 2008
Fuel and lubricants	9,001,186	7,637,543	9,826,674	6,066,765	6,929,693	6,523,395
General supplies	2,486,897	1,787,519	2,480,457	1,664,065	1,589,303	1,500,617
Switchgear and networking	1,064,900	944,820	1,215,829	1,024,687	507,208	516,149
Meter recording device and control equipment	918,667	650,748	1,157,669	757,622	497,185	340,679
Wire	587,212	371,630	648,125	296,731	137,863	117,442
Transformers	357,228	213,649	456,128	216,342	154,563	171,979
Total	14,416,090	11,605,909	15,784,882	10,026,212	9,815,815	9,170,261
Allowance for decline in value	(152,354)	(107,852)	(130,777)	(98,898)	(94,557)	(79,123)
Net	14,263,736	11,498,057	15,654,105	9,927,314	9,721,258	9,091,138
Changes in allowance for decline in value						
Beginning balance	(130,777)	(98,898)	(98,898)	(94,557)	(79,123)	(63,325)
Additions	(21,577)	(8,954)	(31,879)	(4,341)	(15,434)	(15,798)
Ending balance	(152,354)	(107,852)	(130,777)	(98,898)	(94,557)	(79,123)

Management believes that allowance is adequate to cover possible losses on decline in value of inventories.

The Company and its subsidiaries do not have any insurance coverage to cover the possible losses in inventories.

(Figures in tables stated in millions of Rupiah) - Continued

20. PREPAID TAXES

	June 30,		December 31,			January 1, 2009/
	2012	2011	2011	2010	2009	December 31, 2008
Overpayment of corporate income tax						
The Company						
2012	102,187	-	-	-	-	-
2011	102,635	106,195	102,635	-	-	-
2010	95,370	95,370	95,370	95,370	-	-
2009	-	96,629	-	96,629	96,629	-
2008	-	-	-	-	62,034	62,034
2007	-	-	-	-	11,285	11,364
Subsidiaries						
2012	6,459	-	-	-	-	-
2011	11,298	24,670	13,398	-	-	-
2010	-	17,468	474	88,245	-	-
2009	-	376	376	501	30,559	-
2008	-	-	-	1,032	1,539	1,549
2007	-	-	-	-	-	1,400
2006	-	-	-	-	1,499	1,499
2004	-	-	-	-	-	768
Income tax article 15	-	-	-	48	-	48
Value added tax	4,994	83,465	117,365	38,537	10,636	11,028
Prepayment of Tax Assessment Letter for Underpayment	2,054,883	208,333	2,067,372	230,518	22,194	40,234
Total	2,377,826	632,506	2,396,990	550,880	236,375	129,924

21. PREPAID EXPENSES AND ADVANCES

	June 30,		December 31,			January 1, 2009/
	2012	2011	2011	2010	2009	December 31, 2008
Prepaid expenses						
Insurance	41,067	53,095	98,613	80,118	73,760	59,849
Lease	20,922	31,165	16,554	14,902	11,902	15,832
Salaries and allowances	14,640	388,119	378,939	354,937	335,630	275,547
Pension (Note 52)	-	-	-	-	-	123,397
Others	132,004	221,583	154,244	84,336	82,345	166,032
Total	208,633	693,962	648,350	534,293	503,637	640,657
Advances						
Purchases	95,543	72,383	12,100	3,376	92,745	75,845
Others	827,225	499,309	543,943	289,238	71,936	67,711
Total	922,768	571,692	556,043	292,614	164,681	143,556
Total	1,131,401	1,265,654	1,204,393	826,907	668,318	784,213

22. CAPITAL STOCK

The Company's shares of stock are wholly owned by the Government of the Republic of Indonesia.

The Company has authorized capital of Rp 63,000,000 million consisting of 63,000,000 shares, with par value of Rp 1 million per share.

Based on The Extraordinary Stockholders' Meeting dated July 18, 2001, as stated in Deed No. 43 dated October 26, 2001 of Haryanto, S.H., notary in Jakarta, the stockholders approved to :

- Convert the Company's payable to Government of Rp 28,781,355 million, which arose from overdue interest and penalty on two-step loans, into Government Equity Participation. The conversion was approved by the Minister of Finance of the Republic of Indonesia in its decision letter No. S-352/MK.06/2001 dated June 20, 2001.

- Increase the subscribed and paid-up capital by Rp 28,781,354 million, resulting to the Company's total subscribed and paid-up capital of Rp 46,107,154 million consisting of 46,107,154 shares with par value of Rp 1 million per share.

(Figures in tables stated in millions of Rupiah) - Continued

On August 1, 2001, the Government issued Government Regulation No. 61 year 2001 in relation to the increase in Government equity participation in the Company.

On March 4, 2011, the Government of Republic of Indonesia issued Government Regulation No. 20 year 2011 related to the increase of the Governments equity participation in the Company, consisting of 90,226 shares or an equivalent of Rp 90,226 million. The increase in Governments equity participation in the Company is through the transfer of Government's right on PT Pelayaran Bahtera Adhiguna.

Based on the decision of the Company's shareholders outside the General Shareholders Meeting No. KEP-118/MBU/2011, dated on May 27, 2011, as stated in Deed No. 4, dated August 5, 2011 of Lenny Janis Ishak S.H., the stockholders approved the new issuance of the Company's shares of stocks to Government of Republic of Indonesia in the amount of Rp 90,226 million, equivalent to 90,226 shares. The additional issuance of share to Government of Republic of Indonesia is for the planned transfer of 21,674 shares of the Government of Republic of Indonesia in PT Pelayaran Bahtera Adhiguna to the Company. The Decision will be effective upon the approval date of Deed of Transfer of PT Pelayaran Bahtera Adhiguna shares from the Government of Republic of Indonesia to the Company.

On August 5, 2011, the Deed of Transfer for PT Pelayaran Bahtera Adhiguna from the Government of Republic of Indonesia to the Company has been approved to be executed by both parties as stated in Deed No. 2, dated August 5, 2011 of Lenny Janis Ishak S.H., notary in Jakarta. In 2011, PT Pelayaran Bahtera Adhiguna financial statements were consolidated by the Company.

23. ADDITIONAL PAID-IN CAPITAL

Additional paid-in capital represents Government's additional equity participation received by the Company of which the status has not been determined yet, with details as follows :

	June 30,		December 31,			January 1, 2009/
	2012	2011	2011	2010	2009	December 31, 2008
Project aid	16,706,712	16,706,712	16,706,712	16,706,712	16,706,712	16,684,809
List of Project Fund	22,923,703	19,642,481	22,141,480	19,322,310	17,254,626	13,646,334
Regional Government participation and others	1,216,580	1,121,387	1,202,016	1,093,074	857,961	634,317
Total	40,846,995	37,470,580	40,050,208	37,122,096	34,819,299	30,965,460

Project aid represents overseas aid for electricity project, which was directed by the Government of the Republic of Indonesia to the Company.

List of Project Fund (DIPA) represents electricity projects received from the Government of the Republic of Indonesia through the Department of Mining and Energy.

Regional Government participation represents land and electricity equipment donated by the Regional Government to the Company.

Total amount recognized as an addition to Additional Paid-In Capital for the six-month periods ended June 30, 2012 and 2011 and for the years ended December 31, 2011, 2010 and 2009 amounted to Rp 796,787 million and Rp 348,484 million and Rp 2,928,112 million, Rp 2,302,797 million and Rp 3,853,839 million, respectively.

24. DEFERRED REVENUE

This account represents connection fees received from customers for new electricity connection and upgrading of electricity power, with details as follows:

	June 30,		December 31,			January 1, 2009/
	2012	2011	2011	2010	2009	December 31, 2008
Beginning balance	14,587,906	10,126,136	10,126,136	8,297,478	7,556,638	6,916,376
Additions during the period	2,903,941	2,703,023	5,470,500	2,589,495	1,392,556	1,229,884
Recognized as revenue during the period	(664,030)	(510,680)	(1,008,730)	(760,837)	(651,716)	(589,622)
Ending balance	16,827,817	12,318,479	14,587,906	10,126,136	8,297,478	7,556,638

(Figures in tables stated in millions of Rupiah) - Continued

25. TWO-STEP LOANS

This account represents overseas, collateral-free loans of the Government of the Republic of Indonesia which are re-loaned to the Company to finance its projects. The details of two-step loans are as follows :

	June 30, 2012					
	In foreign currencies *)	Amount	Current maturities	Long-term portion	Interest rate per annum	Period **)
					%	Year
International Bank for Reconstruction and Development (IBRD)						
Rupiah						
IBRD 3501-IND	-	52,719	52,719	-	IBRD + (1% - 3.50%)	1992 - 2012
IBRD 3602-IND	-	44,990	29,461	15,529	IBRD + (1% - 3.50%)	1994 - 2013
US$						
IBRD 3761-IND	48,327,942	458,149	173,507	284,641	IBRD + 0.5%	1995 - 2014
IBRD 3845-IND	47,070,253	446,226	148,742	297,484	IBRD + 0.5%	1995 - 2015
IBRD 3978-IND	46,732,983	443,029	126,580	316,449	IBRD + 0.5%	1996 - 2015
IBRD 4712-IND & IBRD 7785 SLA 1165a	90,967,771	862,374	80,655	781,720	IBRD + 0.5%	2004 - 2023
IBRD - 7905 IND - 1235	6,105,758	57,883	-	57,883	IBRD + 0.5%	2010 - 2034
Asian Development Bank (ADB)						
Rupiah						
ADB 1032-INO	-	327,794	60,942	266,852	ADB + (1% - 3.75%)	1991 - 2016
ADB 1092-INO-BNI	-	134,381	29,863	104,519	ADB + (1% - 3.75%)	1991 - 2016
ADB 1172-INO	-	67,770	67,770	-	ADB + (1% - 3.75%)	1993 - 2012
ADB 1271-INO	-	53,750	34,952	18,798	ADB + (1% - 3.75%)	1994 - 2012
US$						
ADB 1320-INO	38,987,768	369,604	137,123	232,481	ADB + 0.5%	1996 - 2014
ADB 1397-INO	42,932,573	407,001	102,475	304,526	ADB + 0.5%	1995 - 2015
ADB 1982-INO-1170	117,405,883	1,113,008	32,213	1,080,795	ADB + 0.5%	2004 - 2027
ADB 1983-INO-1171	75,715,695	717,785	20,774	697,010	ADB + 0.5%	2004 - 2027
Kreditantstalt Fur Wiederaufbau, Germany (KFW)						
Rupiah						
KFW - 92.65.042 - 746	-	5,759	3,839	1,920	7.6% - 13.1%	1993 - 2013
KFW - 92.65.315 - 749	-	18,914	9,457	9,457	7.6% - 13.1%	1993 - 2014
KFW - 92.66.107 - 748	-	27,292	13,646	13,646	7.6% - 13.1%	1993 - 2014
KFW - 92.66.115 - 747	-	4,559	2,279	2,279	7.6% - 13.1%	1993 - 2014
EUR						
KFW - 95.65.136 - 934a	9,196,530	108,530	12,768	95,762	1.25% - 5.36% and KFW + 0.5%	1996 - 2020
KFW - 9024 - 1157	13,499,710	159,313	35,403	123,910	1.25% - 5.36% and KFW + 0.5%	2002 - 2016
KFW - 10599 IND - 1179	14,132,342	166,778	27,796	138,982	1.25% - 5.36% and KFW + 0.5%	2003 - 2018
US$						
KFW - 10598 IND - 1183	10,992,309	104,207	20,841	83,366	4.75% + 0.5%	2004 - 2017
Japan Bank for International Cooperation (formerly The Export-Import Bank Of Japan)						
JPY						
JBIC IP 512 - 1163	53,309,559,742	6,377,380	-	6,377,380	1.25% - 4.46%	2004 - 2033
JBIC IP 513 - 1164	16,124,543,947	1,928,966	-	1,928,966	1.25% - 4.46%	2004 - 2033
JBIC IP 515 - 1177	54,848,755,258	6,561,513	-	6,561,513	1.25% - 4.46%	2004 - 2034
JBIC IP 517 - 1178	4,517,356,107	540,408	-	540,408	1.25% - 4.46%	2004 - 2044
JBIC IP 518 - 1187	1,752,009,450	209,592	29,942	179,650	1.25% - 4.46%	2004 - 2019
JBIC IP xxx - 1188	808,283,378	96,694	14,876	81,818	1.25% - 4.46%	2005 - 2018
JBIC IP xxx - 1192	11,114,514,790	1,329,621	221,603	1,108,017	1.25% - 4.46%	2005 - 2018
JBIC IP 516 - 1196	529,071,189	63,292	-	63,292	1.25% - 4.46%	2005 - 2044
JBIC IP 525 - 1197	13,371,187,710	1,599,584	-	1,599,584	1.25% - 4.46%	2005 - 2045
JBIC IP 526 - 1198	677,399,208	81,037	-	81,037	1.25% - 4.46%	2005 - 2045
JBIC IP 527 - 1211	3,239,330,030	387,518	-	387,518	1.25% - 4.46%	2007 - 2037
JBIC IP 532 - 1214	762,015,018	91,159	-	91,159	1.25% - 4.46%	2006 - 2046
JBIC LA No 1 - 1216	8,224,428,524	983,882	126,260	857,622	1.25% - 4.46%	2008 - 2020
JBIC LA No 5 - 1218	5,801,911,847	694,078	87,294	606,784	1.25% - 4.46%	2008 - 2020
JBIC LA No 2 - 1219	3,032,532,860	362,779	56,659	306,120	1.25% - 4.46%	2008 - 2018
JBIC IP 537 - 1220	184,755,993	22,102	-	22,102	1.25% - 4.46%	2009 - 2037
JBIC IP 538 - 1221	2,902,598,359	347,236	-	347,236	1.25% - 4.46%	2009 - 2047
JBIC IP 539 - 1222	201,291,652	24,080	-	24,080	1.25% - 4.46%	2009 - 2037
JBIC IP 555 - 1231	670,061,725	80,159	-	80,159	1.25% - 4.46%	2010 - 2040
JBIC LA No 3 - 1233	963,513,606	115,264	16,900	98,364	1.25% - 4.46%	2010 - 2020
JBIC LA No 4 - 1234	2,412,024,989	288,549	462	288,087	1.25% - 4.46%	2010 - 2020
Midland Bank Public Limited Company						
Midland Bank (SLA 798)	-	126,960	14,936	112,023	SBI + 1%	1995 - 2020
Midland Bank PLC (SLA 818)	-	10,975	1,372	9,603	SBI + 1%	1995 - 2020
Banque Paribas						
GBP						
Banque Paribas - 1063	10,627,221	156,559	14,910	141,649	3.84%	1998 - 2022
EUR						
Banque Paribas - 1158	24,393,677	287,874	47,393	240,481	5.26% - 6.39%	2002 - 2018
Banque Paribas - 1176	10,413,681	122,894	20,482	102,412	5.26% - 6.39%	2004 - 2018
Calyon BNP Paribas - 1175	4,361,567	51,472	7,919	43,553	5.26% - 6.39%	2004 - 2018
BNP Paribas & Calyon 1206	41,142,700	485,533	60,677	424,856	5.26% - 6.39%	2006 - 2020
China Exim Bank - 1181 - USD	120,737,107	1,144,588	176,090	968,497	3%	2003 - 2018
Islamic Development Bank - 1173 - USD	55,833	546	546	-	8.50%	2004 - 2012
MKB Hungaria - 1180 - USD	3,762,624	35,670	5,945	29,725	4.81% + 0.5%	2005 - 2018
Efic Australia - 1071 - AUD	14,425,458	137,383	13,738	123,644	4%	1997 - 2022
Fortis Bank Belgia - 1186 - EUR	1,563,173	18,447	3,689	14,758	5.32%	2005 - 2017
Kingdom of Belgium - 1185 - EUR	2,259,177	26,661	-	26,661	0.50%	2005 - 2033
Total		30,942,268	2,145,501	28,796,767		

*) In full amount
**) Include grace periods in terms of payments

(Figures in tables stated in millions of Rupiah) - Continued

	June 30, 2011					
	In foreign currencies *)	Amount	Current maturities	Long-term portion	Interest rate per annum	Period **)
					%	Year
International Bank for Reconstruction and Development (IBRD)						
Rupiah						
IBRD 3349-IND	-	19,973	19,973	-	IBRD + (1% - 3.50%)	1991 - 2011
IBRD 3501-IND	-	152,331	99,612	52,719	IBRD + (1% - 3.50%)	1992 - 2012
IBRD 3602-IND	-	72,381	27,391	44,990	IBRD + (1% - 3.50%)	1994 - 2013
US$						
IBRD 3761-IND	65,369,724	561,984	146,508	415,475	IBRD + 0.5%	1995 - 2014
IBRD 3845-IND	62,760,337	539,551	134,888	404,663	IBRD + 0.5%	1995 - 2015
IBRD 3978-IND	60,085,264	516,553	114,790	401,763	IBRD + 0.5%	1996 - 2015
IBRD 4712-IND & IBRD 7785 SLA 1165a	99,236,582	853,137	71,867	781,270	IBRD + 0.5%	2004 - 2023
Asian Development Bank (ADB)						
Rupiah						
ADB 1032-INO	-	383,070	55,276	327,794	ADB + (1% - 3.75%)	1991 - 2016
ADB 1092-INO-BNI	-	164,244	29,863	134,381	ADB + (1% - 3.75%)	1991 - 2016
ADB 1172-INO	-	193,782	126,012	67,770	ADB + (1% - 3.75%)	1993 - 2012
ADB 1271-INO	-	139,976	139,976	-	ADB + (1% - 3.75%)	1994 - 2012
US$						
ADB 1320-INO	52,107,407	447,967	112,790	335,178	ADB + 0.5%	1996 - 2014
ADB 1397-INO	52,737,162	453,381	84,290	369,091	ADB + 0.5%	1995 - 2015
ADB 1982-INO-1170	101,024,032	868,514	22,167	846,347	ADB + 0.5%	2004 - 2027
ADB 1983-INO-1171	58,352,728	501,658	12,804	488,855	ADB + 0.5%	2004 - 2027
Kreditantstalt Fur Wiederaufbau, Germany (KFW)						
Rupiah						
KFW - 90.65.558 - 570	-	2,267	2,267	-	7.6% - 13.1%	1991 - 2011
KFW - 90.65.566 - 586	-	19,950	19,950	-	7.6% - 13.1%	1991 - 2012
KFW - 92.65.042 - 746	-	9,598	3,839	5,759	7.6% - 13.1%	1993 - 2013
KFW - 92.65.315 - 749	-	28,370	9,457	18,914	7.6% - 13.1%	1993 - 2014
KFW - 92.66.107 - 748	-	40,937	13,646	27,292	7.6% - 13.1%	1993 - 2014
KFW - 92.66.115 - 747	-	6,838	2,279	4,559	7.6% - 13.1%	1993 - 2014
EUR						
KFW - 10599 IND - 1179	16,487,733	205,466	29,352	176,114	1.25% - 5.36% and KFW + 0.5%	2003 - 2018
KFW - 95.65.136 - 934a	10,278,465	128,088	13,483	114,605	1.25% - 5.36% and KFW + 0.5%	1996 - 2020
KFW - 9024 - 1157	16,499,645	205,615	37,385	168,230	1.25% - 5.36% and KFW + 0.5%	2002 - 2016
US$						
KFW - 10598 IND - 1183	13,190,771	113,401	18,900	94,501	4.75% + 0.5%	2004 - 2017
Japan Bank for International Coorperation (formerly The Export-Import Bank Of Japan)						
Yen						
JBIC IP 512 - 1163	48,475,102,410	5,172,841	-	5,172,841	1.25% - 4.46%	2004 - 2033
JBIC IP 513 - 1164	14,941,460,045	1,598,550	-	1,598,550	1.25% - 4.46%	2004 - 2033
JBIC IP 515 - 1177	47,674,873,223	5,081,432	-	5,081,432	1.25% - 4.46%	2004 - 2034
JBIC IP 517 - 1178	4,510,772,774	481,369	-	481,369	1.25% - 4.46%	2004 - 2044
JBIC IP 518 - 1187	2,002,387,179	213,676	26,710	186,967	1.25% - 4.46%	2004 - 2019
JBIC IP xxx - 1188	932,634,668	99,527	13,270	86,257	1.25% - 4.46%	2005 - 2018
JBIC IP xxx - 1192	12,967,526,000	1,383,775	197,682	1,186,093	1.25% - 4.46%	2005 - 2018
JBIC IP 516 - 1196	494,422,701	53,758	-	53,758	1.25% - 4.46%	2005 - 2044
JBIC IP 525 - 1197	2,996,424,023	319,468	-	319,468	1.25% - 4.46%	2005 - 2045
JBIC IP 526 - 1198	677,428,077	72,289	-	72,289	1.25% - 4.46%	2005 - 2045
JBIC IP 527 - 1211	372,654,428	39,084	-	39,084	1.25% - 4.46%	2007 - 2037
JBIC IP 532 - 1214	514,631,919	57,279	-	57,279	1.25% - 4.46%	2006 - 2046
JBIC LA No 1 - 1216	8,793,963,501	938,426	104,270	834,156	1.25% - 4.46%	2008 - 2020
JBIC LA No 5 - 1218	5,494,158,706	586,280	77,871	508,408	1.25% - 4.46%	2008 - 2020
JBIC LA No 2 - 1219	1,457,541,850	155,536	20,738	134,798	1.25% - 4.46%	2008 - 2018
JBIC IP 537 - 1220	83,200,939	8,937	-	8,937	1.25% - 4.46%	2009 - 2037
JBIC IP 538 - 1221	913,396,076	97,776	-	97,776	1.25% - 4.46%	2009 - 2047
JBIC IP 539 - 1222	128,653,733	13,729	-	13,729	1.25% - 4.46%	2009 - 2037
JBIC IP 555 - 1231	412,023,690	43,969	-	43,969	1.25% - 4.46%	2010 - 2040
JBIC LA No 4 - 1234	1,416,314,843	151,143	-	151,143	LIBOR + 0,5%	2010 - 2020
Midland Bank Public Limited Company						
Midland Bank (SLA 798)	-	141,896	14,936	126,960	SBI + 1%	1995 - 2020
Midland Bank PLC (SLA 818)	-	12,346	1,372	10,975	SBI + 1%	1995 - 2020
Banque Paribas						
GBP						
Banque Paribas - 1063	11,639,337	161,027	14,002	147,025	3,84%	1998 - 2022
EUR						
Banque Paribas - 1158	28,388,133	354,034	50,046	303,989	5.26% - 6.39%	2002 - 2018
Banque Paribas - 1176	12,149,295	151,402	21,629	129,773	5.26% - 6.39%	2004 - 2018
Calyon BNP Paribas - 1175	5,032,578	62,715	8,362	54,353	5.26% - 6.39%	2004 - 2018
BNP Paribas & Calyon 1206	46,274,208	576,659	64,073	512,586	5.26% - 6.39%	2006 - 2020
Bank Austria Aktiengesellschaft						
EUR						
Bank Austria (SLA 906)	1,054,976	13,147	13,147	-	4%	1995 - 2012
Bank Austria (SLA 917)	568,698	7,087	7,087	-	4%	1996 - 2012
China Exim Bank - 1181 - USD	139,312,046	1,197,666	159,689	1,037,977	3%	2003 - 2018
Islamic Development Bank - 1173 - USD	111,665	960	960	-	8.5%	2004 - 2012
MKB Hungaria - 1180 - USD	4,389,729	37,738	5,391	32,347	4.81% + 0.5%	2005 - 2018
Efic Australia 1071 - AUD	15,868,004	146,301	13,300	133,001	4%	1997 - 2022
Fortis Bank Belgia - 1186 - EUR	1,875,807	23,376	3,896	19,480	5.32%	2005 - 2017
Kingdom of Belgium - 1185 - EUR	2,259,177	28,153	-	28,153	0.5%	2005 - 2033
Total		26,112,385	2,167,195	23,945,190		

*) In full amount
**) Include grace periods in terms of payments

(Figures in tables stated in millions of Rupiah) - Continued

	December 31, 2011					
	In foreign currencies *)	Amount	Current maturities	Long-term portion	Interest rate per annum %	Period **) Year
International Bank for Reconstruction and Development (IBRD)						
Rupiah						
IBRD 3501-IND	-	103,468	103,468	-	IBRD + (1% - 3.50%)	1992 - 2012
IBRD 3602-IND	-	58,935	28,405	30,530	IBRD + (1% - 3.50%)	1994 - 2013
US$						
IBRD 3761-IND	56,999,893	516,875	160,149	356,726	IBRD + 0.5%	1995 - 2014
IBRD 3845-IND	54,915,295	497,972	142,278	355,694	IBRD + 0.5%	1995 - 2015
IBRD 3978-IND	53,409,124	484,314	121,078	363,235	IBRD + 0.5%	1996 - 2015
IBRD 4712-IND & IBRD 7785 SLA 1165a	95,073,558	862,127	76,455	785,672	IBRD + 0.5%	2004 - 2023
Asian Development Bank (ADB)						
Rupiah						
ADB 1032-INO	-	356,106	58,040	298,066	ADB + (1% - 3.75%)	1991 - 2016
ADB 1092-INO-BNI	-	149,313	29,863	119,450	ADB + (1% - 3.75%)	1991 - 2016
ADB 1172-INO	-	132,313	132,313	-	ADB + (1% - 3.75%)	1993 - 2012
ADB 1271-INO	-	69,988	69,988	-	ADB + (1% - 3.75%)	1994 - 2012
US$						
ADB 1320-INO	45,707,603	414,477	124,918	289,559	ADB + 0.5%	1996 - 2014
ADB 1397-INO	47,954,395	434,850	93,353	341,498	ADB + 0.5%	1995 - 2015
ADB 1982-INO-1170	110,727,407	1,004,076	27,258	976,818	ADB + 0.5%	2004 - 2027
ADB 1983-INO-1171	71,459,162	647,992	17,591	630,400	ADB + 0.5%	2004 - 2027
Kreditantstalt Fur Wiederaufbau, Germany (KFW)						
Rupiah						
KFW - 90.65.566 - 586	-	9,975	9,975	-	7.6% - 13.1%	1991 - 2012
KFW - 92.65.042 - 746	-	7,679	3,839	3,840	7.6% - 13.1%	1993 - 2013
KFW - 92.65.315 - 749	-	23,642	9,457	14,185	7.6% - 13.1%	1993 - 2014
KFW - 92.66.107 - 748	-	34,115	13,646	20,469	7.6% - 13.1%	1993 - 2014
KFW - 92.66.115 - 747	-	5,698	2,279	3,419	7.6% - 13.1%	1993 - 2014
EUR						
KFW - 10599 IND - 1179	15,310,038	179,724	27,650	152,074	1.25% - 5.36% and KFW + 0.5%	2003 - 2018
KFW - 95.65.136 - 934a	9,737,490	114,308	12,701	101,607	1.25% - 5.36% and KFW + 0.5%	1996 - 2020
KFW - 9024 - 1157	14,999,677	176,081	35,216	140,865	1.25% - 5.36% and KFW + 0.5%	2002 - 2016
US$						
KFW - 10598 IND - 1183	12,091,540	109,646	19,936	89,710	4.75% + 0.5%	2004 - 2017
Japan Bank for International Cooperation (formerly The Export-Import Bank Of Japan)						
JPY						
JBIC IP 512 - 1163	51,115,098,684	5,970,408	-	5,970,408	1.25% - 4.46%	2004 - 2033
JBIC IP 513 - 1164	15,427,280,771	1,801,956	-	1,801,956	1.25% - 4.46%	2004 - 2033
JBIC IP 515 - 1177	51,950,313,812	6,067,963	-	6,067,963	1.25% - 4.46%	2004 - 2034
JBIC IP 517 - 1178	4,517,356,107	527,642	-	527,642	1.25% - 4.46%	2004 - 2044
JBIC IP 518 - 1187	1,877,152,982	219,257	29,234	190,023	1.25% - 4.46%	2004 - 2019
JBIC IP xxx - 1188	870,459,023	101,672	14,525	87,148	1.25% - 4.46%	2005 - 2018
JBIC IP xxx - 1192	12,040,724,355	1,406,395	216,369	1,190,027	1.25% - 4.46%	2005 - 2018
JBIC IP 516 - 1196	529,071,189	61,797	-	61,797	1.25% - 4.46%	2005 - 2044
JBIC IP 525 - 1197	8,817,055,575	1,029,860	-	1,029,860	1.25% - 4.46%	2005 - 2045
JBIC IP 526 - 1198	677,399,208	79,122	-	79,122	1.25% - 4.46%	2005 - 2045
JBIC IP 527 - 1211	2,882,192,635	336,649	-	336,649	1.25% - 4.46%	2007 - 2037
JBIC IP 532 - 1214	674,473,888	78,781	-	78,781	1.25% - 4.46%	2006 - 2046
JBIC LA No 1 - 1216	8,752,141,524	1,022,278	123,277	899,001	1.25% - 4.46%	2008 - 2020
JBIC LA No 5 - 1218	6,185,646,260	722,503	110,330	612,173	1.25% - 4.46%	2008 - 2020
JBIC LA No 2 - 1219	2,995,777,249	349,916	55,321	294,596	1.25% - 4.46%	2008 - 2018
JBIC IP 537 - 1220	150,524,230	17,582	-	17,582	1.25% - 4.46%	2009 - 2037
JBIC IP 538 - 1221	2,403,734,456	280,764	-	280,764	1.25% - 4.46%	2009 - 2047
JBIC IP 539 - 1222	140,696,705	16,434	-	16,434	1.25% - 4.46%	2009 - 2037
JBIC IP 555 - 1231	520,949,802	60,849	-	60,849	1.25% - 4.46%	2010 - 2040
JBIC LA No 3 - 1233	7,687,217	898	56	842	1.25% - 4.46%	2010 - 2020
JBIC LA No 4 - 1234	20,602,249	2,406	150	2,256	1.25% - 4.46%	2010 - 2020
Midland Bank Public Limited Company						
Midland Bank (SLA 798)	-	134,428	14,936	119,491	SBI + 1%	1995 - 2020
Midland Bank PLC (SLA 818)	-	11,661	1,372	10,289	SBI + 1%	1995 - 2020
Banque Paribas						
GBP						
Banque Paribas - 1063	11,133,279	155,524	14,139	141,385	3.84%	1998 - 2022
EUR						
Banque Paribas - 1158	26,401,651	309,929	47,143	262,786	5.26% - 6.39%	2002 - 2018
Banque Paribas - 1176	11,281,488	132,433	20,374	112,059	5.26% - 6.39%	2004 - 2018
Calyon BNP Paribas - 1175	4,697,072	55,139	7,877	47,262	5.26% - 6.39%	2004 - 2018
BNP Paribas & Calyon 1206	43,703,419	513,034	60,357	452,677	5.26% - 6.39%	2006 - 2020
Bank Austria Aktiengesellschaft						
EUR						
Bank Austria (SLA 906)	527,491	6,192	6,192	-	4%	1995 - 2012
Bank Austria (SLA 917)	284,350	3,338	3,338	-	4%	1996 - 2012
China Exim Bank - 1181 - USD	130,024,577	1,179,063	168,438	1,010,625	3%	2003 - 2018
Islamic Development Bank - 1173 - USD	55,833	506	506	-	8.50%	2004 - 2012
MKB Hungaria - 1180 - USD	4,076,176	36,963	5,687	31,276	4.81% + 0.5%	2005 - 2018
Efic Australia - 1071 - AUD	15,146,731	139,391	13,275	126,115	4%	1997 - 2022
Fortis Bank Belgia - 1186 - EUR	1,719,490	20,185	3,670	16,515	5.32%	2005 - 2017
Kingdom of Belgium - 1185 - EUR	2,259,177	26,520	-	26,520	0.50%	2005 - 2033
Total		29,273,112	2,236,422	27,036,690		

