IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) A QUALIFIED INSTITUTIONAL BUYER (A "QIB") WITHIN THE MEANING OF RULE 144A UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR (2) OUTSIDE OF THE UNITED STATES IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT (AND, IF INVESTORS ARE RESIDENT IN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA OR IN THE UNITED KINGDOM, A QUALIFIED INVESTOR).

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached Offering Memorandum. You are advised to read this disclaimer carefully before accessing, reading or making any other use of the attached Offering Memorandum. In accessing the attached Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

Confirmation of your Representation: You have accessed the attached Offering Memorandum on the basis that you have confirmed your representation to the Co-Issuers, the Guarantors and to the Initial Purchasers (as such terms are defined in the attached Offering Memorandum) that (1) you consent to delivery of the attached Offering Memorandum and any amendments or supplements thereto by electronic transmission and agree to the terms set forth herein, (2) either (A) you are a QIB (within the meaning of Rule 144A under the Securities Act or (B) (i) you are outside the United States 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, and (ii) the e-mail address to which the attached Offering Memorandum has been delivered is not located in the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction; and its possessions include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands, (3) you will not transmit the attached Offering Memorandum (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person, and (4) you acknowledge that you will make your own assessment regarding any legal, taxation or other economic conditions with respect to your decision to subscribe for or purchase any securities.

The attached Offering Memorandum has been made available to you in electronic format. You are reminded that documents transmitted in an electronic format may be altered or changed during the process of transmission and consequently none of the Co-Issuers, the Guarantors, the Initial Purchasers and their respective affiliates, directors, officers, employees, representatives and agents or any other person controlling the Co-Issuers, the Guarantors, the Initial Purchasers or any of their respective affiliates accepts any liability or responsibility whatsoever with respect to any discrepancies between the document distributed to you in electronic format and the hard-copy version.

Restrictions: The attached Offering Memorandum is being furnished in connection with an offering exempt from registration under the Securities Act. Nothing in this electronic transmission constitutes an offer of securities for sale in the United States or any other jurisdiction where it is unlawful to do so.

ANY SECURITIES TO BE ISSUED HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES UNLESS REGISTERED UNDER THE SECURITIES ACT OR PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, SUCH REGISTRATION. YOU ARE NOT AUTHORIZED TO AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED OFFERING MEMORANDUM, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH OFFERING MEMORANDUM IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED OFFERING MEMORANDUM IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. No action has been or will be taken in any jurisdiction by the Initial Purchasers, the Co-Issuers or the Guarantors that would, or is intended to, permit a public offering of the securities, or possession or distribution of the Offering Memorandum (in preliminary, proof or final form) or any other offering or publicity material relating to the securities, in any country or jurisdiction where action for that purpose is required. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Initial Purchasers or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Initial Purchasers or such affiliate on behalf of the Co-Issuers in such jurisdiction.

Under no circumstances shall this Offering Memorandum constitute an offer to sell or the solicitation of an offer to buy nor shall there by any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

The Offering Memorandum has not been approved by an authorized person in the United Kingdom. The securities may not be offered or sold other than to persons whose ordinary activities involve these persons in acquiring, holding, managing or disposing of investments (as principal or 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 securities would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000, as amended (the "**FSMA**") by us. In addition, no person may 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 or sale of the securities other than in circumstances in which Section 21(1) of the FSMA does not apply to us.

You are reminded that the attached Offering Memorandum has been delivered to you on the basis that you are a person into whose possession the attached 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 this document, electronically or otherwise, to any other person. If you receive this document by e-mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected. If you receive this document by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

STAR ENERGY GEOTHERMAL DARAJAT II, LIMITED

(incorporated with limited liability under the laws of Bermuda)

AND

STAR ENERGY GEOTHERMAL SALAK, LTD.

(incorporated with limited liability under the laws of Bermuda)

US$320,000,000 3.25% Senior Secured Notes due 2029

US$790,000,000 4.85% Senior Secured Notes due 2038

Star Energy Geothermal Darajat II, Limited ("**SEGDII**") and Star Energy Geothermal Salak, Ltd. ("**SEGS**", and together with SEGDII, the "**Co-Issuers**"), each of which is a company incorporated under the laws of Bermuda, is offering an aggregate principal amount of US$320,000,000 3.25% Senior Secured Notes due 2029 (the "**2029 Notes**") and an aggregate principal amount of US$790,000,000 4.85% Senior Secured Notes due 2038 (the "**2038 Notes**", together with the 2029 Notes, the "**Notes**").

The 2029 Notes will bear interest at the rate of 3.25% per year. The 2038 Notes will bear interest at the rate of 4.85% per year. Interest on each series of the Notes is payable on April 14 and October 14 of each year, beginning on April 14, 2021. The 2029 Notes will mature on April 14, 2029. The 2038 Notes will mature on October 14, 2038. At any time on or after April 14, 2024, the Co-Issuers may redeem the 2029 Notes, in whole or in part, at the redemption prices set forth in this Offering Memorandum plus accrued and unpaid interest, if any, to the redemption date. In addition, the Co-Issuers may redeem the 2029 Notes, in whole or in part, at any time prior to April 14, 2024, by paying a "make-whole" premium plus accrued and unpaid interest. At any time on or after October 14, 2029, the Co-Issuers may redeem the 2038 Notes, in whole or in part, at the redemption prices set forth in this Offering Memorandum plus accrued and unpaid interest, if any, to the redemption date. In addition, the Co-Issuers may redeem the 2038 Notes, in whole or in part, at any time prior to October 14, 2029, to paying a "make-whole" premium plus accrued and unpaid interest. Upon the occurrence of a Change of Control Triggering Event (as defined in the indentures governing each series of the Notes (the "**Indentures**")), the Co-Issuers must make an offer to repurchase all notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of purchase. For a detailed description of the Notes, see "*Description of the Notes*".

The Co-Issuers will pay amortization amounts on the Notes as described under "*Description of the Notes—Amortization of Principal*".

The Notes will be direct, unconditional and senior secured obligations of the Co-Issuers. The Notes will be secured by the collateral described under the section "*Description of the Security Documents and the Collateral*". The Notes will be guaranteed (the "**Guarantees**") by each Co-Issuer in respect of each other Co-Issuer's obligations thereunder, Star Energy Geothermal (Salak-Darajat) B.V. (the "**Parent Guarantor**") and its subsidiary, Star Energy Geothermal Darajat I, Limited and a subsidiary of SEGS, Star Energy Geothermal Salak Pratama, Ltd. (together, the "**Subsidiary Guarantors**", and together with the Parent Guarantor and the Co-Issuers in their capacity as guarantors, the "**Guarantors**"). To the fullest extent applicable, references to the "Notes" in this offering memorandum include the related Guarantees.

As described under "*Use of Proceeds,*" we intend to allocate a portion of the net proceeds of this offering to finance or refinance Eligible Green Assets (as defined under "*Green Bond Framework*"). We believe the Notes meet the environmental eligibility criteria for green bonds as defined by the ASEAN Green Bond Standards and the International Capital Market Association's Green Bond Principles.

The Notes are expected to be rated "Baa3" by Moody's Investors Service, Inc. ("**Moody's**") and "BBB-" by Fitch Ratings Ltd. ("**Fitch**"). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization.

One or more of the Joint Global Coordinators and Joint Bookrunners and Co-Managers have provided a binding commitment to purchase US$320,000,000 in aggregate principal amount of the 2029 Notes at a rate of interest of 3.25% per annum, which purchase is conditional on the issuance and settlement of the 2038 Notes offered hereby. Investors should note that the 2029 Notes do not therefore form part of this offering. The binding commitment provided should not be construed as arecommendation to buy, sell or hold the 2038 Notes.

Investing in the Notes involves risks. See "*Risk Factors*" beginning on page 33.

The Notes have 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. Accordingly, they are being offered and sold in the United States only to qualified institutional buyers in accordance with Rule 144A under the Securities Act and outside the United States in "offshore transactions" in accordance with Regulation S under the Securities Act. Prospective purchasers that are qualified institutional buyers are hereby notified that the seller of the 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 certain restrictions on transfers of the Notes see "*Transfer Restrictions*". In compliance with Law No. 8 of 1995 on Capital Markets ("**Indonesian Capital Markets Law**"), the Notes may not be offered or sold in Indonesia or to any Indonesian citizens or entities, wherever they are domiciled or located, or to any Indonesian residents, in a manner which constitutes public offering under Indonesian Capital Markets Law.

Application has been made for the listing and quotation of the Notes on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The SGX-ST does not assume any responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this Offering Memorandum. Approval-in-principle received from the SGX-ST for the listing and quotation of the Notes on the SGX-ST is not to be taken as an indication of our merits or the merits of the Notes, the Co-Issuers, the Guarantors or their respective subsidiaries. Currently, there is no public market for the Notes. For so long as the Notes are listed and quoted on the SGX-ST and the rules of the SGX-ST so require, the Notes will be traded on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies).

The Notes will be in denominations of US$200,000 each or integral multiples of US$1,000 in excess thereof.

Price for the 2029 Notes: 100%
Price for the 2038 Notes: 100%

We expect that delivery of the Notes will be made to purchasers on or about October 14, 2020 through the book-entry facilities of The Depository Trust Company ("**DTC**").

Joint Global Coordinators and Joint Bookrunners

Credit Suisse | **DBS Bank Ltd.** | **Deutsche Bank**

Joint Bookrunners

Barclays

Co-Manager

BPI Capital Corporation

October 6, 2020

You should rely only on the information contained in this Offering Memorandum. We have not, and the Initial Purchasers (as defined in the section entitled "*Plan of Distribution*") have not, authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. Neither we nor the Initial Purchasers are making an offer of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this Offering Memorandum is accurate as of any date other than the date on the cover page of this Offering Memorandum.

IMPORTANT INFORMATION

This Offering Memorandum is confidential. We have prepared this Offering Memorandum solely for use in connection with the proposed offering of the securities described herein. This Offering Memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire securities. Distribution of this Offering Memorandum to any person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorized, and any disclosure of any of its contents, without our prior written consent, is prohibited. Each prospective investor, by accepting delivery of this Offering Memorandum, agrees to the foregoing and agrees to make no photocopies of this Offering Memorandum or any documents referred to herein.

The Initial Purchasers and the Trustee make no representation or warranty, expressed or implied, as to the accuracy or completeness of the information contained in this Offering Memorandum. Nothing contained in this Offering Memorandum is, or should be relied upon as, a promise or representation by the Initial Purchasers or the Trustee as to the past or future. No representation or warranty, express or implied, is made by the Initial Purchasers or the Trustee, or any of their affiliates or advisors as to the accuracy or completeness of the information set forth herein, and nothing contained in this Offering Memorandum is, or shall be relied upon as, a promise or representation, whether as to the past or the future. The Initial Purchasers and the Trustee assume no responsibility for the accuracy or completeness of any such information.

By receiving this Offering Memorandum, you acknowledge that: (i) you have not relied on the Initial Purchasers or the Trustee, or any person affiliated with them in connection with any investigation of the accuracy of such information or your investment decision; and (ii) no person has been authorized to give any information or to make any representation concerning us, our subsidiaries, affiliates, the Notes (other than as contained herein and information given by our duly authorized officers and employees in connection with investors' examination of us and the terms of the offering of the Notes) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us, the Initial Purchasers or the Trustee.

To the fullest extent permitted by law, none of the Initial Purchasers accept any responsibility whatsoever for the contents of this Offering Memorandum or for any other statement, made or purported to be made by the Initial Purchasers or on their behalf in connection with the offering of the Notes. Each of the Initial Purchasers accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Memorandum or any such statement.

We have furnished the information contained in this Offering Memorandum. The information contained in this Offering Memorandum is as of the date of this Offering Memorandum and is subject to change, completion or amendment without notice. Neither the delivery of this Offering Memorandum at any time nor the offer, sale or delivery of any Notes shall, under any circumstances, create any implication that there has been no change in the information set forth in this Offering Memorandum or in our affairs since the date of this Offering Memorandum.

No person is authorized in connection with the offering to give any information or to make any representation not contained in this Offering Memorandum, and, if given or made, such other information or representation must not be relied upon as having been authorized by us, the Initial Purchasers, the Trustee or any of our or their respective representatives.

The Initial Purchasers and the Trustee have not independently verified all of the information contained herein (financial, legal or otherwise) and assume no responsibility for the accuracy or completeness of any such information.

Neither the US Securities and Exchange Commission, any state securities commission nor any other regulatory authority, has approved or disapproved the securities nor has any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense.

This Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to buy any of the Notes to any person in any jurisdiction where it is unlawful to make such an offer or solicitation.

The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and the applicable state securities laws pursuant to registration or exemption therefrom. As a prospective purchaser, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. Please refer to the sections entitled "*Plan of Distribution*" and "*Transfer Restrictions*".

In making an investment decision, prospective investors must rely on their own independent examination of us and the terms of the offering, including the merits and risks involved. Prospective investors should not construe anything in this Offering Memorandum as legal, business or tax advice. Each prospective investor should consult its own advisors as needed to make its investment decision and to determine whether it is legally permitted to purchase the Notes under applicable legal investment or similar laws or regulations.

This Offering Memorandum contains summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference.

Each prospective investor must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes or possesses or distributes this Offering Memorandum and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and neither we nor the Initial Purchasers nor any of our or their respective representatives shall have any responsibility therefore.

We reserve the right to withdraw this offering of the Notes at any time and we and the Initial Purchasers reserve the right to reject any commitment to subscribe for the Notes, in whole or in part. We also reserve the right to allot to you less than the full amount of Notes sought by you. The Initial Purchasers and certain related entities may acquire for their own account a portion of the Notes.

STABILIZATION

In connection with the issue of the Notes, the Initial Purchasers (or person(s) acting on their behalf) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilization may not necessarily occur. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilization action or over-allotment must be conducted by the relevant Initial Purchaser(s) (or person(s) acting on their behalf) in accordance with all applicable laws and rules.

MiFID II PRODUCT GOVERNANCE/PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

PROHIBITION OF SALES TO EEA OR UK RETAIL INVESTORS

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**") or the United Kingdom. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II or; (ii) a customer within the meaning of Directive 2016/97/EU (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA or the United Kingdom has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or the United Kingdom may be unlawful under the PRIIPs Regulation.

This Offering Memorandum has been prepared on the basis that any offer of the Notes in any Member State of the EEA or in the United Kingdom will be made pursuant to an exemption under the Prospectus Directive from a requirement to publish a prospectus for offers of Notes. This Offering Memorandum is not a prospectus for the purpose of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**").

NOTIFICATION UNDER SECTION 309B OF THE SECURITIES AND FUTURES ACT, CHAPTER 289 OF SINGAPORE

Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**"), each of the Co-Issuers has determined and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore).

NOTICE TO INDONESIAN INVESTORS

In compliance with the Indonesian Capital Market Law, this Offering Memorandum may not be distributed in Indonesia or to any Indonesian investors (whether individual or entity) wherever they are domiciled or located in a manner which constitutes public offering under Indonesian Capital Markets Law. The Notes have not been and will not be registered with or notified to the OJK, and therefore may not be offered or sold in Indonesia or to Indonesian investors (whether individual or entity), wherever they are domiciled or located in a manner which constitutes public offering under Indonesian Capital Markets Law.

The OJK has not reviewed or declared its approval or disapproval of the issue of the Notes, nor has it made any determination as to the accuracy or adequacy of this Offering Memorandum, any statement to the contrary is a violation of Indonesian laws and regulations.

AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with resales of the Notes, we are required to furnish upon request of a holder of a Note and a prospective purchaser designated by such holder the information required to be delivered under Rule 144A(d)(4) if at the time of such request we are not subject to the periodic reporting requirements of Section 13 or Section 15(d) of the US Securities Exchange Act of 1934, as amended, (the "**Exchange Act**") nor exempt from such reporting requirements pursuant to Rule 12g3-2(b) thereunder.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains forward-looking statements and information that involves risks, uncertainties and assumptions. Forward-looking statements are statements that concern plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are other than statements of historical fact, including, but not limited to, those that are identified by the use of words such as "**may**", "**will**", "**anticipates**", "**believes**", "**estimates**", "**expects**", "**intends**", "**plans**", "**predicts**", "**projects**" and similar expressions. Such forward-looking statements include, without limitation, statements relating to the competitive environment in which we operate, general economic, industry and business conditions, political, economic and social developments in the Asia Pacific region (in particular, changes in economic growth rates in Indonesia and other Asian economies), our production and expansion plans, our costs and liabilities, growth forecasts for us and our industry and other factors beyond our control. Risks and uncertainties that could affect us include, without limitation:

- economic, social and political conditions in Indonesia;
- changes in conditions that affect geothermal power production;
- changes in government regulations and increases in regulatory burdens in Indonesia;
- changes in our relationship with the Government, our regulators and regional government authorities in Indonesia;
- changes in our relationship with PLN and PGE;
- risks associated with our dependence on two main types of contracts;
- loss of key employees;

- the interruption of our business due to forces of nature or human induced events and the insufficiency of our insurance to compensate us for any related losses;

- the ongoing global Covid-19 pandemic and the disruption caused by various countermeasures to contain and reduce its spread;

- difficulties with executing our expansion plan;

- difficulties in raising additional financing to fund future capital expenditures; and

- changes in import or export controls, duties, levies or taxes, either in international markets or in Indonesia, affecting the geothermal power industry.

Should one or more of such risks and uncertainties materialize, or should any underlying assumptions prove incorrect, actual outcomes may vary materially from those indicated in the applicable forward-looking statements. Any forward-looking statement or information contained in this Offering Memorandum speaks only as of the date the statement was made.

All of our forward-looking statements made herein and elsewhere are qualified in their entirety by the risk factors discussed in "*Risk Factors*" and other cautionary statements appearing in "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Overview of the Indonesian Power Industry*". These risk factors and statements describe circumstances that could cause actual results to differ materially from those contained in any forward-looking statement.

Prospective investors are cautioned not to place undue reliance on forward-looking statements. We do not intend to update forward-looking statements made herein to reflect actual results or changes in assumptions or other factors that could affect those statements. Our past performance is not an indication of our future results.

USE OF CERTAIN TERMS

In this Offering Memorandum, references to "**our Company**" "**we**", "**us**" and "**our**" refer to Star Energy Geothermal (Salak-Darajat) B.V. and, unless the context requires otherwise, its subsidiaries taken as a whole. Unless the context otherwise requires, references to "**Management**" are to our directors and senior management team as at the date of this Offering Memorandum, and statements in this Offering Memorandum as to our beliefs, expectations, estimates and opinions are those of our Management.

References to the "**Star Energy Group**" refers to Star Energy Group Holdings Pte. Ltd and its consolidated subsidiaries.

References to the "**JOCs**" are to the Salak JOC and the Darajat JOC.

References to the "**Salak JOC**" are to the joint operation contract which was originally executed on February 11, 1982 (the "**Original Salak JOC**"), and as amended on November 19, 1986 and December 26, 1988, between Pertamina and UGI. The Original Salak JOC was approved by the MEMR on behalf of the Government of Indonesia on February 11, 1982, and on December 8, 1986 and December 26, 1988, respectively, for the relevant subsequent amendments. On November 16, 1994, Pertamina and UGI entered into an amended and restated JOC which replaced and superseded the previous JOC and was also approved by the MEMR on behalf of the Government of Indonesia on the same date. Further, on July 22, 2002, Pertamina (now transferred to PGE), UGI (now known as SEGSL), and Dayabumi Salak Pratama, Ltd (now known as SEGSPL) entered into Amendment No. 1 to the amended and restated JOC, which amended the preceding JOC between Pertamina and UGI dated November 16, 1994.

References to the "**Darajat JOC**" are to the joint operation contract which was originally executed on November 16, 1984 (the "**Original Darajat JOC**") between Pertamina, CDL and Texaco Darajat Limited ("**Texaco**" and the original Darajat JOC, the "**Original Darajat JOC**"). On January 15, 1996, the Original Darajat JOC was amended and restated by the parties ("**1996 Amended and Restated Darajat JOC**") and approved by the MEMR of Indonesia on behalf of the Government of Indonesia on the same date. On February 7, 2003, Pertamina (now transferred to PGE), CDL (now known as SEGDI), Texaco (now SEGDII), and DGI amended the 1996 Amended and Restated Darajat JOC by entering into the Amendment No. 1 thereto, which provides, among others, additional provisions on the parties, term of contract and commercial provision on bonus related to Units 2 and 3. On July 8, 2003, MEMR reaffirmed that its approval on the 1996 Amended and Restated Darajat JOC remains in full force and effect in regard to the terms and conditions of the Darajat Amendment No. 1.

Pursuant to Law No. 22 of 2001 and GR No. 31, the JOCs were novated to PGE by Pertamina effective as of January 1, 2007. See "*Regulations and Regulatory Framework of the Indonesian Geothermal Power and Electricity Industry—Law No. 21 of 2014 on Geothermal—Presidential Decree No. 76 of 2000 and Pertamina Corporatization*." Thereafter, PGE became the Salak Contractors' and the Darajat Contractors' counterparty under the respective JOCs.

References to the "**ESCs**" are to the Salak ESC and the Darajat ESC.

References to the "**Salak ESC**" are to the original Gunung Salak energy sales contract which was executed on February 11, 1982, as amended on November 19, 1986 and December 26, 1988, between Pertamina (now transferred to PGE), UGI (now known as SEGSL), and PLN. On November 16, 1994, Pertamina, UGI and PLN entered into an amended and restated ESC which replaced and superseded the previous ESC. Further on July 22, 2002, Pertamina, UGI, PLN and Dayabumi Salak Pratama, Ltd (now known as SEGSPL) entered into the Amendment No. 1 to the amended and restated ESC, which amended and restated the preceding ESC between Pertamina, PLN and UGI dated November 16, 1994.

References to the "**Darajat ESC**" are to the original Darajat energy sales contract which was executed on November 16, 1984 between PLN, as buyer, Pertamina, as seller and CDL (now SEGDI) and Texaco (now SEGDII) as contractor and deliverer of electricity (the "**Original Darajat ESC**"). The Original Darajat ESC was subsequently amended and restated with effect from January 15, 1996 (the "**1996 Amended and Restated Darajat ESC**"). Effective as of May 1, 2000, PLN, Pertamina (now transferred to PGE), CDL (now known as SEGDI), Texaco (now SEGDII) and DGI amended the 1996 Amended and Restated Darajat ESC by entering into the Amendment Agreement, which provides, among others, additional provision on the term of the contract and commercial provision on the production period, base resources price and base periods. On August 10, 2004, the Darajat ESC was further amended by the Amendment Agreement No. 2, which provides, among others, additional provisions on base resources price, and clean development mechanism.

Similar to the JOCs, pursuant to GR No. 31, the ESCs were novated to PGE by PT Pertamina (Persero) effective as of January 1, 2007. See "*Regulations and Regulatory Framework of the Indonesian Geothermal Power and Electricity Industry—Law No. 21 of 2014 on Geothermal—Presidential Decree No. 76 of 2000 and Pertamina Corporatization*". Thereafter, PGE became the Salak Contractors' and the Darajat Contractors' counterparty under the respective ESCs.

See "*Description of Material Contracts*" for a detailed description of the JOCs and ESCs.

As used in this Offering Memorandum, all references to "**The Bahamas**" as to the Commonwealth of The Bahamas; all references to "**Bermuda**" are to the Islands of Bermuda; all references to "**Indonesia**" are references to the Republic of Indonesia and all references to the "**Netherlands**" are references to the Kingdom of The Netherlands. All references to the "**Government**" are references to the government of Indonesia. As used in this Offering Memorandum, all references to "**Rupiah**" and "**Rp**" are to Indonesian Rupiah, the lawful currency of Indonesia, and all references to "**US$**", "**US dollars**" or to "**US cents**" are to the lawful currency of the United States of America (the "**US**").

References to "**Covid-19**" herein are references to coronavirus disease 2019 caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2).

DEFINITIONS

"**BPN**"	The National Land Agency (*Badan Pertanahan Nasional*)
"**CDL**"	Chevron Darajat Limited (now known as SEGDI), a company incorporated under the laws of The Bahamas
"**CGI**"	Chevron Geothermal Indonesia, Ltd (now known as SEGDII), a company incorporated under the laws of Bermuda
"**CGS**"	Chevron Geothermal Salak, Ltd (now known as Star Energy Geothermal Salak, Ltd.), a company incorporated under the laws of Bermuda
"**Chevron**"	Chevron Global Energy Inc.
"**Darajat and Salak Geothermal Operations**"	The Darajat Geothermal Operations and Salak Geothermal Operations, collectively
"**Darajat Contractors**"	SEGDI, SEGDII and DGI
"**Darajat Geothermal Operations**"	Our field facilities and electricity generating facilities located in Garut Regency and Bandung Regency in West Java, Indonesia, including all rights and obligations pursuant to the Darajat JOC and the Darajat ESC
"**DGI**"	PT Darajat Geothermal Indonesia, a company incorporated under the laws of Indonesia
"**DGT**"	Director General of Taxation
"**DJA**"	Directorate General of Budgeting (*Direktorat Jenderal Anggaran*)
"**DSP**"	Dayabumi Salak Pratama Ltd. (now known as Star Energy Geothermal Salak Pratama, Ltd.), a company incorporated under the laws of the Cayman Islands
"**EBTKE**"	New and Renewable Energy and Energy Conservation under the MEMR (*Energi Baru Terbarukan dan Konservasi Energi*)
"**ESC**"	Energy sales contract
"**Hak Pakai**"	Right to Use

"**HGB**"	Right to Build (*Hak Guna Bangunan*)
"**HGU**"	Right to Cultivate (*Hak Guna Usaha*)
"**HP**"	Right to use (*Hak Pakai*)
"**JOC**"	Joint operation contract
"**MEMR**"	Minister of Energy and Mineral Resources
"**MOEF**"	Minister of Environment and Forestry (formerly known as Minister of Forestry)
"**MOF**"	Minister of Finance
"**MSOE**"	Ministry of State Owned Enterprise (*Kementerian Badan Usaha Milik Negara*)
"**OJK**"	Indonesian Financial Services Authority (*Otoritas Jasa Keuangan*)
"**Pertamina**"	Perusahaan Pertambangan Minyak dan Gas Bumi Negara, an Indonesian state-owned oil company which became PT Pertamina (Persero)
"**PGE**"	PT Pertamina Geothermal Energy
"**PLN**"	PT Perusahaan Listrik Negara (Persero)
"**PNBP**"	Non-Tax State Revenue (*Penerimaan Negara Bukan Pajak*)
"**PTPN VIII**"	PT Perkebunan Nusantara VIII
"**Salak Contractors**"	CGS, now known as SEGSL, and DSP, now known as SEGSPL, collectively
"**Salak Geothermal Operations**"	Star Energy's field facilities and electricity generating facilities located in Sukabumi Regency and Bogor Regency in West Java, including all rights and obligations pursuant to the Salak JOC and the Salak ESC
"**SEGDI**"	Star Energy Geothermal Darajat I, Limited
"**SEGDII**"	Star Energy Geothermal Darajat II, Limited
"**SEGSL**"	Star Energy Geothermal Salak, Ltd.
"**SEGSPL**"	Star Energy Geothermal Salak Pratama, Ltd.
"**UGI**"	UNOCAL Geothermal of Indonesia, Ltd. (former name of SEGSL)
"**UNOCAL**"	Union Oil Company of California

PRESENTATION OF FINANCIAL AND OTHER DATA

Financial Data

Our consolidated financial statements for the years ended December 31, 2017, 2018 and 2019 and interim financial statements for the six months ended June 30, 2020 presented in this Offering Memorandum are prepared and presented in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**"). Our consolidated financial statements for the years ended December 31, 2017, 2018 and 2019 have been audited by Ernst & Young Accountants LLP in accordance with Dutch law, including Dutch Standards on Auditing. Our interim consolidated financial statements for the six months ended June 30, 2020, which contain comparative figures for the six months ended June 30, 2019, have been reviewed by Ernst & Young Accountants LLP in accordance with Dutch law including standard 2410, "Review of Interim Financial Information Performed by the Independent Auditor".

We maintain our accounts in US dollars. See "*Exchange Rates and Exchange Control*" for information regarding rates of exchange between Rupiah and US dollars.

Some of the financial information in this Offering Memorandum has been rounded for convenience and, as a result, the totals of the data presented in this Offering Memorandum may vary slightly from the actual arithmetic totals of such information.

Acquisition of Darajat and Salak Geothermal Operations

Our Company was incorporated on December 16, 2016 by Star Energy Geothermal Holdings (Salak—Darajat) B.V. and ACEHI Netherlands B.V., a wholly-owned subsidiary of Ayala Corporation. Our Company acquired the shares held in the Salak Contractors from subsidiaries and affiliates of Chevron on March 31, 2017 and acquired 95% of the shares held in DGI, which holds a 5% participating interest in Darajat Units 2 and 3 and any future units, on September 27, 2017 (together, the "**Darajat and Salak Acquisitions**").

Accordingly, and in relation to the financial information disclosed and presented in this Offering Memorandum, the consolidated statement of profit and loss and consolidated statement of cash flows for our Company's first financial period ended December 31, 2017 (i) are in respect of a financial period starting on December 16, 2016 and ended on December 31, 2017; (ii) reflect the results of operations and cash flows of the Salak and Darajat Contractors for a period of nine months (i.e. from the date of acquisition of shares); and (iii) reflect the results of operations and cash flows of DGI for a period of approximately three months (i.e. from the date of acquisition of shares). For these reasons, the period-to-period comparisons of our Company's results of operations and cash flows for the financial year ended December 31, 2017 and December 31, 2018 may not be meaningful and caution should accordingly be exercised in using such comparisons as a basis for any investment decision or to predict the future performance of our Company.

Non-IFRS Financial Measures

EBITDA, Normalized Operating Profit, Normalized Operating Margin, Cash Flow Available for Debt Service, Debt Service, Debt Service Coverage Ratio, Net Profit Margin, Capital Expenditures, Total Expenses, Normalized Operating Profit, Normalized Operating Expenses, and related metrics as presented in this Offering Memorandum are supplemental measures of performance and liquidity that are not required by, or presented in accordance with, IFRS. These measures are not measurements of financial performance or liquidity under IFRS and should not be considered as alternatives to net income, operating income or any other performance measures derived in accordance with IFRS or as alternatives to cash flow from operating activities as a measure of liquidity. In addition, these measures are not standardized terms, hence a direct comparison between companies using terms may not be possible.

We believe that EBITDA facilitates comparisons of operating performance from period to period and company to company by eliminating potential differences caused by variations in capital structures (affecting interest expense and finance charges), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses), the age and booked depreciation and amortization of assets (affecting relative depreciation and amortization of expense) and certain non-recurring items. EBITDA and the other non-IFRS measures mentioned above have been presented because we believe that they are frequently used by securities analysts, investors and other interested parties in evaluating similar companies, many of whom present such non-IFRS financial measures when reporting their results. Finally, EBITDA and other non-IFRS measures are presented as supplemental measures of our ability to service debt. Nevertheless, EBITDA and other non-IFRS measures 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 IFRS.

You should note that EBITDA as presented herein is calculated differently from Consolidated EBITDA as defined in the Indentures. See "*Description of the Notes—Definitions*" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indentures.

Industry and Other Data

Market, economic and certain other information, including information relating to our business, which are used throughout this Offering Memorandum has been obtained from internal surveys, market research, publicly available information, Government data and industry publications. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of that information is not guaranteed. Although we believe that such industry sources are reliable, we take responsibility for only the accurate reproduction and extraction of such summaries and data but accept no other responsibility for such information. The accuracy and completeness of such information are not guaranteed and have not been independently verified by us or the Initial Purchasers. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and neither we nor the Initial Purchasers make any representation as to the accuracy or completeness of this information.

Certain information set forth in the section titled "*Overview of the Indonesian Power Industry*" has been based on information derived from public and private sources, including market research, publicly available information and industry publications. Although we believe the information in this Offering Memorandum that is based on such sources is reliable, neither we nor the Initial Purchasers have independently verified the accuracy and completeness of this information.

ENFORCEABILITY OF FOREIGN JUDGMENTS

We are a limited liability company established under the laws of the Netherlands. Some of our directors and senior management reside in Indonesia, and substantially all of our assets are located in Indonesia. As a result, it may not be possible for investors to effect service of process, including judgments, upon us or such persons within the United States, or to enforce against us or such persons in the United States judgments obtained in US courts, including judgments predicated upon the civil liability provisions of the US federal securities laws or the securities laws of any state within the United States, or upon other bases.

We have been advised by our Indonesian legal adviser, Assegaf Hamzah & Partners, that judgments of US courts, including judgments predicated upon the civil liability provisions of the US federal securities laws, 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 provisions of the US federal securities laws.

We have been advised by our Cayman Islands legal adviser, Walkers (Hong Kong) that a judgment obtained in a foreign court (other than certain judgments of a superior court of any state of the Commonwealth of Australia) will be recognized and enforced in the courts of the Cayman Islands without any re-examination of the merits at common law, by an action commenced on the foreign judgment in the Grand Court of the Cayman Islands, where the judgment: (a) is final and conclusive; (b) is one in respect of which the foreign court had jurisdiction over the defendant according to Cayman Islands conflict of law rules; (c) is either for a liquidated sum not in respect of penalties, taxes, fines or similar fiscal or revenue obligations or, in certain circumstances, for in person and non-money relief (following *Bandone Sdn Bhd v Soi Properties Inc. [2008] CILR 301*); and (d) was neither obtained in a manner, nor is of a kind enforcement, of which is contrary to natural justice or the public policy of the Cayman Islands.