*) In full amount
**) Include grace periods in terms of payments

(Figures in tables stated in millions of Rupiah) - Continued

	December 31, 2010					
	In foreign currencies *)	Amount	Current maturities	Long-term portion	Interest rate per annum	Period **)
					%	Year
International Bank for Reconstruction and Development (IBRD)						
Rupiah						
IBRD 3349-IND	-	39,185	39,185	-	IBRD + (1% - 3.50%)	1991 - 2011
IBRD 3501-IND	-	199,376	95,908	103,468	IBRD + (1% - 3.50%)	1992 - 2012
IBRD 3602-IND	-	85,340	26,405	58,935	IBRD + (1% - 3.50%)	1994 - 2013
US$						
IBRD 3761-IND	73,444,895	660,343	147,857	512,486	IBRD + 0.5%	1995 - 2014
IBRD 3845-IND	70,605,380	634,813	70,535	564,278	IBRD + 0.5%	1995 - 2015
IBRD 3978-IND	66,761,405	600,252	120,050	480,201	IBRD + 0.5%	1996 - 2015
IBRD 4712-IND & IBRD 7785 SLA 1165a	105,093,670	944,897	74,515	870,382	IBRD + 0.5%	2004 - 2023
Asian Development Bank (ADB)						
Rupiah						
ADB 1032-INO	-	408,750	52,644	356,106	ADB + (1% - 3.75%)	1991 - 2016
ADB 1092-INO-BNI	-	179,175	29,863	149,313	ADB + (1% - 3.75%)	1991 - 2016
ADB 1172-INO	-	252,325	120,012	132,313	ADB + (1% - 3.75%)	1993 - 2012
ADB 1271-INO	-	209,964	139,976	69,988	ADB + (1% - 3.75%)	1994 - 2012
US$						
ADB 1320-INO	58,202,455	523,298	112,341	410,957	ADB + 0.5%	1996 - 2014
ADB 1397-INO	57,292,201	515,114	83,956	431,158	ADB + 0.5%	1995 - 2015
ADB 1982-INO-1170	73,554,236	661,326	13,808	647,518	ADB + 0.5%	2004 - 2027
ADB 1983-INO-1171	33,845,398	304,304	7,321	296,983	ADB + 0.5%	2004 - 2027
Kreditantstalt Fur Wiederaufbau, Germany (KFW)						
Rupiah						
KFW AL.92.66.107/F.2191	-	47,760	13,646	34,115	7.6% - 13.1%	1993 - 2014
KFW 90.65.558/F1869	-	4,535	4,535	-	7.6% - 13.1%	1991 - 2011
KFW 90.65.566/F1822	-	29,925	19,950	9,975	7.6% - 13.1%	1991 - 2012
KFW 92.65.042/F2158	-	11,517	3,839	7,678	7.6% - 13.1%	1993 - 2013
KFW 92.66.115	-	7,978	2,279	5,698	7.6% - 13.1%	1993 - 2014
KFW 92.65.315/F.2042	-	33,099	9,457	23,642	7.6% - 13.1%	1993 - 2014
EUR						
KFW - 10599 - IND - 1179	17,665,428	211,204	28,161	183,044	1.25% - 5.36% and KFW + 0.5%	2003 - 2018
KFW 95.65.136/F.2570	10,819,437	129,355	12,935	116,419	1.25% - 5.36% and KFW + 0.5%	1996 - 2020
KFW 9024 - 1157	17,999,613	215,200	35,867	179,333	1.25% - 5.36% and KFW + 0.5%	2002 - 2016
US$						
KFW - 10598 - IND - 1183	14,290,001	128,481	19,766	108,715	4.75% + 0.5%	2004 - 2017
Japan Bank for International Cooperation (formerly The Export-Import Bank Of Japan)						
JPY						
JBIC IP 515 - 1177	33,386,911,291	3,682,242	-	3,682,242	1.25% - 4.46%	2004 - 2034
JBIC IP 517 - 1178	4,495,666,683	495,827	-	495,827	1.25% - 4.46%	2004 - 2044
JBIC IP xxx - 1192	13,893,735,565	1,532,340	204,312	1,328,028	1.25% - 4.46%	2005 - 2018
JBIC IP 518 - 1187	2,127,530,711	234,645	27,605	207,040	1.25% - 4.46%	2004 - 2019
JBIC IP xxx - 1188	994,810,313	109,718	13,715	96,003	1.25% - 4.46%	2005 - 2018
JBIC 512 (SLA 1163)	47,502,706,871	5,239,074	-	5,239,074	1.25% - 4.46%	2004 - 2033
JBIC 513 (SLA 1164)	14,153,556,069	1,560,996	-	1,560,996	1.25% - 4.46%	2004 - 2033
JBIC 516 (SLA 1196)	473,160,391	52,185	-	52,185	1.25% - 4.46%	2005 - 2044
JBIC IP 525 - 1197	2,580,522,318	284,606	-	284,606	1.25% - 4.46%	2005 - 2045
JBIC IP 526 - 1198	677,428,077	74,714	-	74,714	1.25% - 4.46%	2005 - 2045
JBIC IP 527 - 1211	372,654,428	41,100	-	41,100	1.25% - 4.46%	2007 - 2037
JBIC LA No 5 - 1218	4,203,578,520	463,613	80,483	383,130	1.25% - 4.46%	2008 - 2020
JBIC IP 537 - 1220	83,200,939	9,176	-	9,176	1.25% - 4.46%	2009 - 2037
JBIC IP 538 - 1221	885,388,230	97,649	-	97,649	1.25% - 4.46%	2009 - 2047
JBIC IP 532 - 1214	491,792,197	54,240	-	54,240	1.25% - 4.46%	2006 - 2046
JBIC LA No 1 - 1216	6,866,973,276	757,358	36,228	721,130	1.25% - 4.46%	2008 - 2020
JBIC LA No 2 - 1219	1,494,714,476	164,852	19,242	145,610	1.25% - 4.46%	2008 - 2018
JBIC IP 539 - 1222	74,079,128	8,170	-	8,170	1.25% - 4.46%	2009 - 2037
US$						
JBIC IP xxx - 1193	8,054,616	72,419	72,419	-	LIBOR + 0.5%	2005 - 2011
Midland Bank Public Limited Company						
Midland Bank (SLA 798)	-	149,364	14,936	134,428	SBI + 1%	1995 - 2020
Midland Bank PLC (SLA 818)	-	13,032	1,372	11,661	SBI + 1%	1995 - 2020
Banque Paribas						
GBP						
Banque Paribas - 1063	12,145,395	168,746	14,062	154,683	3.84%	1998 - 2022
EUR						
BNP Paribas (SLA-1158)	30,403,883	363,502	47,812	315,691	5.26% - 6.39%	2002 - 2018
BNP Paribas (SLA-1176)	13,017,102	155,630	20,751	134,879	5.26% - 6.39%	2004 - 2018
Calyon BNP Paribas - 1175	5,368,083	64,180	8,022	56,157	5.26% - 6.39%	2004 - 2018
BNP Calyon - 1206	41,689,960	498,436	52,467	445,969	5.26% - 6.39%	2006 - 2020
Bank Austria Aktiengesellschaft						
EUR						
Bank Austria (SLA 906)	1,582,464	18,920	12,613	6,307	4%	1995 - 2012
Bank Austria (SLA 917)	853,047	10,199	6,799	3,400	4%	1996 - 2012
China Exim Bank (SLA 1181) - USD	136,856,129	1,230,473	146,874	1,083,599	3%	2003 - 2018
Islamic Development Bank - 1173 - USD	167,498	1,506	1,004	502	8.50%	2004 - 2012
MKB Hungaria (SLA 1180) - USD	4,703,280	42,287	5,638	36,649	4.81% + 0.5%	2005 - 2018
Efic Australia - 1071 - AUD	16,589,276	151,668	13,188	138,479	4%	1997 - 2022
Fortis Bank Belgia - 1186 - EUR	2,032,125	24,296	3,738	20,558	5.32%	2005 - 2017
Kingdom of Belgium - 1185 - EUR	2,259,177	27,010	-	27,010	0,5%	2005 - 2033
Total		24,891,690	2,088,093	22,803,597		

*) In full amount
**) Include grace periods in terms of payments

(Figures in tables stated in millions of Rupiah) - Continued

	December 31, 2009					
	In foreign currencies *)	Amount	Current maturities	Long-term portion	Interest rate per annum	Period **) Year
International Bank for Reconstruction and Development (IBRD)						
Rupiah						
IBRD - 3180 IND - 525	-	18,075	18,075	-	IBRD + (0.755% - 3.50%)	1989 - 2010
IBRD - 3349 IND - 581	-	75,488	36,303	39,185	IBRD + (0.755% - 3.50%)	1991 - 2011
IBRD - 3501 IND - 684	-	288,286	88,910	199,376	IBRD + (0.755% - 3.50%)	1992 - 2012
IBRD - 3602 IND - 723	-	109,897	24,557	85,340	IBRD + (0.755% - 3.50%)	1994 - 2013
US$						
IBRD - 3761 IND - 773	88,756,017	834,307	143,925	690,382	IBRD + 0.5%	1995 - 2014
IBRD - 3845 IND - 812	86,295,464	811,177	147,543	663,634	IBRD + 0.5%	1995 - 2015
IBRD - 3978 IND - 893	80,113,686	753,068	125,511	627,557	IBRD + 0.5%	1996 - 2015
IBRD - 4712 IND - 1165	94,495,909	888,262	76,511	811,751	IBRD + 0.5%	2004 - 2023
Asian Development Bank (ADB)						
Rupiah						
ADB - 1032 INO - 540	-	456,499	47,749	408,750	ADB + (1% - 3.75%)	1991 - 2016
ADB - 1092 INO - 580	-	209,038	29,863	179,175	ADB + (1% - 3.75%)	1991 - 2016
ADB - 1172 INO - 683	-	361,179	108,854	252,325	ADB + (1% - 3.75%)	1993 - 2012
ADB - 1271 INO - 745	-	349,940	139,976	209,964	ADB + (1% - 3.75%)	1994 - 2012
US$						
ADB - 1320 INO - 11	69,535,680	653,635	106,532	547,103	ADB + 0.5%	1996 - 2014
ADB - 1397 INO - 12	65,761,778	618,161	79,614	538,547	ADB + 0.5%	1995 - 2015
ADB - 1982 INO - 1170	56,485,517	530,964	11,398	519,566	ADB + 0.5%	2004 - 2027
ADB - 1983 INO - 1171	23,343,611	219,430	4,710	214,720	ADB + 0.5%	2004 2027
Kreditanstalt Fur Wiederaufbau. Germany (KFW)						
Rupiah						
KFW - 90.65.558 - 570	-	9,070	4,535	4,535	7.6% - 9% and SBI + 1%	1991 - 2011
KFW - 90.65.566 - 586	-	49,875	19,950	29,925	7.6% - 9% and SBI + 1%	1991 - 2012
KFW - 92.65.042 - 746	-	15,356	3,839	11,517	7.6% - 9% and SBI + 1%	1993 - 2013
KFW - Lainnya	-	114,675	25,838	88,837	7.6% - 9% and SBI + 1%	1993 - 2014
EUR						
KFW - 95.65.136 - 934a	11,901,390	160,784	14,617	146,167	1.25%-5.36% and KFW + 0.5%	1996 - 2020
KFW - 9024 - 1157	20,999,556	283,697	40,528	243,169	1.25%-5.36% and KFW + 0.5%	2002 - 2016
KFW - 10599 IND - 1179	20,020,826	270,475	31,821	238,654	1.25%-5.36% and KFW + 0.5%	2003 - 2018
US$						
KFW - 10598 IND - 1183	16,488,463	154,992	20,666	134,326	4.75% + 0.5%	2004 - 2017
Japan Bank for International Cooperation (formerly The Export-Import Bank of Japan)						
Yen						
JBIC IP 512 - 1163	38,868,036,836	3,953,045	-	3,953,045	1.25% - 4.97%	2004 - 2033
JBIC IP 513 - 1164	10,229,587,149	1,040,392	-	1,040,392	1.25% - 4.97%	2004 - 2033
JBIC IP 515 - 1177	18,361,636,261	1,867,457	-	1,867,457	1.25% - 4.97%	2004 - 2034
JBIC - Lainnya	26,413,951,923	2,686,412	229,109	2,457,303	1.25% - 4.97%	2004-2047
US$						
JBIC IP xxx - 1193	24,163,847	227,140	151,427	75,713	LIBOR + 0.5%	2005-2011
Midland Bank Public Limited Company						
Midland Bank - 798	-	164,300	14,936	149,364	SBI + 1%	1995-2020
Midland Bank - 818	-	14,404	1,372	13,032	SBI + 1%	1995-2020
Banque Paribas						
GBP						
Banque Paribas - 1063	13,157,512	198,866	15,297	183,569	3.84%	1998-2022
EUR						
Banque Paribas - 1158	31,307,889	422,960	55,532	367,428	5.26%-6.39%	2002-2018
Banque Paribas - 1176	14,752,722	199,305	23,448	175,857	5.26%-6.39%	2004 - 2018
Bank Austria Aktiengesellschaft						
EUR						
Bank Austria - 906	2,637,447	35,631	14,252	21,379	4%	1995 - 2012
Bank Austria - 917	1,421,749	19,207	7,683	11,524	4%	1996-2012
China Exim Bank - US$	125,978,701	1,184,200	128,516	1,055,684	3.5%	2003 - 2018
Islamic Development Bank - US$	279,164	2,624	1,050	1,574	8.5%	2004 - 2012
Calyon and BNP Paribas - EUR	50,152,851	677,549	65,824	611,726	5% - 5.82%	2004-2020
Fortis Bank Belgia - EUR	2,344,760	31,677	4,224	27,453	5.32%	2005-2017
MKB Hungaria - US$	5,330,384	50,106	5,895	44,211	4.81% + 0.5%	2005 - 2018
Efic Australia - AUD	18,031,833	152,041	12,163	139,878	4%	1997 2022
Kingdom of Belgium - 1185 - EUR	2,259,178	30,521	-	30,521	0.50%	2005-2033
Total		21,194,167	2,082,552	19,111,614		

*) In full amount
**) Include grace periods in terms of payments

(Figures in tables stated in millions of Rupiah) - Continued

	January 1, 2009 / December 31, 2008					
	In foreign currencies *)	Amount	Current maturities	Long-term portion	Interest rate per annum	Period **)
					%	Years
International Bank for Reconstruction and Development (IBRD)						
Rupiah	-	757,692	265,947	491,745	IBRD + (1.65% - 3.50%)	1987-2013
US$	382,833,994	4,192,032	530,216	3,661,816	IBRD + 0.5%	1994-2023
Asian Development Bank (ADB)						
Rupiah	-	1,688,549	285,732	1,402,817	ADB + (1.75% - 3.75%)	1989-2016
US$	211,206,805	2,312,715	207,852	2,104,863	ADB + 0.5%	1995-2027
Kreditanstalt Fur Wiederaufbau, Germany (KFW)						
Rupiah	-	252,203	61,218	190,985	7.6% - 9% and SBI + 1%	1980-2014
EUR	59,359,033	916,053	99,343	816,710	KFW + 0.5%	1997-2020
US$	18,686,925	204,622	24,073	180,549	4.75% + 0.35%	2004-2018
United States Agency for International Development (USAID) - Rupiah	-	885	885	-	2%	1979-2009
Japan Bank for International Cooperation						
JPY	55,277,181,432	6,701,198	261,460	6,439,738	4.7% - 4.8%	1996-2045
US$	40,273,078	440,990	176,396	264,594	LIBOR + 0.5%	2005-2011
Midland Bank Public Limited Company - Rupiah	-	195,013	16,308	178,705	SBI + 1%	1995-2020
Banque Paribas						
GBP	14,169,628	223,916	15,994	207,922	3.84%	1998-2022
EUR	49,468,777	763,422	83,030	680,392	6.39%	1996-2018
Bank Austria Aktiengesellschaft - EUR	5,682,859	87,700	25,057	62,643	4%	1996-2012
China Exim Bank - US$	131,193,054	1,436,564	143,656	1,292,908	3.5% - 0.5%	2003-2018
Islamic Development Bank - US$	390,829	4,280	1,223	3,057	8%	2004-2012
Calyon and BNP Paribas - EUR	48,637,362	750,591	66,619	683,972	5.32%	2004-2019
Fortis Bank Belgia - EUR	2,657,395	41,010	4,825	36,185	4.82%	2005-2017
MKB Hungaria - US$	5,957,488	65,235	6,867	58,368	4.81% + 0.5%	2005-2018
Efic Australia - AUD	19,474,368	147,139	10,899	136,240	4%	1997-2022
Kingdom of Belgium - EUR	2,259,178	34,865	-	34,865	4%	2005-2033
Total		21,216,674	2,287,600	18,929,074		

*) In full amount
**) Include grace periods in terms of payments

The Company made payments on principal and interest on two-step loans in accordance with the schedule of payment and complied with the restrictions specified within the agreements of two-step loans.

Details of two-step loans in foreign currencies are as follows:

	June 30, 2012		June 30, 2011		December 31, 2011		December 31, 2010		December 31, 2009		January 1, 2009 / December 31, 2008	
	In foreign currencies *)	Rp equivalent	In foreign currencies *)	Rp equivalent	In foreign currencies *)	Rp equivalent	In foreign currencies *)	Rp equivalent	In foreign currencies *)	Rp equivalent	In foreign currencies *)	Rp equivalent
US$	649,794,498	6,160,052	708,678,634	6,092,510	682,494,562	6,188,861	702,871,164	6,319,515	737,028,219	6,928,065	790,542,173	8,656,437
JPY	185,447,145,367	22,184,893	155,261,609,340	16,612,992	172,556,337,921	20,155,132	134,763,884,331	14,862,489	93,873,166,020	9,547,305	55,277,181,432	6,701,197
EUR	120,962,550	1,427,502	140,890,204	1,755,743	130,921,343	1,536,884	143,691,678	1,717,948	157,798,309	2,131,806	168,064,604	2,593,639
Others **)	28,226,033	267,583	35,748,295	307,333	32,522,530	294,915	35,637,117	320,413	37,330,540	350,907	33,886,253	371,055
Total		30,040,030		24,768,578		28,175,792		23,220,365		18,958,083		18,322,328

*) In full amount
**) Two-step loans denominated in other foreign currencies are presented as US$ equivalents using the exchange rates prevailing at reporting date

(Figures in tables stated in millions of Rupiah) - Continued

26. GOVERNMENT LOANS

	June 30,		December 31,			January 1, 2009/
	2012	2011	2011	2010	2009	December 31, 2008
Investment Fund Account No. RDI-393/DP3/2001	2,069,012	2,263,526	2,168,501	2,360,733	3,287,017	3,585,837
Government Investment Center	7,167,208	-	4,194,689	-	-	-
Total	9,236,220	2,263,526	6,363,190	2,360,733	3,287,017	3,585,837
Less current maturities	293,793	340,620	346,372	344,065	349,091	354,118
Long-term portion	8,942,427	1,922,906	6,016,818	2,016,668	2,937,926	3,231,719

Investment Fund Account No. RDI-393/DP3/2001

	June 30,		December 31,			January 1, 2009/
	2012	2011	2011	2010	2009	December 31, 2008
Principal	2,497,237	2,791,030	2,644,134	2,937,927	3,231,719	3,525,512
Accrued interest	42,176	46,827	45,244	50,271	55,298	60,325
Fair value difference - net	(470,401)	(574,331)	(520,877)	(627,465)	-	-
Total	2,069,012	2,263,526	2,168,501	2,360,733	3,287,017	3,585,837

On June 20, 2000, the Company and the Government of the Republic of Indonesia agreed to restructure the overdue principal of two-step loans amounting to Rp 5,288,268 million as stated on the letter of the Ministry of Finance of the Republic of Indonesia No. S-352/MK.06/2001. The loan is unsecured, has a period of 20 years, including 2 years grace period and bears interest at 4% per annum. The loan will be paid in semi-annual installment of Rp 146,896 million until July 30, 2021.

Government Investment Center

	June 30,		December 31,			January 1, 2009/
	2012	2011	2011	2010	2009	December 31, 2008
Principal	7,500,000	-	4,499,977	-	-	-
Unamortized transaction cost	(25,576)	-	(27,000)	-	-	-
Accrued interest	98,438	-	7,336	-	-	-
Fair value difference - net	(405,654)	-	(285,623)	-	-	-
Total	7,167,208	-	4,194,689	-	-	-

On December 13, 2011, the Company obtained soft loan facility from Government Investment Center under the Ministry of Finance of the Republic of Indonesia amounting to Rp 7,500,000 million, with annual interest rate of 5.25% and term of 15 years including 5 years grace period. As of June 30, 2012 and December 31, 2011, the total drawdown from this facility amounted to Rp 7,500,000 million and Rp 4,499,977 million, respectively.

This loan was used to finance the procurement and replacement of transformers, strengthening of the installation, transmission and distribution and also others capital expenditures.

In relation to these loan facility, the Company is required to maintain ratio of EBITDA to interest expense at a minimum of 1.5 : 1.

Government loans by installment schedules are as follows:

	June 30,		December 31,			January 1, 2009/
	2012	2011	2011	2010	2009	December 31, 2008
Due in the year						
2009	-	-	-	-	-	354,118
2010	-	-	-	-	349,091	293,793
2011	-	193,723	-	344,065	293,793	293,793
2012	287,509	293,793	346,372	293,793	293,793	293,793
2013	293,793	293,793	293,793	293,793	293,793	293,793
2014	293,793	293,793	293,793	293,793	293,793	293,793
2015 and thereafter	8,361,125	1,188,424	5,429,232	1,135,289	1,762,754	1,762,754
Total	9,236,220	2,263,526	6,363,190	2,360,733	3,287,017	3,585,837
Less current maturities	293,793	340,620	346,372	344,065	349,091	354,118
Long-term portion	8,942,427	1,922,906	6,016,818	2,016,668	2,937,926	3,231,719

As of June 30, 2012, December 31, 2011 and January 1, 2010, the Company recognized an adjustment to the carrying amount of goverment loans amounting to Rp 133,466 million, Rp 286,392 million and Rp 740,751 million, respectively (Note 47). The adjustment was made to adjust the carrying amount of the goverment loans to its fair value, in accordance with PSAK 55 (revised 2011).

(Figures in tables stated in millions of Rupiah) - Continued

27. LEASE LIABILITIES

This account represents payable to certain IPPs in relation to PPAs and ESCs that have been classified as finance lease as a result of adoption of ISAK 8 (Note 2). This account also includes payable to PT Central Java Power (CJP) in relation to Financial Lease Agreement on the acquisition of Tanjung Jati B Unit A, B, C and D power plant 4 x 660 MW.

The future minimum lease payments for such lease liabilities as of June 30, 2012 and 2011 and December 31, 2011, 2010, 2009 and January 1, 2009 are as follows:

	June 30,		December 31,			January 1, 2009/
	2012	2011 *)	2011 *)	2010 *)	2009 *)	December 31, 2008 *)
a. By Due Date						
Minimum lease payments due :						
Not later than 1 year	17,934,913	11,291,136	14,448,606	11,180,201	11,276,761	12,981,638
Later than 1 year and not later than 5 years	76,953,832	47,057,752	60,165,696	46,772,025	41,340,806	47,592,039
Later than 5 years	223,872,578	165,584,251	187,150,602	166,455,854	189,547,146	229,388,447
Total minimum lease payments	318,761,323	223,933,139	261,764,904	224,408,080	242,164,713	289,962,124
Less interest	216,576,060	160,282,073	181,270,507	161,100,481	177,050,000	213,168,910
Present value of future minimum lease payments	102,185,263	63,651,066	80,494,397	63,307,599	65,114,713	76,793,214
Less current maturity	3,566,011	1,971,377	2,803,911	1,901,397	1,606,934	1,734,560
Long-term portion	98,619,252	61,679,689	77,690,486	61,406,202	63,507,779	75,058,654
b. By Lessor						
Present value of future minimum lease payments						
Related Parties (Note 54)						
PT Wijaya Karya - Rupiah	462,751	471,928	469,656	-	-	-
PT Metaepsi Pejebe Power Generation - US$	434,935	418,868	429,489	449,262	488,670	589,635
PT Sumber Segara Primadaya - US$	5,069,811	4,601,648	4,851,246	4,814,180	5,036,294	5,869,000
PT Bajradaya Sentranusa Asahan - US$	3,306,127	3,006,436	3,166,941	-	-	-
PT Pertamina Geothermal Energi - US$	676,672	617,282	651,655	647,660	681,153	797,693
PT Dalle Energy Batam - Rupiah	828,184	894,177	859,683	917,563	307,231	319,870
PT Mitra Energi Batam - Rupiah	140,250	163,340	152,147	173,913	193,332	210,667
Total Related Parties	10,918,730	10,173,679	10,580,817	7,002,578	6,706,680	7,786,865
Third parties	91,266,533	53,477,387	69,913,580	56,305,021	58,408,033	69,006,349
Present value of future minimum lease payments	102,185,263	63,651,066	80,494,397	63,307,599	65,114,713	76,793,214
Less current maturity	3,566,011	1,971,377	2,803,911	1,901,397	1,606,934	1,734,560
Long-term portion	98,619,252	61,679,689	77,690,486	61,406,202	63,507,779	75,058,654

*) As restated - Note 59

Effective interest rates underlying these finance lease liabilities are fixed at respective contract dates ranging from 5.04% to 20.97% per annum.

Interest expense and financial charges for the six-month periods ended June 30, 2012 and 2011 and for the years ended December 31, 2011, 2010 and 2009 amounted to Rp 7,481,066 million and Rp 5,240,277 million and Rp 11,063,022 million, Rp 10,280,842 million and Rp 12,372,437 million, respectively (Note 47). These interest expense and financial charges include changes in lease payments for certain lease agreements due to certain adjustment factors which include, among others, inflation index, conversion of foreign exchange in JPY currency, interest rate and investment rate of returns amounting to Rp 638,118 million and Rp 488,535 million for the six-month periods ended June 30, 2012 and 2011 and Rp 1,118,332 million, Rp 859,675 million and Rp 1,645,140 million for the years ended December 31, 2011, 2010 and 2009.

On May 23, 2003, the Company and CJP entered into an agreement to continue the development of power plant Tanjung Jati B Unit A and B. The Company and CJP entered into a Financial Lease Agreement (FLA) which stipulates, among others, that CJP will lease the power plant for 20 years starting on its Commercial Operation Date (COD) or the date of maximum delay, for each unit, after July 31, 2003, whichever is earlier, and the Company has an option to purchase the power plant on or before the end of FLA period at certain purchase price as stipulated in the Call Right Agreement. The FLA required the Company to operate the power plant in accordance with Operation and Maintenance Agreement (O&M Agreement). The semi-annual minimum lease payment, after including adjustments based on the formula and condition factors at the date of FLA, amounted to a total of JPY 11,289 million for both Unit A and B. In relation to the delayed COD of power plant Unit A and B, on October 1 and November 1, 2006, respectively, the term of the lease agreement was effected to become 23.5 years until March 31, 2030.

On November 4, 2008, the Company and CJP entered into Finance Lease Agreement for Expansion of Tanjung Jati B 1 & 2 - “FLA V”, which stipulates among others that CJP will lease the expansion leased assets (Unit “C” and “D”) to the Company. The expected acquisition cost of the expansion, as of the date of the Expansion Finance Lease Agreement (EFLA), is approximately JPY 200,000 million. The lease period will commence on the expansion lease-in date for each expansion unit and will expire on the date, that is 20 years after the Unit D COD. The minimum amount of lease payment during the expansion phase one, which is the period commencing on the Unit C lease-in date and ending at a date determined in the agreement, shall be JPY 6,486 million for each expansion unit every 6 months. The lease payment shall be paid semi-annually from six months after the Unit D lease-in date and the amount of the lease payment payable by the Company on the due date shall be determined in accordance with the EFLA. The Company has an option to purchase the expansion leased assets for JPY 1,000. Lease periods commence in October 2011 for Unit C and January 2012 for Unit D.

In relation to the FLA, The Sumitomo Mitsui Banking Corporation, Singapore acts as the Escrow Agent and Sumitomo Mitsui Banking Corporation, Tokyo acts as the Security Agent. To fulfill the requirements of FLA, the Company established a reserve account to an Escrow Agent for guarantee of operations, maintenance and fuel procurement and for lease installment (Note 12).

The Company is restricted by certain covenants of the FLA, such as pledge of escrow accounts, transfer of the Company’s rights based on PLN Settlement Agreement, which will be returned if the payment of lease liabilities has been made, and recognition of CJP’s transfer of rights to its creditors, as guarantee of CJP’s obligations.

Lease liability to CJP is in effect secured by the leased assets, since the rights over these assets will be returned to the lessor when the Company fails to pay.

(Figures in tables stated in millions of Rupiah) - Continued

28. BANK LOANS AND MEDIUM TERM NOTES

	June 30,		December 31,			January 1, 2009/
	2012	2011	2011	2010	2009	December 31, 2008
Loans related to fast track program						
Related parties						
Bank Negara Indonesia	5,612,008	5,439,104	5,653,648	4,964,847	3,477,299	2,972,383
Bank Rakyat Indonesia	5,574,386	4,162,455	5,097,520	3,504,943	546,074	-
Bank Mandiri	3,345,465	3,582,882	3,481,999	3,321,681	1,623,678	830,422
Bank DKI	2,286,417	1,550,699	2,245,573	1,330,180	603,286	-
Total related parties	16,818,276	14,735,140	16,478,740	13,121,651	6,250,337	3,802,805
Third parties						
The Export-Import Bank of China	11,433,643	8,803,026	10,685,374	8,446,015	4,024,844	1,255,599
Bank of China Limited	10,904,417	8,992,025	10,105,846	7,698,835	2,172,746	-
China Development Bank and PT Bank ICBC Indonesia	2,051,017	-	853,411	-	-	-
China Development Bank	1,122,605	547,736	922,452	137,833	-	-
Barclays Bank Plc and China Development Bank	2,233,677	2,250,695	2,255,302	2,213,077	3,848,853	-
Bank Mega	3,793,530	2,854,782	3,422,648	2,542,366	1,462,404	265,748
Bank Bukopin	2,311,301	1,940,017	2,044,944	1,630,936	768,562	270,581
Bank Central Asia	1,340,379	1,190,140	1,190,053	1,098,268	915,880	592,607
Total third parties	35,190,569	26,578,421	31,480,030	23,767,330	13,193,289	2,384,535
Total	52,008,845	41,313,561	47,958,770	36,888,981	19,443,626	6,187,340
Loans not related to fast track program						
Related parties						
Medium Term Notes	1,500,000	2,500,000	2,000,000	3,000,000	4,000,000	5,000,000
Bank Mandiri	2,000,000	-	2,000,000	-	-	-
Bank Rakyat Indonesia	6,001,768	7,333,165	416,500	1,249,900	2,083,300	1,500,000
Total related parties	9,501,768	9,833,165	4,416,500	4,249,900	6,083,300	6,500,000
Third parties						
Bank Bukopin	3,611	9,171	6,485	11,680	20,864	12,986
Total	9,505,379	9,842,336	4,422,985	4,261,580	6,104,164	6,512,986
Total	61,514,224	51,155,897	52,381,755	41,150,561	25,547,790	12,700,326
Unamortized transaction cost	(1,585,373)	(1,646,108)	(1,683,912)	(1,406,706)	-	-
Total net	59,928,851	49,509,789	50,697,843	39,743,855	25,547,790	12,700,326
Less current maturities						
Related parties						
Bank Rakyat Indonesia	6,744,144	7,460,525	714,870	833,400	833,400	1,500,000
Medium Term Notes	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Bank Negara Indonesia	830,910	507,065	635,463	532,424	-	-
Bank Mandiri	459,712	177,529	273,069	242,503	-	-
Bank DKI	676,000	55,382	240,597	-	-	-
Total related parties	9,710,766	9,200,501	2,863,999	2,608,327	1,833,400	2,500,000
Third parties						
Bank of China Limited	1,142,192	422,392	677,645	210,333	-	-
The Export-Import Bank of China	500,692	185,179	431,952	-	-	-
Barclays Bank Plc and China Development Bank	313,758	225,069	237,400	221,308	-	-
Bank Bukopin	92,333	102,561	210,446	5,194	9,142	8,315
Bank Central Asia	244,138	153,091	169,793	149,539	-	-
Bank Mega	255,904	280,399	103,417	148,792	-	-
Total third parties	2,549,017	1,368,691	1,830,653	735,166	9,142	8,315
Total current maturities	12,259,783	10,569,192	4,694,652	3,343,493	1,842,542	2,508,315
Long-term portion	47,669,068	38,940,597	46,003,191	36,400,362	23,705,248	10,192,011

(Figures in tables stated in millions of Rupiah) - Continued

As of June 30, 2012 and 2011, December 31, 2011, 2010, 2009 and January 1, 2009, bank loans in foreign currency amounted to US$ 2,926,725,671 (equivalent to Rp 27,745,359 million) and US$ 2,395,426,674 (equivalent to Rp 20,593,483 million), US$ 2,737,360,602 (equivalent to Rp 24,822,386 million), US$ 2,057,141,695 (equivalent to Rp 18,495,761 million), US$ 1,068,770,478 (equivalent to Rp 10,046,442 million) and US$ 103,950,925 (equivalent to Rp 1,138,263 million), respectively (Note 55).

Loans related to fast track program

The Company obtained credit facilities from several banks to finance 85% of the value of Engineering Procurement and Construction (EPC) contracts for fast track program. These loans are fully guaranteed by the Government of the Republic of Indonesia in accordance with the Presidential Regulation of the Republic of Indonesia (PP) No. 91 Year 2007, which supersedes PP No. 86 year 2006, regarding Grant of Government Guarantee for Construction of Coal-Fired Power Plant. In connection with these loans, the Company is restricted by general rules as described in the loan agreements.