We have been advised by our Bermuda legal adviser, Walkers (Hong Kong), any final conclusive monetary judgment (other than a sum of money payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalty or multiple damages as defined in the Protection of Trading Interest Act 1981) obtained against a Company in a competent foreign court (other than a court of jurisdiction to which the Judgments (Reciprocal Enforcement) Act 1958 (the "**1958 Act**")) applies may be the subject of enforcement proceedings in the courts under the common law doctrine of obligation by action on the debt evidenced by the judgment of such competent foreign court. A final opinion as to the availability of this remedy should be sought when the facts surrounding the foreign court's judgment are known but, on general principles, we would expect such proceedings to be successful provided that: (a) the judgment is final and conclusive, notwithstanding that an appeal may be pending against it or that it may still be subject to an appeal in such country; and (b) the judgment is not contrary to public policy in Bermuda, has not been obtained by fraud or in proceedings contrary to natural justice and is not based on an error in Bermuda law.

It is the opinion of our Bahamas counsel, Lennox Paton, that it is unlikely that Bahamian courts would entertain original actions against Bahamian companies or their directors or officers based solely upon US federal securities laws. Judgments predicated upon any civil liability provisions of the US federal securities laws are not directly enforceable in The Bahamas. Rather, a lawsuit must be brought in The Bahamas on any such judgment. In such cases, the courts of The Bahamas would likely recognize a US judgment as a valid judgment, and permit the same to found the basis of a fresh action in The Bahamas and should give a judgment based thereon without there being a re-trial or reconsideration of the merits of the case provided that: (i) the courts in the US had proper jurisdiction under Bahamian conflict of law rules over the parties subject to such judgment; (ii) the judgment is for a debt or definite sum of money other than a sum payable in respect of taxes or charges of a like nature or in respect of a fine or penalty; (iii) the US courts did not contravene the rules of natural justice of The Bahamas; (iv) the judgment was not obtained by fraud on the part of the party in whose favor the judgment was given or of the Court pronouncing it; (v) the enforcement of such judgment would not be contrary to the public policy of The Bahamas; (vi) the correct procedures under the laws of The Bahamas are duly complied with; (vii) the judgment is not inconsistent with a prior Bahamian judgment in respect of the same matter and (viii) enforcement proceedings are instituted within six years after the date of such judgment.

We intend to designate Law Debenture Corporate Services Inc. in New York City as our agent for service of process in the United States with respect to the Notes executed pursuant to the provisions of the Indentures. However, we have been advised by legal counsel in Indonesia, Assegaf Hamzah & Partners, that such designation by us would or may terminate upon the bankruptcy of us or the process agent.

CONTENTS

SUMMARY

The summary below is subject to the more detailed information set out elsewhere in this Offering Memorandum. All of our financial information, except for certain non-IFRS financial measures, is presented in US dollars and in accordance with IFRS. Prospective purchasers should carefully consider the information set forth in "Risk Factors" and the financial statements and related notes thereto included in the Offering Memorandum prior to making an investment decision with respect to the Notes. To understand the terms of the Notes, you should carefully read the section of this Offering Memorandum entitled "Description of the Notes".

Overview

We operate two geothermal operations, namely:

- the Darajat Geothermal Operations — consisting of field facilities and electricity generating facilities, located in Garut Regency and Bandung Regency in West Java, Indonesia, including all rights and obligations pursuant to the Darajat JOC and the Darajat ESC; and

- the Salak Geothermal Operations — consisting of field facilities and electricity generating facilities located in Sukabumi Regency and Bogor Regency in West Java, including all rights and obligations pursuant to the Salak JOC and the Salak ESC.

The Darajat Geothermal Operations and the Salak Geothermal Operations have a gross installed generation capacity of 271 MW and 377 MW, respectively, inclusive of steam sales capacity of 55 MW and 180 MW, respectively.

Our Company was incorporated on December 16, 2016 by Star Energy Geothermal Holdings B.V. and ACEHI Netherlands B.V., a wholly-owned subsidiary of Ayala Corporation. Our Company acquired the shares held in the Salak Contractors from subsidiaries and affiliates of Chevron on March 31, 2017 and acquired 95% of the shares held in DGI, which holds a 5% participating interest in Darajat Units 2 and 3 and any future units, on September 27, 2017.

Each of the Darajat Geothermal Operations and Salak Geothermal Operations are based on two main types of contracts. Under the terms of each of the Darajat JOC and the Salak JOC, each entered into with PGE as the holder of the authority issued by the Government to undertake the exploration and exploitation of geothermal resources in each of the Darajat and Salak contract areas, we have the exclusive right to explore, discover, develop, produce, transport, deliver and utilize geothermal energy in the Darajat and Salak contract areas, which includes the design, construction and operation of field facilities and electricity generation facilities to be fueled by geothermal energy thus generated. Under the terms of the Darajat ESC and the Salak ESC, each being a long-term energy sales contract, and as the contractor of PGE for each of the Darajat and Salak contract areas, we also have the exclusive right to convert geothermal energy to electricity and to deliver such electricity to PLN, Indonesia's state-owned electricity provider. See "*Description of Material Contracts*".

Our total revenues for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020 were US$241.2 million, US$342.1 million, US$330.7 million, US$160.6 million and US$172.2 million, respectively. Our EBITDA for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020 was US$188.6 million, US$264.1 million, US$259.1 million, US$127.5 million and US$141.4 million, respectively, and our profit for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020 was US$54.4

million, US$84.4 million, US$80.5 million, US$40.2 million and US$53.2 million, respectively. Our EBITDA margin, which is the ratio of EBITDA to total revenues, for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020 was 78%, 77%, 78%, 79% and 82%.

Recent Developments

The Covid-19 pandemic has had and continues to have adverse repercussions across local, regional and global economies, financial markets, industries and businesses. The length of time for countries to slow the spread of Covid-19 to the point where various commercial and economic activities will resume to normal levels, whether in Indonesia or globally, remains uncertain.

We implemented a business continuity management plan in response to the Covid-19 pandemic. We established a Covid-19 task force and prepared and implemented protocols for all of our operating areas, including at the Salak Geothermal Operations, the Darajat Geothermal Operations and our headquarters in Jakarta. We conduct regular health checks and screenings of our employees and contract workers, implement work-from-home policies and physical distancing requirements in the office, implement strict access controls, provide personal protective equipment and other supporting gear for all of our employees, whether on the field or at our headquarters, and collaborate with the relevant government and health agencies to ensure that we are in line with their efforts to prevent the spread of Covid-19.

The Covid-19 pandemic has not significantly impacted our financial results of operations for six-month period ended June 30, 2020 given the take-or-pay clauses under the existing Salak ESC and Darajat ESC. In addition, we have not experienced significant disruptions to the operations of our power plants as a result of the various lockdowns and social distancing requirements implemented by the Government and as a result of our business continuity management plan. We have however, postponed certain maintenance and drilling activities and related capital expenditures in order to effectively carry out our business continuity management plan and to comply with social distancing requirements. See "*Business—Plant Operations and Maintenance*". There is no assurance that our business, operations or financial condition will not be significantly impacted as a result of the Covid-19 pandemic in the future and we may not be able accurately predict the near-term or long-term impact of the Covid-19 pandemic on our business. See "*Risk Factors—The ongoing global Covid-19 pandemic and the disruption caused by various countermeasures to reduce its spread may have unprecedented adverse consequences of uncertain magnitude and duration on our business, industry, Indonesia and the global economy*."

Strengths

We believe that we play an important role in the electricity sector of Indonesia, particularly in the development of renewable energy sources. We believe that the following are our key strengths:

Exclusive rights to geothermal resources with longstanding record in the Darajat and Salak contract areas

We believe that we benefit from world-class geothermal assets located in the Darajat and Salak contract areas, each with a longstanding track record of operations.

The Darajat contract area is one of the few vapor-dominated reservoirs in the world, which allows us to realise significant cost advantages compared to operating a liquid-dominated reservoir. The Salak steam field is the largest geothermal field in Indonesia, which provides us with a resource base that allows us to achieve significant economies of scale. Each of the Darajat and Salak Geothermal Operations commenced commercial operations in 1994, demonstrating a track record of reliable performance of over 25 years. See "*Business—Our Operations*" for further information on the key facility metrics and operational and financial performance of each of the Darajat and Salak Geothermal Operations.

Under the terms of the respective JOCs, we have the exclusive right to explore, develop and utilize the geothermal resources in the Salak contract area of 10,000 hectares until 2040, and in the Darajat contract area of 4,998 hectares until 2041 for Darajat Units 1 and 2, and until 2047 for Darajat Unit 3. PGE has appointed our subsidiaries to build and operate power plants in the Salak and Darajat contract areas as its exclusive contractors, and to sell geothermal energy and electricity to PLN on behalf of PGE. Each of the contract areas has significant high-temperature steam reserves that contain low levels of impurities, which is favorable for geothermal power production. See "*Description of Material Contracts*" for a description of the respective JOCs and ESCs.

As of the date of this Offering Memorandum, approximately 2.1% of the total contract area is in use for both the Darajat and Salak Geothermal Operations. The current aggregate plant capacity is 648 MW, comprising 180 MW for Units 1 to 3 and 197 MW for Units 4 to 6 at the Salak Geothermal Operations, and 55 MW, 95 MW and 121 MW for Unit 1, Units 2 and 3 at the Darajat Geothermal Operations, respectively, with an aggregate contract capacity of up to 825 MW.

Operational excellence with a strong technical track record and cost-efficient strategies

Our geothermal assets have also consistently achieved high operational reliability. The following table sets out certain average operational performance data relating to the Darajat and Salak Geothermal Operations since 2000:

	%
Darajat Geothermal Operations	
Average Net Capacity Factor (%)(1)	
Unit 1	93.2(3)
Units 2 & 3	94.6(4)(5)
Average Availability Factor (%)(2)	
Unit 1	94.3(3)
Units 2 & 3	96.2(4)(5)
Salak Geothermal Operations	
Average Net Capacity Factor (%)(1)	
Units 1 to 3	91.3
Units 4 to 6	98.0(6)
Average Availability Factor (%)(2)	
Units 1 to 3	93.4
Units 4 to 6	98.4(6)

(1) Average net capacity factor means the ratio of the average generation to the maximum generation from the geothermal turbine-generator.

(2) Average availability means the number of hours during a period when the relevant geothermal turbine-generator is available for service divided by the total number of hours in the relevant period, expressed as a percentage.

(3) Excludes factors for 2018 owing to one-off repair of turbine rotor.

(4) Excludes factors for 2013 owing to one-off repair of turbine rotor.

(5) Average net capacity and average availability factors for Darajat Units 2 and 3 are combined and provided since 2007.

(6) Average net capacity and average availability factors for Salak Units 4 to 6 are combined and provided since 2007.

See "*Business—Our Operations—Darajat Geothermal Operations—Operational and Financial Performance*" and "*Business—Our Operations—Salak Geothermal Operations—Operational and Financial Performance*" for average operational performance information for the financial years ended December 31, 2019.

The Star Energy Group operates three geothermal operations, namely the Wayang Windu geothermal operations, the Salak Geothermal Operations and the Darajat Geothermal Operations, with a total gross capacity of 875 MW. The Wayang Windu geothermal operations include two units with a combined gross installed generation capacity of 227 MW, owned and operated by the Star Energy Group. The Darajat and Salak Geothermal Operations have a gross installed generation capacity of 271 and 377 MW respectively, inclusive of steam sales capacity of 55 MW and 180 MW, respectively.

We believe that the operational reliability we have achieved is a result of our industry-leading well-drilling performance and a focus on continuous improvement across the Star Energy Group's asset portfolio. The Star Energy Group is the operator of three of the five largest geothermal projects in Indonesia by capacity (including the Darajat and Salak Geothermal Operations), which has enabled us to extract substantial economies of scale from the Star Energy Group's asset portfolio and realize cost efficiencies through the optimization of the well-drilling operations across our portfolio. We have developed well-drilling and completion techniques to have faster and lower cost wells, including:

- *One-rig strategy* — a centralized drilling function that ensures best practices are applied consistently and captured across the Darajat and Salak Geothermal Operations, as well as the Star Energy Group's Wayang Windu geothermal operations;

- *Value-based well objectives* — ensuring that well designs are fit-for-purpose and that technical objectives are aligned with our business needs;

- *Process and technical standards* — ensuring consistency in planning and executing safe and efficient drilling activities;

- *Quality assurance programs* — ensuring well control is maintained at all times, that process safety is supported and driving improvements in costs and schedules;

- *Standard well designs* — improving reliability and reducing engineering time, delivery time, equipment inventory and maintenance costs; and

- *Category management* — building value-creating business relationships with suppliers which lowers the cost of well construction and service through realizing volume discounts.

We work with independent experts who conduct resources assessments, technical reviews and facility reviews. In addition, the key equipment used in the Darajat and Salak Operations was supplied by Mitsubishi, Ansaldo and Fuji Electric. The EPC contractors for the development of Units 1 to 3 in the Darajat Geothermal Operations are GENZL, PT. Singgar Mulia, Hyundai Consortium and THIESS. The

EPC contractors for the development of Units 1 to 3 and Units 4 to 6 in the Salak Geothermal Operations were Rekayasa Industri and Fluor Daniel, respectively.

We expect to continue to utilize comparable reputable suppliers and contractors in the future. We have formal training programs for all our operations and maintenance personnel. We have created detailed manuals containing prescribed maintenance schedules, operating procedures, and preventive, corrective and predictive maintenance plans to facilitate our operations and maintenance. Lloyds Register independently audits our management system in accordance with international standards on a regular basis. We believe the foregoing factors are a significant contributor to the high standards of operational efficiency that we have achieved, and which we are able to maintain.

Long-term committed offtake contract with PLN

PLN, Indonesia's state-owned electric utility provider, is our committed off-taker for a maximum aggregate generating capacity of up to 330 MW (of which 271 MW is in service as of the date of this Offering Memorandum) from the Darajat Geothermal Operations and 495 MW (of which 377 MW is in service as of the date of this Offering Memorandum) from the Salak Geothermal Operations. PLN is wholly owned by the Government, which is obliged to subsidize PLN when its electricity production costs exceed the revenue from electricity sales at tariff rates set by the Government. PLN is the sole off-taker of electricity from the plants of both the Darajat Geothermal Operations and Salak Geothermal Operations. PLN has had a monopoly over the transmission and distribution of electricity in Indonesia, making it the sole off-taker of power for most independent power producers. PLN is rated "Baa2" by Moody's, "BBB" by S&P and "BBB" by Fitch as of the date of this Offering Memorandum.

In addition, our cash flows are underpinned by long-term ESCs between us, PGE and PLN, which provide us with contracted tariffs for steam or electricity sales from the Darajat and Salak Geothermal Operations until the expiry of the respective ESCs. Pertamina, PGE's parent company, is rated "Baa2" by Moody's, "BBB" by S&P and "BBB" by Fitch as of the date of this Offering Memorandum.

The Darajat ESC

The Darajat ESC, entered into by the Darajat Contractors, is a take-or-pay contract for a production period of up to November 16, 2041 in respect of Darajat Units 1 and 2 and up to May 11, 2047 in respect of Darajat Unit 3, with the understanding that the ESC period is shortened accordingly to follow the term of the JOC. Under the Darajat ESC, the Darajat Contractors have the obligation to make available the unit rated capacity of each geothermal turbine-generator unit after the commercial operations date of that geothermal turbine-generator unit to PLN on behalf of PGE, and PLN is obliged to make payments under a tariff which consists of a fixed component and a variable component and subject to escalation, as more fully described in "*Description of Material Contracts—The Darajat Geothermal Operations—The Darajat Energy Sales Contract—Tariff*". Subject to limited relief upon certain events of *force majeure*, if, in any month (i) PLN fails to accept all geothermal energy delivered (or made available for delivery) by the Darajat Contractors due to pre-determined conditions the tariff payment for that month shall be determined as the amount of geothermal energy nominated (or declared) in the amount of at least 80.0% of unit rated capacity multiplied by the price per kilowatt-hour of geothermal energy, and (ii) PLN fails to accept all electricity delivered (or made available for delivery) by the Darajat Contractors due to pre-determined conditions, the tariff payment for that month shall be determined as the amount of electricity nominated (or declared) in the amount of at least 95.0% of unit rated capacity multiplied by the price per kilowatt-hour of electricity. See "*Description of Material Contracts—The Darajat Geothermal Operations—The Darajat Energy Sales Contract*" for a more detailed description of the Darajat ESC.