As of June 30, 2012, details of such loan facilities are as follow:

No.	Creditor and project funded	Maximum facility		Interest rate per annum	Insurance Premium	Date of maturity **)
		US$ *)	Rp *)		US$ *)	
1	Syndicated loan coordinated by Bank of China Limited/ PLTU 1 Indramayu, West Java	592	-	0.785% + LIBOR 6 months	55	May 27, 2021
2	The Export-Import Bank of China/ PLTU 2 Paiton, East Java	331	-	0.84% + LIBOR 6 months	32	January 30, 2023
3	Syndicated loan coordinated by Bank Negara Indonesia/ PLTU 2 Labuan, Banten	-	2,741,298	0.825% + JIBOR 3 months	-	July 23, 2018
4	The Export-Import Bank of China/ PLTU 1 Suralaya, Banten	284	-	0.84% + LIBOR 6 months	27	January 30, 2023
5	Barclays Capital, The Investment Banking Division of Barclays Bank PLC and China Development Bank/ PLTU 1 Rembang, Central Java	262	-	3.25% + LIBOR 6 months	-	December 3, 2021
6	Bank DKI/ PLTU Naganraya PLTU 2 East Nusa Tenggara PLTU 1 West Nusa Tenggara PLTU West Sumatera PLTU 2 West Kalimantan PLTU 4 Bangka Belitung PLTU North Maluku PLTU Southeast Sulawesi PLTU 1 East Nusa Tenggara PLTU 2 North Sulawesi PLTU Gorontalo PLTU 2 West Nusa Tenggara PLTU 1 Central Kalimantan	-	4,732,000	1% + JIBOR 3 months	-	April 24, 2019
7	Syndicated loan coordinated by Bank Rakyat Indonesia PLTU South Sulawesi PLTU 3 Bangka Belitung PLTU 2 Papua PLTU South Kalimantan	-	2,074,740	1% + JIBOR 3 months	-	January 30, 2019
8	Syndicated loan coordinated by Bank Mandiri/ PLTU 1 Rembang, Central Java	-	1,911,480	1.11% + JIBOR 3 months	-	March 23, 2018
	Total carry forward	1,469	11,459,518		114	

*) In million
**) Include grace periods

(Figures in tables stated in millions of Rupiah) - Continued

No.	Creditor and project funded	Maximum facility		Interest rate per annum	Insurance Premium	Date of maturity **)
		US$ *)	Rp *)		US$ *)	
	Total carried forward	1,469	11,459,518		114	
9	Bank Mega/ PLTU 2 Pelabuhan Ratu, West Java	-	1,874,315	1.10% + JIBOR 6 months	-	July 29, 2018
10	Bank Bukopin/ PLTU 3 Teluk Naga, Banten	-	1,606,612	0.71% + JIBOR 6 months	-	July 29, 2021
11	Bank Mega/ PLTU 2 West Nusa Tenggara PLTU Gorontalo PLTU 2 Manado, North Sulawesi PLTU Tanjung Balai Karimun, Riau Island PLTU 1 Ende, East Nusa Tenggara PLTU 2 Southeast Sulawesi PLTU 1 Central Kalimantan	-	1,498,513	1.10% + JIBOR 6 months	-	July 29, 2018
12	Syndicated loan coordinated by Bank Negara Indonesia/ PLTU 1 Indramayu, West Java	-	1,272,913	1.10% + JIBOR 3 months	-	February 23, 2018
13	Bank Mega/ PLTU Lampung, Lampung PLTU 2 North Sumatera	-	1,240,661	1.10% + JIBOR 6 months	-	July 29, 2018
14	Syndicated loan coordinated by Bank Central Asia/ PLTU 2 Labuan, Banten	-	1,188,548	1.12% + JIBOR 3 months	-	April 18, 2018
15	Syndicated loan coordinated by Bank Rakyat Indonesia/ PLTU South Sulawesi PLTU 3 Bangka Belitung PLTU 2 Papua PLTU South Kalimantan	-	1,151,005	1% + JIBOR 3 months	-	January 30, 2019
16	Bank Bukopin/ PLTU 1 Pacitan, East Java	-	1,045,924	0.71% + JIBOR 6 months	-	July 29, 2021
17	Bank Mega/ PLTU 1 Suralaya, Banten	-	735,387	1.10% + JIBOR 6 months	-	April 18, 2018
18	Bank Mega/ PLTU 2 Paiton, East Java	-	600,635	1.10% + JIBOR 6 months	-	April 18, 2018
19	The Export-Import Bank of China/ PLTU 2 Pelabuhan Ratu, West Java	482	-	2.8% + LIBOR 6 months	44	May 4, 2024
20	The Export-Import Bank of China/ PLTU Nanggroe Aceh Darussalam	124	-	2.8% + LIBOR 6 months	12	May 4, 2024
21	Bank of China Limited/ PLTU 3 Teluk Naga, Banten	455	-	2.30% + LIBOR 6 months	46	May 4, 2022
22	Syndicated loan coordinated by Bank Negara Indonesia/ PLTU Tanjung Awar-awar, East Java	-	1,155,352	1% + JIBOR 3 months	-	January 30, 2019
23	The Export-Import Bank of China/ PLTU 1 Pacitan, East Java	293	-	2.8% + LIBOR 6 months	29	July 17, 2024
	Total carry forward	2,823	24,829,383		245	

*) In million
**) Include grace periods

(Figures in tables stated in millions of Rupiah) - Continued

No.	Creditor and project funded	Maximum facility US$ *)	Maximum facility Rp *)	Interest rate per annum	Insurance Premium US$ *)	Date of maturity **)
	Total carried forward	2,823	24,829,383		245	
24	Syndicated loan coordinated by Bank Rakyat Indonesia/ PLTU Tarahan, Lampung PLTU 2 Pangkalan Susu, North Sumatera	-	3,941,772	1.5% + JIBOR 3 months	-	October 14, 2019
25	Syndicated loan coordinated by Bank Mandiri/ Transmission PLTU 1 Suralaya Koneksi 1 & 2, Banten PLTU 2 Labuan Koneksi 1, Banten PLTU 3 Teluk Naga koneksi 1 dan 2, Banten PLTU 2 Pelabuhan Ratu koneksi 1, Banten PLTU 1 Rembang koneksi 2, Central Java PLTU 2 Adipala koneksi 2, Central Java PLTU 2 Paiton Baru koneksi 2, East Java PLTU 3 Tanjung Awar-awar koneksi 1, East Java	-	2,613,012	1.5% + JIBOR 3 months	-	December 14, 2019
26	Syndicated loan coordinated by Bank Central Asia/ Transmission PLTU 1 Suralaya koneksi 2, Banten PLTU 2 Labuhan koneksi 2, Banten PLTU 3 Lontar koneksi 2, Banten PLTU 1 Indramayu koneksi 2, West Java PLTU 2 Pelabuhan Ratu koneksi 2, Banten PLTU 1 Pacitan koneksi 2, East Java PLTU 2 Paiton koneksi 2, East Java PLTU 3 Tanjung Awar-Awar koneksi 2, East Java	-	327,195	1.5% + JIBOR 3 months	-	December 14, 2019
27	China Development Bank and PT Bank ICBC Indonesia/ PLTU 2 Adipala, Cilacap, Central Java	625	-	3.85% + LIBOR 6 months	-	October 14, 2022
28	China Development Bank/ PLTU Teluk Sirih, Padang, West Sumatera	138	-	3.85% + LIBOR 6 months	-	October 14, 2022
29	Bank of China Limited/ PLTU Tanjung Awar-Awar	372	-	2.30% + LIBOR 6 months	34	December 14, 2022
30	Syndicated loan coordinated by Bank Negara Indonesia/ Transmission PLTU Meulaboh koneksi 1, Nanggroe Aceh Darussalam PLTU 2 Pangkalan Susu, North Sumatera PLTU Teluk Sirih koneksi 1 & 2, West Sumatera PLTU Tarahan koneksi 2, Lampung PLTU Asam-Asam koneksi 1 & 2, South Kalimantan PLTU 1 Pulang Pisau koneksi 2, Central Kalimantan PLTU 2 Amurang koneksi 2, North Sulawesi	-	1,930,063	1.50% + JIBOR 3 months	-	December 14, 2019
	Total carry forward	3,958	33,641,425		279	

*) In million
**) Include grace periods

(Figures in tables stated in millions of Rupiah) - Continued

No.	Creditor and project funded	Maximum facility		Interest rate per annum	Insurance Premium	Date of maturity **)
		US$ *)	Rp *)		US$ *)	
	Total carried forward	3,958	33,641,425		279	
31	Syndicated loan coordinated by Bank Central Asia PLTU 1 Bengkalis, Riau PLTU 2 Selat Panjang, Riau PLTU 1 Tanjung Balai Karimun, Riau Island PLTU 1 Parit Baru, West Kalimantan	-	871,922	1.50% + JIBOR 3 months	-	December 14, 2019
32	Syndicated loan coordinated by Bank Central Asia PLTU 1 Bengkalis (2x10 MW), Riau PLTU 2 Selat Panjang (2x7 MW), Riau PLTU 1 Parit Baru, West Kalimantan	-	635,929	1.50% + JIBOR 3 months	-	December 14, 2019
33	Syndicated loan coordinated by Bank Rakyat Indonesia/ Transmission packages 3	-	1,067,683	1.05% + JIBOR 3 months	-	December 27, 2020
	Total	3,958	36,216,959		279	

*) In million
**) Include grace periods

Loans not related to fast track program

Bank Mandiri

On December 27, 2011, the Company obtained a syndicated investment loan facilities coordinated by Bank Mandiri amounting to Rp 7,000,000 million, with annual interest weighted average time deposit in Rupiah 3 months of syndicated creditors + 3.42% and maturity date on October 23, 2021.

Bank Rakyat Indonesia

On June 21, 2011, the Company obtained a syndicated working capital loan facilites coordinated by Bank Rakyat Indonesia amounting to Rp 15,000,000 million, with annual interest JIBOR 3 months + 1.65% and maturity date on June 21, 2012. On November 23, 2011, the credit facility was changed into Rp 20,000,000 million and the maturity date has been extended until June 21, 2013.

On September 26, 2008, the Company obtained working capital loan facilities from Bank Rakyat Indonesia amounting to Rp 1,500,000 million, with annual interest rate of JIBOR + 2.5%, and with maturity date on March 26, 2009. This loan has been extended until March 26, 2012 with total credit facilities amounting to Rp 2,500,000 million. On the maturity date, the Company has fully paid the loan.

Bank Bukopin

In 2006, ICON obtained investment credit facilities totaling Rp 50,000 million, with term of 4 years, for the purchase of the transmission equipments. On November 6, 2008, the credit facility was changed into Rp 34,589 million. This loan bears annual interest of 13.50% - 14.50% in 2010 and 15.50% - 16.00% in 2009, and will be paid in 48 monthly installments from February 4, 2009 until February 4, 2013. This loan is secured by ICON's transmission and distribution equipment and time deposits of Rp 5,000 million in the same bank (Note 12).

Medium Term Notes

On June 27, 2008, the Company and PT Pertamina (Persero) entered into a Debt Restructuring Agreement to convert the Company and its subsidiaries outstanding trade accounts payable as of April 30, 2007 amounting to Rp 5,000,000 million into long-term payable by issuing promissory notes. This agreement has been approved during the General Stockholder's Meeting of the Company and Pertamina dated July 29, 2008 and June 26, 2008, respectively.

Furthermore, on November 28, 2008, the Company and Pertamina agreed to replace the promissory notes with Medium Term Notes (MTN). The Company and Pertamina entered into an Agreement on Issuance of MTN with total principal amount of Rp 5,000,000 million, consisting of 10 series of Jumbo certificates with nominal value of Rp 500,000 million each, which will mature every 15th of June and December of year 2009 until 2013 and bear interest at SBI 3 months + 2.5% per annum. This agreement is effective starting on July 29, 2008. The Company issued such MTN on December 15, 2008.

The Company appointed PT Mandiri Sekuritas as Arranger and Bank Mandiri as Trustee of such MTN.

(Figures in tables stated in millions of Rupiah) - Continued

29. BONDS PAYABLE

	June 30,		December 31,			January 1, 2009/
	2012	2011	2011	2010	2009	December 31, 2008
Rupiah Bonds						
PLN XII Bonds Year 2010	2,500,000	2,500,000	2,500,000	2,500,000	-	-
Sukuk Ijarah PLN V Year 2010	500,000	500,000	500,000	500,000	-	-
PLN XI Bonds Year 2010	2,703,000	2,703,000	2,703,000	2,703,000	-	-
Sukuk Ijarah PLN IV Year 2010	297,000	297,000	297,000	297,000	-	-
PLN X Bonds Year 2009	1,015,000	1,440,000	1,440,000	1,440,000	1,440,000	-
Sukuk Ijarah PLN III Year 2009	293,000	760,000	760,000	760,000	760,000	-
PLN IX Bonds Year 2007	2,700,000	2,700,000	2,700,000	2,700,000	2,700,000	2,700,000
Sukuk Ijarah PLN II Year 2007	300,000	300,000	300,000	300,000	300,000	300,000
PLN VIII Bonds Year 2006	2,200,100	2,200,100	2,200,100	2,200,100	2,200,100	2,200,100
Syariah Ijarah PLN I Bonds Year 2006	200,000	200,000	200,000	200,000	200,000	200,000
PLN VII Bonds Year 2004	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Global Medium Term Notes - US$	9,480,000	-	9,068,000	-	-	-
Guaranteed Notes - US$						
Issued in 2009	18,960,000	17,194,000	18,136,000	17,982,000	18,800,000	-
Issued in 2007	9,480,000	8,597,000	9,068,000	8,991,000	9,400,000	10,950,000
Issued in 2006	5,214,000	8,597,000	4,987,400	8,991,000	9,400,000	10,950,000
Total	57,342,100	49,488,100	56,359,500	51,064,100	46,700,100	28,800,100
Unamortized debt issuance cost	(464,778)	(324,074)	(451,112)	(362,105)	(454,076)	(291,642)
Total net	56,877,322	49,164,026	55,908,388	50,701,995	46,246,024	28,508,458
Presented in consolidated statements of financial position						
Current liabilities	-	3,866,277	-	4,045,950	-	-
Noncurrent liabilites	56,877,322	45,297,749	55,908,388	46,656,045	46,246,024	28,508,458
Total	56,877,322	49,164,026	55,908,388	50,701,995	46,246,024	28,508,458

On January 9, 2012, the Company decided to exercise the call option on PLN X Bonds Year 2009 Series B with price a nominal value of Rp 425,000 million and Sukuk Ijarah PLN III Year 2009 Series B with price a nominal value of Rp 467,000 million.

(Figures in tables stated in millions of Rupiah) - Continued

Rupiah Bonds

The bonds were issued at nominal value and are denominated in Rupiah, with details as follow:

	Principal	Maturity date	Interest rate
PLN XII Bonds Year 2010			
Series A	645.000	July 8, 2015	9,7%
Series B	1.855.000	July 8, 2022	10,4%
Sukuk Ijarah PLN V Year 2010			
Series A	160.000	July 8, 2015	-
Series B	340.000	July 8, 2022	-
PLN XI Bonds Year 2010			
Series A	920.000	January 12, 2017	11,95%
Series B	1.783.000	January 12, 2020	12,55%
Sukuk Ijarah PLN IV Year 2010			
Series A	130.000	January 12, 2017	-
Series B	167.000	January 12, 2020	-
PLN X Bonds Year 2009			
Series A	1.015.000	January 9, 2014	14,75%
Sukuk Ijarah PLN III Year 2009			
Series A	293.000	January 9, 2014	-
PLN IX Bonds Year 2007			
Series A	1.500.000	July 10, 2017	10,4%
Series B	1.200.000	July 10, 2022	10,9%
Sukuk Ijarah PLN II Year 2007	300.000	July 10, 2017	-
PLN VIII Bonds Year 2006			
Series A	1.335.100	June 21, 2016	13,60%
Series B	865.000	June 21, 2021	13,75%
Syariah Ijarah PLN I Bonds Year 2006	200.000	June 21, 2016	-
PLN VII Bonds Year 2004	1.500.000	November 11, 2014	12,25%
Total	14.208.100		

PLN XII Bonds Year 2010

On July 8, 2010, the Company issued PLN XII Bonds Year 2010 with a total nominal value of Rp 2,500,000 million consisting of Series A and and Series B bonds, with PT Bank CIMB Niaga Tbk acting as the Trustee. The interest is payable on a quarterly basis, starting from October 8, 2010 until the maturity date of the bonds.

Sukuk Ijarah PLN V Year 2010

Concurrent with the issuance of PLN XII Bonds Year 2010, the Company also issued Sukuk Ijarah PLN V Year 2010 with a nominal value of Rp 500,000 million consisting of Series A and Series B bonds with PT Bank CIMB Niaga Tbk acting as the Trustee. Total ijarah fee per annum amounting to Rp 15,520 million for Series A bonds and Rp 35,360 million for Series B bonds is payable on a quarterly basis, starting from October 8, 2010 until the maturity date of the bonds.

PLN XI Bonds Year 2010

On January 12, 2010, the Company issued PLN XI Bonds Year 2010 with a total nominal value of Rp 2,703,000 million consisting of Series A and and Series B bonds, with PT Bank CIMB Niaga Tbk acting as the Trustee. The interest is payable on a quarterly basis, starting from April 12, 2010 until the maturity date of the bonds.

Sukuk Ijarah PLN IV Year 2010

Concurrent with the issuance of PLN XI Bonds Year 2010, the Company also issued Sukuk Ijarah PLN IV Year 2010 with a nominal value of Rp 297,000 million consisting of Series A and Series B bonds with PT Bank CIMB Niaga Tbk acting as the Trustee. Total ijarah fee per annum amounting to Rp 15,535 million for Series A bonds and Rp 20,958 million for Series B bonds is payable on a quarterly basis, starting from April 12, 2010 until the maturity date of the bonds.

PLN X Bonds Year 2009

On January 9, 2009, the Company issued PLN X Bonds Year 2009 with a total nominal value of Rp 1,440,000 million consisting of Series A and Series B bonds, with PT Bank CIMB Niaga Tbk acting as the Trustee. The interest is payable on a quarterly basis, starting from April 9, 2009 until the maturity date of the bonds.

Sukuk Ijarah PLN III Year 2009

Concurrent with the issuance of PLN X Bonds Year 2009, the Company also issued Sukuk Ijarah PLN III Year 2009 with a nominal value of Rp 760,000 million consisting of Series A and Series B bonds with PT Bank CIMB Niaga Tbk acting as the Trustee. Total ijarah fee per annum amounting to Rp 43,217 million for Series A bonds and Rp 70,050 million for Series B bonds is payable on a quarterly basis, starting from April 9, 2009 until the maturity date of the bonds.

PLN IX Bonds Year 2007

On July 10, 2007, the Company issued PLN IX Bonds Year 2007 with a total nominal value of Rp 2,700,000 million consisting of Series A and Series B bonds, with PT Bank Niaga Tbk acting as the Trustee. The interest is payable on a quarterly basis, starting from October 10, 2007 until the maturity date of the bonds.

Sukuk Ijarah PLN II Year 2007

Concurrent with the issuance of PLN IX Bonds Year 2007, the Company also issued Sukuk Ijarah PLN II Year 2007 with a nominal value of Rp 300,000 million with a term of 10 years, with PT Bank Niaga Tbk acting as the Trustee. Total ijarah fee per annum amounting to Rp 31,200 million is payable on a quarterly basis, starting from October 10, 2007 until the maturity date of the bonds.

PLN VIII Bonds Year 2006

On June 21, 2006, the Company issued PLN VIII Bonds Year 2006 with a total nominal value of Rp 2,200,100 million with PT Bank Mega Tbk acting as the Trustee. The interest is payable on a quarterly basis, starting from September 21, 2006 until the maturity date of the bonds.

On March 18, 2008, the acting Trustee was changed with PT Bank Tabungan Negara (Persero) in accordance with the Minutes of Meeting of the Bondholders of PLN VIII Bonds Year 2006, as documented in notarial deed No. 34 of Poerbaningsih Adi Warsito, S.H., notary in Jakarta.

Syariah Ijarah PLN I Bonds Year 2006

Concurrent with the issuance of PLN VIII Bonds Year 2006, the Company also issued Syariah Ijarah PLN I Bonds Year 2006 with a nominal value of Rp 200,000 million, with PT Bank Mega Tbk acting as the Trustee. The ijarah fee amounting to Rp 6,800 million is payable on a quarterly basis, starting from September 21, 2006 until the maturity date of the bonds.

On March 18, 2008, the acting Trustee was changed with PT Bank Tabungan Negara (Persero) in accordance with the Minutes of Meeting of the Bondholders of Syariah Ijarah PLN I Bonds Year 2006, as documented in notarial deed No. 35 of Poerbaningsih Adi Warsito, S.H., notary in Jakarta.

PLN VII Bonds Year 2004

On November 11, 2004, the Company issued PLN VII Bonds Year 2004 amounting to Rp 1,500,000 million, with PT Bank Niaga Tbk acting as the Trustee. The interest is payable on a quarterly basis, starting from February 11, 2005 until the maturity date of the bonds.

In relation to the issuance of the bonds above, each trustee agreement stipulates, among others that:

- After one year from the issuance date, the Company is allowed to buy-back either a portion or the entire bonds before the maturity date.

- The Company is allowed to carry-out, through call option, an early purchase of the entire PLN X Bonds Year 2009 Series B and Sukuk Ijarah PLN III Year 2009 Series B on the third year since the issuance date.

- The bonds are not secured by specific collateral but secured by all of the Company's assets and the bondholders' rights are paripassu without preference to the other creditors.

- The Company is restricted by certain covenants, which require written approval from the Trustee to: (a) use the Company's assets as collateral; (b) act as a guarantor; (c) grant loan to other party; (d) perform merger, consolidation and acquisition that would cause the Company to be dissolved; (e) transfer the Company's property, plant and equipment, and allow subsidiaries to grant loan to other party or to make an investment; (f) issue higher ranking bonds; and (g) change the business activities and decrease the Company's authorized, subscribed and paid-up capital.

  The Company is also required to maintain the following: (a) ratio of total financial liabilities to total assets not exceeding 80%; (b) except for PLN XII Bonds Year 2010 and Sukuk Ijarah V Year 2010, PLN XI Bonds Year 2010 and Sukuk Ijarah IV Year 2010, PLN X Bonds Year 2009 and Sukuk Ijarah III Year 2009, ratio of income before interest, tax, depreciation and amortization (including actuarial calculation of employment benefit) - (EBITDA) to interest expense at a minimum of 2 : 1, for PLN XII Bonds Year 2010 and Sukuk Ijarah V Year 2010, PLN XI Bonds Year 2010 and Sukuk Ijarah IV Year 2010 and PLN X Bonds Year 2009 and Sukuk Ijarah III Year 2009, the minimum ratio is 1.5 : 1 ; (c) ratio of power plant, transmission and distribution facilities to interest-bearing liabilities which are not secured by specific collaterals (excluding two-step loans and Government loans) at a minimum of 150% for PLN VIII Bonds Year 2006 and Syariah Ijarah PLN I Bonds Year 2006, and ratio of power plant, transmission and distribution facilities to interest bearing liabilities which are not secured by specific collaterals (excluding two-step loans, direct loans, global bonds and government loans) at a minimum of 125% for the PLN XII Bonds Year 2010 and Sukuk Ijarah V Year 2010, PLN XI Bonds Year 2010 and Sukuk Ijarah PLN IV Year 2010, PLN X Bonds Year 2009 and Sukuk Ijarah PLN III Year 2009 and PLN IX Bonds Year 2007 and Sukuk Ijarah PLN II Year 2007.

- Related to Sukuk Ijarah PLN II Year 2007, and Syariah Ijarah PLN I Bonds Year 2006, the Company has agreed to transfer benefits obtained from certain diesel power plants and transformers of the Company to the bondholders, and the bondholders have agreed to provide the Company a power of attorney to enter into agreements with transformer users for the benefits of the bondholders. The Company also received a power of attorney from the Trustee to enter into agreements with the transformer users to collect the related receivables.

- The Company was not required to provide sinking fund for such bonds.

The proceeds from the issuance of PLN XII Bonds Year 2010 and Sukuk Ijarah V Year 2010, PLN XI Bonds Year 2010 and Sukuk Ijarah IV Year 2010 were used to finance the transmission and distribution construction projects. The proceeds from issueds of PLN VII Bonds Year 2004 were used to refinance the PLTGU Muara Tawar Project. The proceeds from the other bonds issued were used for working capital requirement which, among others, include the purchase of fuel.

The Company complies with the restrictions specified within the agreements with the acting Trustee of the corresponding bond obligations.

As of June 30, 2012, the PLN XII Bonds Year 2010 and Sukuk Ijarah V Year 2010, PLN XI Bonds Year 2010 and Sukuk Ijarah IV Year 2010, PLN X Bonds Year 2009 and Sukuk Ijarah PLN III Year 2009 and PLN IX Bonds Year 2007 and Sukuk Ijarah PLN II Year 2007, PLN VIII Bonds Year 2006 and Syariah Ijarah PLN I Bonds Year 2006 and PLN VII Bonds Year 2004 are rated as "AA+" by PT Pemeringkat Efek Indonesia.

(Figures in tables stated in millions of Rupiah) - Continued

Global Medium Term Notes and Guaranteed Notes – US$

The details of Global Medium Term Notes and Guaranteed Notes are as follows:

	Principal *) US$	Issuing price	Maturity date	Interest rate
Global Medium Term Notes				
Issued in 2011				
Due in 2021	1,000,000,000	99,054%	November 22, 2021	5,5%
Guaranteed Notes				
Issued in 2009				
Due in 2020	1,250,000,000	99,152%	January 20, 2020	7,750%
Due in 2019	750,000,000	99,155%	August 7, 2019	8,000%
Total	2,000,000,000			
Issued in 2007				
Due in 2017	500,000,000	99,127%	June 28, 2017	7,250%
Due in 2037	500,000,000	98,586%	June 29, 2037	7,875%
Total	1,000,000,000			
Issued in 2006				
Due in 2016	550,000,000	98,976%	October 17, 2016	7,75%
Total	550,000,000			
Total	4,550,000,000			

*) in full amount

Global Medium Term Notes

On November 22, 2011, the Company issued Global Medium Term Notes amounting to US$ 1,000 million, under Global Medium Term Notes program with Deutsche Bank Trust Company Americas, acting as the trustee. The interest is payable semi-annually starting from May 22, 2012 until the maturity date of the Global Medium Term Notes.

Guaranteed Notes

Issued in 2009

On November 6, 2009, Majapahit Holding B.V. (MH), The Netherlands, a wholly-owned special-purpose subsidiary, issued Guaranteed Notes amounting to US$ 1,250 million, with Deutsche Bank Trust Company Americas, acting as the Trustee. The interest is payable semi-annually starting from January 20, 2010 until the maturity date of the Guaranteed Notes.

On August 7, 2009, MH issued Guaranteed Notes amounting to US$ 750 million, with Deutsche Bank Trust Company Americas, acting as the Trustee. The interest is payable semi-annually starting from February 8, 2010 until the maturity date of the Guaranteed Notes.

Issued in 2007

On June 28, 2007, MH issued Guaranteed Notes amounting to US$ 1,000 million, with Deutsche Bank Trust Company Americas, acting as the Trustee. The interest is payable semi-annually starting from December 28, 2007 until the maturity date of the Guaranteed Notes.

(Figures in tables stated in millions of Rupiah) - Continued

Issued in 2006

On October 16, 2006, MH issued Guaranteed Notes amounting to a total of US$ 1,000 million with Deutsche Bank Trust Company Americas, acting as the Trustee. The interest is payable semi-annually from April 17, 2007 until the maturity date of the Guaranteed Notes.

These Guaranteed Notes are irrevocably and unconditionally guaranteed by the Company and its subsidiaries, if any.

The Indenture is governed that :

- No later than 30 days following the occurrence of both an event in which the Government of Indonesia ceases to own, directly or indirectly, more than 50% of the voting securities of the Company or, if and when issued, the Class A Dwiwarna Share and an event in a rating decline (Change of Control Triggering Event), Majapahit Holding B.V. may be required to make an offer to repurchase all Guaranteed Notes outstanding at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to the date of repurchase. The Guaranteed Notes are subject to redemption in whole, at 100% of their principal amount, together with any accrued interest, at the option of Majapahit Holding B.V. at a certain time in the event of certain changes affecting taxes of The Netherlands or Indonesia.

- Certain covenants, including, among others, the incurrence of additional indebtedness along with the "Ratio Exception", that after giving effect to the permitted indebtedness is at least 2 : 1; the incurrence of liens; the payment of dividends; mergers, acquisitions and disposals.

The Company complies with the restrictions specified within the agreements with the acting Trustee.

The proceeds from Global Medium Term Notes and Guaranteed Notes issued were used to partially fund the capital expenditure requirements in connection with the Fast Track Program, regular construction and for general corporate purposes.

As of June 30, 2012, these Global Medium Term Notes are rated as "Baa3 stable" by Moody's Investors Service, Inc., and "BB" by Standard and Poor's, and "BBB-" by Fitch.

As of June 30, 2012, these Guaranteed Notes are rated as "Baa3 stable" by Moody's Investors Service, Inc., and "BB" by Standard and Poor's, and "BBB-" by Fitch.

30. ELECTRICITY PURCHASE PAYABLE

This account represents electricity purchase payable, which was restructured through renegotiation with Independent Power Producers with details as follows:

a. By creditor

	June 30,		December 31,			January 1, 2009/
	2012	2011 *)	2011 *)	2010 *)	2009 *)	December 31, 2008 *)
PT Paiton Energy (US$ 608,033,469 in June 30, 2012, US$ 626,295,354 in June 30, 2011 and US$ 617,274,032 in December 31, 2011, US$ 635,102,637 in December 31, 2010, US$ 652,095,278 in December 31, 2009 and US$ 668,291,151 in January 1, 2009)	5,764,158	5,384,261	5,597,441	5,710,208	6,129,696	7,317,788
Less current maturities	(197,174)	(170,424)	(184,130)	(174,006)	(173,392)	(192,511)
Long-term portion	5,566,984	5,213,837	5,413,311	5,536,202	5,956,304	7,125,277

*) As restated - Note 59

(Figures in tables stated in millions of Rupiah) - Continued

b. By installment schedules

	June 30,		December 31,			January 1, 2009/
	2012	2011 *)	2011 *)	2010 *)	2009 *)	December 31, 2008 *)
Payment due on years						
2008	-	-	-	-	-	43,800
2009	-	-	-	-	37,600	525,600
2010	-	-	-	35,964	451,200	525,600
2011	-	240,716	36,272	431,568	451,200	525,600
2012	265,440	412,656	435,264	431,568	451,200	525,600
2013	455,040	412,656	435,264	431,568	451,200	525,600
2014	455,040	412,656	435,264	431,568	451,200	525,600
2015 and thereafter	7,735,680	7,015,152	7,399,488	7,336,656	7,670,400	8,935,200
Total payments	8,911,200	8,493,836	8,741,552	9,098,892	9,964,000	12,132,600
Less interest	(3,147,042)	(3,109,575)	(3,144,111)	(3,388,684)	(3,834,304)	(4,814,812)
Present value of future payments	5,764,158	5,384,261	5,597,441	5,710,208	6,129,696	7,317,788
Less current maturities	(197,174)	(170,424)	(184,130)	(174,006)	(173,392)	(192,511)
Long-term portion	5,566,984	5,213,837	5,413,311	5,536,202	5,956,304	7,125,277

*) As restated - Note 59

Payable to PT Paiton Energy bears annual interest of 4.81%, and payable in 360 monthly installments from January 1, 2002 until December 1, 2031.

31. PAYABLE TO RELATED PARTIES

	June 30,		December 31,			January 1, 2009/
	2012	2011	2011	2010	2009	December 31, 2008
Dividend payable (Note 51)	3,500,000	4,545,000	-	-	-	-
Local Government	710,299	702,747	661,953	559,052	434,685	389,730
PT Mitra Energy Batam	8,550	7,042	9,174	10,266	11,109	11,942
PT Dalle Energy Batam	5,631	9,744	6,248	7,844	1,046	4,255
Yayasan Pendidikan dan Kesejahteraan - PLN	-	27,098	-	316	5,566	13,938
Total	4,224,480	5,291,631	677,375	577,478	452,406	419,865
Less long-term portion	10,654	-	13,991	-	17,721	30,135
Current portion	4,213,826	5,291,631	663,384	577,478	434,685	389,730

Local Government

Payable to Local Government represents amount collected by the Company from the customer for streetlight. This is subsequently remitted to the respective Local Government units.

PT Dalle Energy Batam (DEB) and PT Mitra Energy Batam (MEB)

Payable to DEB and MEB consist of payable on purchase of switchyard and transformers.

Yayasan Pendidikan dan Kesejahteraan – PLN (YPK)

ICON and PLNE obtained foster fund from YPK which bears administration fee ranging from 12% - 16% per annum.