The Salak ESC

The Salak ESC, entered into by the Salak Contractors, is a take-or-pay contract for a production period up to November 30, 2040. Under the Salak ESC, the Salak Contractors have the obligation to make available the unit rated capacity of each geothermal turbine-generator unit after the commercial operations date of that geothermal turbine-generator unit to PLN on behalf of PGE, and PLN is obliged to make payments regardless of whether such electricity is dispatched by PLN, according to an agreed formula consisting of a fixed component and variable component, as more fully described in "*Description of Material Contracts—The Salak Geothermal Operations—The Salak Energy Sales Contract—Tariff*". In respect of Units 1, 2 and 3, PLN's take-or-pay obligation during each three-year generation period is 95.06% of the combined unit rated capacity during that three-year generating period (which can be reduced to 90.08% if PLN makes a one-time payment in an amount specified in the Salak ESC). In respect of Units 4, 5 and 6, PLN's take-or-pay obligation is 90.14% of the combined united rated capacity during that three-year generating period. See "*Description of Material Contracts—The Salak Geothermal Operations—The Salak Energy Sales Contract*" for a more detailed description of the Salak ESC.

Moreover, as our power plant relies on geothermal steam to generate electricity, we do not incur fuel costs. As such, the stable cash flows that we are able to realize under the terms of the Darajat and Salak ESC are not exposed to market fluctuations in commodity prices.

Strong financial profile with predictable and stable cash flows

We believe that the high operational standards we have set as a result of the operational reliability and cost efficiencies realized across the Darajat and Salak Geothermal Operations (see "*—Operational excellence with a strong technical track record and cost-efficient strategies*", above) is a key driver of our strong financial profile. Our total revenues for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020 and were US$241.2 million, US$342.1 million, US$330.7 million, US$160.6 million and US$172.2 million, respectively. Our EBITDA for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020 was US$188.6 million, US$264.1 million, US$259.1 million, US$127.5 million and US$141.4 million, respectively, and our profit for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020 was US$54.4 million, US$84.4 million, US$80.5 million, US$40.2 million and US$53.2 million, respectively. Our EBITDA margin, which is the ratio of EBITDA to total revenues, for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020 was 78%, 77%, 78%, 79% and 82%, respectively.

In addition, we are focused on maintaining a prudent capital structure which in turn has enabled us to maintain and operate with a conservative leverage profile. Our Total Debt to Equity ratio was 1.27, 1.07, 0.90, 1.02 and 0.84 as at December 31, 2017, 2018 and 2019 and June 30, 2019 and 2020, respectively.

Well-positioned to capitalize on favorable Indonesian electricity market dynamics and supportive policies towards geothermal energy

According to the IMF, while Indonesia's real GDP is projected to contract by 0.3% in 2020, Indonesia's real GDP is forecast to grow by 6.1% in 2021. We believe that we will directly benefit from the expected economic growth in Indonesia due to the critical role played by the energy and power sectors in driving this economic development. We believe that our focus on the energy and power generation industries means that we are well-positioned to take advantage of these growth opportunities.

We believe that this forecast economic growth and population growth, as well as increasing consumption of electricity per capita arising from urbanization and improvements in the standard of living, will drive growth in electricity demand. To meet this demand, the Government's Electricity Supply Business Plan expects 30.5 GW of power capacity to be constructed in Indonesia between 2019-2023, of which, the geothermal industry is expected to contribute 1.2 GW in additional power capacity, creating a geothermal power generation capacity of 3.15 GW in Indonesia by 2023.

The current level of electricity consumption per capita in Indonesia is low compared to that of other Asian emerging economies. Indonesian power demand is projected by PLN to grow at 6.4% per annum over the period 2018 to 2028. We believe this offers us significant potential for growth in the Indonesian electricity sector. The Java-Bali region accounts for approximately 74% of on-grid power demand in Indonesia and has a high demand-supply imbalance that heavily favors power producers. According to PLN, between 2019 and 2028, electricity sales in Java-Bali are expected to rise at a compound annual growth rate of 5.8% representing an additional 9.9 million customers in the region. As our power plant is located in West Java and is linked via a transmission system to the Java-Bali grid, we are well positioned to take advantage of future growth in power demand in this region.

To reduce Indonesia's dependency on fuel oil and increase electricity production capacity to meet rising demand, the Government has mandated PLN, through the Fast Track Programs, to procure renewable, gas and coal-fired energy.

In addition to the favorable industry and market dynamics, we benefit significantly from the Indonesian Government's policy objectives in supporting the development of the geothermal power sector. For example, the Indonesian Ministry of Finance signed an agreement on financing commitment with the World Bank for the Geothermal Resource Risk Mitigation Project ("**GREM**") amounting to U.S.$190 million or approximately Rp.3 trillion. GREM aims to provide financing schemes and de-risking facilities in the exploration stage that can be utilized by both public and private developers. By utilizing this risk sharing mechanism, the Government expects to reduce the perceived risk of failure in the exploration stage, thus accelerating exploration activity and overall investment in geothermal energy sector. The scheme also has a capacity building and technical assistance program.

Fiscal benefits include favorable tax allowances for investments made in certain working fields and/or areas, and providing incentive schemes for geothermal exploration, including a 30% investment tax credit; accelerated depreciation and amortization allowances; lower income tax charges on foreign investors in geothermal companies and compensation for losses incurred over a five year period. In addition, geothermal operations are exempted from various import duties, including in respect of important machinery, goods and materials to be utilized in the development process. Other existing fiscal incentives for geothermal energy include income tax facilities in the form of tax holidays or tax allowances, land and building tax exemptions during the exploration stage, various Government guarantee schemes and financing and de-risking facilities such as the Infrastructure Fund for Geothermal Sector, the Geothermal Energy Upstream Development Program and GREM.

See "*Regulation and Regulatory Framework of the Indonesian Geothermal Power and Electricity Industry*" for further information.

As part of the Star Energy Group, the largest geothermal operator in Indonesia, we are well positioned to benefit from the overall growth in the industry, the favorable market dynamics and the beneficial regulatory and fiscal environment.

High quality and experienced sponsors

Our sponsors have extensive expertise in the energy and power generation industry, and we benefit from such extensive experience.

Barito Pacific effectively owns a 34.6% stake in our Company, which it acquired in July 2018. Barito Pacific is a leading Indonesia-based conglomerate with interests in petrochemicals, wood manufacturing, real estate and plantations, in addition to its interests in the Star Energy Group. It is rated "B1" by Moody's and "B+" by Fitch. Barito Pacific is owned and was founded by Mr Prajogo Pangestu, a leading Indonesian businessman who holds key positions in other Indonesian companies.

Mitsubishi effectively owns an 8.2% and EGCO effectively owns a 20.1% stake in our Company, which they acquired in October 2012 and July 2014, respectively. Mitsubishi's long-term debt is rated "A2" by Moody's, "A" by S&P and "AA–" by Fitch. We believe that each of Mitsubishi and EGCO is committed to our success as part of their objective to enter the Indonesian power industry and to develop multiple geothermal power plants in Indonesia. With Mitsubishi's involvement, we are in a beneficial position to procure key equipment, such as turbines, from Mitsubishi Heavy Industries, Ltd which is one of the largest turbine manufacturers in the world, and are able to obtain support from Mitsubishi for project financing in respect of feasible renewable energy projects. EGCO is the first independent power producer in Thailand and its current portfolio consists of 28 operating power plants with approximately 4,574 MW of gross capacity. We can benefit from EGCO's extensive experience in the power plant industry, and operation and maintenance services, to improve and support our operations and business performance.

AC Energy, the energy platform of the Ayala group (one of the largest conglomerates in the Philippines), owns a 19.8% stake in our Company. AC Energy is one of the fastest growing energy companies in the Asia-Pacific region, with over US$1 billion in committed equity investments in renewable and thermal energy in the Philippines and the region.

BCPG effectively owns a 17.3% stake in our Company. It was established in 2015 and its current portfolio includes operating solar assets with an aggregate capacity of 182 MW in Thailand and 236 MW in Japan. We can benefit from BCPG's support and experience to improve our business performance.

See "*Major Shareholders*" for further information.

Experienced management team and extensive technical experience

Our Board of Directors and management team have extensive experience in the relevant fields. Members of our Board and management team have held a variety of managerial and executive positions including at companies such as PT Bank Niaga, PT Danareksa, PT Nusantara Capital, SGS and Deutsche Morgan Grenfell. Our management team has extensive experience in the Indonesian geothermal power industry and the regulatory environment, having developed positive relationships with key industry participants such as PLN, PGE, Pertamina, and governmental authorities such as the MOF and MEMR, which are crucial to ensuring the sustainability of our operations. The top five technical team members of the Darajat and Salak Geothermal Operations have an average of 25 to 30 years of experience in the industry.

The management team's excellence has translated into multiple awards and accolades, including (i) the Gold PROPER Award, which is the highest award for environmental, safety and corporate social responsibility management from the Minister of Environmental and Forestry in 2011 (for Salak), 2012 (for Salak and Darajat), 2013 (for Darajat) and 2019 (for Salak) and (ii) the Green PROPER Award in 2014 (for Salak and Darajat), 2015 (for Salak), 2016 (for Salak and Darajat), 2017 (for Salak), 2018 (for Salak) and 2019 (for Darajat).

Additionally, we received the Zero Accident Award from the Minister of Manpower and Transmigration for Salak and Darajat in 2015, 2016, 2017 and 2018, the Subroto Awards for Environmental Management Performance form the Ministry of Energy and Mineral for Salak in 2017, 2018 and 2019.

Furthermore, our staff is experienced and skilled, and our management systems are certified under ISO 14001:2015 (Environmental Management System) and ISO 45001 (Occupational Health and Safety).

Strategy

Our strategic objectives aim to maximize our potential while maintaining a sustainable business model.

Optimize our assets and improve our operational efficiency

We will continue to focus on improving our dispatch capability to PLN. We will also strive to continue to optimize the efficiency of the units in the Darajat and Salak Geothermal Operations through critical equipment monitoring, enhanced work processes, enhanced operations and maintenance training programs and procedures, and energy loss monitoring and mitigation. We also intend to continue to refine our operating procedures and maintenance plans, and to further develop our computer-based management system, SAP, a suite of programs which handles maintenance data, inventory needs and activity scheduling and also provides financial management systems.

Throughout the 25-year operating history of the Salak and Darajat Geothermal Operations, we have focused on maximizing our revenue by managing our steam supply to ensure generation targets can always be achieved. We have a comprehensive well intervention program in place to ensure the sustainability and continuity of our steam supply. During the period from 2015 to 2019, well interventions or workovers were performed on (i) 17 wells at the Salak Geothermal Operations, resulting in total steam gain of 129 kg/s and (ii) 10 wells at the Darajat Geothermal Operations, resulting in total steam gain of 54 kg/s. In 2019, we drilled three new steam production wells at the Darajat Geothermal Operations resulting in total steam gain of 46 kg/s as based on our assessment in July 2020. During 2020, we drilled two additional steam production wells at the Darajat Geothermal Operations and we intend to drill five new steam production wells at the Salak Geothermal Operations during 2021 to 2022. As at June 30, 2020 we have 71 kg/s of steam supply in excess of the 793 kg/s required for the operation of Salak Units 1 to 6 and 82 kg/s in excess of the 462 kg/s required for the operation of Darajat Units 1 to 3.

We intend to remain a cost-efficient power producer by managing costs through strict cost-control initiatives that help reduce unit operating costs, while continuing to maintain high availability. We have developed well drilling and completion techniques that have resulted in lower capital expenditures for drilling compared to if these activities were outsourced. With the acquisition of the Salak Geothermal

Operations and the Darajat Geothermal Operations from Chevron, we have also seen an increase in our capital expenditure efficiency due to economies of scale, as we, as part of the Star Energy Group, are now able to hire and deploy drilling rigs and services across three sites, namely Darajat, Salak and Wayang Windu. We expect drilling campaigns in 2020 and beyond will also see further cost reductions as a result of continuous operational and technological enhancements which we have implemented.

Exploit geothermal reserves and grow revenues

We intend to grow our business by expanding the installed capacity at the Salak Geothermal Operations to take full advantage of the ESC with PLN. We intend to develop the Salak Binary Power Plant, which is expected to have a capacity of 13 MW to 15 MW.

As of the date of this Offering Memorandum, we have completed the front end engineering design ("**FEED**") for the Salak Binary Power Plant and are in the process of obtaining the necessary board approvals for its final investment decision ("**FID**"), which we expect in the fourth quarter of 2020, subject to consultation with PLN and meeting minimum economic returns. We intend for the Salak Binary Power Plant to commence operations in the second half of 2022.

We may look to acquire assets outside of Indonesia as the opportunity arises.

Maintain and develop positive relationships with our key stakeholders

In order to achieve success in our business, we believe it is imperative to have a positive relationship with the community in which we operate. Our operations are designed to adhere to strict environmental standards. As a result, we received the Gold PROPER Award, the highest award for environmental, safety and corporate social responsibility management from the Minister of Environmental and Forestry, in 2011 (for Salak), 2012 (for Salak and Darajat), 2013 (for Darajat) and 2019 (for Salak).

We also invest in the local community by renovating schools, improving education levels and awarding scholarships to local students. In relation to economic empowerment, we provide micro finance schemes for farming, coffee plantation and ecotourism to boost the local economy. In relation to environmental protection, we work closely with PTPN VIII and the local national park forestry department with respect to re-forestation efforts in certain areas surrounding our power plant facilities.

Furthermore, we actively manage our relationships with other key stakeholders, such as PLN, PGE, our employees and governmental authorities.

Maintain and strengthen our workforce to support our operations

The capability, motivation and performance of our workforce is critical to our success. As we seek to implement the strategies discussed above and to expand our operations, we will continue to devote the resources required for recruiting, training and retaining a talented workforce, including through customized leadership and management programs with INSEAD and other technical programs with internationally reputed training institutions. We intend to offer competitive compensation packages, training and career opportunities to attract and retain talented employees.

Adopt strategies to mitigate geo hazard risk in the future

In order to mitigate risks that may arise due to natural disasters, including landslides, and other geo hazards we face, we have adopted strategies to minimize the risks and impact of such hazards on our operations and routinely implement projects to mitigate the risks associated with identified hazards.

The diagram below outlines the strategies we have adopted to mitigate geo hazard risks at the Darajat and Salak Geothermal Operations.

Risk Assessment

- Jan 2019: International consultant ("**Consultant**") from Japan appointed to conduct geo hazard mapping and study in SEGS and SEGD.
    - June 2019 – Site survey completed.
    - October 2019 – Final report submitted.
- For Salak, Consultant identified 4 locations Rank A, 25 locations, Rank B and 244 locations Rank C
- For Darajat, Consultant identified 20 locations Rank B and 124 locations Rank C (no Rank A identified)
- Risk determined using 6x6 risk matrix. Rank A is high risk which requires countermeasures. Rank B is medium risk which requires special monitoring using instrument and Rank C is low risk which needs regular visual inspection.

Risk Prevention

- Implement immediate actions recommended by Consultant
- Install monitoring tools and perform regular monitoring
- Conduct countermeasure for Rank A to improve safety factor and maintain slope stability

Risk Measures Implemented

- ✓ Landslide restoration in progress (SEGS: Awi 2 and Awi 18)
- ✓ Installed soil movement instrumentation (Nuki-Ita, inclinometer and extensometer).
- ✓ Conducted regular soil movement monitoring and analysis.
- ✓ Improved the drainage system.
- ✓ Constructed embankment and gabion (SEGD: Cigupakan)

Plan for 2020-2021

- ➢ Complete Rank A in SEGS, including:
    - ➢ Construct ground reinforcement by soil nailing and ground anchoring to increase safety factor of the slope stability.
    - ➢ Install dewatering system by horizontal drilling
    - ➢ Improve monitoring system by adding inclinometer and piezometer.
- ➢ Topography and geotechnical survey of SEGD

We have also implemented a landslide mitigation program as per the geo hazard survey and recommendations by our consultant. We have commenced works to complete restoration in four locations (Awi 2, Awi 18, Awi 3 and Housing 8) throughout 2020 and intend to fabricate and purchase monitoring instruments, engage in prevention works, lower ground water and conduct periodic monitoring of such results through 2021. During this period, we also intend to conduct regular inspections by way of visual monitoring. We intend for the next comprehensive geo hazard survey to be conducted within five years. In addition, the Darajat and Salak Geothermal Operations have multiple steam supply lines, which reduces the likelihood of total shutdown of our plants in the event of a landslide.

SUMMARY OF THE OFFERING

The following is a general summary of the terms of the offering and is qualified in its entirety by the remainder of this Offering Memorandum. This summary is derived from, and should be read in conjunction with, the full text of the sections entitled "Description of the Notes" and "Description of the Security Documents and the Collateral". Phrases used in this summary and not otherwise defined shall have the meanings given to them in the "Description of the Notes", as applicable.