(Figures in tables stated in millions of Rupiah) - Continued

32. TRADE ACCOUNTS PAYABLE

This account represents payables arising from purchases of electricity, fuel, goods and services, with details as follows :

a. By creditor

	June 30,		December 31,			January 1, 2009/
	2012	2011 *)	2011 *)	2010 *)	2009 *)	December 31, 2008 *)
Related parties (Note 54)						
Purchases of electricity						
PT Sumber Segara Primadaya						
Rupiah	70,071	88,434	16,289	85,129	190,876	147,928
US$	54,315	10,396	-	-	-	-
PT Dalle Energy Batam						
Rupiah	-	57,738	19,810	45,745	31,549	35,496
US$	23,553	-	17,989	-	-	-
PT Geo Dipa Energi - US$	-	8,186	5,956	12,908	-	7,119
PT Mitra Energy Batam	3,234	3,181	2,622	3,320	6,503	6,572
PT Metaepsi Pejebe Power Generation						
Rupiah	3,362	4,415	2,755	872	696	1,892
US$	21,764	19,665	14,581	10,134	7,649	16,933
PT Bajradaya Sentranusa						
Rupiah	7,807	8,519	8,468	60,056	-	5,368
US$	5,922	6,995	5,779	-	-	-
PT Pertamina Geothermal Energy - US$	8,726	-	11,607	-	-	-
Purchases of fuel, goods and services						
Pertamina						
Rupiah	8,073,298	24,335,646	12,668,900	4,216,157	6,846,334	12,750,150
US$	427,106	425,835	240,256	291,093	315,441	334,051
PT Tambang Batubara Bukit Asam	1,761,696	829,745	768,398	530,808	1,013,979	1,064,109
PT Perusahaan Gas Negara						
Rupiah	107,729	88,224	61,621	130,342	98,871	72,901
US$	235,018	144,175	175,117	239,027	249,556	245,732
PT Adhi Karya Tbk						
Rupiah	-	2,664	-	-	-	-
US$	-	202	-	-	-	-
PT Wijaya Karya	-	40,946	-	46,295	41,883	8,298
PT PAL Indonesia	-	3,694	2,852	-	-	-
Employee Cooperative	52,210	44,433	47,569	40,777	28,406	37,338
Total of trade accounts payable to related parties	10,855,811	26,123,093	14,070,569	5,712,663	8,831,743	14,733,887
Third parties						
Purchases of electricity						
PT Paiton Energy						
Rupiah	910,574	541,355	317,591	589,280	534,814	352,682
US$	154,127	7,136	-	80,557	771	133,965
PT Jawa Power						
Rupiah	617,258	469,465	450,736	485,461	490,558	341,407
US$	57,874	88,760	7,106	20,662	46,644	-
Chevron Geothermal Indonesia, Ltd. - US$	195,480	159,178	173,269	159,079	149,409	172,109
Star Energy Geothermal, Ltd. - US$	121,822	126,830	69,820	122,090	110,940	69,296
Chevron Geothermal Salak, Ltd. - US$	148,124	155,726	165,489	156,829	156,378	187,707
Others (each below 5% of subtotal)						
Rupiah	715,919	814,247	415,393	145,323	286,176	454,195
US$	311,521	225,162	268,921	222,847	190,736	194,953
SGD	3,054	-	-	-	-	-
Subtotal	3,235,753	2,587,859	1,868,325	1,982,128	1,966,426	1,906,314
Purchases of fuel, goods and services						
Others (each below 5% of subtotal)						
Rupiah	8,003,190	5,633,050	5,571,770	3,086,541	2,491,094	5,363,374
US$	595,450	490,298	402,574	586,762	384,886	480,734
EUR	-	100,831	32,968	32,889	36,675	73,108
JPY	-	-	-	7,072	-	-
CHF	-	-	-	3,268	-	-
Subtotal	8,598,640	6,224,179	6,007,312	3,716,532	2,912,655	5,917,216
Total of trade accounts payable to third parties	11,834,393	8,812,038	7,875,637	5,698,660	4,879,081	7,823,530
Total trade accounts payable	22,690,204	34,935,131	21,946,206	11,411,323	13,710,824	22,557,417

*) As restated - Note 59

(Figures in tables stated in millions of Rupiah) - Continued

Credit terms of payable arising from purchase of electricity, fuel, goods and services, both local and foreign, are approximately 30 days.

b. By age category

	June 30,		December 31,			January 1, 2009/
	2012	2011 *)	2011 *)	2010 *)	2009 *)	December 31, 2008 *)
1 - 180 days	22,486,988	34,644,366	21,719,472	10,775,922	12,638,949	20,490,333
181 - 360 days	125,625	115,735	80,865	192,660	840,900	561,315
More than 360 days	77,591	175,030	145,869	442,741	230,975	1,505,769
Total	22,690,204	34,935,131	21,946,206	11,411,323	13,710,824	22,557,417

*) As restated - Note 59

Details of trade accounts payable in foreign currencies are as follows :

	June 30, 2012		June 30, 2011		December 31, 2011		December 31, 2010		December 31, 2009		January 1, 2009 / December 31, 2008	
	In foreign currencies *)	Rp equivalent	In foreign currencies *)	Rp equivalent	In foreign currencies *)	Rp equivalent	In foreign currencies *)	Rp equivalent	In foreign currencies *)	Rp equivalent	In foreign currencies *)	Rp equivalent
US$	249,029,731	2,360,802	217,348,377	1,868,544	171,864,138	1,558,464	211,543,543	1,901,988	171,532,979	1,612,410	168,273,881	1,842,599
EUR	-	-	8,091,077	100,831	2,808,420	32,968	2,750,885	32,889	2,714,736	36,675	4,737,397	73,108
JPY	-	-	-	-	-	-	64,291,044	7,072	-	-	-	-
Others	411,828	3,054	-	-	-	-	363,436	3,268	-	-	-	-
Total		2,363,856		1,969,375		1,591,432		1,945,217		1,649,085		1,915,707

*) In full amount

33. OTHER PAYABLES

	June 30,		December 31,			January 1, 2009/
	2012	2011	2011	2010	2009	December 31, 2008
Acquisition of property, plant and equipment and construction in progress						
Rupiah	14,556,103	6,750,908	8,687,076	6,983,210	5,571,183	3,166,392
US$ 121,783,653 in June 30, 2012, US$ 397,597,413 in June 30, 2011 and US$ 326,498,191 in December 31, 2011, US$ 529,652,047 in December 31, 2010, US$ 418,575,275 in December 31, 2009 and US$ 59,933,037 in January 1, 2009	1,154,509	3,418,145	2,960,686	4,731,146	3,934,608	656,267
EUR 24,342,450 in June 30, 2012, EUR 20,096,987 in June 30, 2011 and EUR 46,285,639 in December 31, 2011, EUR 8,373,544 in December 31, 2010, EUR 602,550 in December 31, 2009 and EUR 2,588,988 in January 1, 2009	287,270	250,444	543,346	99,893	8,140	39,954
CHF 30,803,006 in June 30, 2012, CHF 28,105,827 in June 30, 2011 and CHF 30,803,006 in December 31, 2011 and CHF 8,432,657 in December 31, 2010	302,682	290,433	296,820	80,955	-	-
JPY 1,618,078,235 in June 30, 2012, JPY 1,758,270,261 in June 30, 2011 and JPY 1,233,966,315 in December 31, 2011, JPY 597,056,335 in December 31, 2010, JPY 208,833,406 in December 31, 2009 and JPY 178,978,706 in January 1, 2009	193,569	187,635	144,131	65,847	21,239	21,656
NZD 48,414 in June 30, 2011, NZD 300,769 in December 31, 2011 and NZD 151,002 in December 31, 2009	-	346	2,107	-	1,030	-
Advances received on sale of electricity	191,965	135,725	177,166	73,365	70,127	185,211
Employees	147,120	225,803	151,298	260,690	163,871	65,977
Employee Cooperative	2,059	1,684	2,038	3,203	5,618	1,820
Acquisition of shares of stock	-	-	-	-	12,957	15,765
Difference on fuel purchase price	-	-	-	-	-	90,831
Others	440,512	512,720	301,437	325,757	365,691	139,904
Total	17,275,789	11,773,843	13,266,105	12,624,066	10,154,464	4,383,777
Less long-term portion	174,880	58,090	196,508	1,368	46,865	147,839
Current portion	17,100,909	11,715,753	13,069,597	12,622,698	10,107,599	4,235,938

(Figures in tables stated in millions of Rupiah) - Continued

Difference on Fuel Purchase Price

Payable due to difference on fuel purchase price represents 25% of the market price for purchasing fuel above quota as determined by Pertamina in 2002 amounting to Rp 726,648 million. Based on the decision of the General Meeting of Stockholder in 2005, the Company was required to settle such payable. This payable is paid in 16 quarterly installments of Rp 45,415 million each from September 2005 until June 2009.

Employees

Payable to employees mainly represents receipt of advance installment payment from employees related to house sale.

Employee Cooperative

Payable to employee cooperative mainly represents vehicle and computer rentals and building and yard maintenance.

34. TAXES PAYABLE

	June 30,		December 31,			January 1, 2009/
	2012	2011	2011	2010	2009	December 31, 2008
Current tax (Note 49)	345,267	684,530	491,662	302,044	283,937	244,427
Income taxes						
Article 21	81,802	51,854	51,460	59,204	52,984	70,506
Article 22	137	561	69	1,437	20,109	8,261
Article 23	14,254	13,607	53,684	152,577	27,220	165,938
Article 15, 25 and 26	120,322	19,954	115,742	286,211	78,465	33,705
Article 29 for the years 2010, 2007 and 2001	-	-	13,173	-	1,515	153
Value added tax	91,322	94,431	184,673	64,292	53,310	41,765
Land and building taxes	8,136	1,448	-	-	2	-
Tax Collection Notice	-	140,005	3,997	-	-	81,095
Stamp duty	8,190	6,427	6,155	4,997	4,571	5,040
Tax on revaluation increment on property, plant and equipment	34,894	34,894	34,894	34,894	34,894	34,894
Total	704,324	1,047,711	955,509	905,656	557,007	685,784

35. ACCRUED EXPENSES

	June 30,		December 31,			January 1, 2009/
	2012	2011 *)	2011 *)	2010 *)	2009 *)	December 31, 2008 *)
Interest and financing charges						
Related parties						
Trade accounts payable on purchases of fuel (Note 57)	27,495	331,637	68,646	351,387	2,274,702	1,569,560
Bank loans and medium term notes	137,459	121,525	142,976	89,220	41,214	28,592
Two-step loans	271,476	259,960	263,378	271,932	233,454	312,293
Total related parties	436,430	713,122	475,000	712,539	2,549,370	1,910,445
Third parties						
Bank loans	451,877	265,940	278,630	233,708	122,181	52,916
Bonds payable	1,079,795	1,045,451	1,093,305	1,094,469	694,809	284,017
Lease liabilities	1,686,183	1,391,530	1,295,228	1,390,297	1,519,337	1,739,968
Electricity purchase payable	40,502	36,368	35,911	38,830	42,037	47,487
Total third parties	3,258,357	2,739,289	2,703,074	2,757,304	2,378,364	2,124,388
Total	3,694,787	3,452,411	3,178,074	3,469,843	4,927,734	4,034,833
Operational charges	1,813,844	2,238,855	2,882,273	2,840,156	880,962	698,584
Total	5,508,631	5,691,266	6,060,347	6,309,999	5,808,696	4,733,417

*) As restated - Note 59

(Figures in tables stated in millions of Rupiah) - Continued

Details of accrued expenses in foreign currencies are as follows :

	June 30, 2012		June 30, 2011		December 31, 2011		December 31, 2010		December 31, 2009		January 1, 2009 / December 31, 2008	
	In foreign currencies *)	Rp equivalent	In foreign currencies *)	Rp equivalent	In foreign currencies *)	Rp equivalent	In foreign currencies *)	Rp equivalent	In foreign currencies *)	Rp equivalent	In foreign currencies *)	Rp equivalent
US$	262,346,128	2,487,041	228,878,451	2,686,652	200,659,859	1,819,584	241,437,090	2,170,761	217,439,832	2,043,934	149,939,638	1,641,839
JPY	3,002,871,935	359,231	1,327,929,891	141,711	5,361,966,084	626,278	3,065,196,331	338,045	2,669,242,927	271,473	4,116,939,613	498,150
EUR	593,390	7,003	2,694,095	33,573	1,175,918	13,804	1,266,416	15,141	1,480,154	19,996	1,531,975	23,641
Others **)	332,976	3,157	396,684	3,410	357,645	3,243	392,232	3,527	-	-	351,362	3,847
Total		2,856,432		2,865,346		2,462,909		2,527,474		2,335,403		2,167,477

*) In full amount

**) Accrued expenses denominated in other foreign currencies are presented as US$ equivalents using the exchange rates prevailing at reporting date.

36. CUSTOMERS' SECURITY DEPOSITS

This account represents security deposits from customers determined based on power supply and electricity tariff. Customer deposits will be refunded, net of unpaid electricity bills, when customers discontinue subscribing the electricity. The details are as follows:

	June 30,		December 31,			January 1, 2009/
	2012	2011	2011	2010	2009	December 31, 2008
Beginning balance	6,511,261	6,544,422	6,544,422	5,961,009	5,401,137	4,440,923
Additions (refund) - net	(22,066)	(41,419)	(33,161)	583,413	559,872	960,214
Ending balance	6,489,195	6,503,003	6,511,261	6,544,422	5,961,009	5,401,137

37. PROJECT COST PAYABLE

This account represents payable to contractors arising from construction of property and equipment and purchases of materials. This account will be reclassified into two-step loans account when the Company receives the Withdrawal Authorization (WA) or other similar documents.

38. REVENUE FROM SALE OF ELECTRICITY

Sale of electricity by customers are as follows :

	2012 (Six months)	2011 (Six months)	2011 (One year)	2010 (One year)	2009 (One year)
Related parties					
State-owned companies	1,616,848	1,866,148	3,493,538	2,936,997	2,812,670
Government	2,717,246	2,505,219	4,737,563	4,489,597	3,671,535
Indonesian Armed Forces	433,354	332,217	660,592	749,838	581,680
Total related parties	4,767,448	4,703,584	8,891,693	8,176,432	7,065,885
Third parties					
Public	57,413,467	52,226,038	103,953,160	94,797,099	83,106,215
Total	62,180,915	56,929,622	112,844,853	102,973,531	90,172,100

Revenue from sale of electricity is based on basic electricity tariffs determined by the Government of the Republic of Indonesia.

The Company has no customer from which it obtains its revenue of more than 10% of total sale of electricity.

(Figures in tables stated in millions of Rupiah) - Continued

39. GOVERNMENT'S ELECTRICITY SUBSIDY

The Government of Republic of Indonesia has provided electricity subsidy to customers through the Company. Procedure for the calculation and payment of electricity subsidy for budget year 2012 and 2011, is using the Regulation of Minister of Finance of the Republic of Indonesia No. 111/PMK.02/2007 dated September 14, 2007, which has been amended by Regulation No. 162/PMK.02/2007 dated December 17, 2007. The electricity subsidy is computed as the negative difference between the average sales prices (Rp/kWh) of each tariff category less the cost of electricity supplies on the voltage for each tariff category multiplied by the electricity sales volume (kWh) of each tariff category. The cost of electricity supplies is computed based on the formula, including the rate of transmission and distribution losses which is determined by the Directorate General of Electricity and Energy Consumption under the Ministry of Energy and Mineral Resources.

Based on the Approval Letter of Budget Performance List (DIPA), the electricity subsidy plafond for budget year 2012 amounted to Rp 64,973,400 million, which includes 7% margin above the costs of supplied electricity.

Based on the DIPA, the electricity subsidy plafond for budget year 2011 amounted to Rp 40,700,000 million, which includes 8% margin above the costs of supplies electricity. Subsequently, on December 23, 2011, the Government has increased the 2011 electricity subsidy plafond to Rp 86,244,740 million.

Based on the DIPA, the electricity subsidy plafond for budget year 2010 amounted to Rp 35,300,000 million, which includes 8% margin above the costs of supplied electricity. Based on the revised APBN Budget Year 2010 the Government has approved increased of the electricity subsidy plafond to Rp 51,106,300 million. Subsequently, on December 29, 2010, the Government has increased the 2010 electricity subsidy plafond to Rp 53,606,300 million.

Based on the DIPA, the electricity subsidy plafond for budget year 2009 amounted to Rp 40,481,529 million, which includes 1% margin above the costs of supplied electricity. Based on the revised APBN Budget Year 2009 and letter from Minister of Finance of the Republic of Indonesia No. S-588/MK.02/2009 dated October 2, 2009, the Government has approved increased of the electricity subsidy plafond to Rp 44,957,596 million which includes 5% margin above the costs of supplied electricity. Subsequently, on December 21, 2009, the Government has increased the 2009 electricity subsidy plafond to Rp 45,139,344 million.

The amount of electricity subsidy in a budget year is based on the result of the compliance audit of the usage of the electricity subsidy performed by an auditor assigned by the Directorate General of Budget under the Ministry of Finance.

On March 26, 2012, March 25, 2011 and March 26, 2010, the Company agreed with the result of audit of 2011, 2010 and 2009 electricity subsidy computation amounting to Rp 93,177,740 million, Rp 58,108,418 million and Rp 53,719,818 million, respectively.

The details of revenue from electricity subsidy are as follows:

	2012 (Six months)	2011 (Six months)	2011 (One year)	2010 (One year)	2009 (One year)
Realization of subsidy from current year budget :					
Cash received	30,963,471	12,717,768	85,582,870	50,153,118	41,754,377
Offsetting with accounts payable to Pertamina	-	-	-	3,177,027	3,384,967
Subsidy receivable from period year budget (Note 17)	17,124,913	28,143,861	7,594,870	4,778,273	8,580,474
Total revenue from electricity subsidy	48,088,384	40,861,629	93,177,740	58,108,418	53,719,818

The offsetting of Government's electricity subsidy against trade accounts payable to Pertamina is based on the Payment Instruction Letter and Fund Withdrawal issued by the Directorate General of Budget and Fiscal Balance and the Directorate General of Treasury.

(Figures in tables stated in millions of Rupiah) - Continued

40. OTHER REVENUES

	2012 (Six months)	2011 (Six months)	2011 (One year)	2010 (One year)	2009 (One year)
Technological information income	233,805	160,241	393,327	302,129	322,881
Transformer rental	30,507	24,843	50,379	50,334	49,567
Upgrading of electricity power and administration fees	28,694	25,437	55,326	33,510	29,027
Services and others	145,217	52,151	487,468	146,535	277,035
Total	438,223	262,672	986,500	532,508	678,510

41. FUEL AND LUBRICANTS EXPENSE

	2012 (Six months)	2011 *) (Six months)	2011 *) (One year)	2010 *) (One year)	2009 *) (One year)
Fuel oil					
Solar high speed diesel	30,816,070	34,792,352	70,554,829	41,748,728	34,752,375
Marine fuel oil	6,726,826	8,077,338	16,892,043	12,947,816	13,333,917
Solar industrial diesel	13,813	58,092	110,871	40,739	59,660
Others	28,337	27,346	61,022	65,448	55,586
Total	37,585,046	42,955,128	87,618,765	54,802,731	48,201,538
Non fuel oil					
Coals	17,759,021	12,399,672	27,053,972	22,607,100	22,524,535
Natural gas	8,026,958	5,734,661	12,493,012	12,815,055	11,118,657
Geothermal	1,919,902	1,689,274	3,496,325	3,119,716	3,166,328
Water	119,179	107,839	215,553	234,821	120,246
Total	27,825,060	19,931,446	43,258,862	38,776,692	36,929,766
Lubricants	138,717	130,181	279,977	319,320	367,626
Total	65,548,823	63,016,755	131,157,604	93,898,743	85,498,930

*) As restated - Note 59

55.56%, 67.28%, 68.02%, 61.11% and 65.02% of the total fuel and lubricants expense for the six-month periods ended June 30, 2012 and 2011 and for the years ended December 31, 2011, 2010 and 2009, respectively, are purchased from related parties (Note 54).

42. PURCHASED ELECTRICITY

This account includes purchase of electricity from IPPs during commissioning stage and purchase of excess electricity generated by certain IPPs. The details are as follows:

	2012 (Six months)	2011 *) (Six months)	2011 *) (One year)	2010 *) (One year)	2009 *) (One year)
PT Cikarang Listrindo	575,153	387,692	844,820	463,729	627,856
PT Paiton Energy	395,774	-	-	-	-
PT Cirebon Electric Power	133,539	-	-	-	-
Others (each below 5% of total)	279,485	178,221	411,893	429,415	181,106
Total	1,383,951	565,913	1,256,713	893,144	808,962

*) As restated - Note 59

43. LEASE EXPENSES

This account pertains to diesel rental and operating lease payments to certain IPPs including contingent rent arising from capacity payments in excess of the agreed availability factor.

(Figures in tables stated in millions of Rupiah) - Continued

44. MAINTENANCE EXPENSES

This account represents spare parts used and contractor fees for maintenance purposes, as follows:

	2012 (Six months)	2011 *) (Six months)	2011 *) (One year)	2010 *) (One year)	2009 *) (One year)
Contractor fees	4,241,628	3,482,147	8,567,960	6,948,842	6,576,664
Spare parts used	2,589,642	2,313,645	5,024,603	4,791,987	3,363,610
Total	6,831,270	5,795,792	13,592,563	11,740,829	9,940,274

*) As restated - Note 59

45. PERSONNEL EXPENSES

	2012 (Six months)	2011 (Six months)	2011 (One year)	2010 (One year)	2009 (One year)
Employee benefits (Note 52)	2,416,339	2,146,695	4,412,253	3,814,387	2,736,646
Salaries	1,606,124	1,583,176	3,189,108	3,102,472	3,020,432
Bonus and performance incentives	903,836	628,994	2,669,586	3,219,352	1,441,333
Allowances	441,073	388,307	1,169,763	1,106,429	985,710
Others	913,032	744,040	1,756,365	1,711,777	1,574,193
Total	6,280,404	5,491,212	13,197,075	12,954,417	9,758,314

46. OTHER OPERATING EXPENSES

	2012 (Six months)	2011 (Six months)	2011 (One year)	2010 (One year)	2009 (One year)
Travel	316,988	252,659	512,195	567,691	399,055
Honorarium	295,825	263,500	746,395	500,405	463,086
Meter reading	212,930	194,914	499,008	493,575	513,465
Insurance	150,985	87,610	210,123	184,459	184,975
Postage, telephone and telegraph	146,856	69,002	140,466	158,551	149,082
Billing collection and orderliness of electricity used	190,207	176,599	416,888	379,892	410,892
Customer maintenance	144,934	120,373	66,717	56,385	85,045
Technological information	113,075	24,570	121,181	149,970	36,023
Others (each below 5% of total)	731,988	650,990	1,692,261	1,795,075	1,793,916
Total	2,303,788	1,840,217	4,405,234	4,286,003	4,035,539

(Figures in tables stated in millions of Rupiah) - Continued

47. FINANCIAL COST

	2012 (Six months)	2011 *) (Six months)	2011 *) (One year)	2010 *) (One year)	2009 *) (One year)
Related parties					
Bank loans and medium term notes	820,953	302,001	1,133,652	792,746	782,208
Trade accounts payable on purchase of fuel	27,495	331,637	463,278	351,387	705,142
Two-step loans	448,549	212,495	562,058	461,046	609,735
Government loans	116,325	109,755	225,861	236,368	136,764
Total related parties	1,413,322	955,888	2,384,849	1,841,547	2,233,849
Third parties					
Bank loans	280,548	47,681	152,853	2,164	3,968
Bonds payable	2,208,704	1,580,986	3,249,975	2,835,770	1,053,947
Lease liabilities (Note 27)	7,481,066	5,240,277	11,063,022	10,280,842	12,372,437
Electricity purchase payable	185,413	178,008	354,755	376,900	439,718
Others	23,650	27,264	16,065	42,269	45,311
Total third parties	10,179,381	7,074,216	14,836,670	13,537,945	13,915,381
Total	11,592,703	8,030,104	17,221,519	15,379,492	16,149,230
Fair value adjustments					
Related parties					
Government loans (Note 26)	(133,466)	-	(286,392)	(740,751)	-
Payable to related parties (Note 31)	-	-	-	(3,679)	-
Other receivables (Note 18)	-	-	-	15,742	-
Total related parties	(133,466)	-	(286,392)	(728,688)	-
Third parties					
Restricted cash in banks and time deposits (Note 12)	-	121,825	425,940	526,677	-
Total third parties	-	121,825	425,940	526,677	-
Subtotal	(133,466)	121,825	139,548	(202,011)	-
Total	11,459,237	8,151,929	17,361,067	15,177,481	16,149,230

*) As restated - Note 59

Fair value adjustments pertain to adjustment on initial recognition to recognize financial assets and financial liabilities at fair value.

Financial cost includes interest expense from finance lease liabilities.

48. OTHERS INCOME (EXPENSES) – NET

	2012 (Six months)	2011 (Six months)	2011 (One year)	2010 (One year)	2009 (One year)
Administrative penalty income	603,224	556,761	1,086,502	744,752	558,370
Equity in net income of associates (Note 9)	173,851	107,937	123,519	123,314	305,864
Claim and service income	47,374	96,350	434,931	186,905	68,375
Gain on sale of assets not used in operations (Note 10)	6,312	16,856	34,345	72,499	12,464
Environmental Partnership Programs and Community Development	(70,000)	(70,000)	(70,000)	-	(1,500)
Research	(8,462)	(164)	(1,944)	(1,055)	(1,664)
Community development programs	(14,524)	(25,912)	(37,273)	(47,852)	(41,403)
Loss on impairment of property, plant and equipment (Note 10)	(64,326)	(114,571)	(394,436)	(330,107)	(281,514)
Others	58,263	1,167,405	651,602	410,284	(359,951)
Total	731,712	1,734,662	1,827,246	1,158,741	259,041

(Figures in tables stated in millions of Rupiah) - Continued

Based on the Annual General Stockholder's Meeting dated June 19, 2012, June 27, 2011 and February 24, 2010, the approved allocation of funds for Environmental Partnership Program and Community Development for the period 2012, 2011 and 2009 period each amounted to Rp 70,000 million, Rp 70,000 million and Rp 1,500 million, respectively.

49. INCOME TAX

Tax expense (benefit) of the Company and its subsidiaries consist of the following :

	2012 (Six months)	2011 *) (Six months)	2011 *) (One year)	2010 *) (One year)	2009 *) (One year)
Current tax	623,667	883,404	995,557	734,962	722,881
Deferred tax	(1,444,000)	35,493	(906,677)	671,379	3,260,768
Total tax expense (benefit)	(820,333)	918,897	88,880	1,406,341	3,983,649

*) As restated - Note 59

Current Tax

A reconciliation between profit (loss) before tax per consolidated statements of comprehensive income and taxable income of the Company is as follows :

	2012 (Six months)	2011 *) (Six months)	2011 *) (One year)	2010 *) (One year)	2009 *) (One year)
Profit (loss) before tax per consolidated statements of comprehensive income	(789,248)	11,277,189	5,514,995	11,753,501	18,550,428
Profit before tax attributable to subsidiaries	(2,026,185)	(3,530,432)	(3,616,759)	(3,157,813)	(2,890,339)
Profit (loss) before tax - the Company	(2,815,433)	7,746,757	1,898,236	8,595,688	15,660,089
Temporary differences :					
Lease expenses	7,692,732	(1,472,781)	1,590,800	(730,299)	(6,721,217)
Customer connection fees	2,223,252	2,163,344	4,422,565	1,818,755	722,887
Depreciation	(4,289,800)	(2,241,565)	(3,499,263)	(5,978,232)	(5,949,469)
Employee benefits	1,345,235	1,218,416	2,427,959	2,077,567	1,095,275
Allowance for doubtful accounts and decline in value of inventories	92,596	68,564	135,998	70,297	63,662
Amortization of bonds issuance costs	(586)	(586)	(98)	(879)	(1,781)
Nondeductible expenses (nontaxable income)					
Employee welfare	262,655	251,066	545,205	583,429	562,148
Depreciation of guest house	4,459	4,422	8,662	8,617	8,263
Interest income subjected to final tax	(162,443)	(284,237)	(386,294)	(573,020)	(293,777)
Other nondeductible expenses	333,315	678,339	956,198	755,244	790,674
The Company's taxable profit for the year	4,685,982	8,131,739	8,099,968	6,627,167	5,936,754
Fiscal losses year :					
2008	(11,446,352)	(15,514,019)	(15,514,019)	(15,514,019)	(16,508,849)
2007	-	(6,227,954)	(4,032,301)	(9,580,093)	(9,580,093)
2006	-	-	-	(3,275,029)	(3,919,814)
2005	-	-	-	-	(5,291,968)
Accumulated fiscal losses of the Company	(6,760,370)	(13,610,234)	(11,446,352)	(21,741,974)	(29,363,970)

*) As restated - Note 59

(Figures in tables stated in millions of Rupiah) - Continued

Current tax expense and payable (income tax overpayment) are as follows :

	2012 (Six months)	2011 (Six months)	2011 (One year)	2010 (One year)	2009 (One year)
Current tax expense					
The Company	-	-	-	-	-
Subsidiaries	623,667	883,404	995,557	734,962	722,881
Total	623,667	883,404	995,557	734,962	722,881
Prepayment of taxes					
The Company					
Income tax					
Article 22	99,388	100,519	100,416	94,020	96,488
Article 23	2,799	5,676	2,219	1,350	141
Total	102,187	106,195	102,635	95,370	96,629
Subsidiaries	284,859	223,544	517,293	521,163	469,503
Total	387,046	329,739	619,928	616,533	566,132
Current tax payable net of tax prepayments	236,621	553,665	375,629	118,429	156,749
Consist of					
Current tax payable					
The Company	-	-	-	-	-
Subsidiaries	345,267	684,530	491,662	302,044	283,937
Total current tax payable	345,267	684,530	491,662	302,044	283,937
Income tax overpayment					
The Company	(102,187)	(106,195)	(102,635)	(95,370)	(96,629)
Subsidiaries	(6,459)	(24,670)	(13,398)	(88,245)	(30,559)
Total income tax overpayment	(108,646)	(130,865)	(116,033)	(183,615)	(127,188)

Fiscal loss and corporate income tax overpayment for the Company and tax payable for the subsidiaries for the fiscal year 2011, 2010 and 2009 are in accordance with the corporate tax returns filed with the Tax Service Office.

(Figures in tables stated in millions of Rupiah) - Continued

Deferred Tax

The details of the Company and its subsidiaries deferred tax assets and liabilities are as follows:

	January 1, 2012 *)	Credited (charged) to income for the period	June 30, 2012
Deferred Tax Assets			
Subsidiaries - Net	18,018	1,461	19,479
Deferred Tax Liabilities			
The Company			
Deferred tax assets			
Employee benefit obligation	4,598,685	336,309	4,934,994
Deferred income	3,576,599	555,813	4,132,412
Leases	2,569,484	1,971,472	4,540,956
Total	10,744,768	2,863,594	13,608,362
Deferred tax liabilities			
Property, plant and equipment	(13,078,516)	(1,459,787)	(14,538,303)
Others	(962)	(147)	(1,109)
Total	(13,079,478)	(1,459,934)	(14,539,412)
Net	(2,334,710)	1,403,660	(931,050)
Subsidiaries - Net	(4,049,991)	38,879	(4,011,112)
Deferred Tax Liabilities - Net	(6,384,701)	1,442,539	(4,942,162)
Deferred Tax Benefit		1,444,000	

*) As restated - Note 59

	January 1, 2011 *)	Credited (charged) to income for the period *)	June 30, 2011 *)
Deferred Tax Assets Subsidiaries - Net	11,278	1,622	12,900
Deferred Tax Liabilities			
The Company			
Deferred tax assets			
Employee benefits obligation	3,991,696	304,604	4,296,300
Deferred revenue	2,470,957	540,836	3,011,793
Leases	2,176,927	(377,251)	1,799,676
Total	8,639,580	468,189	9,107,769
Deferred tax liabilities			
Property, plant and equipment	(11,829,967)	(493,171)	(12,323,138)
Others	(937)	(150)	(1,087)
Total	(11,830,904)	(493,321)	(12,324,225)
Net	(3,191,324)	(25,132)	(3,216,456)
Subsidiaries - Net	(4,093,314)	(11,983)	(4,105,298)
Deferred Tax Liabilities - Net	(7,284,638)	(37,115)	(7,321,753)
Deferred Tax Expenses		(35,493)	

*) As restated - Note 59

(Figures in tables stated in millions of Rupiah) - Continued

	January 1, 2011 *)	Credited (charged) to income for the period *)	December 31, 2011 *)
Deferred Tax Assets			
Subsidiaries - Net	11,278	6,740	18,018
Deferred Tax Liabilities			
The Company			
Deferred tax assets			
Employee benefit obligation	3,991,696	606,989	4,598,685
Deferred income	2,470,957	1,105,642	3,576,599
Leases	2,176,927	392,557	2,569,484
Total	8,639,580	2,105,188	10,744,768
Deferred tax liabilities			
Property, plant and equipment	(11,829,967)	(1,248,549)	(13,078,516)
Others	(937)	(25)	(962)
Total	(11,830,904)	(1,248,574)	(13,079,478)
Net	(3,191,324)	856,614	(2,334,710)
Subsidiaries - Net	(4,093,314)	43,323	(4,049,991)
Deferred Tax Liabilities - Net	(7,284,638)	899,937	(6,384,701)
Deferred Tax Benefit		906,677	

*) As restated - Note 59

	January 1, 2010 *)	Credited (charged) to income for the period *)	December 31, 2010 *)
Deferred Tax Assets			
Subsidiaries - Net	8,059	3,219	11,278
Deferred Tax Liabilities			
The Company			
Deferred tax assets			
Employee benefit obligation	3,472,304	519,392	3,991,696
Deferred income	2,016,269	454,688	2,470,957
Leases	2,372,958	(196,031)	2,176,927
Total	7,861,531	778,049	8,639,580
Deferred tax liabilities			
Property, plant and equipment	(10,500,837)	(1,329,130)	(11,829,967)
Others	(645)	(292)	(937)
Total	(10,501,482)	(1,329,422)	(11,830,904)
Net	(2,639,951)	(551,373)	(3,191,324)
Subsidiaries - Net	(3,970,089)	(123,226)	(4,093,314)
Deferred Tax Liabilities - Net	(6,610,040)	(674,598)	(7,284,638)
Deferred Tax Expenses		(671,379)	

*) As restated - Note 59

(Figures in tables stated in millions of Rupiah) - Continued

	January 1, 2009 *)	Credited (charged) to income for the year *)	December 31, 2009 *)
Deferred Tax Assets Subsidiaries - Net	8,767	(708)	8,059
Deferred Tax Liabilities			
The Company			
Deferred tax assets			
Employee benefits obligation	3,267,085	205,219	3,472,304
Deferred revenue	1,853,952	162,317	2,016,269
Leases	4,606,459	(2,233,501)	2,372,958
Total	9,727,496	(1,865,965)	7,861,531
Deferred tax liabilities			
Prepaid pension	(31,530)	31,530	-
Property, plant and equipment	(9,213,508)	(1,287,329)	(10,500,837)
Others	(485)	(160)	(645)
Total	(9,245,523)	(1,255,959)	(10,501,482)
Net	481,973	(3,121,924)	(2,639,951)
Subsidiaries - Net	(3,831,953)	(138,135)	(3,970,089)
Deferred Tax Liabilities - Net	(3,349,980)	(3,260,060)	(6,610,040)
Deferred Tax Expenses		(3,260,768)	

*) As restated - Note 59

A reconciliation between the total tax expense and the amounts computed by applying the effective tax rates to profit (loss) before tax is as follows :

	2012 (Six months)	2011 *) (Six months)	2011 *) (One year)	2010 *) (One year)	2009 *) (One year)
Profit (loss) before tax per consolidated statements of comprehensive income	(789,248)	11,277,189	5,514,995	11,753,501	18,550,428
Profit before tax attributable to subsidiaries	(2,026,185)	(3,530,432)	(3,616,759)	(3,157,813)	(2,890,339)
Profit (loss) before tax - the Company	(2,815,433)	7,746,757	1,898,236	8,595,688	15,660,089
Tax expense (benefit) at prevailing rate	(703,858)	1,936,689	474,559	2,148,922	4,384,825
Tax effect on					
Recognized deferred tax on tax losses	(1,171,495)	(2,037,593)	(2,024,992)	(1,656,792)	(1,662,291)
Allowance for doubtful accounts and decline in value of inventories	23,149	17,141	34,000	17,574	17,825
Recognition of prior year's deferred tax assets (liabilities)	338,991	(56,665)	373,185	(159,015)	(199,681)
Nondeductible expenses (nontaxable income)					
Employee welfare	65,664	62,766	136,301	145,857	157,401
Depreciation of guest house	1,115	1,105	2,165	2,154	2,314
Interest income subjected to final tax	(40,611)	(71,059)	(96,574)	(143,255)	(82,258)
Other nondeductible expenses	83,329	169,589	239,049	188,811	500,911
Tax expense (benefit) - the Company	(1,403,716)	21,973	(862,307)	544,256	3,119,046
Tax expense - Subsidiaries	583,383	896,924	951,187	862,085	864,603
Total tax expense (benefit)	(820,333)	918,897	88,880	1,406,341	3,983,649

*) As restated - Note 59

(Figures in tables stated in millions of Rupiah) - Continued

Unrecognized deferred tax asset is as follows :

	June 30,		December 31,			January 1, 2009/
	2012	2011	2011	2010	2009	December 31, 2008
The Company						
Fiscal losses	1,690,093	3,397,901	2,861,588	5,435,493	7,340,993	8,929,213
Others	113,573	82,656	94,269	69,158	82,495	162,748
Total	1,803,666	3,480,557	2,955,857	5,504,651	7,423,488	9,091,961
Subsidiaries						
Fiscal losses	5,840	43,889	31,438	61,992	79,332	97,396
Total	1,809,506	3,524,446	2,987,295	5,566,643	7,502,820	9,189,357

The Company and its subsidiaries do not have a sufficient basis to determine the future tax benefit on these deferred tax assets. The deferred tax assets will be recognized in the consolidated financial statements when the taxable income becomes available in future periods.

Tax Assessment Letters

The Company

In 2011, the Company received a tax assessment letter for the overpayment (SKPLB) of corporate income tax for fiscal year 2009 amounting to Rp 95,625 million and assessment of taxable income amounting to Rp 8,132,406 million. The Company also received Tax Assessment Letters for Underpayment (SKPKB) and tax collection notice (STP) of income tax article 4 section (2), article 21, article 22, article 23 and article 26 and value added tax for fiscal year 2009, 2007 and 2006 with total amount of Rp 1,636,826 million. The Company file objection letter on SKPKB of income tax article 23, article 26 and value added tax amounting to Rp 1,360,282 million, while SKPKB and STP amounting to Rp 276,544 million has been recognized and recorded by the Company as other expense in 2011.

In 2010, the Company received SKPLB of corporate income tax for fiscal year 2007 amounting to Rp 11,285 million and assessment on fiscal loss amounting to Rp 9,580,093 million.

In 2010, the Company also received SKPLB of corporate income tax for fiscal year 2008, amounting to Rp 62,979 million and assessment for tax loss of Rp 15,514,019 million. The Company also received SKPKB and STP of income tax article 4 section (2), article 21, article 22, article 23, article 26 and value added tax for fiscal year 2008 with total amount of Rp 1,006,727 million. The Company filed an objection letter on SKPKB of income tax article 23 and article 26 amounting to Rp 707,091 million, while SKPKB and STP amounting to Rp 299,636 million has been recognized and recorded by the Company as other expense in 2010. On October 4, 2011, Director General of Tax (DJP) denied the objection filed by the Company. Furthermore, on December 23, 2011, the Company filed an appeal.

Because of to the objection and appeal filed by the Company against the SKPKB, payment made by the Company for such SKPKB amounting to Rp 2,054,883 million as of June 30, 2012, Rp 2,067,372 million as of December 31, 2011 and Rp 208,324 million as of June 30, 2011 and December 31, 2010 were recorded as prepaid taxes.

Subsidiary – PJB

In 2007, PJB received SKPKB for income tax article 15, article 21 and article 23 amounting to Rp 112,477 million. PJB filed an objection letter on these SKPKB. In 2008, Director General of Tax (DJP) denied the objection filed by PJB and PJB has filed an appeal for such refusal. Payment made for such SKPKB amounting to Rp 22,194 million as of December 31, 2010 and 2009 were recorded as prepaid taxes.

In 2011, PJB received the payment of the result tax with total amounting to Rp 22,194 million.

50. BASIC EARNINGS PER SHARE

Profit

Net income for the computation of basic earnings per share for six-month periods ended June 30, 2012 and 2011 and for the years ended December 31, 2011, 2010 and 2009 amounted to Rp 26,169 million and Rp 10,376,923 million and Rp 5,426,359 million, Rp 10,340,828 million and Rp 14,562,349 million, respectively.

Number of shares

The weighted average number of shares for the computation of basic earnings per share was 46,197,380 shares for six-month period ended June 30, 2012, 46,107,154 shares for six-month period ended June 30, 2011, 46,144,748 shares for year ended December 31, 2011 and 46,107,154 shares for years ended December 31, 2010 and 2009.

The Company did not calculate dilutive earnings per share because it has no potential dilutive ordinary shares.

51. CASH DIVIDENDS AND GENERAL RESERVE

Based on the Annual General Stockholders' Meeting dated June 19, 2012, the stockholders approved the distribution of cash dividends amounting to Rp 3,500,000 million and appropriate Rp 3,623,870 million for general reserve.

Based on the Annual General Stockholders' Meeting dated June 27, 2011, the stockholders approved the distribution of cash dividends amounting to Rp 4,545,000 million and appropriate Rp 5,471,686 million for general reserve.

Based on the Annual General Stockholders' Meeting dated June 23, 2010, the stockholders approved the distribution of cash dividends amounting to Rp 4,000,000 million and appropriate Rp 6,354,179 million for general reserve.

52. EMPLOYEE BENEFITS

Post-employment Benefits

Defined Benefit Pension Plan

The Company and its subsidiaries established a defined benefit pension plan covering all of their permanent employees. This plan provides pension benefits based on years of service and salaries of the employees.

The pension plan is managed by Dana Pensiun PLN (Persero) (DP-PLN), which deed of establishment was approved by the Ministry of Finance of the Republic of Indonesia in its decision letter No. KEP-284/KM.17/1997 dated May 15, 1997.

DP-PLN obtained an approval from the Minister of Finance of the Republic of Indonesia No. KEP-078/KM.12/2006 dated on August 29, 2006 in relation to the increase in pension benefits provided by the Company and its subsidiaries' pension plan.

DP-PLN is mainly funded by contributions from both the employees, which is 6% and the employer, which is 6.25% - 11.2%.

Other Post-employment Benefits

The Company and its subsidiaries also provide other unfunded defined post-employment benefit plans such as severance pay, service pay, compensation pay, additional allowance and functional retirement pay for their qualifying employees based on the Company and its subsidiaries' policies. These other post-employment benefits are computed based on the salaries and service years of the employees.

(Figures in tables stated in millions of Rupiah) - Continued

Health Care Benefits

In addition to the pension plan managed by DP-PLN and the other post-employment benefits, the Company and its subsidiaries also provide unfunded health care benefit plans for their pensioners and their eligible dependents.

Long-term Benefits

The Company and its subsidiaries also provide unfunded defined long-term benefit plans such as long service leave, work accident, death and funeral allowances, and eight years service award for their qualifying employees.

The cost of providing post-employment and long-term benefits were calculated by an independent actuary, PT Binaputera Jaga Hikmah. The actuarial valuation was carried out using the following key assumptions :

Normal retirement age	56 years
Expected rate of return on plan assets	10% year 2012 and 11% year 2011, 2010 and 2009
Discount rate per annum	6.74% year 2012, 6.69% year 2011, 8.6% in 2010 and 10.5% in 2009
Rate of salary increase per annum	
Pension plan	5%
Other post-employment and long-term benefits	8%
Rate of health cost increase	9%

The Company and its subsidiaries' employee benefit expenses charged to personnel expenses, are as follows :

	2012 (Six months)				
	Post-employment benefit				
	Pension plan	Other post-employment	Health care benefits	Long-term benefits	Total
Current service cost	61,773	326,069	325,467	124,261	837,570
Past service cost	-	12,871	-	182	13,053
Expected return on plan assets	(317,637)	-	-	-	(317,637)
Interest costs	184,062	416,312	752,901	37,226	1,390,501
Actuarial (gains) losses	781	63,673	339,972	(49,892)	354,534
Asset limitation	138,318	-	-	-	138,318
Total	67,297	818,925	1,418,340	111,777	2,416,339

	2011 (Six months)				
	Post-employment benefit				
	Pension plan	Other post-employment	Health care benefits	Long-term benefits	Total
Current service cost	54,392	263,952	198,582	113,808	630,734
Past service cost	-	12,871	-	-	12,871
Expected return on plan assets	(298,076)	-	-	-	(298,076)
Interest costs	202,935	477,523	716,055	40,305	1,436,818
Actuarial losses (gains)	519	47,824	239,115	(32,512)	254,946
Asset limitation	109,402	-	-	-	109,402
Total	69,172	802,170	1,153,752	121,601	2,146,695

(Figures in tables stated in millions of Rupiah) - Continued

	2011 (One year)				
	Post-employment benefit				
	Pension plan	Other post-employment	Health care benefits	Long-term benefits	Total
Current service cost	108,847	530,466	397,166	227,632	1,264,111
Past service cost	-	25,748	-	-	25,748
Expected return on plan assets	(577,972)	-	-	-	(577,972)
Interest costs	405,870	955,304	1,432,109	80,608	2,873,891
Actuarial losses	1,038	95,665	478,232	52,367	627,302
Asset limitation	199,173	-	-	-	199,173
Total	136,956	1,607,183	2,307,507	360,607	4,412,253

	2010 (One year)				
	Post-employment benefit				
	Pension plan	Other post-employment	Health care benefits	Long-term benefits	Total
Current service cost	91,718	443,357	242,942	213,186	991,203
Past service cost	-	10,988	-	1,333	12,321
Expected return on plan assets	(764,825)	-	-	-	(764,825)
Interest costs	450,680	1,030,588	1,251,529	85,635	2,818,432
Actuarial losses	(3,890)	87,310	294,323	37,445	415,188
Asset limitation	342,068	-	-	-	342,068
Total	115,751	1,572,243	1,788,794	337,599	3,814,387

	2009 (One year)				
	Post-employment benefit				
	Pension plan	Other post-employment	Health care benefits	Long-term benefits	Total
Current service cost	85,966	406,164	172,087	209,081	873,298
Past service cost	78,318	11,160	-	162	89,640
Expected return on plan assets	(449,114)	-	-	-	(449,114)
Interest costs	446,010	1,117,366	508,409	95,795	2,167,580
Actuarial losses (gains)	8,210	127,122	(171,788)	(10,315)	(46,771)
Asset limitation	102,013	-	-	-	102,013
Total	271,403	1,661,812	508,708	294,723	2,736,646

The Company and its subsidiaries movement in the present value of employee benefits obligation are as follows:

	June 30, 2012				
	Pension plan	Other post-employment	Health care benefits	Long-term	Total
Opening defined benefit obligation	5,503,573	12,445,501	21,943,850	1,111,137	41,004,061
Current service cost	61,773	326,069	325,467	124,261	837,570
Interest cost	184,062	416,312	752,901	37,226	1,390,501
Actuarial (gains)/losses	(496,704)	(465,741)	(226,339)	(49,710)	(1,238,494)
Benefits paid	(204,949)	(480,238)	(202,381)	(97,654)	(985,222)
Closing defined benefit obligation	5,047,755	12,241,903	22,593,498	1,125,260	41,008,416

(Figures in tables stated in millions of Rupiah) - Continued

	June 30, 2011				
	Pension plan	Other post-employment	Health care benefits	Long-term	Total
Opening defined benefit obligation	4,716,074	11,096,551	16,640,457	935,120	33,388,202
Current service cost	54,392	263,952	198,582	113,808	630,734
Interest cost	202,935	477,522	716,055	40,305	1,436,817
Actuarial (gains)/losses	178,987	8,116	1,024,451	(37,286)	1,174,268
Benefits paid	(197,068)	(441,038)	(167,942)	(86,805)	(892,853)
Closing defined benefit obligation	4,955,320	11,405,103	18,411,603	965,142	35,737,168

	December 31, 2011				
	Pension plan	Other post-employment	Health care benefits	Long-term	Total
Opening defined benefit obligation	4,716,074	11,096,551	16,640,457	935,120	33,388,202
Current service cost	108,847	530,466	397,166	227,632	1,264,111
Interest cost	405,870	955,304	1,432,109	80,608	2,873,891
Actuarial (gains)/losses	668,348	775,107	3,871,373	52,181	5,367,009
Benefits paid	(395,566)	(911,927)	(397,255)	(184,404)	(1,889,152)
Closing defined benefit obligation	5,503,573	12,445,501	21,943,850	1,111,137	41,004,061

	December 31, 2010				
	Pension plan	Other post-employment	Health care benefits	Long-term	Total
Opening defined benefit obligation	4,254,785	11,250,155	11,919,329	814,866	28,239,135
Current service cost	91,718	443,357	242,942	213,186	991,203
Interest cost	450,680	1,030,588	1,251,529	85,635	2,818,432
Actuarial (gains)/losses	236,604	(845,975)	3,598,258	39,584	3,028,471
Benefits paid	(317,713)	(781,574)	(371,601)	(218,151)	(1,689,039)
Closing defined benefit obligation	4,716,074	11,096,551	16,640,457	935,120	33,388,202

	December 31, 2009				
	Pension plan	Other post-employment	Health care benefits	Long-term	Total
Opening defined benefit obligation	3,735,076	9,311,914	4,236,741	798,678	18,082,409
Current service cost	85,966	406,164	172,087	209,081	873,298
Interest cost	446,010	1,117,366	508,409	95,795	2,167,580
Actuarial (gains)/losses	7,125	1,170,246	7,331,335	(10,698)	8,498,008
Benefits paid	(19,392)	(755,535)	(329,243)	(277,990)	(1,382,160)
Closing defined benefit obligation	4,254,785	11,250,155	11,919,329	814,866	28,239,135

(Figures in tables stated in millions of Rupiah) - Continued

	January 1, 2009				
	Prepaid employee benefit, Pension plan	Other post-employment	Health care benefits	Long-term	Total
Opening defined benefit obligation	4,006,303	7,219,224	6,180,457	783,048	14,182,729
Current service cost	93,607	417,691	86,939	166,487	671,117
Interest cost	400,627	721,906	618,032	78,291	1,418,229
Actuarial (gains)/losses	(751,186)	1,885,413	(2,374,997)	36,440	(453,144)
Benefits paid	(14,275)	(932,320)	(273,690)	(265,588)	(1,471,598)
Closing defined benefit obligation	3,735,076	9,311,914	4,236,741	798,678	14,347,333

Movements in the Company and its subsidiaries' employee benefits obligation are as follows :

	June 30, 2012				
	Pension plan	Other post-employment	Health care benefits	Long-term	Total
Present value of obligation	5,047,755	12,241,903	22,593,498	1,125,260	41,008,416
Unrecognized past service cost	-	(134,165)	-	-	(134,165)
Unrecognized actuarial gains (losses)	374,353	(2,587,719)	(11,091,058)	-	(13,304,424)
Asset limitation	526,656	-	-	-	526,656
Fair value of plan assets	(5,948,764)	-	-	-	(5,948,764)
Employee benefits obligation	-	9,520,019	11,502,440	1,125,260	22,147,719
Current maturities	-	(960,475)	(404,761)	(195,309)	(1,560,545)
Long-term portion	-	8,559,544	11,097,679	929,951	20,587,174

	June 30, 2011				
	Pension plan	Other post-employment	Health care benefits	Long-term	Total
Present value of obligation	4,955,320	11,405,103	18,411,603	965,142	35,737,168
Unrecognized past service cost	-	(159,908)	-	-	(159,908)
Unrecognized actuarial gains (losses)	144,084	(2,398,591)	(9,048,843)	-	(11,303,350)
Asset limitation	508,442	-	-	-	508,442
Fair value of plan assets	(5,607,846)	-	-	-	(5,607,846)
Employee benefits obligation	-	8,846,604	9,362,760	965,142	19,174,506
Current maturities	-	(903,655)	(477,265)	(177,544)	(1,558,464)
Long-term portion	-	7,942,949	8,885,495	787,598	17,616,042

	December 31, 2011				
	Pension plan	Other post-employment	Health care benefits	Long-term	Total
Present value of obligation	5,503,573	12,445,501	21,943,850	1,111,137	41,004,061
Unrecognized past service cost	-	(146,605)	-	-	(146,605)
Unrecognized actuarial gains (losses)	(102,625)	(3,118,388)	(11,656,651)	-	(14,877,664)
Asset limitation	383,981	-	-	-	383,981
Fair value of plan assets	(5,784,929)	-	-	-	(5,784,929)
Employee benefits obligation	-	9,180,508	10,287,199	1,111,137	20,578,844
Current maturities	-	(996,787)	(425,364)	(189,349)	(1,611,500)
Long-term portion	-	8,183,721	9,861,835	921,788	18,967,344

(Figures in tables stated in millions of Rupiah) - Continued

	December 31, 2010				
	Pension plan	Other post-employment	Health care benefits	Long-term	Total
Present value of obligation	4,716,074	11,096,551	16,640,457	935,120	33,388,202
Unrecognized past service cost	-	(172,735)	-	-	(172,735)
Unrecognized actuarial gains (losses)	237,034	(2,438,345)	(8,263,508)	-	(10,464,819)
Asset limitation	402,350	-	-	-	402,350
Fair value of plan assets	(5,355,458)	-	-	-	(5,355,458)
Employee benefits obligation	-	8,485,471	8,376,949	935,120	17,797,540
Current maturities	-	(824,894)	(380,891)	(232,870)	(1,438,655)
Long-term portion	-	7,660,577	7,996,058	702,250	16,358,885

	December 31, 2009				
	Pension plan	Other post-employment	Health care benefits	Long-term	Total
Present value of obligation	4,254,785	11,250,155	11,919,329	814,866	28,239,135
Unrecognized past service cost	-	(198,230)	-	-	(198,230)
Unrecognized actuarial gains (losses)	470,176	(3,357,137)	(4,959,575)	-	(7,846,536)
Asset limitation	40,106	-	-	-	40,106
Fair value of plan assets	(4,765,067)	-	-	-	(4,765,067)
Employee benefits obligation	-	7,694,788	6,959,754	814,866	15,469,408
Current maturities	-	(965,231)	(357,899)	(243,699)	(1,566,829)
Long-term portion	-	6,729,557	6,601,855	571,167	13,902,579

	January 1, 2009/ December 31, 2008				
	Prepaid employee benefit, Pension plan	Other post-employment	Health care benefits	Long-term	Total
Present value of obligation	3,735,076	9,311,914	4,236,741	798,678	14,347,333
Unrecognized past service cost	-	(110,445)	-	-	(110,445)
Unrecognized actuarial gains (losses)	272,223	(2,413,213)	2,543,546	-	130,333
Asset limitation	49,183	-	-	-	-
Fair value of plan assets	(4,214,616)	-	-	-	-
Employee benefits obligation	(158,134)	6,788,256	6,780,287	798,678	14,367,221
Current maturities	123,397	(882,996)	(268,056)	(247,303)	(1,398,355)
Long-term portion	(34,737)	5,905,260	6,512,231	551,375	12,968,866

Movements in the Company and it's subsidiaries fair value of employee benefits plan assets related to pension plan are as follows:

	June 30,		December 31,			January 1, 2009/
	2012	2011	2011	2010	2009	December 31, 2008
Opening fair value of plan assets	5,784,929	5,355,458	5,355,458	4,765,067	4,214,616	3,925,872
Expected return on plan assets	315,442	296,305	577,972	775,223	449,114	421,737
Actuarial gains (losses)	(13,954)	83,978	110,109	21,931	289,915	17,033
Contributions from the employer	67,296	69,173	136,956	110,950	108,020	103,366
Benefits paid	(204,949)	(197,068)	(395,566)	(317,713)	(296,598)	(253,392)
Closing fair value of plan assets	5,948,764	5,607,846	5,784,929	5,355,458	4,765,067	4,214,616

(Figures in tables stated in millions of Rupiah) - Continued

The fair value each major categories of the plan assets related to pension plan are as follows:

	June 30,		December 31,			January 1, 2009/
	2012	2011	2011	2010	2009	December 31, 2008
Equity instruments	385,598	147,854	379,339	50,652	121,014	72,374
Debt instruments	3,171,054	3,188,226	3,280,984	3,150,632	3,647,358	3,518,084
Property	506,825	457,856	495,528	463,311	424,111	378,968
Other	1,885,287	1,813,910	1,629,078	1,690,863	572,584	245,190
Total	5,948,764	5,607,846	5,784,929	5,355,458	4,765,067	4,214,616

The expected rate of return for each category of plan assets are as follows:

	June 30,		December 31,			January 1, 2009/
	2012	2011	2011	2010	2009	December 31, 2008
	%	%	%	%	%	%
Equity instruments	10	11	11	11	11	11
Debt instruments	10	11	11	11	11	11
Property	10	11	11	11	11	11
Other	10	11	11	11	11	11
Weighted average expected return	10	11	11	11	11	11

The overall expected rate of return on assets is determined based on the market expectations prevailing on that date, applicable to the period over which the obligation is to be settled.

The actual return on plan assets was Rp 325,886 million and Rp 566,387 million for the six-month periods ended June 30, 2012 and 2011, respectively, and Rp 641,084 million Rp 785,648 million and Rp 735,984 million for the years ended December 31, 2011, 2010 and 2009, respectively.

The effect of a one percentage point change in assumed health care benefits rate would result in aggregate service and interest costs and accumulated healthcare benefit obligation as of these periods:

	June 30,		December 31,			January 1, 2009/
	2012	2011	2011	2010	2009	December 31, 2008
Increase 1%						
Aggregate service and interest cost	1,270,066	1,043,331	2,086,661	1,666,978	742,271	795,814
Accumulated post retirement obligation for healthcare	46,536,036	20,285,628	25,461,209	18,505,592	13,116,009	4,612,520
Decrease 1%						
Aggregate service and interest cost	929,668	811,181	1,622,365	1,349,502	606,927	629,461
Accumulated post retirement obligation for healthcare	36,989,370	16,503,097	20,079,578	15,073,925	10,906,151	3,909,383

The history of experience adjustments is as follows:

	June 30,		December 31,			January 1, 2009/
	2012	2011	2011	2010	2009	December 31, 2008
Present value of employee benefits obligation	41,008,416	35,737,168	41,004,061	33,388,202	28,239,135	14,347,333
Fair value of plan asset	5,948,764	5,607,846	5,784,929	5,355,458	4,765,067	4,214,616
Deficit	35,059,652	30,129,322	35,219,132	28,032,744	23,474,068	10,132,717
Experience adjustments on plan liabilities	-	-	-	-	-	-
Experience adjustments on plan assets	-	-	-	-	-	-

The Company and its subsidiaries expect to make a contribution of Rp 147,439 million to the defined benefits plans during the next financial year.

(Figures in tables stated in millions of Rupiah) - Continued

53. NON-CASH TRANSACTIONS

	2012 (Six months)	2011 (Six months)	2011 (One year)	2010 (One year)	2009 (One year)
Noncash investing and financing activities :					
Additions to property, plant and equipment through:					
Reclassification of construction in progress to property, plant and equipment	14,700,654	9,170,239	48,145,246	13,061,873	19,233,077
Reclassification of assets not used in operations to property, plant and equipment	23,024	58,472	503,810	395,335	790,073
Acquisition of leased assets through lease liabilities	19,970,615	3,916,070	17,896,100	685,579	1,176,148
Additions to construction in progress through :					
Drawdown of loans and project cost payable	798,490	348,226	2,647,681	3,716,484	7,727,519
Government equity participation	796,787	348,484	2,928,112	2,302,797	3,853,839
Capitalization of borrowing costs	892,151	(385,170)	1,248,486	2,606,192	(4,122,475)
Capitalization of depreciation expense	4,398	4,450	8,883	8,917	10,026
Other payables	3,859,967	1,202,801	673,115	2,424,851	9,536,200
Reclassification of property, plant and equipment to assets not used in operations	257,167	434,244	683,830	575,342	424,637
Offsetting electricity subsidy with accounts payable	-	-	-	3,177,027	3,384,967
Acquisition of a subsidiary through issuance of shares	-	-	90,226	-	-

54. NATURE OF RELATIONSHIP AND TRANSACTIONS WITH RELATED PARTIES

Nature of Related Parties

a. Government of the Republic of Indonesia is the Stockholder of the Company and State-Owned Enterprises.

b. The Company and its subsidiaries have significant influence on investments in associates (Note 9).

c. Management of Employee Cooperative is composed of the Company and its subsidiaries' employees.

d. The founders and controllers of Yayasan Pendidikan dan Kesejahteraan PT PLN (Persero) are composed of management and employees of the Company and its subsidiaries.

e. Yayasan Pendidikan dan Kesejahteraan PT PLN (Persero) is the majority stockholder of PT Asuransi Tugu Kresna Pratama.

f. Board of Commissioners and Directors is a member of the key management of the Company.