Co-Issuers	Star Energy Geothermal Darajat II, Limited (Legal Entity Identifier: 254900A5FGTHUYFJ7K08) Star Energy Geothermal Salak, Ltd. (Legal Entity Identifier: 254900BLRI2R1WKPBX95)
Parent Guarantor	Star Energy Geothermal (Salak-Darajat) B.V.
Initial Subsidiary Guarantors.	Star Energy Geothermal Darajat I, Limited Star Energy Geothermal Salak Pratama, Ltd.
Guarantors.	The Parent Guarantor, each Co-Issuer in respect of each other Co-Issuers' obligations under the Notes, and each Subsidiary Guarantor. The Guarantees may be released in certain circumstances.
Notes Offered	US$320 million aggregate principal amount of 3.25% Senior Secured Notes due 2029 (the "**2029 Notes**") US$790 million aggregate principal amount of 4.85% Senior Secured Notes due 2038 (the "**2038 Notes**") (together with the 2029 Notes, the "**Notes**").
Offering Price	2029 Notes: 100% of the principal amount. 2038 Notes: 100% of the principal amount.
Original Issue Date	October 14, 2020.
Maturity Date	2029 Notes: April 14, 2029, unless earlier redeemed pursuant to the terms thereof and the indenture governing such notes. 2038 Notes: October 14, 2038, unless earlier redeemed pursuant to the terms thereof and the indenture governing such notes.
Amortization of Principal	The aggregate principal amount of the Notes will be amortized as described under "*Description of the Notes—Amortization of Principal*".

Interest	The 2029 Notes will bear interest from and including October 14, 2020 at the rate of 3.25% per annum, payable semi-annually in arrears. The 2038 Notes will bear interest from and including October 14, 2020 at the rate of 4.85% per annum, payable semi-annually in arrears. The first payment of interest for each series of the Notes to be made on April 14, 2021 will be in respect of the period from (and including) October 14, 2020 to (but excluding) April 14, 2021.
Interest Payment Dates	April 14 and October 14 of each year, commencing April 14, 2021.
Ranking of the Notes	The Notes issued by a Co-Issuer will: • be general unsubordinated obligations of such Co-Issuer; • be senior in right of payment to any existing and future obligations of such Co-Issuer expressly subordinated in right of payment to the Notes; • rank at least *pari passu* in right of payment with all unsubordinated obligations of such Co-Issuer (subject to any priority rights of such unsubordinated obligations pursuant to applicable law); • be guaranteed by the Guarantors on an unsubordinated basis, subject to the limitations described under the captions "*Description of the Notes*" and "*Risk Factors—Risks Relating to the Notes and the Guarantees*;" • be effectively subordinated to secured obligations of such Co-Issuer and the Guarantors, to the extent of the value of the assets serving as security therefor (other than the Collateral, to the extent applicable); • be effectively subordinated to all obligations of any Subsidiaries of the Parent Guarantor that are not Subsidiary Guarantors; and • after repayment of the Existing Senior Debt Facilities as described in "*Use of Proceeds*" and release of the liens securing such Existing Senior Debt Facilities, be secured by a first priority lien over the Collateral (subject to Permitted Liens and the Intercreditor Deed) on an equal and ratable basis with the 2038 Notes or the 2029 Notes, as the case may be, and all other Permitted Pari Passu Secured Obligations incurred by each Obligor.

Ranking of the Guarantees	The Guarantee of each Guarantor will: • be a general unsubordinated obligation of such Guarantor; • be senior in right of payment to all future obligations of such Guarantor expressly subordinated in right of payment to such Guarantee; • rank at least *pari passu* in right of payment with all other unsecured, unsubordinated obligations of such Guarantor (subject to any priority rights of such unsecured, unsubordinated obligations pursuant to applicable law); and • be effectively subordinated to secured obligations of such Guarantor, to the extent of the value of the assets serving as security therefor.
Use of Proceeds	The net proceeds from the issue of the Notes, after deducting fees, commissions and other estimated offering expenses, are expected to amount to approximately US$1,095.3 million. We intend to use a combination of our cash on hand, the release of cash from the DSRA under the Existing Senior Debt Facilities, and the net proceeds from the issue of the Notes for: (i) the repayment of outstanding indebtedness under the Existing Senior Debt Facilities; (ii) the payment of expenses to be incurred as a result of the repayment of the Existing Senior Debt Facilities, including the termination fees related to the existing interest rate swaps and loan prepayment fees; (iii) the funding of the Debt Service Reserve Accounts and Major Maintenance Reserve Accounts; and (iv) general corporate purposes relating to the Darajat and Salak Geothermal Operations (including, but not limited to, our working capital requirements, future investments in power plants and other equipment, and other distributions of available cash in accordance with our distribution policies). See also "*Green Bond Framework*" for more information on how we intend to apply the proceeds from the offer and sale of the Notes to finance or refinance Eligible Green Assets relating to the development, construction and operation of geothermal energy generation facilities. For more detailed information about the use of the proceeds of the Notes, see "*Use of Proceeds*".

Security	Following the release of the security interests granted to the creditors under the Existing Senior Debt Facilities, the obligations of the Co-Issuers under the Notes and the obligations of the Guarantors under the Guarantees will be secured by a first priority security interest (subject to Permitted Liens and the Intercreditor Deed) pursuant to the Security Documents for the benefit of the Secured Parties (as defined below) (including the Holders of the Notes and the creditors of Permitted Pari Passu Secured Obligations which are permitted to be incurred under the Indentures) over the following: • share charges to be executed by the Parent Guarantor over its entire present and future shares in each Co-Issuer, SEGDI and DGI; • a share charge to be executed by SEGSL over its entire present and future shares in SEGSPL; • share charges to be executed by each of SEGH and ACEHI over its entire present and future shares in the Parent Guarantor; • an assignment of all Shareholder Subordinated Loans; • a charge over each of the Offshore Accounts and each of the Onshore Accounts (but excluding specified administrative Onshore Accounts that any Obligor or DGI may open from time to time); • fiduciary security over insurance proceeds of the Obligors (other than the Parent Guarantor) and DGI related to any Electricity Generation Facilities (as defined in the Joint Operating Contracts) in relation to Unit(s) (as defined in the Joint Operating Contracts) operated by that Obligor or DGI (as the case may be); and • following the entry by either Co-Issuer into any Hedging Agreements for the purpose of hedging any currency or interest rate exposures of any Co-Issuer in relation to the Notes or any Permitted Pari Passu Indebtedness, an assignment of such Hedging Agreements. See "*Description of the Notes—Security*".

Intercreditor Deed	The Collateral securing the Notes will also serve as collateral to secure the obligations of the Obligors in respect of Permitted Pari Passu Secured Obligations. As soon as practically possible following repayment of the Existing Senior Debt Facilities, the Co-Issuers, the Guarantors, the Trustee on behalf of the holders of the Notes, the Collateral Agents and the account banks party thereto will enter into the Intercreditor Deed. The Intercreditor Deed will provide, among other things, that: • the holders of Notes and any future holders of Permitted Pari Passu Secured Obligations (collectively, the "**Secured Parties**") shall share equal priority and pro rata entitlement in and to the Collateral and Additional Collateral, except for certain fees, costs and expenses; • the conditions under which the Secured Parties will consent to the release of or granting of any Lien on such Collateral and any Additional Collateral; and • the conditions under which the Secured Parties will enforce their rights with respect to such Collateral and Additional Collateral under the obligations secured thereby. The Intercreditor Deed will also govern the application and use of funds on deposit in the Offshore Accounts and the Onshore Corporate and Tax Accounts. See "*Description of the Notes-Security—Intercreditor Deed*".
Equity Clawback Option	At any time and from time to time prior to April 14, 2024, any Obligor may at its option redeem up to 35% of the aggregate principal amount of the 2029 Notes with the Net Cash Proceeds of one or more sales of Common Stock of either Co-Issuer in an Equity Offering or a contribution to the common equity capital of either Co-Issuer made with the Net Cash Proceeds of a concurrent Equity Offering by either of the Co-Issuers' direct or indirect parents at a redemption price of 101.6250% of the principal amount of the 2029 Notes, plus accrued and unpaid interest, if any, on the 2029 Notes redeemed, to (but not including) the redemption date; *provided that* at least 65% of the aggregate principal amount of the 2029 Notes issued on the Original Issue Date (excluding 2029 Notes held by any member of the Restricted Group) remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

At any time and from time to time prior to October 14, 2029, any Obligor may at its option redeem up to 35% of the aggregate principal amount of the 2038 Notes with the Net Cash Proceeds of one or more sales of Common Stock of either Co-Issuer in an Equity Offering or a contribution to the common equity capital of either Co-Issuer made with the Net Cash Proceeds of a concurrent Equity Offering by either of the Co-Issuers' direct or indirect parents at a redemption price of 102.4250% of the principal amount of the 2038 Notes, plus accrued and unpaid interest, if any, on the 2038 Notes redeemed, to (but not including) the redemption date; *provided that* at least 65% of the aggregate principal amount of the 2038 Notes issued on the Original Issue Date (excluding 2038 Notes held by any member of the Restricted Group) remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

See "*Description of the Notes—Optional Redemption-Equity Clawback Option*".

Optional Redemption . . . .

At any time and from time to time on or after April 14, 2024, any Obligor may at its option redeem the 2029 Notes, in whole or in part, at a redemption price equal to the percentage of the principal amount of the 2029 Notes to be redeemed set forth below plus accrued and unpaid interest to the redemption date if redeemed during the twelve-month period beginning on April 14 of the years indicated below:

Year	Percentage
2024	101.6250%
2025	100.8125%
2026 and thereafter....................	100.0000%

At any time and from time to time on or after October 14, 2029, any Obligor may at its option redeem the 2038 Notes, in whole or in part, at a redemption price equal to the percentage of the principal amount of the 2038 Notes to be redeemed set forth below plus accrued and unpaid interest to the redemption date if redeemed during the twelve-month period beginning on October 14 of the years indicated below:

Year	Percentage
2029	102.4250%
2030	101.6167%
2031	100.8083%
2032 and thereafter....................	100.0000%

At any time and from time to time before April 14, 2024, any Obligor may at its option redeem the 2029 Notes, in whole or in part, at a redemption price equal to the greater of (i) 100% of the principal amount of such 2029 Notes to be redeemed as at the redemption date; and (ii) the sum of the present value of each remaining scheduled payment of principal and interest on the 2029 Notes to be redeemed (exclusive of interest accrued and unpaid to (but not including) the redemption date) (assuming the due payment of all 2029 Notes Amortization Amounts in accordance with the amortization profile set out in "*Description of the Notes*", as applicable, and no other subsequent redemptions) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 50 basis points (the "**2029 Notes Make-Whole Amount**"), plus in each case, accrued interest on the principal amount of the 2029 Notes up to, but not including, the date of redemption (subject to the right of the holder of record on the relevant record date to receive interest due on the relevant interest payment date).

At any time and from time to time before October 14, 2029, any Obligor may at its option redeem the 2038 Notes, in whole or in part, at a redemption price equal to the greater of (i) 100% of the principal amount of such 2038 Notes to be redeemed as at the redemption date; and (ii) the sum of the present value of each remaining scheduled payment of principal and interest on the 2038 Notes to be redeemed (exclusive of interest accrued and unpaid to (but not including) the redemption date) (assuming the due payment of all 2038 Notes Amortization Amounts in accordance with the amortization profile set out in "*Description of the Notes*", as applicable, and no other subsequent redemptions) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 50 basis points (the "**2038 Notes Make-Whole Amount**"), plus in each case, accrued interest on the principal amount of the 2038 Notes up to, but not including, the date of redemption (subject to the right of the holder of record on the relevant record date to receive interest due on the relevant interest payment date).

See "*Description of the Notes—Optional Redemption*".

Mandatory Redemption Without Premium.	If (i) any Project is subject to an Expropriation Event or a Loss Event for which the Available Proceeds are in excess of U.S.$60.0 million and the conditions set forth in the immediately succeeding paragraph are not satisfied or if any Energy Sales Contract and/or Joint Operating Contract is terminated, and (ii) any Obligor or DGI receives any proceeds from indemnification, casualty or property damage insurance, condemnation or otherwise as a result of (i) above (the "**Available Proceeds**"), then the Obligors will use such Available Proceeds to redeem the maximum principal amount of the Notes and Permitted Pari Passu Secured Obligations that may be redeemed out of the Available Proceeds. The redemption price for the Notes will be equal to 100% of the outstanding principal amount of the Notes being redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date, plus Additional Amounts, if any (but without payment of any Make-Whole Amount), which will be payable in cash. If the aggregate principal amount of the Notes and Permitted Pari Passu Secured Obligations that may be redeemed exceeds the amount of Available Proceeds, the Notes and such Permitted Pari Passu Secured Obligations will be redeemed on a *pro rata* basis. If any Project is subject to an Expropriation Event or a Loss Event for which the Available Proceeds are in excess of U.S.$60.0 million, the Available Proceeds may be put towards the repair or restoration of such Project or may be paid to the Obligors to reimburse the Obligors for the costs of any repairs or restoration such Obligors have paid from funds in the Accounts, if certain specified conditions have been satisfied. If an Expropriation Event or a Loss Event occurs for which the Available Proceeds are less than U.S.$60.0 million, such Available Proceeds shall be applied to the payment of the cost of the repair or restoration of such damage or destruction or may be paid to the Obligors to reimburse the Obligors for the costs of any repairs or restorations such Obligors have paid from funds in the Accounts. See "*Description of the Notes—Mandatory Redemption of Notes Without Premium*".

Withholding Tax: Additional Amounts.	Payments made by or on behalf of the Co-Issuers with respect to the Notes and payments made by or on behalf of any Guarantor with respect to the Guarantees will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, imposed or levied by or within Bermuda, the Bahamas, the Cayman Islands, Indonesia, the Netherlands or any other jurisdictions in which any Co-Issuer is organized or resident or doing business for tax purposes, or through which payment is made except as required by law. Where such withholding or deduction is required by law, the Co-Issuers or the applicable Guarantor will make such deduction or withholding and will, subject to certain exceptions, pay such additional amounts under the Notes or the Guarantees as will result in receipt by the holder of each Note of such amounts as would have been received by such holder had no such withholding or deduction been required. See "*Description of the Notes—Additional Amounts*".
Redemption for Taxation Reasons . .	Subject to certain exceptions and as more fully described herein, the Co-Issuers may redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by us for redemption, and certain additional amounts, if, as a result of certain changes in tax law, the Co-Issuers would be required to pay certain additional amounts. See "*Description of the Notes—Redemption for Taxation Reasons*".
Change of Control Triggering Event	Following a Change of Control Triggering Event, the Co-Issuers will be required to make an offer to repurchase the Notes at a price equal to 101.0% of the principal amount plus accrued and unpaid interest, if any, to (but not including) the date of repurchase. See "*Description of the Notes—Change of Control Triggering Event*".

Mandatory Cash Sweep	Following the earlier of (i) the second anniversary of the Original Issue Date and (ii) the day on which the aggregate amount of Equity Distributions made after the Original Issue Date by the Parent Guarantor is at least U.S.$100.0 million (which for the purposes of this covenant shall not include the payment of the U.S.$150.0 million Equity Distribution permitted by clause (7) of the second paragraph of the covenant described under the caption "*—Certain Covenants—Limitation on Equity Distributions*") (the "**Cash Sweep Commencement Date**"), and provided that the conditions to making Equity Distributions in accordance with the covenant described under the caption "*—Certain Covenants—Limitation on Equity Distributions*" are not met as on the relevant date, then on the date falling 45 days after the last day of each financial quarter ending on June 30 or December 31 following the Cash Sweep Commencement Date (each, a "**Cash Sweep Date**"), the Notes shall be redeemed at a redemption price of 100% plus accrued and unpaid interest, if any, to (but not including) the redemption date. The Co-Issuers shall deduct from the Distribution Accounts an amount equal to the Cash Sweep Amount and transfer such amount to the Paying Agent at least one Business Day prior to the Cash Sweep Date to be used to redeem the Notes. "**Cash Sweep Amount**" means the amount equal to the aggregate amount on deposit in the Distribution Accounts less U.S.$75.0 million, provided that: (1) if such amount is less than U.S.$5.0 million, then it shall be changed to nil; and (2) if such amount is more than or equal to U.S.$5.0 million, then it shall be rounded down to the nearest integral multiple of U.S.$5.0 million. See "*Description of the Notes—Mandatory Cash Sweep*".
Accounts	The Co-Issuers will establish or redesignate certain Offshore Accounts denominated in U.S. dollars with an account bank or banks to be specified in the Intercreditor Deed. The Co-Issuers will establish or redesignate the Onshore Corporate and Tax Accounts with an account bank or banks to be specified in the Intercreditor Deed, denominated in U.S. dollars. The Obligors and DGI may also establish or redesignate and maintain certain other local accounts in Indonesia, denominated in either U.S. dollars or Indonesian rupiah. The Offshore Accounts and the Onshore Corporate and Tax Accounts will be pledged (within 120 days following the date of the issuance of the Notes) in favor of the Collateral Agents for the benefit of the Secured Parties. Each of the Obligors and DGI may use the amounts on deposit in the Onshore Accounts only to fund its operating costs and value added tax payment obligations.

The Co-Issuers may apply amounts standing to the credit of (i) the Revenue and Operating Accounts and (ii) the Onshore Corporate and Tax Accounts towards the payment of operating costs, expenses and taxes.

On and after the date the security interests granted under the Existing Senior Debt Facilities are released, the Parent Guarantor and the Co-Issuers will procure that all revenues received from any Project by any Obligor or DGI (which shall not include Available Proceeds, equity capital contributions and proceeds from Permitted Indebtedness) will be paid into the Revenue and Operating Accounts. The Co-Issuers may make transfers from time to time from the Revenue and Operating Accounts, provided that any amounts so transferred will be applied in the order of priority set forth under "*Description of the Notes—Accounts*", as applicable.

The Obligors will not have any right to withdraw funds from any Account except in accordance with the Intercreditor Deed and the Security Documents.

See "*Description of the Notes—Accounts*".

Covenants . . . . The Indentures will, among other things, restrict the ability of the Obligors, and in certain cases other members of the Restricted Group, to:

- incur additional indebtedness and issue certain preferred stock;
- pay dividends, repurchase stock or prepay subordinated debt;
- issue shares in any Restricted Subsidiary;
- issue a guarantee by any Restricted Subsidiary;
- enter into transactions with affiliates;
- create or incur liens;
- sell assets or effect a consolidation or merger;
- engage in different business activities; and
- amend certain key project documents.

	In addition, we will be required (subject to certain exceptions) to, among other things: (1) cause future Restricted Subsidiaries to execute a supplemental indenture to each Indenture and guarantee the Notes; (2) maintain insurance, (3) maintain, preserve or perfect a first priority security interest (subject to Permitted Liens) granted under the Security Documents, (4) maintain corporate existence and all material licenses, (5) maintain books, accounts and records, (6) comply with all applicable laws (including any environmental laws) and maintain material permits, (7) use reasonable efforts to cause the Notes to be rated by at least two Rating Agencies, (8) pay taxes and (9) provide financial statements and reports. These covenants are subject to important exceptions which are described in the section entitled "*Description of the Notes—Certain Covenants*".
Transfer Restrictions.	The Notes have not been registered under the Securities Act, or any securities laws of any other place. The Notes are subject to certain restrictions on transfer and may only be offered or sold in transactions exempt from or not subject to the registration requirements of the Securities Act. See "*Transfer Restrictions*".
Listing.	Application has been made for the listing and quotation of the Notes on the SGX-ST. The Notes will be traded on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent foreign currencies) as long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, if a Global Note is exchanged for Certificated Notes, the Co-Issuers will appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption. In the event that any of the Global Notes is exchanged for individual Certificated Notes, announcement of such exchange shall be made by or on behalf of the Co-Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the Certificated Notes, including details of the paying agent in Singapore.
Form, Denomination and Registration	The Notes will be issued only in fully registered form, without coupons, in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof and will be initially represented by one or more Global Notes registered in the name of a nominee of DTC.
Book-Entry Only	The Notes will be issued in book-entry form through the facilities of DTC for the accounts of its participants, including Euroclear and Clearstream. For a description of certain factors relating to clearance and settlement, see "*Description of the Notes—Book-Entry; Delivery and Form*".
Delivery of the Notes	We expect to make delivery of the Notes, against payment in same-day funds, on or about October 14, 2020, which we expect will be the fifth business day following the date of this Offering Memorandum, referred to as "T+5."

	Under Rule 15c6-1 of the Exchange Act, as amended, trades in the secondary market generally are required to settle in two business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the notes on the date of this Offering Memorandum or the next succeeding business day will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify an alternative settlement cycle at the time of any such trade to prevent failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of pricing or the next succeeding business days should consult their own advisors.
Trustee	The Bank of New York Mellon.
Paying Agent, Transfer Agent and Registrar	The Bank of New York Mellon.
Collateral Agents	The Bank of New York Mellon, in respect of the Security Documents governed by the laws of Bermuda, the Cayman Islands, England and Wales, the Netherlands and the State of New York, and The Bank of New York Mellon, Singapore Branch, in respect of the Security Documents governed by the laws of Indonesia and Singapore.
Governing Law for the Notes, the Guarantees and the Indentures . . .	The laws of the State of New York.
Governing Law for the Intercreditor Deed	The laws of England.
Governing Law for the Security Documents	The laws of Bermuda, the Cayman Islands, England and Wales, Indonesia, the Netherlands, the State of New York and Singapore, as applicable.
CUSIP/ISIN/Common Code Identifiers.	

2029 Notes:

	Rule 144A	**Regulation S**
CUSIP:	85513L AA2	G8438N AA5
ISIN:	US85513LAA26	USG8438NAA57
Common Code	223975925	223975950

2038 Notes:

	Rule 144A	**Regulation S**
CUSIP:	85513L AB0	G8438N AB3
ISIN:	US85513LAB09	USG8438NAB31
Common Code	223976042	223976093

Risk Factors.	For a discussion of certain factors that should be considered in evaluating an investment in the Notes, see "*Risk Factors*".

SUMMARY FINANCIAL AND OTHER INFORMATION

The summary statements of profit or loss and other comprehensive income and statements of financial position data as at December 31, 2017, 2018 and 2019 and for the years then ended have been derived from our audited consolidated financial statements included elsewhere in this Offering Memorandum, which have been audited by Ernst & Young Accountants LLP, independent auditors, in accordance with Dutch law, including the Dutch Standards on Auditing, as stated in their audit reports appearing elsewhere in this Offering Memorandum.

The summary statements of profit or loss and other comprehensive income and statements of financial position data as at June 30, 2019 and 2020 and for the six-month periods then ended have been derived from our interim financial statements reviewed by Ernst & Young Accountants LLP, independent auditors, in accordance with Dutch law including Standard 2410, "Review of Interim Financial Information Performed by the Independent Auditor".

The financial information and operating data included in this Offering Memorandum do not reflect our results of operations, financial position and cash flows in the future and our past operating results are no guarantee of our future operating performance.

Our Company acquired the shares held in the Salak Contractors from subsidiaries and affiliates of Chevron on March 31, 2017 and acquired 95% of the shares held in DGI, which holds a 5% participating interest in Darajat Units 2 and 3 and any future units, on September 27, 2017. Accordingly, and in relation to the financial information disclosed and presented in this Offering Memorandum, the consolidated statement of profit and loss and consolidated statement of cash flows for our Company's first financial period ended December 31, 2017 (i) are in respect of a financial period starting on December 16, 2016 and ended on December 31, 2017; (ii) reflect the results of operations and cash flows of the Salak and Darajat Contractors for a period of nine months (i.e. from the date of acquisition of shares); and (iii) reflect the results of operations and cash flows of DGI for a period of approximately three months (i.e. from the date of acquisition of shares). For these reasons, the period-to-period comparisons of our Company's results of operations and cash flows for the financial year ended December 31, 2017 and December 31, 2018 may not be meaningful and caution should accordingly be exercised in using such comparisons as a basis for any investment decision or to predict the future performance of our Company.

Our financial statements are prepared and presented in accordance with IFRS as adopted by the European Union. For a summary of significant accounting policies and the basis of the presentation of our financial statements, you should refer to the notes to our audited consolidated financial statements included elsewhere in this Offering Memorandum. Investors should read the summary financial information below in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the accompanying notes included elsewhere in this Offering Memorandum.

Consolidated Statement of Profit or Loss

	For the years ended December 31,			(Unaudited) For the six-month periods ended June 30,	
	2017[1]	2018	2019	2019	2020
	US$ in thousands				
Revenue from contracts with customers	208,618	298,386	287,526	139,050	150,859
Finance lease income	32,536	43,699	43,185	21,592	21,308
Total revenues	241,154	342,085	330,711	160,642	172,167
Expenses					
Depreciation and amortization	(17,242)	(23,017)	(26,732)	(13,393)	(13,774)
Employee compensation and benefits	(21,484)	(36,069)	(33,917)	(18,444)	(16,352)
Consultants and technicians	(14,217)	(16,033)	(16,203)	(6,023)	(5,835)
Production allowance to PT Pertamina Geothermal Energy	(5,699)	(8,270)	(7,925)	(3,924)	(4,672)
Supplies and equipment	(4,370)	(9,184)	(7,710)	(2,364)	(1,699)
Transportation and logistics	(2,530)	(2,793)	(1,110)	(470)	(484)
Insurance	(2,522)	(3,748)	(3,335)	(1,697)	(1,476)
Donation and sponsorship	(1,306)	(1,480)	(905)	(49)	(239)
Others	(461)	(386)	(541)	(131)	(51)
Total expenses	**(69,831)**	**(100,980)**	**(98,378)**	**(46,495)**	**(44,582)**
Other (losses)/gains					
Finance costs	(58,458)	(71,516)	(69,400)	(35,515)	(30,126)
Interest income	22	5	7	5	3
Foreign exchange gain (loss), net	(362)	(2,434)	609	334	(645)
Miscellaneous income (expense)	386	(701)	(3,136)	134	(2)
Profit before tax	**112,911**	**166,459**	**160,413**	**79,105**	**96,815**
Income tax expense	(58,472)	(82,012)	(79,948)	(38,954)	(43,658)
Profit for the period	**54,439**	**84,447**	**80,465**	**40,151**	**53,157**
Attributable to:					
Owners of the parent entity	54,404	84,300	80,373	40,106	53,081
Non-controlling interests	35	147	92	45	76
Profit for the period	**54,439**	**84,447**	**80,465**	**40,151**	**53,157**
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Actuarial gain/(loss)	(2,197)	3,195	(606)	(120)	1,497
Items that will be reclassified to profit and loss Effective portion of changes in fair value of cashflow hedge	(3,259)	10,213	(14,829)	(16,294)	(12,019)
Other comprehensive income (loss) for the period, net of tax	(5,456)	13,408	(15,435)	(16,414)	(10,522)
Total comprehensive income for the period, net of tax	**48,983**	**97,855**	**65,030**	**23,737**	**42,635**
Attributable to:					
Owners of the parent entity	48,948	97,706	64,938	23,692	42,559
Non-controlling interests	35	149	92	45	76
	48,983	**97,855**	**65,030**	**23,737**	**42,635**

(1) As we acquired the shares in the Salak and Darajat Geothermal Operations on March 31, 2017, the financial information presented for the year ended December 31, 2017 effectively only shows our results of operations for a period of only nine months.

Consolidated Statement of Financial Position

	As at December 31,			(Unaudited) As at June 30,
	2017	2018	2019	2020
	US$ in thousands			
Assets				
Non-current assets				
Property, plant and equipment	319,799	314,618	334,667	333,904
Right of use assets	—	—	3,602	2,481
Intangible assets	1,684,879	1,684,265	1,686,795	1,686,388
Other receivables	47,896	46,748	47,150	44,927
Finance lease receivable	405,566	400,199	394,262	390,977
Deferred charges	27,561	28,705	22,715	19,996
Spare parts and supplies	9,449	10,057	10,616	9,621
Derivative assets	—	6,954	—	—
Total non-current assets	2,495,150	2,491,546	2,499,807	2,488,294
Current assets				
Inventories	14,957	13,055	13,180	14,578
Finance lease receivable	4,854	5,367	5,937	6,253
Other current assets	7,498	5,891	3,051	3,022
Trade and other receivables	77,715	70,029	68,641	66,389
Restricted cash	91,777	121,112	105,167	126,457
Cash on hand and in banks	611	280	150	158
Total current assets	197,412	215,734	196,126	216,857
Total assets	**2,692,562**	**2,707,280**	**2,695,933**	**2,705,151**
Equity and Liabilities				
Equity attributable to owners of the Parent Entity				
Share capital	10	10	10	10
Additional paid-in capital	855,777	855,777	855,777	855,777
Other reserves	(21,038)	(10,825)	(25,654)	(37,673)
Retained earnings	52,207	129,168	208,935	263,513
	886,956	974,130	1,039,068	1,081,627
Non-controlling interests	609	758	850	926
Total equity	**887,565**	**974,888**	**1,039,918**	**1,082,553**
Liabilities				
Non-current liabilities				
Provision for long-term employee benefits	3,218	1,839	5,236	4,111
Derivative liabilities	3,259	—	7,875	19,894
Borrowings, net of current maturities	1,047,698	973,768	876,305	833,893
Lease liabilities, net current maturities	—	—	790	700
Deferred tax liabilities	620,640	622,568	628,572	629,124
PLN Make-up account balances	—	13,626	16,215	14,543
Total non-current liabilities	1,674,815	1,611,801	1,534,993	1,502,265
Current Liabilities				
Taxes payable	19,078	19,404	17,382	23,405
Current maturities of borrowings	79,500	71,500	62,500	78,000
Current maturities of lease liabilities	—	—	3,088	1,978
Trade and other payables	1,683	3,345	12,984	4,067
Accrued expenses	29,921	26,342	25,068	12,883
Total current liabilities	130,182	120,591	121,022	120,333
Total liabilities	**1,804,997**	**1,732,392**	**1,656,015**	**1,622,598**
Total equity and liabilities	**2,692,562**	**2,707,280**	**2,695,933**	**2,705,151**

Statement of Cash Flows

	For the years ended and as at December 31,			(Unaudited) For the six-month periods ended and as at June 30,	
	2017[1]	2018	2019	2019	2020
	US$ in thousands				
Consolidated Statement of Cash Flows					
Net cash provided by operating activities	83,601	138,909	142,970	64,271	61,051
Net cash used in investing activities	(1,974,263)	(18,974)	(40,988)	(12,027)	(7,383)
Net cash provided by/(used in) financing activities	1,891,273	(120,266)	(102,112)	(52,422)	(53,660)
Net increase in cash on hand and in banks	611	(331)	(130)	(178)	8
Cash on hand and in banks at the beginning of the period	—	611	280	280	150
Cash on hand and in banks at the end of the period	611	280	150	102	158

(1) As we acquired the shares in the Salak and Darajat Geothermal Operations on March 31, 2017, the financial information presented for the year ended December 31, 2017 effectively only shows our results of operations for a period of only nine months.

Other Financial Data

	As at and for the years ended December 31,			(Unaudited) As at and for the six-month periods ended June 30,	
	2017[21]	2018	2019	2019	2020
	US$ (in thousands, except ratios)				
EBITDA[1] (unaudited)	188,565	264,122	259,065	127,540	141,359
Total Revenue (audited)	241,154	342,085	330,711	160,642	172,167
Profit (loss) (audited)	54,439	84,447	80,465	40,151	53,157
Total Debt[2] (unaudited)	1,127,198	1,045,268	938,805	1,014,407	911,893
Net Debt[3] (unaudited)	1,034,810	923,876	833,488	877,348	785,278
Interest Expense[4] (unaudited)	58,458	71,516	69,400	35,515	30,126
Total Debt to EBITDA[5] (unaudited)	5.98	3.96	3.62	3.91	3.34
Net Debt to EBITDA[6] (unaudited)	5.49	3.50	3.22	3.38	2.88
Total Debt to Equity[7] (unaudited)	1.27	1.07	0.90	1.02	0.84
EBITDA to Interest Expense[8] (unaudited)	3.23	3.69	3.73	3.60	4.26
EBITDA Margin[9] (unaudited)	78%	77%	78%	79%	82%
Profit (loss) Margin[10] (unaudited)	23%	25%	24%	25%	31%
Normalized Operating Profit[11] (unaudited)	135,828	200,881	197,597	95,954	115,908

	As at and for the years ended December 31,			(Unaudited) As at and for the six-month periods ended June 30,	
	2017[21]	2018	2019	2019	2020
	US$ (in thousands, except ratios)				
Normalized Operating Margin[12] (unaudited)	56%	59%	60%	60%	67%
Cash Flow Available for Debt Service[13] (unaudited)	114,648	182,449	161,389	83,080	80,230
Debt Service[14] (unaudited)	108,217	142,014	130,907	66,086	57,437
Debt Service Coverage Ratio[15] (unaudited)	1.1	1.3	1.2	1.3	1.4
Net Profit Margin[16] (unaudited)	23%	25%	24%	25%	31%
Operating Cash Flows[17] (audited)	83,601	138,909	142,970	64,271	61,051
Capital Expenditures[18] (unaudited)	16,269	18,366	40,429	9,591	7,383
Total Expenses and other (losses)/gains[19] (unaudited)	(128,243)	(175,626)	(170,298)	(81,537)	(75,352)
Normalized Operating Expenses in Cents per kWh[20] (unaudited)	1.25	1.40	1.30	1.19	1.01

(1) EBITDA represents net profit/(loss) plus (i) income tax expense/(benefit), (ii) finance costs, (iii) depreciation and amortization, (iv) foreign exchange loss, net and (v) miscellaneous income (expenses), and less (vi) interest income and (vii) foreign exchange (gain), net. EBITDA and the related ratios in this Offering Memorandum are supplemental measures of our performance and liquidity and are not required by, or presented in accordance with IFRS. Furthermore, EBITDA is not a measure of our financial performance or liquidity under IFRS and should not be considered as alternatives to net income, operating income or any other performance measures derived in accordance with IFRS or as alternatives to cash flow from operating activities or as measures of our liquidity. In addition, EBITDA is not a standardized term, hence a direct comparison between companies using such a term may not be possible. Other companies may calculate EBITDA differently from us, limiting its usefulness as a comparative measure. EBITDA as presented herein is calculated differently from Consolidated EBITDA as defined in the Indentures. See "*Description of the Notes—Definitions*" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indentures. Set forth below is a reconciliation of our net profit/(loss) from operations to EBITDA for the periods indicated.