(Figures in tables stated in millions of Rupiah) - Continued

Balances and Transactions with Related Parties

		June 30,				December 31,						January 1, 2009/	
	Notes	2012		2011		2011		2010		2009		December 31, 2008	
		Rp	% *)	Rp	% *)	Rp	% *)	Rp	% *)	Rp	% *)	Rp	% *)
Receivables from related parties	11												
PT Sumber Segara Primadaya		202,327	0.04%	192,953	0.04%	199,470	0.04%	208,937	0.05%	1,188,314	0.32%	1,296,844	0.39%
PT Metaepsi Pejebe Power Generation		42,660	0.01%	38,698	0.01%	40,806	0.01%	40,472	0.01%	42,312	0.01%	49,289	0.01%
PT Komipo Pembangkitan Jawa Bali		35,647	0.01%	33,830	0.01%	33,350	0.01%	33,067	0.01%	-	0.00%	-	0.00%
PT Mitra Energy Batam		2,727	0.00%	-	0.00%	212	0.00%	3,532	0.00%	15,569	0.00%	-	0.00%
PT Dalle Energy Batam		1,331	0.00%	7,082	0.00%	6,127	0.00%	11,469	0.00%	10,097	0.00%	12,213	0.00%
PT TJK Power		-	0.00%	-	0.00%	-	0.00%	-	0.00%	18,114	0.00%	18,114	0.01%
PT Tenaga Listrik Jayapura		-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	8,852	0.00%
PT Tenaga Listrik Bintan		-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	858	0.00%
Subtotal		284,692	0.06%	272,563	0.06%	279,965	0.06%	297,477	0.07%	1,274,406	0.33%	1,386,170	0.41%
Restricted cash in banks and time deposits	12												
Bank Rakyat Indonesia		44,424	0.01%	37,605	0.01%	46,628	0.01%	35,723	0.01%	46,710	0.01%	-	0.00%
Bank Mandiri		8,247	0.00%	7,737	0.00%	1,420	0.00%	5,100	0.00%	4,082	0.00%	9,676	0.00%
Bank Negara Indonesia		389	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Subtotal		53,060	0.01%	45,342	0.01%	48,048	0.01%	40,823	0.01%	50,792	0.01%	9,676	0.00%
Cash and cash equivalent	14												
Bank Rakyat Indonesia		4,369,390	0.86%	3,438,115	0.76%	7,610,659	1.63%	5,016,496	1.24%	3,704,647	1.00%	1,700,051	0.52%
Bank Negara Indonesia		3,331,997	0.65%	4,908,432	1.09%	3,190,999	0.68%	3,386,782	0.83%	3,773,206	1.01%	1,118,715	0.34%
Bank Mandiri		2,807,312	0.55%	2,912,380	0.65%	5,859,298	1.25%	2,340,217	0.58%	1,608,956	0.43%	856,333	0.26%
Subtotal		10,508,699	2.06%	11,258,927	2.50%	16,660,956	3.56%	10,743,495	2.65%	9,086,809	2.44%	3,675,099	1.12%
Short-term investment	15												
Bank Rakyat Indonesia		76,000	0.01%	426,000	0.09%	56,000	0.01%	116,000	0.03%	151,500	0.04%	1,246,500	0.38%
Bank Negara Indonesia		25,174	0.00%	31,883	0.01%	37,009	0.01%	-	0.00%	600,000	0.16%	685,250	0.21%
Bank Mandiri		1,000	0.00%	11,000	0.00%	1,000	0.00%	-	0.00%	228,189	0.06%	819,155	0.25%
Subtotal		102,174	0.01%	468,883	0.10%	94,009	0.02%	116,000	0.03%	979,689	0.26%	2,750,905	0.84%
Trade accounts receivable	16												
Indonesia Armed Forces		758,882	0.15%	602,100	0.13%	909,177	0.19%	515,380	0.13%	410,864	0.11%	298,663	0.09%
Government		225,465	0.04%	462,777	0.10%	259,189	0.06%	170,014	0.04%	108,997	0.03%	116,023	0.04%
State-owned companies		52,146	0.01%	86,580	0.02%	8,418	0.00%	39,619	0.01%	28,988	0.01%	19,439	0.01%
Subtotal		1,036,493	0.20%	1,151,457	0.25%	1,176,784	0.25%	725,013	0.18%	548,849	0.15%	434,125	0.14%
Receivables on electricity subsidy	17	24,435,641	4.78%	37,231,133	8.28%	12,101,668	2.59%	9,358,747	2.30%	8,580,474	2.31%	7,294,364	2.21%
Total		36,420,759	7.12%	50,428,305	11.20%	30,361,430	6.49%	21,281,555	5.24%	20,521,019	5.50%	15,550,339	4.72%
Two-step loans	25	30,942,268	8.42%	26,112,385	8.66%	29,273,112	9.10%	24,891,690	9.43%	21,194,167	8.89%	21,216,674	9.88%
Government loans	26	9,236,220	2.51%	2,263,526	0.75%	6,363,190	1.98%	2,360,733	0.89%	3,287,017	1.38%	3,585,837	1.67%
Lease liabilities	27												
PT Wijaya Karya - Rupiah		462,751	0.13%	471,928	0.16%	469,656	0.15%	-	0.00%	-	0.00%	-	0.00%
PT Metaepsi Pejebe Power Generation		434,935	0.12%	418,868	0.14%	429,489	0.13%	449,262	0.17%	488,670	0.21%	589,635	0.27%
PT Sumber Segara Primadaya		5,069,811	1.38%	4,601,648	1.53%	4,851,246	1.51%	4,814,180	1.82%	5,036,294	2.11%	5,869,000	2.73%
PT Bajradaya Sentranusa Asahan		3,306,127	0.90%	3,006,436	1.00%	3,166,941	0.98%	-	0.00%	-	0.00%	-	0.00%
PT Pertamina Geothermal Energi		676,672	0.18%	617,282	0.20%	651,655	0.20%	647,660	0.25%	681,153	0.29%	797,693	0.37%
PT Dalle Energy Batam		828,184	0.23%	894,177	0.30%	859,683	0.27%	917,563	0.35%	307,231	0.13%	319,870	0.15%
PT Mitra Energi Batam		140,250	0.04%	163,340	0.05%	152,147	0.05%	173,913	0.07%	193,332	0.08%	210,667	0.10%
Subtotal		10,918,730	2.97%	10,173,679	3.37%	10,580,817	3.29%	7,002,578	2.65%	6,706,680	2.81%	7,786,865	3.63%
Bank loans and medium term notes	28												
Bank Rakyat Indonesia		11,576,154	3.15%	11,495,620	3.81%	5,514,020	1.71%	4,754,843	1.80%	2,629,374	1.10%	1,500,000	0.70%
Bank Negara Indonesia		5,612,008	1.53%	5,439,104	1.80%	5,653,648	1.76%	4,964,847	1.88%	3,477,299	1.46%	2,972,383	1.38%
Bank Mandiri		5,345,465	1.45%	3,582,882	1.19%	5,481,999	1.70%	3,321,681	1.26%	1,623,678	0.68%	830,422	0.39%
Bank DKI		2,286,417	0.62%	1,550,699	0.51%	2,245,573	0.70%	1,330,180	0.50%	603,286	0.25%	-	0.00%
Medium Term Notes		1,500,000	0.41%	2,500,000	0.83%	2,000,000	0.62%	3,000,000	1.14%	4,000,000	1.68%	5,000,000	2.33%
Subtotal		26,320,044	7.16%	24,568,305	8.14%	20,895,240	6.49%	17,371,551	6.58%	12,333,637	5.17%	10,302,805	4.80%
Payable to related parties	31												
Dividend payable		3,500,000	0.95%	4,545,000	1.51%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Local government		710,299	0.19%	702,747	0.23%	661,953	0.21%	559,052	0.21%	434,685	0.18%	389,730	0.18%
PT Mitra Energi Batam		8,550	0.00%	7,042	0.00%	9,174	0.00%	10,266	0.00%	11,109	0.00%	11,942	0.01%
PT Dalle Energy Batam		5,631	0.00%	9,744	0.00%	6,248	0.00%	7,844	0.00%	1,046	0.00%	4,255	0.00%
Yayasan Pendidikan dan Kesejahteraan - PLN		-	0.00%	27,098	0.01%	-	0.00%	316	0.00%	5,566	0.00%	13,938	0.01%
Subtotal		4,224,480	1.14%	5,291,631	1.75%	677,375	0.21%	577,478	0.21%	452,406	0.18%	419,865	0.20%
Trade accounts payable	32												
PT Pertamina		8,500,404	2.31%	24,761,481	8.21%	12,909,156	4.01%	4,507,250	1.71%	7,161,775	3.00%	13,084,201	6.09%
PT Tambang Batubara Bukit Asam		1,761,696	0.48%	829,745	0.28%	768,398	0.24%	530,808	0.20%	1,013,979	0.43%	1,064,109	0.50%
PT Perusahaan Gas Negara		342,747	0.09%	232,399	0.08%	236,738	0.07%	369,369	0.14%	348,427	0.15%	318,633	0.15%
PT Sumber Segara Primadaya		124,386	0.03%	98,830	0.03%	16,289	0.01%	85,129	0.03%	190,876	0.08%	147,928	0.07%
Employee Cooperative		52,210	0.01%	44,433	0.01%	47,569	0.01%	40,777	0.02%	28,406	0.01%	37,338	0.02%
PT Metaepsi Pejebe Power Generation		25,126	0.01%	24,080	0.01%	17,336	0.01%	11,006	0.00%	8,345	0.00%	18,825	0.01%
PT Dalle Energy Batam		23,553	0.01%	57,738	0.02%	37,799	0.01%	45,745	0.02%	31,549	0.01%	35,496	0.02%
PT Bajradaya Sentranusa		8,726	0.00%	-	0.00%	11,607	0.00%	-	0.00%	-	0.00%	-	0.00%
PT Pertamina Geothermal Energy		13,729	0.00%	15,514	0.01%	14,247	0.00%	60,056	0.02%	-	0.00%	5,368	0.00%
PT Mitra Energy Batam		3,234	0.00%	3,181	0.00%	2,622	0.00%	3,320	0.00%	6,503	0.00%	6,572	0.00%
PT Geo Dipa Energi		-	0.00%	8,186	0.00%	5,956	0.00%	12,908	0.00%	-	0.00%	7,119	0.00%
PT PAL Indonesia		-	0.00%	3,694	0.00%	2,852	0.00%	-	0.00%	-	0.00%	-	0.00%
PT Wijaya Karya		-	0.00%	40,946	0.01%	-	0.00%	46,295	0.02%	41,883	0.02%	8,298	0.00%
PT Adhi Karya Tbk		-	0.00%	2,866	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Subtotal		10,855,811	2.94%	26,123,093	8.66%	14,070,569	4.36%	5,712,663	2.16%	8,831,743	3.70%	14,733,887	6.86%
Accrued expenses	35												
Two-step loans		271,476	0.07%	259,960	0.09%	263,378	0.08%	271,932	0.10%	233,454	0.10%	312,293	0.15%
Bank loans and medium term notes		137,459	0.04%	121,525	0.04%	142,976	0.04%	89,220	0.03%	41,214	0.02%	28,592	0.01%
Trade accounts payable on purchase of fuel		27,495	0.01%	331,637	0.11%	68,646	0.02%	351,387	0.13%	2,274,702	0.95%	1,569,560	0.73%
Subtotal		436,430	0.12%	713,122	0.24%	475,000	0.14%	712,539	0.26%	2,549,370	1.07%	1,910,445	0.89%
Total		92,933,983	25.26%	95,245,741	31.57%	82,335,303	25.57%	58,629,232	22.18%	55,355,020	23.20%	59,956,378	27.93%

*) Percentage to related total assets/liabilities/expenses

(Figures in tables stated in millions of Rupiah) - Continued

	Notes	2012 (Six months)		2011 (Six months)		2011 (One year)		2010 (One year)		2009 (One year)	
		Rp	% *)	Rp	% *)	Rp	% *)	Rp	% *)	Rp	% *)
Revenue from sale electricity	38										
Government		2,717,246	4.37%	2,505,219	4.40%	3,493,538	3.10%	2,936,997	2.85%	2,812,670	3.12%
State-owned companies		1,616,848	2.60%	1,866,148	3.28%	4,737,563	4.20%	4,489,597	4.36%	3,671,535	4.07%
Indonesian Armed Forces		433,354	0.70%	332,217	0.58%	660,592	0.59%	749,838	0.73%	581,680	0.65%
Total		4,767,448	7.67%	4,703,584	8.26%	8,891,693	7.89%	8,176,432	7.94%	7,065,885	7.84%
Government's electricity subsidy	39	48,088,384	100.00%	40,861,629	100.00%	93,177,740	100.00%	58,108,418	100.00%	53,719,818	100.00%
Fuel and lubricants expense	41										
PT Pertamina		33,374,840	50.92%	40,097,508	63.63%	80,448,907	61.34%	52,431,297	55.84%	49,541,145	57.94%
PT Perusahaan Gas Negara		1,446,996	2.21%	1,310,193	2.08%	5,621,552	4.29%	3,777,514	4.02%	4,093,443	4.79%
PT Tambang Batubara Bukit Asam		1,590,598	2.43%	986,222	1.57%	3,130,676	2.39%	1,178,317	1.25%	1,959,875	2.29%
Total		36,412,434	55.56%	42,393,923	67.28%	89,201,135	68.02%	57,387,128	61.11%	55,594,463	65.02%
Insurance											
PT Asuransi Tugu Kresna Pratama	46	150,985	6.55%	87,610	4.76%	210,123	5.05%	184,459	4.30%	184,975	4.59%
Building lease											
Yayasan Pendidikan dan Kesejahteraan PLN	46	21,581	0.94%	27,552	1.41%	36,953	0.89%	48,000	1.12%	46,415	1.15%
Financial cost	47										
Bank loans and medium term notes		820,953	7.16%	302,001	3.70%	1,133,652	6.53%	792,746	5.22%	782,208	4.84%
Two-step loans		448,549	3.91%	212,495	2.61%	562,058	3.24%	461,046	3.04%	609,735	3.78%
Trade accounts payable on purchase of fuel		27,495	0.24%	331,637	4.07%	463,278	2.67%	351,387	2.32%	705,142	4.37%
Payable to related parties		-	-	-	-	-	-	(3,679)	-0.02%	-	-
Government loans		(17,141)	-0.15%	109,755	1.35%	(60,531)	-0.35%	(504,383)	-3.32%	136,764	0.85%
Other receivables		-	-	-	-	-	-	15,742	0.10%	-	-
Total		1,279,856	11.16%	955,888	11.73%	2,098,457	12.09%	1,112,859	7.34%	2,233,849	13.84%

*) Percentage to related total assets/liabilities/revenues/expenses

Total compensation of the Company's Board of Commissioners for the six-month periods ended June 30, 2012 and 2011 and for the years ended December 31, 2011, 2010 and 2009 amounted to Rp 8,853 million and Rp 3,696 million and Rp 15,189 million, Rp 7,170 million and Rp 4,982 million, respectively.

Total compensation of the Company's Directors for the six-month periods ended June 30, 2012 and 2011and for the years ended December 31, 2011, 2010 and 2009 amounted to Rp 31,686 million and Rp 13,880 million and Rp 54,612 million, Rp 24,492 million and Rp 16,016 million, respectively.

All the compensation to the Company's Board of Commissioners and Directors represent as short-term employee benefit.

55. MONETARY ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

At June 30, 2012 and 2011 and December 31, 2011, 2010 and 2009 and January 1, 2009, the Company and its subsidiaries had monetary assets and liabilities in foreign currencies as follows :

	June 30, 2012			
	JPY *)	US$ *)	EUR *)	*Others* **)
Monetary assets				
Receivables from related parties	-	25,842,532	-	-
Restricted cash in banks and time deposits	39,309,785,985	31,042,181	-	-
Cash and cash equivalents	61,097,686	204,448,835	5,217,995	546,870
Short term investment	-	30,000,000	-	-
Total monetary assets	39,370,883,671	291,333,548	5,217,995	546,870
Monetary liabilities				
Two-step loans	185,447,145,367	649,794,498	120,962,550	28,226,033
Lease liabilities	307,003,177,335	6,730,611,958	-	-
Bank loans and medium term notes	-	2,926,725,671	-	-
Bonds payable	-	4,550,000,000	-	-
Electricity purchase payable	-	608,033,469	-	-
Other payables	1,618,078,235	121,783,653	24,342,450	31,928,501
Project cost payable	7,348,797,504	64,414,311	6,101,689	746,709
Trade accounts payable	-	249,029,731	-	411,828
Accrued expenses	3,002,871,935	262,346,128	593,390	332,976
Total monetary liabilities	504,420,070,376	16,162,739,419	152,000,079	61,646,047
Net monetary liabilities	(465,049,186,705)	(15,871,405,871)	(146,782,084)	(61,099,177)
Rupiah equivalent (in millions)	(55,805,902)	(150,460,928)	(1,732,175)	(579,220)
Total in Rupiah - net (in millions)	(208,578,225)			

	June 30, 2011			
	JPY *)	US$ *)	EUR *)	*Others* **)
Monetary assets				
Receivables from related parties	-	30,880,683	-	-
Restricted cash in banks and time deposits	20,737,951,734	25,920,918	-	-
Cash and cash equivalents	44,829,059	316,016,866	934,698	561,019
Short term investment	-	75,000,000	-	-
Total monetary assets	20,782,780,793	447,818,467	934,698	561,019
Monetary liabilities				
Two-step loans	155,261,609,340	708,678,634	140,890,204	35,748,295
Lease liabilities	134,953,139,598	5,515,880,760	-	-
Bank loans and medium term notes	-	2,395,426,674	-	-
Bonds payable	-	4,000,000,000	-	-
Electricity purchase payable	-	626,295,354	-	-
Other payables	1,758,270,261	397,597,413	20,096,987	33,823,286
Project cost payable	3,376,682,214	82,225,134	18,500,920	837,798
Trade accounts payable	-	217,348,377	8,091,077	-
Accrued expenses	1,327,929,891	228,878,451	2,694,095	396,684
Total monetary liabilities	296,677,631,304	14,172,330,797	190,273,283	70,806,063
Net monetary liabilities	(275,894,850,511)	(13,724,512,330)	(189,338,585)	(70,245,044)
Rupiah equivalent (in millions)	(29,520,749)	(117,989,633)	(2,359,537)	(603,897)
Total in Rupiah - net (in millions)	(150,473,816)			

*) In full amount
**) Assets and liabilities denominated in other foreign currencies are presented as US$ equivalent using the exchange rate prevailing at reporting date

	December 31, 2011			
	JPY *)	US$ *)	EUR *)	*Others* **)
Monetary assets				
Receivables from related parties	-	30,174,901	-	-
Restricted cash in banks and time deposits	30,428,504,732	29,800,483	-	-
Cash and cash equivalents	307,297,054	592,143,400	3,528,201	495,954
Short term investment	-	56,000,000	-	-
Total monetary assets	30,735,801,786	708,118,784	3,528,201	495,954
Monetary liabilities				
Two-step loans	172,556,337,921	682,494,563	130,921,343	32,522,530
Lease liabilities	222,955,652,060	5,823,971,112	-	-
Bank loans and medium term notes	-	2,737,360,602	-	-
Bonds payable	-	4,550,000,000	-	-
Electricity purchase payable	-	617,274,032	-	-
Other payables	1,233,966,315	326,498,191	46,285,639	32,965,042
Project cost payable	7,345,888,676	102,939,080	2,093,560	3,681,154
Trade accounts payable	-	171,864,138	2,808,420	-
Accrued expenses	5,361,966,084	200,659,859	1,175,918	357,645
Total monetary liabilities	409,453,811,056	15,213,061,577	183,284,880	69,526,371
Net monetary liabilities	(378,718,009,270)	(14,504,942,793)	(179,756,679)	(69,030,417)
Rupiah equivalent (in millions)	(44,310,007)	(131,530,821)	(2,110,164)	(625,968)
Total in Rupiah - net (in millions)	(178,576,960)			

	December 31, 2010			
	JPY *)	US$ *)	EUR *)	*Others* **)
Monetary assets				
Receivables from related parties	-	31,417,589	-	-
Restricted cash in banks and time deposits	20,119,535,262	15,390,074	-	-
Cash and cash equivalents	307,181,542	246,740,479	711,523	514,706
Short term investment	-	76,963,300	-	-
Total monetary assets	20,426,716,804	370,511,442	711,523	514,706
Monetary liabilities				
Two-step loans	134,763,884,331	702,871,164	143,691,678	35,637,117
Lease liabilities	141,226,631,465	5,168,993,795	-	-
Bank loans and medium term notes	-	2,057,141,695	-	-
Bonds payable	-	4,000,000,000	-	-
Electricity purchase payable	-	635,102,637	-	-
Other payables	597,056,335	529,652,047	8,373,544	9,004,004
Project cost payable	19,972,402,797	87,788,504	37,739,103	187,207
Trade accounts payable	64,291,044	211,543,543	2,750,885	363,436
Accrued expenses	3,065,196,331	241,437,090	1,266,416	392,232
Total monetary liabilities	299,689,462,303	13,634,530,475	193,821,626	45,583,996
Net monetary liabilities	(279,262,745,499)	(13,264,019,033)	(193,110,103)	(45,069,290)
Rupiah equivalent (in millions)	(30,718,902)	(119,256,795)	(2,308,824)	(405,218)
Total in Rupiah - net (in millions)	(152,689,739)			

*) In full amount
**) Assets and liabilities denominated in other foreign currencies are presented as US$ equivalent using the exchange rate prevailing at reporting date

	December 31, 2009			
	JPY *)	US$ *)	EUR *)	Others **)
Monetary assets				
Receivables from related parties	-	130,917,692	-	-
Restricted cash in banks and time deposits	25,841,801,813	55,221,873	-	-
Cash and cash equivalents	362,444,788	646,216,817	582,745	448,717
Short-term investments	-	124,658,723	-	-
Total monetary assets	26,204,246,601	957,015,105	582,745	448,717
Monetary liabilities				
Two-step loans	93,873,166,020	737,028,219	157,798,309	37,330,540
Lease liability	153,130,499,442	5,202,864,442	-	-
Bank loans and medium term notes	-	1,068,770,478	-	-
Bonds payable	-	4,000,000,000	-	-
Electricity purchase payable	-	652,095,278	-	-
Other payables	208,833,406	418,575,275	602,550	109,613
Project cost payable	10,468,439,620	124,978,280	55,446,568	41,492,849
Trade accounts payable	-	171,532,979	2,714,736	-
Accrued expenses	2,669,242,927	217,439,832	1,480,154	-
Total monetary liabilities	260,350,181,415	12,593,284,783	218,042,317	78,933,002
Net monetary liabilities	(234,145,934,814)	(11,636,269,678)	(217,459,572)	(78,484,285)
Rupiah equivalent (in millions)	(23,882,885)	(109,380,935)	(2,937,879)	(737,752)
Net monetary liabilities in Rupiah - net (in millions)	(136,939,451)			

	January 1, 2009 / December 31, 2008			
	JPY *)	US$ *)	EUR *)	Others **)
Monetary assets				
Receivables from related parties	-	123,821,310	-	-
Restricted cash in banks and time deposits	29,795,132,827	62,111,713	-	-
Cash and cash equivalents	7,213,156	111,963,320	144,631	457,300
Short-term investments	-	426,355,879	-	-
Total monetary assets	29,802,345,983	724,252,222	144,631	457,300
Monetary liabilities				
Two-step loans	55,277,181,432	790,542,173	168,064,604	33,886,253
Bank loans and medium term notes	-	103,950,925	-	-
Lease liability	164,220,461,773	5,133,906,835	-	-
Bonds payable	-	2,000,000,000	-	-
Electricity purchase payable	-	668,291,151	-	-
Other payables	178,978,706	59,933,037	2,588,988	-
Project cost payable	3,181,714,294	17,353,872	30,519,489	652,658
Trade accounts payable	-	168,273,881	4,737,397	-
Accrued expenses	4,116,939,613	149,939,638	1,531,975	351,362
Total monetary liabilities	226,975,275,818	9,092,191,512	207,442,453	34,890,273
Net monetary liabilities	(197,172,929,835)	(8,367,939,290)	(207,297,822)	(34,432,973)
Rupiah equivalent (in millions)	(23,857,925)	(91,628,935)	(3,199,020)	(377,041)
Total monetary liabilities in Rupiah - net (in millions)	(119,062,921)			

*) In full amount
**) Assets and liabilities denominated in other foreign currencies are presented as US$ equivalent using the exchange rate prevailing at reporting date

(Figures in tables stated in millions of Rupiah) - Continued

The conversion rates used by the Company and its subsidiaries on June 30, 2012 and 2011 and December 31, 2011, 2010, 2009 and January 1, 2009 and the prevailing rates on August 15, 2012 are as follows:

	August 15,	June 30,		December 31,			January 1, 2009 /
	2012	2012	2011	2011	2010	2009	December 31, 2008
	Middle rate	Middle rate	Middle rate	Middle rate	Middle rate	Middle rate	Middle rate
	Rp *)	Rp *)	Rp *)	Rp *)	Rp *)	Rp *)	Rp *)
Currency							
JPY	120	120	107	117	110	102	121
US$	9,494	9,480	8,597	9,068	8,991	9,400	10,950
EUR	11,699	11,801	12,462	11,739	11,956	13,510	15,432

*) In full amount

In relation to the fluctuation of Rupiah against foreign currencies, the Company and its subsidiaries recorded net loss on foreign exchange for the six-month periods ended June 30, 2012 and for the years ended December 31, 2011 amounting Rp 6,741,138 million and Rp 1,833,390 million. The Company and its subsidiaries recorded net gain on foreign exchange for the six-month periods ended June 30, 2011, and for the years ended December 31, 2010, 2009 amounting to Rp 5,596,364 million, Rp 4,336,472 million and Rp 15,666,111 million.

On August 15, 2012, there were increased in exchange rates of foreign currencies to Rupiah, except for EUR. In the using the exchange rates as of August 15, 2012, net monetary liabilities in foreign currencies of the Company and its subsidiaries as of June 30, 2012 increased by Rp 208,080 million.

56. SEGMENT INFORMATION

Geographical Information

Segment information is prepared using the accounting policies adopted for preparing and presenting the consolidated financial statement.

For management reporting purposes, the Company and its subsidiaries are currently divided into Java-Bali, West Indonesia and East Indonesia geographical operations. These geographical operations are the basis on which the Company and its subsidiaries report segment information, as follow :

	2012 (Six months) and June 30, 2012				
	West Indonesia	East Indonesia	Java and Bali	Elimination	Total
Revenue					
External revenue	25,381,799	8,315,993	77,673,761	-	111,371,552
Inter-segment revenue	-	-	-	-	-
Total	25,381,799	8,315,993	77,673,761	-	111,371,552
Segment results	(8,448,166)	(8,471,946)	102,485,877	-	85,565,765
Unallocated expenses					(69,107,737)
Income before financial and other items					16,458,028
Unallocated other income					(17,247,276)
Tax expenses					820,333
Income for the year and total comprehensive income					31,085
Segment Assets	80,454,739	42,627,346	271,399,501	(105,554,998)	288,926,589
Unallocated assets					222,036,968
Total consolidated assets					510,963,557
Segment Liabilities	87,835,474	51,142,852	181,549,844	(11,645,288)	308,882,881
Unallocated liabilities					58,739,968
Total consolidated liabilities					367,622,849

(Figures in tables stated in millions of Rupiah) - Continued

	2011 (Six months) and June 30, 2011				
	West Indonesia	East Indonesia	Java and Bali	Elimination	Total
Revenue					
External revenue	24,995,095	8,112,071	65,457,437	-	98,564,603
Inter-segment revenue	-	-	-	-	-
Total	24,995,095	8,112,071	65,457,437	-	98,564,603
Segment results	(3,269,236)	(5,605,855)	87,640,460	-	78,765,369
Unallocated expenses					(67,000,243)
Income before financial and other items					11,765,126
Unallocated other income					(487,937)
Tax expenses					(918,897)
Income for the year and total comprehensive income					10,358,292
Segment Assets	71,825,544	37,987,781	303,308,731	(164,592,893)	248,529,163
Unallocated assets					201,284,366
Total consolidated assets					449,813,529
Segment Liabilities	74,577,452	43,873,326	210,721,096	(82,442,577)	246,729,297
Unallocated liabilities					54,808,681
Total consolidated liabilities					301,537,978

	2011 (One year) and December 31, 2011				
	West Indonesia	East Indonesia	Java and Bali	Elimination	Total
Revenue					
External revenue	51,431,580	16,471,608	140,114,635	-	208,017,823
Inter-segment revenue	-	-	-	-	-
Total	51,431,580	16,471,608	140,114,635	-	208,017,823
Segment results	(7,560,451)	(12,698,026)	178,002,918	-	157,744,440
Unallocated expenses					(135,366,217)
Income before financial and other items					22,378,223
Unallocated other income					(16,863,228)
Tax expenses					(88,880)
Income for the year and total comprehensive income					5,426,115
Segment Assets	81,923,074	42,817,936	291,882,716	(154,077,545)	262,546,180
Unallocated assets					205,236,423
Total consolidated assets					467,782,603
Segment Liabilities	89,757,116	55,886,842	177,552,391	(71,356,568)	251,839,781
Unallocated liabilities					69,929,986
Total consolidated liabilities					321,769,767

(Figures in tables stated in millions of Rupiah) - Continued

	2010 (One year) and December 31, 2010				
	West Indonesia	East Indonesia	Java and Bali	Elimination	Total
Revenue					
External revenue	45,503,724	13,097,175	103,774,395	-	162,375,294
Inter-segment revenue	-	-	-	-	-
Total	45,503,724	13,097,175	103,774,395	-	162,375,294
Segment results	(1,808,437)	(7,831,060)	143,485,936	-	133,846,439
Unallocated expenses					(113,163,851)
Income before financial and other items					20,682,588
Unallocated other income					(8,929,087)
Tax expense					(1,406,341)
Income for the year and total comprehensive income					10,347,160
Segment Assets	64,237,589	34,163,849	274,606,004	(151,025,779)	221,981,663
Unallocated assets					184,118,766
Total consolidated assets					406,100,429
Segment Liabilities	65,887,467	42,682,696	177,603,378	(69,640,831)	216,532,710
Unallocated liabilities					47,453,944
Total consolidated liabilities					263,986,654

	2009 (One year) and December 31, 2009				
	West Indonesia	East Indonesia	Java and Bali	Elimination	Total
Revenue					
External revenue	27,950,670	17,335,885	99,935,589	-	145,222,144
Inter-segment revenue	-	-	-	-	-
Total	27,950,670	17,335,885	99,935,589	-	145,222,144
Segment results	(19,454,296)	(5,107,904)	133,810,608	-	109,248,408
Unallocated expenses					(90,840,633)
Income before financial and other items					18,407,775
Unallocated other income					142,653
Tax expense					(3,983,649)
Income for the year and total comprehensive income					14,566,779
Segment Assets	57,881,183	28,999,333	263,128,569	(145,391,629)	204,617,456
Unallocated assets					167,188,167
Total consolidated assets					371,805,623
Segment Liabilities	77,650,775	35,524,365	170,336,122	(65,265,240)	218,246,022
Unallocated liabilities					20,094,567
Total consolidated liabilities					238,340,589

Each geographic reportable information derives its revenues mostly from electricity sales to customers, connection fees from customers, and others. In line with its main duty as executor of Public Service Obligation in electricity provision, the Company receives subsidy from the Government. The Company and its subsidiaries operations which are not engaged in electricity represent 0.39% and 0.05% of total revenues for the six-month periods ended June 30, 2012 and 2011, respectively and 0.42%, 0.28% and 0.41% of total revenue for the years ended December 31, 2011, 2010 and 2009, respectively. Detailed information on products and services are found in Note 40.

(Figures in tables stated in millions of Rupiah) - Continued

57. COMMITMENTS AND CONTINGENCIES

As of June 30, 2012, the Company and its subsidiaries have significant commitments and contingencies, as follows :

a. Fuel supply agreements

i. Gas

Sector	Supplier	Period	Unit	Quantity e)
Cilegon	a)	2006-2018	bbtu	356,300
Cilegon	PT Perusahaan Gas Negara (Persero) Tbk	2009-2019	bbtu	109,500
Muara Karang - Priok	b)	2004-2017	bbtu	679,000
Muara Tawar	PT Perusahaan Gas Negara (Persero) Tbk	2008-2013	bbtu	255,500
Muara Tawar	c)	2009-2020	bbtu	360,620
Muara Tawar	PT Medco E&P Lemantang	2009-2018	bbtu	129,136
Gresik - Grati	Kangean Energy Indonesia	2010-2027	bbtu	368,700
Gresik	PT Pertamina Hulu Energy West Madura Offshore	2002-2013	bbtu	482,560
Gresik	Hess Ltd	2006-2026	bscf	330.20
Gresik	PT Walinusa Energi	2010-2018	bbtu	44,160
Aceh	PT Medco E&P Malaka	2010-2027	bbtu	85,000
Belawan	PT Pertamina EP/TAC SENSL	2009-2017	bscf	65.65
Pekanbaru	Kalila Bentu Ltd	2005-2020	bbtu	146,036
Keramasan	PT Medco E&P Indonesia	2009-2013	bbtu	32,680
Keramasan	PT Pertamina EP	2010-2015	bbtu	27,735
Borang	PT Medco E&P Indonesia	2003-2013	bbtu	61,999
Inderalaya	PT Medco E&P Indonesia	2002-2012	bbtu	56,182
Payo Selincah	PT Energasindo Heksa Karya	2009-2018	bbtu	65,700
Tanjung Batu	PT Pertamina (Persero), Semco (TAC)	2005-2015	bbtu	79,026
Tarakan	PT Medco E&P Indonesia	2002-2012	bbtu	9,651
Bontang	Total E&P Indonesie, INPEX Co	2009-2017	bbtu	681
Batam	PT Perusahaan Gas Negara (Persero) Tbk	2004-2019	bbtu	72,270
Tanjung Priok	PT Perusahaan Gas Negara (Persero) Tbk	2009-2012	bbtu	32,880
Grati	d)	2009-2016	bbtu	116,070
Talang Duku	PT Perusahaan Gas Negara (Persero) Tbk	2009-2019	bbtu	21,000
Sunyaragi	PT Pertamina EP	2008-2013	bscf	7,875
Sungai Gelam	PT Pertamina EP	2011-2017	bbtu	4,990
Bangkanai	PT Pertamina EP	2013-2023	bbtu	104,000
Sengkang	Energy Equity Epic Sengkang Pty Ltd.	2012-2022	bbtu	51,945
Muara Tawar	PT Pertamina EP	2010-2012	bbtu	17,250
Tambak Lorok	PT Sumber Petrindo Perkasa	2010-2022	bbtu	219,000
Grati	d)	2012-2018	bbtu	55,827
Grati	PT Parna Raya	2009-2020	mmscf	280,000
Gresik	PT Media Karya Sentosa	2011-2013	bbtu	12,595
Batam	Premier Oil Natuna Sea B.V.; Natuna 1 B.V.; Natuna 2 B.V.; Kufpec Indonesia (Natuna) B.V.	2011-2022	bbtu	98,035
Grati	PT Sampang Mandiri Perkasa	2012-2019	bbtu	31,793
Grati	PT Pasuruan Migas	2012-2019	bbtu	5,911
Jakabaring (CNG)	PDPDE Prov. Sumatera Selatan	2012-2020	bbtu	8,340
Tambak Lorok	PC Murih Ltd.	2012-2026	bbtu	487,200
Melibur	Kondur Petroleum SA	2012-2020	bbtu	831
Nunukan	PT Pertamina EP	2012-2018	bscf	4.2
Sungai Gelam	PT Pertamina EP	2012-2017	bscf	3.5
Sanga Sanga (CMB)	Virginia Indonesia Co. CBM Limited	2012-2014	bscf	0.366
Muara Karang	BP West Java	2004-2017	bbtu	679,000

a) CNOOC SES Ltd., Inpex Sumatra Ltd., KNOC Sumatra Ltd., MC Oil & Gas Sumatra BV, Paladin Resources (Sunda) Ltd., Paladin UK (Southeast Sumatra) Ltd. and Paladin Resources (Bahamas) Ltd.

b) BP West Java Ltd., Itochu Oil Exploration Co. Ltd., MC Oil & Gas Java BY, Inpex Jawa Ltd., CNOOC ONWC Ltd. and Paladin Resources (Sunda) Ltd.

c) Pertamina, Hess Ltd. (formerly Amerada Hess Ltd.) and Pasific Oil & Gas Ltd.

d) Santos (Sampang) Pty Ltd., Singapore Petroleum Sampang Ltd. (formerly Coastal Indonesia Sampang Ltd.) and Cue Sampang Pty Ltd.

e) In full amount

(Figures in tables stated in millions of Rupiah) - Continued

Gas purchase price at point of delivery ranges from US$ 2.38 to US$ 7.15 per MMBTu.

On July 26, 2007, PJB entered into an agreement with PT Petrokimia Gresik (PKG) and EMP Kangean Limited, relating to Gas Diversion Agreement. This agreement determined that PKG will receive gas loan from PJB by diverting an amount of supply of gas, which is provided by EMP Kangean Limited to PKG. In accordance with such gas loan, PKG will pay to PJB the replacement costs for the compensation expenses of gas swap. On September 25, 2007, PJB established an agreement with PKG in relation to the method of computation of replacement costs for the compensation expenses of gas swap.

On September 25, 2008, the Company entered into an agreement with PGN, in relation to buying, selling and channeling of gas for PLTGU Cilegon with a term of 10 years starting from March 2009 until February 2019. Gas channeling for the first month is 36.36 BBTU per day, while the succeeding periods until the fifth year is 27.27 BBTU per day. For the remaining succeeding periods until the end of the agreement, the maximum and minimum use of gas will be in accordance with the gas availability of PGN.

The Company has stand-by letters of credit (SBLC) facility from Bank Negara Indonesia with maximum amount of US$ 39.9 million and a term of 13 years, due on December 31, 2016 to guarantee the payment obligations for the purchase of gas for Muara Karang – Priok Sector.

In accordance with gas purchases, PLN Batam must provide a payment guarantee in the form of SBLC issued by Bank Mandiri.

ii. Coal

Suppliers	Quantity per year in metric ton *)	Period
Regular		
PT Tambang Batubara Bukit Asam	7,430,000	2002-2013/2031
PT Adaro Indonesia	3,575,000	2011-2021
PT Kaltim Prima Coal	5,000,000	2009-2014/2015
PT Kideco Jaya Agung	1,297,500	2000-2020
PT Berau Coal	2,000,000	2009-2018
PT Indominco Mandiri	2,100,000	2010-2015
PT Natuna Energi Indonesia	400,000	2006-2012
PT Oktasan Baruna Persada	400,000	2006-2013
PT Central Corporindo	457,500	2006-2013
PT Kadya Caraka Mulia	288,000	2012-2015
Consortium		
PT Kasih Industri Indonesia and PT Senamas Energindo Mulia	378,000	2009-2029
PT Arutmin Indonesia and PT Darma Henwa	1,501,000	2007-2027
PT Oktasan Baruna Persada and PT Insani Perkasa	1,620,000	2012-2015
PT Prima Multi Mineral and PT Baratama	1,152,000	2012-2015
Fast Track Program		
PT Kaltim Prima Coal	3,000,000	2012-2031
PT Tambang Batubara Bukit Asam	2,300,000	2011-2031
PT Kideco Jaya Agung	1,500,000	2011-2031
PT Titan Mining Energy	1,490,000	2011-2031
PT Hanson Energy	640,000	2011-2031
PT Lanna Harita Indonesia	215,000	2011-2016
PT Dwi Guna Laksana	539,000	2011-2031
Consortium		
PT Arutmin Indonesia and PT Darma Henwa	6,128,000	2010-2030
PT Multi Bara Persada and PT Eksploitasi Energi Indonesia	1,208,000	2010-2015
PT Kasih Industri Indonesia and PT Senamas Energindo Mulia	2,860,000	2009-2029
PT Golden Great Borneo, PT Oktasan Baruna Persada and PT Satui Baratama	576,000	2011-2016
PT Risna Karya Whardana Mandiri and Rizki Anugrah Pratama	974,000	2010-2015
PT Oktasan Baruna Persada and PT Baramega Citra Mulia Persada	454,000	2011-2031

*) In full amount

The stockpile price of coal purchases ranges from Rp 500,684 to Rp 1,011,038 per ton, which is adjusted against calorific value, ash content, sulphur, water, SFT and HGI.

iii. Fuel

The Company and Pertamina entered into a Fuel Sale and Purchase Agreement No. 071.PJ/060/DIR/2001 dated October 8, 2001 which was valid until October 8, 2004. This agreement has been amended on May 16, 2007, whereby, the Company and Pertamina agreed among others: (i) the monthly fuel price to be used for the period January 1 until April 30, 2007 is determined by Pertamina and, the fuel price of 109.5% from Mid Oil Platts Singapore (MOPS) plus Value Added Tax for the period May 1, 2007 until December 31, 2007; (ii) the fuel price subsequent to December 31, 2007 will be determined by both parties every year; (iii) the terms of payment and penalty charges on late payment with a rate of monthly Certificate of Bank Indonesia plus 1.3%; (iv) effective on May 1, 2007, the unpaid balance of payable for the purchases of fuel until April 30, 2007 will bear an interest with a rate per annum of Certificate of Bank Indonesia plus 1.3%, until settled by issuance of PLN Bonds, which is no later than August 31, 2007; (v) the maximum payable to Pertamina, includes bonds which will be issued amounting to Rp 18 trillion; (vi) this agreement is valid for 5 years from January 1, 2007 until December 31, 2011; (vii) PT Sucofindo (Persero) is assigned as an independent surveyor.

Based on the amendment I of Fuel Buy and Sell Agreement dated August 14, 2009, the Company and Pertamina in 2009 agreed the following:

1. The price of HSD for purchase of up to 5,267,295 KL is 105% from MOPS for fuel oil supplied from 23 supply points specified by Pertamina and for purchase in excess of 5,267,295 KL is 109.5% from MOPS for fuel oil supplied from supply points other than the 23 supply points specified by Pertamina.

2. The price of IDO for purchase of up to 25,200 KL is 105% from MOPS for fuel oil supplied from 23 supply points specified by Pertamina and for purchase in excess of 25,200 KL is 109.5% from MOPS for fuel oil supplied from supply points other than the 23 supply points specified by Pertamina.

3. The price of MFO for purchase of up to 2,617,505 KL is 105% from MOPS for fuel oil supplied from 23 supply points specified by Pertamina and for purchase in excess of 2,617,505 KL is 109.5% from MOPS for fuel oil supplied from supply points other than the 23 supply points specified by Pertamina.

Based on the amendment II of Fuel Buy and Sell Agreement dated June 1, 2010, the Company and Pertamina agreed in 2010 the following:

1. The price of HSD for purchase of up to 3,900,288 KL is 105% from MOPS for fuel oil supplied from 19 supply points specified by Pertamina and for purchase in excess of 3,900,288 KL is 109.5% from MOPS for fuel oil supplied from supply points other than the 19 supply points specified by Pertamina.

2. The price of IDO for purchase of up to 8,500 KL is 105% from MOPS for fuel oil supplied from 19 supply points specified by Pertamina and for purchase in excess of 8,500 KL is 109.5% from MOPS for fuel oil supplied from supply points other than the 19 supply points specified by Pertamina.

3. The price of MFO for purchase of up to 2,461,184 KL is 105% from MOPS for fuel oil supplied from 19 supply points specified by Pertamina and for purchase in excess of 2,461,184 KL is 109.5% from MOPS for fuel oil supplied from supply points other than the 19 supply points specified by Pertamina.

Based on the amendment III of Fuel Sale and Purchase Agreement dated November 7, 2011, Fuel Sell and Purchase Agreement has been extended until year 2015. Based on such amendment the Company and Pertamina agreed in 2011 the following:

1. HSD
   - The price of HSD for purchase of up to 2,537,161 KL in of 18 supply points of Pertamina is 105% from MOPS.
   - The price of HSD for purchase of up to 480,487 KL in supply points of Pertamina TT Manggis is 108% from MOPS.
   - The price of HSD for purchase of up to 2,978,360 KL in supply points ITP Priok and ISG Surabaya is 108.5% from MOPS.
   - The price of HSD in excess of 5,996,008 KL or supplied from supply points other than the 21 supply points specified by Pertamina is 109.5% from MOPS.

2. The price of IDO for purchases of up to 3,933 KL in supply point Kilang Plaju is 105% from MOPS and for purchases in excess of 3,933 kl or supplied from supply point other than supply point Kilang Plaju is 109.5% from MOPS.

3. The price of MFO for purchases of up to 1,193,166 KL in supply point Kilang Cilacap is 105% from MOPS and for purchases in excess of 1,193,166 KL or supplied from supply point other than supply point Kilang Cilacap is 109.5% from MOPS.

4. If until the end of the current year fuel prices have not been agreed for succeeding year, the Company and Pertamina agreed to use the prevailing agreed price.

As of June 30, 2012 and 2011 and December 31, 2011, 2010 and 2009, estimated liabilities on interest and penalties for payable on purchases of fuel to Pertamina amounted to Rp 27,495 million and Rp 331,637 million, Rp 68,646 million, Rp 351,387 million and Rp 2,274,702 million, respectively, which are recorded as accrued expenses (Note 35).

On November 3, 2010, the Company and Pertamina entered into a Sale and Purchase Agreement of HSD for supply of HSD to PLTGU Gresik and Grati for 600,000 KL for 4 years until 2014.

On November 3, 2010, the Company and Pertamina entered into a Sale and Purchase Agreement of HSD for supply of HSD to PLTGU Muara Tawar for 400,000 KL for 4 years until 2014.

On December 1, 2010, the Company and Pertamina entered into a Sale and Purchase Agreement of HSD for supply of HSD to PLTGU Muara Karang and Tanjung Priok for 2,000,000 KL for 4 years until 2014.

On April 10, 2008, the Company entered into a Sale and Purchase Agreement of HSD with Joint Operation of PT Shell Indonesia and PT Kutilang Paksi Mas for supply of HSD to PLTGU Grati for 600,000 kl per annum, respectively, for 3 years until 2011. On May 20, 2011, both parties made on addendum of Sell and Purchase Agreement of HSD 4 years period ending in 2015 640,000 KL.

On January 29, 2009 and August 19, 2009, the Company entered into a Sale and Purchase Agreement of HSD with PT AKR Corporindo, Tbk for 400,000 KL for 3 years until 2012.

On June 7, 2012, the Company entered into a Sale and Purchase Agreement of HSD with PT AKR Corporindo, Tbk for 400,000 KL for 3 years until 2015.

On December 10, 2010, the Company entered into a Sale and Purchase Agreement of HSD with Tuban Consortium PT Trans Pacific Petrochemical and PT Tuban LPG Indonesia for supply of HSD for 1,200,000 KL for 4 years until 2014.

iv. Geothermal Heat

The Company has a geothermal heat procurement agreement with Pertamina for Kamojang for 30 years until 2012, for Gunung Salak and Darajat for 30 years until 2030 and for Lahendong for 30 years until 2038.

b. Power purchase agreements

As discussed in Note 59, the Company has assessed that certain power purchase agreements qualify as either operating lease or finance lease as a result of adoption of ISAK 8. As of June 30, 2012, the significant agreements between the Company and its subsidiaries with IPPs are as follows:

(Figures in tables stated in millions of Rupiah) - Continued

i. In Operations

Power purchase agreements under finance lease

No.	Company	Project	Fuel	Capacity (MW)	AF b) (%)	Period	Commercial Operation Date (COD)
1.	PT Energi Sengkang	Sengkang, South Sulawesi	Gas	195	85	1999-2028	March 1, 1999 November 16, 2008
2.	Chevron Geothermal Salak Ltd and Dayabumi Salak Pratama Ltd.	Salak, West Java	Geothermal	165	90	1997-2027	October 1, 1997
3.	PT Makassar Power	Pare-pare, South Sulawesi	MFO	60	80	1998-2013	May 1, 1998
4.	PT Paiton Energy	Paiton I, East Java	Coal	1,230	85	2000-2040	July 1, 2000
5.	PT Jawa Power	Paiton II, East Java	Coal	1,220	83	2000-2030	November 1, 2000
6.	Pertamina, Cevron Drajat Ltd. Texaco Drajat Ltd. and PT Drajat Geothermal Ind.	Drajat, West Java	Geothermal	180	95	2000-2030	February 1, 2000 August 1, 2007
7.	Pertamina and Magma Nusantara Limited	Wayang Windu, West Java	Geothermal	220	90	2000-2042	December 1, 2005 March 1, 2009
8.	PT Asrigita Prasarana	Palembang, South Sumatera	Gas	150	85	2004-2024	September 1, 2004
9.	PT Sumber Segara Primadaya	Cilacap, Central Java	Coal	562	80	2007-2037	February 1, 2007
10.	PT Dalle Energy Batam	Panaran, Batam Island	Gas	55	80	2005-2016	December 31, 2005 April 30, 2006 March 25, 2010
11.	PT Mitra Energi Batam	Panaran, Batam Island	Gas	55	84	2005-2016	October 39, 2004
12.	PT Indo Matra Power (Phase 1)	Kawasan Industri Kabil, Batam Island	Gas	17	90	2005-2017	September 11, 2005 April 1, 2006
13.	PT Metaepsi Pejebe Power Generation	Gunung Megang, South Sumatera	Gas	80	80	2005-2025	November 10, 2007
14.	PT Pusaka Jaya Palu Power	Palu, Central Sulawesi	Coal	27	80	2007-2032	November 1, 2007
15.	PT Pertamina Geothermal Energi	Kamojang, West Java	Geothermal	60	90	2008-2038	January 26, 2008
16.	PT Cahaya Fajar Kaltim	Embalut, East Kalimantan	Coal	45	72	2008-2038	December 20, 2008
17.	PT Dizamatra Powerindo	Sebayak, North Sumatera	Geothermal	10	90	2008-2038	December 19, 2008
18.	PT Bajradaya Sentranusa	Asahan, North Sumatera	Hydro	180	90	2010-2040	January 18, 2011
19.	PT Cipta Daya Nusantara	Mobuya, North Sulawesi	Hydro	3	80	2007-2027	July 31, 2007
20.	PT Fajar Futura Energi Luwu	Luwu, South Sulawesi	Hydro	2	-	2010-2035	May 10, 2010
21.	PT Sulawesi Mini Hydro Power	Sinjai, South Sulawesi	Hydro	10	-	2011-2036	February 12, 2011
22.	PT Eksploitasi Energi Indonesia Tbk	Pangkalan Bun, South Borneo	Coal	11	80	2011-2036	October 14, 2011
23.	PT Paiton Energy	Paiton III, East Java	Coal	815	85	2012-2042	March 1, 2012
24.	PT Guo Hua Energi Musi Makmur (GH EMM)	Simpang Belimbing, South Sumatera	Coal	227	80	2011-2041	November 11, 2011
25.	PT Humbahas Bumi Energi	Hutaraja, North Sumatera	Hydro	5	65	2012-2037	May 10, 2012
26.	Joint Operation PT Wijaya Karya (Persero) Tbk - PT Mirlindo Padu Kencana	Pesanggrahan, Bali	Diesel	50	85	2009-2017	March 1, 2011
	Total			5,634			

Details on future minimum lease payments related to these PPAs are discussed in Note 27.

ii. Not Yet in Operations (Development Stage)

No.	Company	Projects	Fuel	Capacity (MW)	AF b) (%)	Period a)	Status
1	PT Bhimasena Power Indonesia	Pemalang, Central Java	Coal	2,000	86	2012-2037	e)
2	PT Cirebon Electric Power	Cirebon, West Java	Coal	660	80	2011-2041	d)
3	PT Lestari Banten Energy	Banten	Coal	625	80	2016-2041	e)
4	PT General Energy Bali	Celukan Bawang, Bali	Coal	380	85	2011-2041	d)
5	Sarulla Operation Ltd	Sarulla, North Sumatera	Geothermal	330	90	2016-2046	e)
6	PT DSSP Power Sumsel	PLTU Sumsel-5, South Sumatera	Coal	300	80	2015-2040	e)
7	Kons. Madhucon	PLTU Sumsel-7, South Sumatera	Coal	300	80	2016-2041	e)
8	PT Ranyza Energi	Kuala Tanjung, North Sumatera	Coal	225	84	2016-2046	e)
9	PT Priamanaya Power Energi	Baturaja, South Sumatera	Coal	225	80	2015-2045	e)
10	PT Pertamina Geothermal Energy	PLTP Lumut Balai	Geothermal	220	90	2016-2046	e)
11	PT Supreme Energy Rajabasa	PLTP Rajabasa	Geothermal	220	90	2017-2047	e)
12	PT Supreme Energy Muaralaboh	PLTP Muaralaboh	Geothermal	220	90	2017-2047	e)
13	PT Bukit Pembangkit Innovative	Banjarsari, South Sumatera	Coal	200	80	2014-2044	d)
14	PT Bosowa Energi	Jeneponto, South Sulawesi	Coal	200	80	2012-2042	d)
15	PT Poso Energy	Poso, Central Sulawesi	Hydro	195	845,52 GWh/year	2012-2042	d)
16	PT Geo Dipa Energi	Patuha, West Java	Geothermal	180	75	2014-2034	e)
17	Bali Energi Ltd	Bedugul, Bali	Geothermal	175	95	2016-2046	e)
18	PT Pertamina Geothermal Energy	PLTP Karaha	Geothermal	140	90	2016-2046	e)
19	PT Energi Sengkang	PLTG Sengkang Ekspansi	Gas	120	85	2012-2037	d)
20	PT Pertamina Geothermal Energy	PLTP Ulubelu #3-4	Geothermal	110	90	2015-2045	d)
21	PT TJK Power	Batam Island	Coal	110	85	2009-2038	d)
22	PT Pertamina Geothermal Energy	PLTP Kamojang	Geothermal	90	90	2016-2046	e)
23	PT Kutai Energi Perkasa	Senipah, East Kalimantan	Gas	80	85	2013-2028	d)
24	PT Geo Dipa Energi	Dieng, Central Java (Unit 2)	Geothermal	60	85	2016-2036	e)
25	PT Indo Ridlatama Power	Semboja, East Kalimantan	Coal	55	80	2014-2034	e)
26	PT Equator Manunggal Power	Pontianak, West Kalimantan	Coal	54	85	2010-2035	d)
27	PT Leyand Pontianak Power	PLTU Pontianak/ West Kalimantan	Coal	50	80	2015-2040	e)
28	PT Tenaga Listrik Kema	PLTU Sulut	Coal	50	80	2014-2039	e)
29	PT Cahaya Fajar Kaltim	PLTU Embalut Ekspansi	Coal	50	87	2015-2045	e)
30	Others c)			776	55 - 90	2010-2046	
	Total			8,400			

a) The agreements are effective from the date of signing and buy and sell of electricity is valid between 19 to 30 years starting from the commercial operation date.
b) AF = Power supply factor which should be absorbed by the Company.
c) Represents contracts with 112 IPPs, consisting of 58 IPPs under construction and 54 IPPs in financing stage, which are located in several areas of Indonesia and are generated by coal, geothermal and mini hydro each with power plant's capacity of less than 50 MW.
d) Under construction
e) Financing stage

The electricity power price per kWh for gas, MFO and coal power plants are determined by certain formula as stated in the agreement which regulate, among others, capital cost recovery, fixed operation and maintenance cost payment, fuel expense and variable operation, and maintenance cost payment. For geothermal heat power plants, the electricity power price are determined by certain formula as stated in the agreement, among others, Energy Charge and Capacity Charge.

In relation with the purchase of electricity, PLN Batam has placed collateral account and time deposits amounting to Rp 6,608 million (Note 12).

iii. PLTP Sarulla

Based on Deed of Assignment dated January 23, 2004 as amended by the addendum dated February 6, 2004, the Company has taken over the rights, participating interests and obligations of Unocal North Sumatra Geothermal Ltd. (UNSG) in relation to the electricity sell and purchase agreement in 1993 (the Sarulla project), and the Company will transfer such rights, participating interests and obligations to other entity, which will be appointed later. The amount of the compensation paid by the Company for such taking-over of rights amounted US$ 60 million and was recorded as construction in progress (Note 7). To continue the Sarulla project, the Company organized bidding process, which started in 2004, and letter of intent was issued to the winning bidder on July 25, 2005. Based from such letter of intent, on December 14, 2007, the Company together with PT Pertamina Geothermal Energy (PGE), Sarulla Operations Ltd., PT Medco Geopower Sarulla, Sarulla Power Asset Ltd. and OrSarulla Inc. collectively, referred to as "the Consortium", agreed to perform buy and sell of electricity, which is generated from PLTP Sarulla 330 MW by means of amendment of Energy Sales Contract (ESC) and to transfer the rights, participating interests and obligations (Deed of Assignment) on the Joint Operation Contract (JOC) and Sarulla ESC. The agreement includes, among others: (i) the Consortium will give compensation to the Company amounting to US$ 73,675,000, including interest of US$ 3,675,000, payable in four semi annual installments, which will start on the date on which the first drawdown of senior debt under the financing agreements occurs (financial close), (ii) the financial close shall begin no later than 12 months after the date on which the Minister of Energy and Mineral Resources (MESDM) issues the approval, (iii) the contract period will be due on February 27, 2046, (iv) the commercial operations of the 6 unit power plants will approximately be 30 - 48 months since the financial close. This agreement will be effective after the Consortium has made the first payment to the Company and after MESDM's approval on the Deed of Assignment, ESC Amendment, JOC Amendment between PGE and the Consortium, and electricity selling price stated in the amended ESC. On August 27, 2008, the Company received the letter of approval from MESDM.

On July 2, 2008, the Consortium approved the amendment of the terms of payment of the Deed of Assignment, wherein the total compensation amounted to US$ 71,837,500, which includes interest of US$ 1,837,500. This will be paid in two installments, with the first payment of US$ 52,500,000 at the financial close date and the second payment US$ 19,337,500 on 18 months subsequent to the financial close date.

(Figures in tables stated in millions of Rupiah) - Continued

c. Capital expenditures

As of June 30, 2012, total commitments on capital expenditures based on contracts, which are related to procurement of power plants, transmissions and distributions are as follows :

	Currencies	Amount in foreign currencies *)	Rupiah equivalent *)
Fast track program			
Power plant contracts	US$	959	9,093,125
	Rupiah	-	5,954,271
			15,047,396
Transmission contracts	US$	10	95,241
	EUR	4	51,529
	Rupiah	-	420,317
			567,087
Regular construction contracts	US$	40	377,565
	EUR	12	147,353
	JPY	13,366	1,598,997
	Rupiah	-	12,392,134
	Others **)	2	17,112
			14,533,161

*) In million
**) Capital expenditures denominated in other foreign currencies are presented as US$ equivalent using the exchange rate prevailing at reporting date.

Fast Track Program

Based on Presidential of the Republic of Indonesia Decree No. 71 Year 2006 dated July 5, 2006 which was amended by Presidential of the Republic of Indonesia Regulation No. 59 dated December 23, 2009, the Government mandates the Company to build coal-fired power plants (PLTU) at 42 locations in Indonesia, which include 10 power plants with aggregate capacity of 7,490 MW in Java - Bali and 32 power plants with aggregate capacity of 2,769 MW outside Java – Bali. These projects are expected to be in operation by 2012 and 2014.

Power Plant Contracts

As of June 30, 2012, the Company signed 36 Engineering Procurement and Construction (EPC) contracts which consist of 10 electricity power plants with aggregate capacity of 7,490 MW in Java - Bali and 26 electricity power plants with aggregate capacity of 2,451 MW outside Java - Bali. Under the terms of such contracts, the Company is required to pay the contractor a down payment, which is approximately 15% of the contract price and the remaining 85% will be funded through credit facilities from banks.

Until June 30, 2012, the Company made a total down payment of US$ 872 million and Rp 4,750,379 million for 35 EPC contracts or approximately 15% of the total contract price, which are recorded as construction in progress (Note 7). Such down payments are funded by the proceeds of the issued Guaranteed Notes and withdrawal of credit facilities for fast track program.

Transmission Contracts

As of June 30, 2012, the Company signed 131 contracts for upgrading and constructing new transmission and sub-stations in Java and outside Java. These projects are financed by own funds and withdrawal of credit facilities from banks.

Regular Construction Contracts

Capital expenditure commitments for regular construction represent project contracts signed for additional electricity generating plants and development of transmission and distribution network. These projects are financed by own funds and other external funding through offshore loans, grants and investment projects from the State budget.

As of June 30, 2012, IP and PJB entered into commitments or contracts with various parties for the supply of materials, property, plant and equipment, and contracted services in various currencies, with Rupiah equivalent totaling to Rp 452,305 million and Rp 2,999,919 million, respectively.

d. Unused loan facilities

Two-step loans

Currency	In foreign currencies *)	Rp equivalent *)
US$	4,418	41,878,987
JPY	99,422	11,893,802
Total		53,772,789

*) In millions

The unused facilities with equivalent of Rp 1,727,709 million bear provision charge of 0.10% - 0.75% per annum, while the remaining facilities of Rp 52,045,080 million do not bear any provision charge. These facilities will be due between 2012 to 2047.

Loan agreements for fast track program

The purpose of these loan facilities is to finance 85% of the contract price of EPC for fast track program. The term of the loan includes preparation of credit for 36 months and is fully guaranteed by the Government of the Republic Indonesia in accordance with the Presidential Regulation of the Republic of Indonesia (PP) No. 91 Year 2007, superseding No. 86 Year 2006, regarding Grant of Government Guarantee for Construction of Coal-Fired Power Plant. In connection with these loans, the Company is obliged to comply with general restrictions.

(Figures in tables stated in millions of Rupiah) - Continued

As of the date of the issuance of the consolidated financial statements, details of loan facilities to finance the fast track program are as follow:

No.	Creditor and project funded	Maximum facility *)	Unused loan facilities *)	Interest rate per annum	Insurance premium *)	Date of agreement	Period **)
							Year
	US$ loan facilities						
1	The Export-Import Bank of China/ PLTU 1 Suralaya, Banten	284	2	0.84% + LIBOR 6 months	27	January 30, 2008	15
2	The Export-Import Bank of China/ PLTU 2 Paiton, East Java	331	42	0.84% + LIBOR 6 months	32	January 30, 2008	15
3	Barclays Capital The Investment Banking Division of Barclays Bank PLC and China Development Bank PLTU 1 Rembang, Central Java	262	-	3.25% + LIBOR 6 months	-	December 3, 2008	13
4	Syndicated loan coordinated by Bank of China Limited/ PLTU 1 Indramayu, West Java	592	46	0.785% + LIBOR 6 months	55	May 27, 2008	13
5	The Export-Import Bank of China/ PLTU Nanggroe Aceh Darussalam	124	30	2.80% + LIBOR 6 months	12	May 4, 2009	15
6	The Export-Import Bank of China/ PLTU 2 Pelabuhan Ratu, West Java	482	133	2.80% + LIBOR 6 months	44	May 4, 2009	15
7	Bank of China Limited/ PLTU 3 Teluk Naga, Banten	455	51	2.30% + LIBOR 6 months	46	May 4, 2009	13
8	The Export-Import Bank of China/ PLTU 1 Pacitan, East Java	293	45	2.80% + LIBOR 6 months	29	July 17, 2009	15
9	Bank of China Limited/ PLTU Tanjung Awar-awar	372	108	2.30% + LIBOR 6 months	34	December 14, 2009	13
10	China Development Bank and PT Bank ICBC Indonesia PLTU Adipala, Cilacap, Central Java	625	362	3.85% + LIBOR 6 months	-	October 14, 2009	13
11	China Development Bank/ PLTU Teluk Sirih, Padang, West Sumatra	138	19	3.85% + LIBOR 6 months	-	October 14, 2009	13
	Total in US$	3,958	838		279		

*) In million
**) Include grace period

(Figures in tables stated in millions of Rupiah) - Continued

No.	Creditor and project funded	Maximum facility *)	Unused loan facilities *)	Interest rate per annum	Date of agreement	Period **)
						Year
	Rupiah loan facilities					
1	PT Bank Mega Tbk/ PLTU 2 Paiton, East Java	600,635	87,037	1.10% + JIBOR 6 months	April 18, 2008	10
2	PT Bank Mega Tbk/ PLTU 1 Suralaya, Banten	735,387	1,572	1.10% + JIBOR 6 months	April 18, 2008	10
3	PT Bank Mega Tbk/ PLTU 2 Pelabuhan Ratu, West Java	1,874,315	660,081	1.10% + JIBOR 6 months	July 29, 2008	10
4	PT Bank Mega Tbk/ PLTU 2 West Nusa Tenggara PLTU Gorontalo PLTU 2 Manado, North Sulaw esi PLTU Tanjung Balai Karimun, Riau Island PLTU 1 Ende, East Nusa Tenggara PLTU 2 Southeast Sulaw esi PLTU 1 Central Kalimantan	1,498,513	764,513	1.10% + JIBOR 6 months	July 29, 2008	10
5	PT Bank Mega Tbk/ PLTU Lampung, Lampung PLTU 2 North Sumatera	1,240,661	549,735	1.10% + JIBOR 6 months	July 29, 2008	10
6	Syndicated loan coordinated by PT Bank Mandiri/ PLTU 1 Rembang, Central Java	1,911,480	184,090	1.11% + JIBOR 3 months	March 23, 2008	10
7	Syndicated loan coordinated by PT Bank Negara Indonesia/ PLTU 1 Indramayu, West Java	1,272,913	89,235	1.10% + JIBOR 3 months	February 23, 2008	10
8	Syndicated loan coordinated by PT Bank Central Asia Tbk/ PLTU 2 Labuan, Banten	1,188,548	116,920	1.12% + JIBOR 3 months	April 18, 2008	10
9	Syndicated loan coordinated by PT Bank Negara Indonesia/ PLTU 2 Labuan, Banten	2,741,298	-	0.825% + JIBOR 3 months	July 23, 2008	10
10	PT Bank Bukopin Tbk/ PLTU 1 Pacitan, East Java	1,045,924	188,862	0.71% + JIBOR 6 months	July 29, 2008	13
11	PT Bank Bukopin Tbk/ PLTU 3 Teluk Naga, Banten	1,606,612	127,491	0.71% + JIBOR 6 months	July 29, 2008	13
12	Syndicated loan coordinated by PT Bank Rakyat Indonesia/ PLTU South Sulaw esi PLTU 3 Bangka Belitung PLTU 2 Papua PLTU South Kalimantan	2,074,740	641,445	1% + JIBOR 3 months	January 30, 2009	10
13	Syndicated loan coordinated by PT Bank Rakyat Indonesia/ PLTU South Sulaw esi PLTU 3 Bangka Belitung PLTU 2 Papua PLTU South Kalimantan	1,151,005	215,990	1% + JIBOR 3 months	January 30, 2009	10
	Total carry forw ard	18,942,031	3,626,969			

*) In million
**) Include grace period

(Figures in tables stated in millions of Rupiah) - Continued

No.	Creditor and project funded	Maximum facility *)	Unused loan facilities *)	Interest rate per annum	Date of agreement	Period **) Year
	Rupiah loan facilities					
	Total carried forward	18,942,031	3,626,969			
14	PT. Bank DKI/ PLTU Naganraya PLTU 2 East Nusa Tenggara PLTU 1 West Nusa Tenggara PLTU West Sumatera PLTU 2 West Kalimantan PLTU 4 Bangka Belitung PLTU North Maluku PLTU Southeast Sulawesi PLTU 1 East Nusa Tenggara PLTU 2 North Sulawesi PLTU Gorontalo PLTU 2 West Nusa Tenggara PLTU 1 Central Kalimantan	4,732,000	2,246,409	1% + JIBOR 3 months	April 24, 2009	10
15	Syndicated loan coordinated by PT Bank Negara Indonesia/ PLTU Tanjung Awar-Awar, East Java	1,155,352	370,141	1% + JIBOR 3 months	January 30, 2009	10
16	Syndicated loan coordinated by PT Bank Rakyat Indonesia/ PLTU Tarahan, Lampung PLTU 2 Pangkalan Susu, North Sumatera	3,941,772	1,277,162	1.50% + JIBOR 3 months	October 14, 2009	10
17	Syndicated loan coordinated by PT Bank Negara Indonesia/ Transmisi/Transmission : PLTU Meulaboh koneksi 1, Nanggroe Aceh Darussalam PLTU 2 Pangkalan Susu, North Sumatera PLTU Teluk Sirih koneksi 1 & 2, West Sumatera PLTU Tarahan koneksi 2, Lampung PLTU Asam-Asam koneksi 1 & 2, South Kalimantan PLTU 1 Pulang Pisau koneksi 2, Central Kalimantan PLTU 2 Amurang koneksi 2, North Sulawesi	1,930,063	326,857	1.50% + JIBOR 3 months	December 14, 2009	10
18	Syndicated loan coordinated by PT Bank Mandiri/ Transmission : PLTU 1 Suralaya Koneksi 1 & 2, Banten PLTU 2 Labuan Koneksi 1, Banten PLTU 3 Teluk Naga koneksi 1 dan 2, Banten PLTU 2 Pelabuhan Ratu koneksi 1, Banten PLTU 1 Rembang koneksi 2, Central Java PLTU 2 Adipala koneksi 2, Central Java PLTU 2 Paiton Baru koneksi 2, East Java PLTU 3 Tanjung Awar-awar koneksi 1, East Java	2,613,012	653,601	1.50% + JIBOR 3 months	December 14, 2009	10
19	Syndicated loan coordinated by PT Bank Central Asia/ Transmission : PLTU 1 Suralaya koneksi 2, Banten PLTU 2 Labuhan koneksi 2, Banten PLTU 3 Lontar koneksi 2, Banten PLTU 1 Indramayu koneksi 2, West Java PLTU 2 Pelabuhan Ratu koneksi 2, Banten PLTU 1 Pacitan koneksi 2, East Java PLTU 2 Paiton koneksi 2, East Java PLTU 3 Tanjung Awar-Awar koneksi 2, East Java	327,195	226,467	1.50% + JIBOR 3 months	December 14, 2009	10
	Total carry forward	33,641,425	8,727,606			

*) In million
**) Include grace period

(Figures in tables stated in millions of Rupiah) - Continued

No.	Creditor and project funded	Maximum facility *)	Unused loan facilities *)	Interest rate per annum	Date of agreement	Period **) Year
	Rupiah loan facilities					
	Total carried forward	33,641,425	8,727,606			
20	Syndicated loan coordinated by PT Bank Central Asia/ PLTU 1 Bengkalis (2x10MW), Riau PLTU 2 Selat Panjang (2x7MW), Riau PLTU 1 Parit Baru, West Kalimantan	635,929	525,584	1.50% + JIBOR 3 months	December 14, 2009	10
21	Syndicated loan coordinated by PT Bank Central Asia/ PLTU 1 Bengkalis, Riau PLTU 2 Selat Panjang, Riau PLTU 1 Tanjung Balai Karimun, Riau Island PLTU 1 Parit Baru, West Kalimantan	871,922	642,404	1.50% + JIBOR 3 months	December 14, 2009	10
22	Syndicated loan coordinated by PT Bank Rakyat Indonesia/ Transmission packages 3	1,067,683	330,720	1.05% + JIBOR 3 months	December 27, 2010	10
	Total in Rupiah	36,216,959	10,226,314			

*) In million
**) Include grace period

The loan facilities utilized by the Company from July 1, 2012 until the date of the issuance of the consolidated financial statements amounted to Rp 2,232,377 million and US$ 342 million.

e. Operation and maintenance programs

In order to improve and restore the performance of generator units until a certain level, the Company has entered into Operation and Maintenance Agreements with contractors. The contract payment comprise of fixed and variable portions. The contractors have to meet certain targets and will be charged with penalty if these targets are not met. The commitments with the contractors for fixed portion are as follows:

Power plant	Contractors	Contract amount Rupiah equivalent	Period
PLTU Tanjung Jati B	Consortium of Fortum Service OY & PT Medco Energy	1,845,434	2005-2030
PLTU Muara Tawar	Siemens AG	401,847	2004-2014
Total		2,247,281	

f. Litigations

(i) On July 29, 1999, the people of the village of Sirnagalih, Manis Subdistrict, Purwakarta Regency Area filed a law suit against Perum Perhutani Unit III West Java ("Perhutani"), a state-owned forestry enterprise, in which the Company and PJB were also named as defendants. The plaintiffs claim that Perhutani illegally seized and sold 88,900 hectares of land to PJB, which was used for the development of a water power plant (PLTA Cirata). The claim is for Rp 162.5 billion and the return of the land. On July 29, 1999, the Purwakarta District Court granted just part of the plaintiff's claims. The defendants appealed to the High Court of Bandung. On April 18, 2000, the Bandung High Court granted Perhutani's appeal and annulled the earlier decision of the Purwakarta District Court in favor of the plaintiff. The plaintiff submitted a cassation application to the Supreme Court, which annulled the High Court of Bandung verdict and ordered the Bandung High Court to re-examine the case. On December 3, 2004, the High Court of Bandung rejected all claims by the plaintiff. The plaintiff filed a second cassation application to the Supreme Court of the Republic of Indonesia on December 28, 2005, and the Company and PJB also made a counter-file to the Supreme Court. On November 15, 2007 the Supreme Court of Republic of Indonesia have denied the plaintiff's claim and sent their decision back to the Purwakarta District Court. As of the issuance date of the consolidated financial statements, the Supreme Court's decision has not been communicated by Purwakarta District Court to the parties involved.