	For the years ended December 31,			(Unaudited) For the six-month periods ended June 30,	
	2017[21]	2018	2019	2019	2020
	US$ in thousands				
Net Profit	54,439	84,447	80,465	40,151	53,157
Plus:					
Income tax expense	58,472	82,012	79,948	38,954	43,658
Finance costs	58,458	71,516	69,400	35,515	30,126
Depreciation and amortization	17,242	23,017	26,732	13,393	13,774
Foreign exchange loss, net	362	2,434	–	–	645
Miscellaneous	(386)	701	3,136	(134)	2
Less:					
Interest income	(22)	(5)	(7)	(5)	(3)
Foreign exchange (gain), net	–	–	(609)	(334)	–
EBITDA (unaudited)	**188,565**	**264,122**	**259,065**	**127,540**	**141,359**

(2) Total debt represents total borrowings excluding subordinated shareholder loans less unamortized deferred financing cost. Please note that total debt defined herein is different from the total long-term debt defined in the "*Capitalization*" section.

(3) Net debt represents total debt as defined in (2) above, less cash and cash equivalents, restricted cash and long-term deposits. Set forth below shows how net debt is calculated:

	As at December 31,			(Unaudited) As at June 30,	
	2017	2018	2019	2019	2020
	US$ in thousands				
Total debt	1,127,198	1,045,268	938,805	1,014,407	911,893
Less:					
Cash and cash equivalents	(611)	(280)	(150)	(102)	(158)
Restricted cash	(91,777)	(121,112)	(105,167)	(136,957)	(126,457)
Net debt	**1,034,810**	**923,876**	**833,488**	**877,348**	**785,278**

(4) Interest expenses equals finance costs plus capitalized borrowing costs, if any.

(5) The ratio of total debt to EBITDA is calculated by dividing total debt as defined in (2) above as at the end of the year/period by EBITDA for the same year/period. Our figures for the six-month periods ended June 30, 2019 and 2020 are calculated on a last twelve months ("**LTM**") basis.

(6) The ratio of net debt to EBITDA is calculated by dividing net debt as at the end of the year/period by EBITDA for the same year/period. Our figures for the six-month periods ended June 30, 2019 and 2020 are calculated on a LTM basis.

(7) The ratio of total debt to equity is calculated by dividing the total debt as defined in (2) above as at the end of the year/period by stockholder's equity-net as at the end of the same period.

(8) The ratio of EBITDA to interest expense is calculated by dividing EBITDA for the relevant year/period by interest expenses for the same period. Our figures for the six-month periods ended June 30, 2019 and 2020 are calculated on a LTM basis.

(9) The EBITDA margin is calculated by dividing EBITDA for the relevant year/period by revenues for the same period.

(10) The profit (loss) margin is calculated by dividing profit (loss) for the relevant year/period by revenues for the same period.

(11) Normalized operating profit represents our profit before income tax expense without taking into consideration foreign exchange gain (loss), miscellaneous income (expense), depreciation and amortization and production allowance to PGE. Set forth below is a reconciliation of our profit before income tax expense to normalized operating profit:

	For the years ended December 31,			(Unaudited) For the six-month periods ended June 30,	
	2017[21]	2018	2019	2019	2020
	US$ in thousands				
Profit before income tax expense	112,911	166,459	160,413	79,105	96,815
Add back:					
Foreign exchange gain (loss), net	362	2,434	(609)	(334)	645
Miscellaneous income (expense)	(386)	701	3,136	(134)	2
Depreciation and amortization	17,242	23,017	26,732	13,393	13,774
Production Allowance to PGE	5,699	8,270	7,925	3,924	4,672
Normalized operating profit (unaudited)	**135,828**	**200,881**	**197,597**	**95,954**	**115,908**

(12) Normalized operating margin is calculated by dividing the normalized operating profit for the relevant year/period by total revenues for the same period.

(13) Cash flow available for debt service represents in respect of any relevant period, EBITDA for that relevant period after: (i) adding the amount of any decrease (and deducting the amount of any increase) in working capital for that relevant period, (ii) adding the amount of any cash receipts (and deducting the amount of any cash payments) during that relevant period in respect of any exceptional items not already taken account of in calculating EBITDA for any relevant period (other than, in the case of cash receipts, relevant proceeds), (iii) adding the amount of any cash receipts during that relevant period in respect of any tax rebates or credits and deducting the amount actually paid in respect of taxes during that relevant period by any member of the group, (iv) deducting (to the extent not already deducted in determining EBITDA) the amount of dividends paid in cash during the relevant period, (v) adding the amount of any increase in provisions, other non-cash debits and other noncash charges

(which are not current assets or current liabilities (and deducting the amount of any non-cash credits (which are not current assets or current liabilities) in each case to the extent taken into account in establishing EBITDA and (vi) deducting the amount of any capital expenditure actually made in cash during that relevant period except (in each case) to the extent funded from the proceeds of any disposal or insurance claims permitted to be retained for this purposes.

(14) Debt Service represents the aggregate of: (A) interest paid for that relevant period, and (B) all scheduled and mandatory repayments of borrowings falling due during that relevant period.

(15) Debt Service Coverage Ratio is calculated by dividing cash flow available for debt service for the relevant year/period by debt service for the same period. Our Debt Service Coverage Ratio for 2017 reflects our cash flow available for debt service for a nine-month period in light of the timing of the Darajat and Salak Acquisitions.

(16) Net profit margin is the ratio of net profits to revenues (expressed as a percentage).

(17) Operating cash flows is taken from net cash flows provided by operating activities shown in the statement of cash flows.

(18) Capital expenditure is the use of funds or an assumption of a liability in order to obtain or upgrade physical assets.

(19) Total Expenses and other (losses)/gains represent profit before income tax expense minus total revenue.

	For the years ended December 31,			For the six-month periods ended June 30,	
	2017[21]	**2018**	**2019**	**2019**	**2020**
			US$ in thousands		
Total Expenses and other (losses)/gains (Unaudited)[19]	(128,243)	(175,626)	(170,298)	(81,537)	(75,352)
Add back:					
Finance costs	58,458	71,516	69,400	35,515	30,126
Foreign exchange gain (loss), net	362	2,434	(609)	(334)	645
Interest income	(22)	(5)	(7)	(5)	(3)
Miscellaneous income (expenses)	(386)	701	3,136	(134)	2
Depreciation and amortization	17,242	23,017	26,732	13,393	13,774
Production allowance to PGE	5,699	8,270	7,925	3,924	4,672
Normalized operating expenses	(46,890)	(69,693)	(63,721)	(29,178)	(26,136)
Net Dispatch (in MWh)	3,748	4,990	4,904	2,442	2,586
Normalized operating expenses in cents per kWh[20]	1.25	1.40	1.30	1.19	1.01
Total Expenses and other (losses)/gains (Unaudited)[19]	(128,243)	(175,626)	(170,298)	(81,537)	(75,352)

(20) Normalized operating expenses per kWh represents the ratio of our Total Expenses (as defined above) without taking into consideration depreciation and amortization, finance costs, foreign exchange gain (loss), interest income, miscellaneous income (expenses) and production allowance to PGE, to net dispatch.

(21) As we acquired the shares in the Salak and Darajat Geothermal Operations on March 31, 2017, the financial information presented for the year ended December 31, 2017 effectively only shows our results of operations for a period of only nine months.

Operating Data

	Unit	For the years ended December 31, 2017[5]	2018[6]	2019[7][8]	For the six-month periods ended June 30, 2019	2020
Darajat Unit 1 Operating History						
Net Dispatch[1]	GWh	306	206	351	214	207
Availability[2]	%	93	45	79	97	100
Net Capacity Factor[3]	%	91	45	76	93	90
Darajat Units 2 and 3 Operating History						
Net Dispatch[1]	GWh	1,244	1,765	1,661	766	877
Availability[2]	%	97	99	93	87	100
Net Capacity Factor[3]	%	92	97	91	85	97
Darajat Units 1, 2 and 3 Operating History						
End of Period Total Steam Flow Available[4]	(kg/s)	515	529	554	514	544
Salak Units 1, 2 and 3 Operating History						
Net Dispatch[1]	GWh	1,026	1,450	1,310	677	712
Availability[2]	%	92	98	89	93	98
Net Capacity Factor[3]	%	90	97	88	92	96
Salak Units 4, 5 and 6 Operating History						
Net Dispatch[1]	GWh	1,172	1,568	1,582	784	789
Availability[2]	%	98	99	100	100	99
Net Capacity Factor[3]	%	97	98	99	99	99
Salak Units 1 to 6 Operating History						
End of Period Total Steam Flow Available[4]	(kg/s)	888	855	876	822	864

(1) Net dispatch means the net electricity sent out of the relevant geothermal turbine-generator unit to PLN (after the deduction of the electricity used to run our power plant).

(2) Availability means the number of hours during a period when the relevant geothermal turbine-generator is available for service divided by the total number of hours in the relevant period, expressed as a percentage.

(3) Net capacity factor means the ratio of the actual output of the relevant geothermal turbine-generator to the theoretical output assuming full capacity usage (excluding planned maintenance).

(4) End of period total steam flow available means the total steam from all wells which are available at the wellhead at the end of the relevant period, expressed in kg of steam per second.

(5) As we acquired the shares in the Salak and Darajat Geothermal Operations on March 31, 2017, the operational data presented for the year ended December 31, 2017 effectively shows our results of operations for a period of only nine months.

(6) Darajat Unit 1 was shut down from March 18, 2018 to September 29, 2018 by PT Indonesia Power due to high vibration. It resumed normal operations on September 30, 2018.

(7) Darajat Unit 1 experienced a prolonged shutdown of approximately 78 days in 2019 compared to a planned shutdown for 25 days, partially as a result of repair works to its digital electronic hydraulic control and turbine rotor. Darajat Unit 2 was shut down for an additional 18 days for a total of 48 days that year compared to a planned shutdown for 30 days, also as a result of high vibration of a turbine.

(8) In 2019, Salak Unit 1 experienced a prolonged shutdown of approximately 52 days compared to the planned 25 days due to high vibration of its turbines. That same year, Salak Unit 2 was shutdown for scheduled maintenance for 70 days compared to the typical two weeks.

RISK FACTORS

This Offering Memorandum contains forward-looking statements that involve risks and uncertainties. Prior to making an investment decision, you should carefully consider all of the information in this Offering Memorandum, including the following risk factors. You should pay particular attention to the fact that our business is located in Indonesia and is governed by a legal and regulatory environment which in many respects may differ from that which prevails in other countries. The risk factors described below are not the only ones that may be relevant to us or the Notes. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial may also adversely affect our business, prospects, financial condition or results of operations. If any of the possible events described below occur, our business, prospects, financial condition or results of operations could be materially and adversely affected. In such case, we may not be able to satisfy our obligations under the Notes, and you could lose all or part of your investment.

Risks Relating to our Business

The ongoing global Covid-19 pandemic and the disruption caused by various countermeasures to reduce its spread may have unprecedented adverse consequences of uncertain magnitude and duration on our business, industry, Indonesia and the global economy

The novel strain of coronavirus ("**Covid-19**") was first reported in December 2019 and has subsequently spread throughout the world including Indonesia. On January 30, 2020, the World Health Organization declared Covid-19 a public health emergency of international concern and on March 11, 2020, the World Health Organization declared the outbreak a pandemic. Covid-19 has had and continues to have adverse repercussions across regional and global economies and financial markets which necessarily adversely affects Indonesia and in turn, our business. The governments of many countries, including Indonesia, have reacted by instituting lockdowns, business shutdowns, quarantines and restrictions on travel. On March 31, 2020, by virtue of Presidential Decree No. 11 of 2020, the President of Indonesia declared Covid-19 a "Public Health Emergency" (*Darurat Kesehatan Masyarakat*) and on April 13, 2020 through Presidential Decree No. 12 of 2020, a "National Disaster" (*Bencana Nasional*). The Government implemented various protective measures, including imposing temporary travel restrictions on inbound travelers, closing of certain schools and workplaces, restrictions on religious activities and activities in public places. Businesses have also implemented countermeasures and safety measures to reduce the risk of transmission. Businesses, including ours, have faced disruptions in light of the restrictions that have been put in place which has reduced levels of commercial activities and industrial production in affected countries.

Such actions have not only disrupted businesses but have had a material and adverse effect on industries and local, regional and global economies, including the Indonesian economy. A number of governments revised GDP growth forecasts downward for 2020, in response to the economic slowdown caused by the spread of Covid-19. Statistics Indonesia revised its forecast of Indonesia's GDP from 5.3% to 2.3% following the outbreak of the Covid-19 epidemic. The slowdown in economic growth was largely due to the negative impact on domestic demands as a result of the Covid-19 outbreak.

The economic impact of Covid-19 on Indonesia has already been substantial and may increase. Unemployment has increased and is expected to further increase, valuations and trading prices of financial and other assets have declined and the Rupiah has depreciated significantly against the US dollar. Initially, the Covid-19 pandemic affected sectors related to travel, such as tourism, hospitality, food and beverage and their subsectors. Subsequently, the pandemic affected a broader set of sectors such as the manufacturing industry. If the pandemic continues to spread and more restrictive measures are implemented by our Government, our business, financial condition, results of operations and prospects may be materially and adversely impacted.

The Covid-19 pandemic may affect our industry and business in a number of ways, including:

- reducing electricity demand in light of declining economic activity and various lockdowns, business shutdowns, quarantines and restrictions on travel mandated by the Government;

- limiting our ability to generate cash flow, and as a result, affecting our financial condition;

- causing us to delay, postpone or cancel certain of our operating, development and exploration plans, including drilling activities and the associated capital expenditures;

- adversely impacting our ability to enter into new strategic transactions or to finalize strategic transactions on previously agreed terms and timetables; and

- requiring us to make operational changes and implement measures to ensure the health and safety of our employees and counterparties, which may involve increased costs or operational inefficiencies.

The Covid-19 pandemic has not significantly impacted our financial results of operations for the six-month period ended June 30, 2020 given the take-or-pay clauses under the existing Salak ESC and Darajat ESC and we have not experienced significant disruptions to our operations as a result of the various lockdowns and social distancing requirements implemented by the Government or as a result of our business continuity management plan. We have however, postponed certain maintenance and drilling activities and related capital expenditures in order to effectively carry out our business continuity management plan and to comply with social distancing requirements. For more information on the measures we implemented in our operations in response to Covid-19 and the impact of the Covid-19 pandemic on our business and results of operations, see "*Business—Recent Developments"*.

We continue to monitor the development of the Covid-19 pandemic closely. The impact of the pandemic on our business will depend on a range of factors which we are not able to accurately predict, including the duration, severity, potential recurrence and scope of the pandemic and the nature and severity of measures adopted by governments. As of the date of this Offering Memorandum, there is still significant uncertainty relating to the severity of the near-and long-term adverse impact of the Covid-19 pandemic on the global economy, global financial markets and the Indonesian economy, and we may not be able accurately predict the near-term or long-term impact of the Covid-19 pandemic on our business. It is possible that the current Covid-19 pandemic will cause a prolonged global economic crisis or recession. To the extent the Covid-19 pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in this "*Risk Factors*" section.