On July 10, 2010 plaintiff filed judicial review (PK) to the Supreme Court. The plaintiff submit memory PK dated August 9, 2010. The Company also made a counter memory of PK to the Supreme Court on September 1, 2010. As of the date of the issuance of the consolidated financial statements, this case is under negotiation with the Supreme Court of the Republic of Indonesia.

(ii) On May 17, 2004, PJB terminated the contract of "Non-OEM Re-engineered Hot Gas Part of Muara Tawar Project" with Columbia Turbo and Engineering Service Pte. Ltd., Singapore (Columbia). On December 15, 2004, both parties agreed not to use the International Arbitration in Singapore to settle the case. Furthermore, on July 15, 2005, PJB and Columbia agreed to continue the contract under the provision that PJB will be able to resolve the conditions, which hinder the implementation of the contract until December 2005. Both parties also agreed that the case is temporarily in status quo and will be negotiated through amicable contract settlement. As of the date of the issuance of the consolidated financial statements, the contract negotiation is still in process.

(iii) On April 24, 2008, the Company faced claims from Jamsuri and Maswi amounting to Rp 50 billion for the material loss and Rp 25 billion for the immaterial loss in relation to the ownership of land by the Company which is under dispute. Based on the the letter of verdict dated December 23, 2008, the District Court of Bekasi, denied the plaintiff's claim and the plaintiff appealed to the High Court of Bandung on March 3, 2009. On June 10, 2009, the High Court of Bandung denied the plaintiff's claim. On October 27, 2009, the plaintiff has made an appeal to the Supreme Court of the Republic of Indonesia for this verdict. The Company also made a counter appeal to the Supreme Court on the same date. On July 10, 2012, the Supreme Court of the Republic of Indonesia have denied the plaintiff's claim.

(iv) On April 3, 2009, the Company faced claims from Muhammad Konoras and co-claimants amounting to Rp 33 billion as part of class action relating to damages caused by electricity shut down in Ternate. Based on the letter of verdict dated February 16, 2010, the District Court of Ternate granted just part of plaintiff's claim. The Company made an appeal to the High Court of North Maluku for this verdict. Based on the letter of verdict dated July 19, 2010, the District Court of North Maluku has denied the plaintiff's claim and the plaintiff appealed to the Supreme Court of the Republic of Indonesia. As of the date of the issuance of the consolidated financial statements, the case is under negotiation with the Supreme Court of Indonesia.

(v) On February 10, 2010, the Company faced claims from the Civil Society that authorized to Legal Aid Institute of Pattimura University of Ambon amounting to Rp 120 billion as part of the class action with regards with frequent electricity shut down in Ambon. Based on the decision dated December 20, 2010, the District Court of Ambon has denied the plaintiff's claim. As of the date of the issuance of the consolidated financial statements, the plaintiff is still in the process of appeal.

(vi) In 2001, Hendrik Nelwan and co-claimants filed claims for the compensation for the heirs of land that has been utilized by the Company as hydropower plant PLTA Tonsealama, amounting to Rp 54 billion in District Court of Manado. Based on the letter of verdict dated March 16, 2011, the High Court of Menado has granted the plaintiff's claim. The Company appealed to the Supreme Court of the Republic of Indonesia. As of the date of the issuance of the consolidated financial statements, the case is under negotiation in Supreme Court of the Republic of Indonesia.

(vii) On February 25, 2011, PT Indonesia Power a subsidiary faced claims from PT Group Rahmat Bersama and PT Matahari Anugerah Perkasa Consortium with regards to termination of contract agreements for coal supply amounting to Rp 2,121,340 million. Based on letter of verdict dated August 22, 2011, the District Court of South Jakarta have denied the plaintiff's claim and informed the plaintiff to file the claims to Indonesia National Board of Arbitration (BANI).

(viii) In 2011, the Company faced claim from Dindin and co-claimants amounting to Rp 15.6 billion for the material loss and Rp 85 billion for the immaterial loss in relation to the construction of 500 kV high-tension air intake which crossed the plaintiff's residence. Based on the letter of verdict dated February 29, 2012, the District Court of Bandung granted just part of plaintiff's claim. On March 7, 2012, the Company made appeal to the High Court of Bandung. As of the date of the issuance of the consolidated financial statements, the case is under negotiation with the High Court of Bandung.

(ix) On January 20, 2012, the Company faced claim from PT Subur Sari Lastderich amounting to Rp 10 billion for the material loss and Rp 1 trillion for the immaterial loss in relation to development of PLTA Asahan III by the Company for the right to build such PLTA supposed was the plaintiff. As of the date of the issuance of the consolidated financial statements, the case is under negotiation with the District Court of Medan.

(x) The Company also faced claims for compensation of losses, which are immaterial in amount, at several areas of the Company's transmission/distribution facilities, disputes with the Company's employees, and cases with customers and suppliers. Management believes that such claims are not material and will not significantly affect the Company's operations.

58. FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL RISK MANAGEMENT

a. Capital risk management

The Company and its subsidiaries manage capital risk to ensure that the Company and its subsidiaries will be able to continue as going concern. The Company and its subsidiaries' capital structure consist of cash and cash equivalent (Note 14) and equity shareholders of the holding that consisting of capital stock (Note 22), additional paid-in capital (Note 23), and retained earnings.

b. Financial risk management objectives and policies

The Company and its subsidiaries overall financial risk management and policies seek to ensure that adequate financial resources are available for operation and development of their business, while managing their exposure to foreign exchange risk, interest rate risk, credit and liquidity risk. The Company and its subsidiaries operate within defined guidelines that are approved by the Board.

In managing risk, the Company established a Risk Management Division (MRO Division) which is responsible for the preparation of the policy, frameworks, risk management implementation guide and infrastructure of the risk management and ensuring the implementation of the risk management in the Company environment. The division is also tasked to formulate a strategic risk profile as an early warning to the Company management. MRO Division is responsible to the Director of Business and Risk Management.

The Company divides risk into two groups: operational risk and financial risk. Financial risks including the risk of exchange rate, interest rate risk, credit risk and liquidity risk. In managing risk, the Company considers priorities based on risk level. Risk level is determined based on the level and scale of potential impacts.

Related to financial risks, the Company is reviewing the management policy to perform hedging to serve as the legal basis for implementation. As a State-Owned Enterprises, the legal basis for this is very important so no issues will arise during the implementation of such hedging programs. In addition, the Company is also preparing human resources that will handle this hedging as this is something new in the organization.

i. Foreign currency risk management

The Company and its subsidiaries undertake many transactions and funding sources that are denominated in foreign currencies. Consequently, there are exposures to exchange rate fluctuations. The Company and its subsidiaries policy is to maintain foreign currency exposure within acceptable limits. The Company is considering to enter into hedging contract to manage exposures to fluctuations in foreign currency.

The Company and its subsidiaries net open foreign currency exposure as of reporting date is disclosed in Note 55.

Foreign currency sensitivity

The following table details the Company's sensitivity to a 10% increase and decrease in Rupiah against the relevant foreign currencies. 10% increase or decrease represents the management's assessment of the reasonably possible change in foreign exchange rates after considering the current economic conditions. The sensitivity analysis includes only outstanding foreign denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

(Figures in tables stated in millions of Rupiah) - Continued

	June 30, 2012							
	USD		JPY		EUR		Others *)	
	+ 10%	-10%	+ 10%	-10%	+ 10%	-10%	+ 10%	-10%
Assets								
Receivables from related parties	24,621	(24,621)	-	-	-	-	-	-
Restricted cash in banks and time deposits	29,575	(29,575)	472,611	(472,611)	-	-	-	-
Cash and cash equivalents	194,787	(194,787)	735	(734)	6,189	(6,189)	521	(521)
Short term investment	28,582	(28,582)	-	-	-	-	-	-
Liabilities								
Two-step loans	(619,085)	619,085	(2,229,582)	2,229,582	(143,462)	143,462	(26,892)	26,892
Lease liabilities	(6,412,523)	6,412,523	(3,691,018)	3,691,018	-	-	-	-
Bank loans and medium term notes	(2,788,409)	2,788,409	-	-	-	-	-	-
Bonds payable	(4,334,967)	4,334,967	-	-	-	-	-	-
Electricity purchase payable	(579,298)	579,298	-	-	-	-	-	-
Other payables	(116,028)	116,028	(19,454)	19,454	(28,870)	2,870	(30,419)	340,419
Project cost payable	(61,370)	61,370	(88,353)	88,353	(7,237)	7,237	(702)	702
Trade accounts payable	(272,714)	272,714	-	-	-	-	(392)	392
Accrued expenses	(63,691)	63,691	(35,161)	35,161	(952)	952	(332)	332

*) Includes various currencies (Australian Dollar, Great Britain Pound, New Zealand Dollar and Swiss Franc).

From the Company and its subsidiaries overall exposure to foreign exchange risk, 23% arising from bank loans, bonds payable and two-step loan is capitalized as part of borrowing cost. Foreign exchange risks arising from interest expense is recoverable through a government subsidy.

ii. Interest rate risk management

The Company and its subsidiaries are exposed to interest rate risk as the Company and its subsidiaries borrow funds that carries floating interest rates. The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rate borrowings. The Company has been considering to enter into hedging contracts for loans with floating interest rate.

The Company and its subsidiaries does not classify any fixed rate and non-interest bearing financial instruments as at fair value through profit or loss or available-for-sale, as such, exposure to interest rate risk does not arise for fixed rate and non-interest bearing financial instrument since a change in interest rate would not affect profit or loss and other comprehensive income, respectively.

Interest rate profile

The interest rate profile of the Company and its subsidiaries' financial assets and financial liabilities are detailed below:

	Floating rate	Fixed rate	Non-interest bearing	Total
Financial Assets:				
Cash and cash equivalents	19,356,558	-	20,851	19,377,409
Short-term investments	440,675	-	-	440,675
Trade accounts receivable	-	-	4,336,429	4,336,429
Receivable on electricity subsidy	-	-	24,435,641	24,435,641
Other receivables	-	427,407	610,109	1,037,516
Receivables from related parties	-	237,974	46,718	284,692
Restricted cash in banks and time deposits	5,054,612	-	-	5,054,612
Financial Liabilities:				
Trade accounts payable	-	-	22,690,204	22,690,204
Taxes payable	-	-	704,324	704,324
Accrued expenses	-	-	5,508,631	5,508,631
Customer's security deposits	-	-	6,489,195	6,489,195
Project cost payable	-	-	1,878,446	1,878,446
Two-step loans	3,805,721	27,136,547	-	30,942,268
Government loans	-	9,236,220	-	9,236,220
Lease liabilities	-	102,185,263	-	102,185,263
Bank loans and medium term notes	59,928,851	-	-	59,928,851
Bonds payable	-	56,877,322	-	56,877,322
Electricity purchase payable	-	5,764,158	-	5,764,158
Payable to related parties	-	-	4,224,480	4,224,480
Other payables	-	-	17,275,789	17,275,789

(Figures in tables stated in millions of Rupiah) - Continued

The financial instruments that carries floating rate in table above represents the Company and its subsidiaries' maximum exposure to interest rate risk.

Cash flow sensitivity analysis for floating rate financial instruments

The sensitivity analysis below have been determined based on the Company's exposure to interest rates floating rate financial instruments outstanding at the reporting date. The analysis is prepared assuming the amount of floating rate financial instruments outstanding at the reporting period end date was outstanding for the whole year, taking into account actual principal movements during the year. The sensitivity analysis uses an assumption of 50 basis point increase and decrease in the relevant interest rates with all other variables held constant. 50 basis points increase or decrease represents the management's assessment of the reasonably possible change in interest rates after considering the current economic conditions.

	June 30, 2012	
	+50 Basis Point	-50 Basis Point
Assets		
Cash and cash equivalents	95,753	(95,753)
Short term investments	3,152	(3,152)
Restricted cash in banks and time deposits	648	(648)
Liabilities		
Two-step loans	(152,128)	152,128
Bank loans and medium term notes	(335,539)	335,539

The company's exposure to interest risk is minimal due to a government subsidy that covers all risks arising from changes in interest rate. Portions of interest expenses from banks loans and two-step loan are capitalized as part of borrowing cost.

iii. Commodity price risk

Commodity price risk is the risk that the fair value or cash flow of a financial instrument will fluctuate because of changes in commodity price. The company's overall exposure to commodity price risk is minimal due to a government subsidy which covers all risks arising from changes in commodity price.

iv. Credit risk management

Credit risk refers to the risk that the customer will default on its contractual obligations resulting in a loss to the Company and its subsidiaries. As a Company and its subsidiaries that is classified as a public utility, the Company and its subsidiaries is obliged to serve all customers regardless of the capacity to pay. In minimizing the risk of uncollectible receivables, the Company and its subsidiaries will terminate the connection to the customer if the customer does not pay on time.

Summarized below are the carrying amount of financial assets recorded in the financial statements excluding equities, net of any allowances for losses, represents the Company's maximum exposure to credit risk.

	June 30, 2012
Cash and cash equivalent	19,377,409
Short-term investments	440,675
Trade account receivables	4,336,429
Receivables on electricity subsidy	24,435,641
Other receivables	1,037,516
Receivables from related parties	284,692
Restricted cash in banks and time deposits	5,054,612

(Figures in tables stated in millions of Rupiah) - Continued

The Company's maximum exposure to credit risk by geographical area for trade and other receivables at the reporting date are as follows:

	June 30, 2012
West Indonesia	804,794
East Indonesia	409,539
Java and Bali	28,879,945

v. Liquidity risk management

Liquidity risk is defined as the risk that the Company and its subsidiaries will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Company and its subsidiaries short, medium and long-term funding and liquidity management requirements. The Company and its subsidiaries manage liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Company and its subsidiaries maintain sufficient funds to finance its ongoing working capital requirements.

The following table details the Company and its subsidiaries remaining contractual maturity for its financial liabilities with agreed repayment period as of June 30, 2012. The table has been drawn up based on the undiscounted principal cash flow of financial liabilities based on the earliest date on which the Company and its subsidiaries can be required to pay.

	Within one year	Over one year but not longer than five years	Over five years	Total
Two-step loans	2,145,501	9,612,621	19,184,146	30,942,268
Lease liabilities	3,566,011	21,415,679	77,203,573	102,185,263
Bank loans and medium term notes	12,259,783	30,982,741	16,686,327	59,928,851
Bonds payable	-	16,152,100	40,725,222	56,877,322
Electricity purchase payable	197,174	823,712	4,743,272	5,764,158
Other payables	17,100,909	174,880	-	17,275,789
Government loan	293,793	1,468,963	7,473,464	9,236,220
Project cost payable	1,878,445	-	-	1,878,445
Trade accounts payable	22,690,204	-	-	22,690,204
Accrued expenses	5,508,631	-	-	5,508,631
Total	65,640,451	80,630,696	166,016,004	312,287,151

The remaining principal contractual maturities for the Company and its subsidiaries' noncurrent financial liabilities are also disclosed in Notes 25, 26, 27, 28, 29, 30 and 33. Financial liabilities that are classified as current in the statements of financial position are due within one year.

(Figures in tables stated in millions of Rupiah) - Continued

c. Fair value of financial instruments

Except as detailed in the following table, management considers that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values either because of their short-term maturities or they carry market rates of interest:

	June 30, 2012		June 30, 2011		December 31, 2011		December 31, 2010	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Assets								
Receivable from related parties	284,692	225,686	272,563	221,737	279,965	225,111	297,477	245,084
Restricted cash in banks and time deposits	5,054,612	4,601,316	2,492,625	2,540,687	3,889,763	4,000,950	2,407,587	2,419,471
Liabilities								
Two-step loans	30,942,268	26,986,770	26,112,385	26,086,865	29,273,112	30,938,110	24,891,690	25,915,164
Government loans	9,236,220	9,546,455	2,263,526	2,533,159	6,363,190	6,788,550	2,360,733	2,503,809
Lease liabilities	102,185,263	122,969,430	63,651,066	73,338,633	80,494,397	93,653,048	63,307,599	76,931,060
Bonds payable	56,877,322	62,389,183	49,164,026	51,086,373	55,908,388	58,601,378	50,701,995	49,048,496
Electricity purchase payable	5,764,158	6,970,265	5,384,261	5,708,040	5,597,441	6,649,501	5,710,208	5,996,352
Payable to related parties	4,224,480	4,304,662	5,291,631	5,293,814	677,375	689,833	577,478	578,761

The fair value for the above financial instruments, except for some portions of bonds payable (i.e. global bonds), was determined by discounting estimated future cash flows with credit adjusted market interest rates at the reporting date.

The fair value of some portions of bonds payable (i.e. global bonds) is determined by reference to their quoted closing ask price at the reporting date.

59. ADOPTION OF ISAK 8 "DETERMINING WHETHER AN ARRANGEMENT CONTAINS A LEASE"

In accordance with ISAK 8, the Company and its subsidiaries assessed and determined that several of its power supply contracts with IPPs contain leases that in substance are considered finance leases. Prior to adoption of ISAK 8, such transactions are accounted for as normal purchase of electricity where the Company recognizes the cost of energy purchased from IPPs as expense when incurred.

The adoption of ISAK 8 resulted to recognition of certain power plants as part of the Company and its subsidiaries' property, plant and equipment and recognition of finance lease liabilities. In addition, certain electricity purchases have been reclassified to lease expense, financial costs, fuel and lubricants expense, and maintenance expense. The adoption of ISAK 8 has been applied retrospectively resulting to adjustments in the consolidated financial statements for the prior years.

The following is the summary of accounts in the consolidated financial statements before and after the restatement, as a result of ISAK 8 adoption:

(Figures in tables stated in millions of Rupiah) - Continued

	June 30, 2011		
	Before Restatement	Adjustments	After Restatement
ASSETS			
Property, plant and equipment - net of accumulated depreciation	214,599,587	39,675,568	254,275,155
LIABILITIES AND EQUITY			
EQUITY			
Retained earnings - Unappropriated	57,549,850	(6,650,443)	50,899,407
NONCURRENT LIABILITIES			
Deferred tax liabilities - net	9,702,520	(2,380,767)	7,321,753
Lease liabilities	12,989,633	48,690,056	61,679,689
Electricity purchase payable	5,702,968	(489,131)	5,213,837
CURRENT LIABILITIES			
Trade accounts payable			
Related parties	26,422,049	(298,956)	26,123,093
Third parties	9,782,967	(970,929)	8,812,038
Accrued expenses	4,519,028	1,172,238	5,691,266
Current maturities of long-term liabilities			
Lease liabilities	1,411,979	559,398	1,971,377
Electricity purchase payable	173,150	(2,726)	170,424

	December 31, 2011		
	Before Restatement	Adjustments	After Restatement
ASSETS			
Property, plant and equipment - net of accumulated depreciation	261,226,207	41,263,740	302,489,947
LIABILITIES AND EQUITY			
EQUITY			
Retained earnings - Unappropriated	55,285,174	(9,336,331)	45,948,843
NONCURRENT LIABILITIES			
Deferred tax liabilities - net	9,669,360	(3,284,659)	6,384,701
Lease liabilities	23,922,731	53,767,755	77,690,486
Electricity purchase payable	5,927,807	(514,496)	5,413,311
CURRENT LIABILITIES			
Trade accounts payable			
Related parties	14,194,723	(124,154)	14,070,569
Third parties	8,629,474	(753,837)	7,875,637
Accrued expenses	5,232,453	827,894	6,060,347
Current maturities of long-term liabilities			
Lease liabilities	2,119,192	684,719	2,803,911
Electricity purchase payable	187,280	(3,150)	184,130

(Figures in tables stated in millions of Rupiah) - Continued

	December 31, 2010		
	Before Restatement	Adjustments	After Restatement
ASSETS			
Property, plant and equipment - net of accumulated depreciation	210,651,868	36,909,847	247,561,715
LIABILITIES AND EQUITY			
EQUITY			
Retained earnings - Unappropriated	58,107,990	(7,568,820)	50,539,170
NONCURRENT LIABILITIES			
Deferred tax liabilities - net	9,979,393	(2,694,755)	7,284,638
Lease liabilities	14,166,649	47,239,553	61,406,202
Electricity purchase payable	6,049,046	(512,844)	5,536,202
CURRENT LIABILITIES			
Trade accounts payable			
Related parties	5,938,951	(226,288)	5,712,663
Third parties	6,714,064	(1,015,404)	5,698,660
Accrued expenses	5,111,783	1,198,216	6,309,999
Current maturities of long-term liabilities			
Lease liabilities	1,408,607	492,790	1,901,397
Electricity purchase payable	176,607	(2,601)	174,006

	December 31, 2009		
	Before Restatement	Adjustments	After Restatement
ASSETS			
Property, plant and equipment - net of accumulated depreciation	207,666,612	38,357,650	246,024,262
LIABILITIES AND EQUITY			
EQUITY			
Retained earnings - Unappropriated	58,375,483	(7,822,962)	50,552,521
NONCURRENT LIABILITIES			
Deferred tax liabilities - net	9,397,962	(2,787,922)	6,610,040
Lease liabilities	14,363,539	49,144,240	63,507,779
Electricity purchase payable	6,494,843	(538,539)	5,956,304
CURRENT LIABILITIES			
Trade accounts payable			
Related parties	9,134,333	(302,590)	8,831,743
Third parties	5,940,675	(1,061,594)	4,879,081
Accrued expenses	4,531,162	1,277,534	5,808,696
Current maturities of long-term liabilities			
Lease liabilities	1,210,483	396,451	1,606,934
Electricity purchase payable	175,656	(2,264)	173,392

(Figures in tables stated in millions of Rupiah) - Continued

	January 1, 2009/ December 31, 2008		
	Before Restatement	Adjustments	After Restatement
ASSETS			
Property, plant and equipment - net of accumulated depreciation	197,014,713	39,267,978	236,282,691
LIABILITIES AND EQUITY			
EQUITY			
Retained earnings - Unappropriated	48,019,804	(12,029,632)	35,990,172
NONCURRENT LIABILITIES			
Deferred tax liabilities - net	8,273,883	(4,923,903)	3,349,980
Lease liabilities	18,563,764	56,494,890	75,058,654
Electricity purchase payable	7,754,912	(629,635)	7,125,277
CURRENT LIABILITIES			
Trade accounts payable			
Related parties	14,864,307	(130,420)	14,733,887
Third parties	9,029,043	(1,205,513)	7,823,530
Accrued expenses	3,489,396	1,244,021	4,733,417
Current maturities of long-term liabilities			
Lease liabilities	1,344,518	390,042	1,734,560
Electricity purchase payable	194,708	(2,197)	192,511

	2011 (Six months)		
	Before Restatement	Adjustments	After Restatement
REVENUES	98,564,603	-	98,564,603
OPERATING EXPENSES			
Fuel and lubricants	58,037,391	4,979,364	63,016,755
Purchased electricity	13,871,464	(13,305,551)	565,913
Lease	-	2,423,000	2,423,000
Maintenance	4,810,536	985,256	5,795,792
Personnel	5,491,212	-	5,491,212
Depreciation	6,516,239	1,150,349	7,666,588
Others	1,840,217	-	1,840,217
Total Operating Expenses	90,567,059	(3,767,582)	86,799,477
INCOME BEFORE FINANCIAL AND OTHER ITEMS	7,997,544	3,767,582	11,765,126
NET FINANCIAL AND OTHER ITEMS			
Interest income	332,966	-	332,966
Gain on foreign exchange - net	3,438,027	2,158,337	5,596,364
Financial cost	(3,458,375)	(4,693,554)	(8,151,929)
Others - net	1,734,662	-	1,734,662
Net Financial and Other Items	2,047,280	(2,535,217)	(487,937)
PROFIT BEFORE TAX	10,044,824	1,232,365	11,277,189
TAX EXPENSE	(604,909)	(313,988)	(918,897)
INCOME FOR THE PERIOD AND TOTAL COMPREHENSIVE INCOME	9,439,915	918,377	10,358,292
Income for the period and total comprehensive income attributable to :			
Owners of the Company	9,458,546		10,376,923
Non-controlling interest	(18,631)		(18,631)
Total	9,439,915		10,358,292
BASIC EARNINGS PER SHARE (In full Rupiah Amount)	205,143		225,061

(Figures in tables stated in millions of Rupiah) - Continued

	2011 (One year)		
	Before Restatement	Adjustments	After Restatement
REVENUES	208,017,823	-	208,017,823
OPERATING EXPENSES			
Fuel and lubricants	120,553,008	10,604,596	131,157,604
Purchased electricity	29,717,769	(28,461,056)	1,256,713
Lease	-	5,775,859	5,775,859
Maintenance	11,607,490	1,985,073	13,592,563
Personnel	13,197,075	-	13,197,075
Depreciation	13,916,723	2,337,829	16,254,552
Others	4,405,234	-	4,405,234
Total Operating Expenses	193,397,299	(7,757,699)	185,639,600
INCOME BEFORE FINANCIAL AND OTHER ITEMS	14,620,524	7,757,699	22,378,223
NET FINANCIAL AND OTHER ITEMS			
Interest income	503,983	-	503,983
Loss on foreign exchange - net	(1,325,217)	(508,173)	(1,833,390)
Financial cost	(7,754,126)	(9,606,941)	(17,361,067)
Others - net	1,827,246	-	1,827,246
Net Financial and Other Items	(6,748,114)	(10,115,114)	(16,863,228)
PROFIT BEFORE TAX	7,872,410	(2,357,415)	5,514,995
TAX EXPENSE	(678,784)	589,904	(88,880)
INCOME FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME	7,193,626	(1,767,511)	5,426,115
Income for the year and total comprehensive income attributable to :			
Owners of the Company	7,193,870		5,426,359
Non-controlling interest	(244)		(244)
Total	7,193,626		5,426,115
BASIC EARNINGS PER SHARE (In full Rupiah Amount)	155,898		117,594

(Figures in tables stated in millions of Rupiah) - Continued

	2010 (One year)		
	Before Restatement	Adjustments	After Restatement
REVENUES	162,375,294	-	162,375,294
OPERATING EXPENSES			
Fuel and lubricants	84,190,727	9,708,016	93,898,743
Purchased electricity	25,217,765	(24,324,621)	893,144
Lease	-	3,227,651	3,227,651
Maintenance	9,900,622	1,840,207	11,740,829
Personnel	12,954,417	-	12,954,417
Depreciation	12,558,537	2,133,382	14,691,919
Others	4,286,003	-	4,286,003
Total Operating Expenses	149,108,071	(7,415,365)	141,692,706
INCOME BEFORE FINANCIAL AND OTHER ITEMS	13,267,223	7,415,365	20,682,588
NET FINANCIAL AND OTHER ITEMS			
Interest income	753,181	-	753,181
Gain on foreign exchange - net	2,237,943	2,098,529	4,336,472
Financial cost	(6,010,896)	(9,166,585)	(15,177,481)
Others - net	1,158,741	-	1,158,741
Net Financial and Other Items	(1,861,031)	(7,068,056)	(8,929,087)
PROFIT BEFORE TAX	11,406,192	347,309	11,753,501
TAX EXPENSE	(1,313,174)	(93,167)	(1,406,341)
INCOME FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME	10,093,018	254,142	10,347,160
Income for the year and total comprehensive income attributable to :			
Owners of the Company	10,086,686		10,340,828
Non-controlling interest	6,332		6,332
Total	10,093,018		10,347,160
BASIC EARNINGS PER SHARE (In full Rupiah Amount)	218,766		224,278

(Figures in tables stated in millions of Rupiah) - Continued

	2009 (One year)		
	Before Restatement	Adjustments	After Restatement
REVENUES	145,222,144	-	145,222,144
OPERATING EXPENSES			
Fuel and lubricants	76,235,072	9,263,858	85,498,930
Purchased electricity	25,447,786	(24,638,824)	808,962
Lease	-	2,851,128	2,851,128
Maintenance	7,964,512	1,975,762	9,940,274
Personnel	9,758,314	-	9,758,314
Depreciation	11,834,746	2,086,476	13,921,222
Others	4,035,539	-	4,035,539
Total Operating Expenses	135,275,969	(8,461,600)	126,814,369
INCOME BEFORE FINANCIAL AND OTHER ITEMS	9,946,175	8,461,600	18,407,775
NET FINANCIAL AND OTHER ITEMS			
Interest income	366,731	-	366,731
Gain on foreign exchange - net	7,577,712	8,088,399	15,666,111
Financial cost	(5,941,882)	(10,207,348)	(16,149,230)
Others - net	259,041	-	259,041
Net Financial and Other Items	2,261,602	(2,118,949)	142,653
PROFIT BEFORE TAX	12,207,777	6,342,651	18,550,428
TAX EXPENSE	(1,847,668)	(2,135,981)	(3,983,649)
INCOME FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME	10,360,109	4,206,670	14,566,779
Income for the year and total comprehensive income attributable to :			
Owners of the Company	10,355,679		14,562,349
Non-controlling interest	4,430		4,430
Total	10,360,109		14,566,779
BASIC EARNINGS PER SHARE (In full Rupiah Amount)	224,600		315,837

60. APPROVAL OF THE RE-ISSUED CONSOLIDATED FINANCIAL STATEMENTS

Previously, the Company issued its consolidated financial statements as of June 30, 2012 and December 31, 2011 and for the six-month periods ended June 30, 2012 and 2011. In connection with the letter of the Company to the Coordinating Minister for Economic Affairs as Chairman of Team of Offshore Commercial Borrowing (“PKLN Team”) dated September 4, 2012 for the planned offering of Global Medium Term Notes, the Company re-issued its consolidated financial statements for the six-month periods ended June 30, 2012 and 2011 and for the years ended December 31, 2011, 2010 and 2009.

The re-issuance of the consolidated financial statements of the Company and its subsidiaries for the six-month periods ended June 30, 2012 and 2011 and for the years ended December 31, 2011, 2010 and 2009 have been approved by the directors for issue on September 4, 2012.

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