We are subject to risks associated with reliance on PLN and PGE

Our financial performance is dependent upon the ability of PLN and PGE, as applicable, to meet their payment obligations to us, under the Darajat and Salak JOCs and ESCs. Our business, financial condition and results of operations could be materially and adversely affected by any occurrence or circumstance that reduces, suspends or cancels PLN's payment obligations under the ESCs or, as applicable, PGE's payment obligations under the Salak and Darajat JOCs, or any failure or delay of PLN to fulfill its obligations under the ESCs. The tariffs payable to us under the ESCs are our primary sources of funds to meet our obligations under the Notes. We do not conduct any other business and do not own any other material assets other than in connection with the exploration, exploitation, development and utilization of geothermal resources in the Darajat and Salak contract areas.

PLN is rated "Baa2" by Moody's, "BBB" by S&P and "BBB" by Fitch and Pertamina, PGE's parent company is also rated "Baa2" by Moody's, "BBB" by S&P and "BBB" by Fitch. Its ability to meet its obligations under the ESCs and the JOCs is dependent on its financial condition, results of operations and cash flows and upon Government support in the form of subsidies. PLN has experienced serious financial difficulty in the past, and following the 1997 Asian financial crisis, the Government through PLN renegotiated energy sales contracts with independent power producers ("**IPPs**"). We were among those required to renegotiate the tariff, resulting in the amendment of the Darajat JOC and the Darajat ESC on February 7, 2003 and May 1, 2000, effectively (and further amended on August 10, 2004), respectively, and the amendment of the Salak JOC and the Salak ESC on July 22, 2002. Pursuant to these amendments, both variable and fixed components to calculate the tariffs were reduced.

The Darajat ESC and the Salak ESC adopts a take-or-pay mechanism for steam and electricity which requires PLN to pay us in the event that PLN is unable to take the minimum required quantity of steam or electricity delivered by the Darajat and Salak Geothermal Operations, for any reason whatsoever, subject to limited relief upon certain events of *force majeure*. Notwithstanding the take-or-pay requirement under the Salak ESC and the Darajat ESC, Chevron (the previous operator), PLN and PGE have entered into settlement agreements in 2011 in respect of the Salak Geothermal Operations and in 2013 in respect of the Darajat Geothermal Operations, to settle payment for certain cases in which PLN was unable to take steam delivered from the Darajat and Salak Geothermal Operations.

A similar situation occurred in 2018 when Darajat Unit 1 experienced an unexpected shut down from March 18, 2018 to September 29, 2018 due to turbine failure. During the turbine recovery period, we claimed payment for the geothermal steam based on PLN's take-or-pay obligations under the Darajat ESC. While PLN met its payment obligations for March and April 2018, it failed to do so for the period of May 2018 to September 2018, for an amount of US$7.9 million, notwithstanding the take-or-pay requirement granted to us under the Darajat ESC, which requires PLN to pay us in the event that PLN is unable to take the minimum required quantity of steam or electricity delivered or made available by the Darajat Geothermal Operations for any reason whatsoever, subject to limited relief upon certain events of *force majeure*. As a result, we are currently in negotiations with PLN to settle payment for the unpaid take-or-pay obligation in respect of the steam production for Darajat Unit 1 for the period of May 2018 to September 2018 and continue to work together to resolve this issue. For more information, see note 27(b) of our interim consolidated financial statements for the six-month period ended June 30, 2020.

Although the take-or-pay mechanisms are still effective in both the Darajat ESC and Salak ESC, there is no assurance that similar occurrences of PLN failing or refusing to meet such take-or-pay obligations will not occur in the future, which may have adverse effect on our business, prospects, financial conditions and operations.

There can be no assurance that PLN will be able to perform its obligations to us under the ESCs or that the Government and/or PLN will not require us to renegotiate the tariff or other terms of the ESCs or the JOCs, which may include a reduction in the tariff. As our revenue is dependent on the ESCs, such renegotiation may have a material adverse effect on our Company and its business, prospects, financial condition and results of operations.

Although each of PLN and PGE is obliged to make payment to us in US dollars under the ESCs and the JOCs, PLN's and PGE's primary sources of revenue are denominated in Rupiah. Economic and monetary conditions and other factors in Indonesia could influence the availability of US dollars in Indonesia. There can be no assurance that PLN, or as applicable, PGE, will be able to obtain sufficient US dollars or that available US dollars will be allocated to pay the US dollar-denominated obligations owed to us. Furthermore, the Rupiah has in the past experienced, and continues to experience, significant volatility, including as a result of turbulent market conditions as a result of the Covid-19 pandemic. See "*Exchange Rates and Exchange Control*". As a result of the depreciation of the Rupiah, the cost of power sold to PLN or PGE by us or to other power producers may become unaffordable or otherwise uneconomical to PLN or PGE. There can be no assurance that PLN or, as applicable, PGE, will continue to have sufficient Rupiah revenues to meet its US dollar obligations to us or that the Government will continue to provide PLN with sufficient subsidies to cover its costs to produce electricity or that any subsidy will be provided in a timely manner.

Furthermore, the Government's move towards a more competitive electricity industry and the passing of the new electricity law on September 8, 2009 ("**Law No. 30 of 2009**") and its implementing regulations, which is Government Regulation No. 14 of 2012 on Electricity Supply Business License, as amended by Government Regulation No. 23 of 2014 ("**Government Regulation No. 14 of 2012**"), could result in the emergence of new and numerous competitors (including private business enterprises that may distribute the electricity to end customers) for PLN, which is the sole off-taker of electricity from our plant. See "*Regulation and Regulatory Framework of the Indonesian Geothermal Power and Electricity Industry—Electricity Industry—Law No. 30 of 2009 on Electricity*". PLN may be unable to meet the competitive challenges it may face in the future, causing its market position, financial condition and results of operations to be materially and adversely affected, which, in turn, could materially and adversely affect our business, prospects, financial condition and results of operations.

Our business is fully dependent on two main types of contracts for each of the Darajat and Salak Geothermal Operations

Our business in each of the Darajat and Salak Geothermal Operations depends on two main types of contracts: (i) the JOCs, pursuant to which we are authorized, as the exclusive contractors of the Government (as represented by PGE), to undertake geothermal exploration and exploitation operations in the contract area, and (ii) the ESCs, pursuant to which the rights and obligations regarding the geothermal steam and electricity tariff are set out. Our business, prospects, financial condition and results of operations could be materially and adversely affected, if for any reason, PGE or PLN breaches its obligations or the JOCs or ESCs or any part thereof is cancelled, amended, terminated, becomes invalid or unenforceable or otherwise ceases to have full force and effect.

In the past, PLN has, with our agreement, reduced the tariff that it is required to pay us pursuant to the terms of the ESC. See "*Description of Material Contracts—The Darajat Geothermal Operations—The Darajat Energy Sales Contract*" and "*—The Salak Geothermal Operations—The Salak Energy Sales Contract*". There can be no assurance that similar tariff re-negotiations with PGE or PLN will not take place in the future. Nor can there be any assurance that macro-economic factors will not lead PLN or PGE to seek further reduction of the ESC tariff. As our revenue is dependent on the respective ESCs, such further re-negotiations may have a material adverse effect on our business, prospects, financial condition and results of operations.

Moreover, the JOCs and ESCs are complex long-term agreements, which have been novated and amended over time. The original Darajat JOC and ESC were originally executed on November 16, 1984. The Darajat JOC was amended and restated on January 15, 1996, and most recently amended on February 7, 2003. The Darajat ESC was amended and restated on January 15, 1996, subsequently amended effective as of May 1, 2000 and was most recently amended on August 10, 2004. The original Salak JOC and ESC were originally executed on February 11, 1982. The Salak JOC was amended on November 19, 1986 and on December 26, 1988, subsequently amended and restated on November 16, 1994 and most recently amended on July 22, 2002. The Salak ESC was amended on November 19, 1986, December 26, 1988, subsequently amended and restated on November 16, 1994 and most recently amended on July 22, 2002. As mandated by law, effective January 1, 2007, the JOC and ESC in relation to the Salak and Darajat contract areas were novated from Pertamina to PGE. See "*Description of Material Contracts*". As a result of these amendments, ambiguities and disagreements may arise from time to time as to the interpretation or application of the terms of these agreements.

Furthermore, the Darajat ESC provides that if a production period for any unit ends prior to the term of the Darajat ESC, the term of such production period shall be extended to coincide with the term of the Darajat ESC, subject to mutual agreement on electricity price with respect to such unit. In the event that the parties are unable to come to an agreement on the price for a unit, the operations of such unit could be disrupted.

In addition, under the terms of the Salak JOC, we are required to offer an Indonesian participant established in Indonesia and approved by Pertamina (now assigned to PGE) the opportunity to acquire up to a 10.0% interest in the Salak JOC (which also needs to be approved by PLN pursuant to the Salak ESC), provided that any such offer will be subject to the terms and conditions acceptable to us. While we believe this requirement has been satisfied following our acquisition of the Salak Geothermal Operations, there can be no assurance that ambiguities or disagreements in interpretation of the respective JOCs or ESCs will not arise in the future. If such ambiguities or disagreements are material and are not resolved in our favor, there may be a material adverse impact on our business, prospects, financial condition and results of operations.

Our financial performance depends on the quantity and quality of geothermal resources in the Darajat and Salak contract area

Our financial performance depends on the quantity and quality of geothermal resources in the Darajat and Salak contract areas, which are subject to various risks. The quantity and quality of a geothermal resource are affected by a number of factors, including the size of the reservoir, the temperature and pressure of the geothermal fluids in such reservoir, the depth and capacity of the production and injection wells, the amount of dissolved solids and dissolved gases contained in such geothermal fluids, and the permeability of the subsurface rock formations containing such geothermal resource, including the presence, extent and location of fractures in such rocks. The quantity and quality of a geothermal resource may decline as a result of a number of factors, including the intrusion of lower-temperature fluid into the producing zone. An incorrect estimate by us of the quantity and quality of a geothermal resource or a decline in such quantity or quality could have a material adverse effect on our business, prospects, financial condition and results of operations.

We do not have full control over the performance of our wells. From time to time, any well could, and certain of our wells have, experienced unexpected declines in steam production. A decline in steam production at any of our wells may adversely affect our ability to generate electricity. A number of events could cause such a decline or shorten the operational duration of a geothermal resource, which could cause the applicable geothermal resource to become a non-renewable wasting asset. These events include:

- extraction above the amount that the applicable geothermal resource will support;
- long periods of drought, earthquakes, volcanic eruptions or other geological events; and
- failure to properly maintain the hydrological balance of the applicable geothermal resource.

From time to time, some of the wells that supply steam to our units display scaling, which results in declines in their production. Although we regularly clean the wells using acid and mechanical reaming techniques to remove scale that has formed, and thereby return the wells to their previous levels of production, there is no guarantee that our wells will be returned to their previous levels of production. Further, there is no assurance that our wells will not again in the future suffer declining production due to scaling or other reasons including mechanical problems such as those caused by failures in the casing integrity of the wells. Any scaling or other declines that our wells experience and that we are not able to prevent or reverse through our maintenance programs may adversely affect our production, results of operations and financial condition. Further, we may not be able to successfully connect new wells on time, on budget or at all.

If the geothermal resources available to our existing or any future power plants decrease, this could reduce our revenues and materially and adversely affect our business, prospects, financial condition, results of operations and cash flow.

See also "*—Our exploration, development and production of geothermal energy resources are subject to geological risks and uncertainties*" below.

Our exploration, development and production of geothermal energy resources are subject to geological risks and uncertainties

Our business involves the exploration, development and production of geothermal energy resources from the Darajat and Salak contract areas. Geothermal exploration, development, production and operations are subject to uncertainties and include the drilling of non-commercial wells, the uncontrolled release of high-pressure steam and uncertainty of pressure and temperature declines. Due to the geological complexities of geothermal reservoirs, the geographic area and sustainable output of geothermal reservoirs can only be estimated and cannot be definitively established. There is, accordingly, a risk of an unexpected decline in the capacity of geothermal wells and a risk that geothermal reservoirs will not be sufficient for sustained generation of the desired electrical capacity of our power plants. There is also a risk that new wells which are drilled to supply additional geothermal energy or make up for natural declines in the capacity of existing wells will be not be successful or may not be according to our expectations. In addition, we may temporarily abandon a well if it offers future potential but it also needs some repair work and we may also entirely abandon some wells if they constitute a hazard to safety or the environment or are deemed not to be economical to repair or if they are considered to be of no further commercial use. As of the date of this Offering Memorandum, 15 wells have been abandoned at the Darajat and Salak Geothermal Operations because they had no commercial use or were not economical to repair. The occurrence of any of these or other uncertainties, which may occur naturally or as a result of human error, can increase our operating costs, our well expenses and capital expenditures, or reduce the efficiency of the Darajat and Salak steamfields and our power plants and negatively affect our operational and financial performance.

As a result, there can be no assurance that the Darajat and Salak geothermal reservoirs will be able to supply geothermal energy at sufficient levels for the term of the Notes. Neither we, the Initial Purchasers nor any other person can provide any representations or assurances with respect to the capacity, productivity or deliverability of, or the steam and brine characteristics of, geothermal energy from the Darajat and Salak contract areas.

Our financial performance depends on the successful operation of our facilities, which is subject to various operational risks

Both the cost of operations and the operating performance of the Darajat and Salak Geothermal Operations may be adversely affected by a variety of operating factors. Production and injection wells may require unexpected maintenance or replacement arising from issues such as corrosion, erosion and seismic events. Corrosion caused by high-temperature and high-salinity geothermal fluids may require the replacement or repair of certain equipment, vessels or pipelines. New production and make-up wells may be required for the maintenance of current operating levels, thereby requiring substantial capital expenditure during the term of the Notes. In addition, we may in the future incur a substantial amount of indebtedness in connection with the development of the binary power plant in the Salak contract area (the "**Salak Binary Power Plant**"), which remains subject to consultation with PLN and meeting minimum economic returns. For more information, see "*Business—Our Operations—Salak Geothermal Operations*" and "*Management Discussion and Analysis of Financial Condition and Results of Operations—Capital Expenditures*". As we deliver all of the geothermal steam and electricity generated from the Darajat and Salak Geothermal Operations to PLN pursuant to long-term ESCs, we may find it difficult to pass through to PLN any cost increases that we face. See "*—Our business is fully dependent on two main types of contracts for each of the Darajat and Salak Geothermal Operations*" above.

We are exposed to the risk of malfunctions and interruptions in service resulting from events outside of our control, including accidents, defects or failures in machinery or control systems. We are also subject to the risk of casualties or other similar extraordinary events. Any such events could result in economic losses or an increase in our cost of operations. Additionally, service interruptions, malfunctions, casualties or other significant events could result in us being exposed to litigation, which could result in obligations to pay damages.

There is no assurance that our key equipment or processes will not break down or fail due to aging, obsolescence or malfunction, which may result in the suspension of our operations or a shutdown of the facilities at the Darajat or Salak Geothermal Operations. We may experience a breakdown or failure of power generation equipment, pipelines or other equipment such as transformer connections or processes and perform below expected levels of output or efficiency. Such breakdowns or failures of equipment or processes may negatively affect us even if they occur in relation to third-party equipment or processes on which we rely, such as transmissions lines owned by PLN. For example, in April 2013, Darajat Unit 2 experienced failure due to phase differential relay and distance relay problems. The generator stator winding of Darajat Unit 2 was repaired over a period of approximately nine months. The total shutdown caused a total production opportunity loss of 279 days. In 2017, PT Indonesia Power shut down Salak Unit 3 for 76 days as opposed to the planned 25 days as a result of a faulty generator rotor. PT Indonesia Power also shut down Darajat Unit 1 from March 18, 2018 to September 29, 2018 due to high vibration. In 2019, PT Indonesia Power shut down Salak Unit 1 for approximately 52 days as opposed to the planned 25 days as a result of high vibration to the turbine. Darajat Unit 1 was shut down for approximately 78 days as a result of digital electronic hydraulic control and turbine rotor vibration repair. Darajat Unit 2 was shut down for an additional 18 days for a total of 48 days that year compared to a planned shutdown for 30 days, also as a result of high vibration of a turbine. The shutdown of Darajat Unit 1 in 2018 and Darajat Unit 2 in 2019 partially resulted in our request for a waiver of the Debt Service Coverage Ratio ("**DSCR**") covenant under our Existing Senior Debt Facilities. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Indebtedness*".

Further, the Darajat and Salak Geothermal Operations may be impacted by natural disasters or extreme weather conditions. In particular, as our operations sit on a combined contract area of 150 km^2, we are subject to landslides, an event outside of our control and difficult to fully mitigate. For example, in 2003, Units 1, 2 and 3 of the Salak Geothermal Operations experienced a forced shutdown for approximately six months as a result of a landslide which caused significant damage to the west pump station area and main steam supply pipeline. Such forced shutdowns resulted in a significant and material reduction in production in 2003. To a lesser extent, there were three landslides affecting the Salak Geothermal Operations in 2019. High rainfalls led to a slope failure which impacted a cross country brine pipeline. Water infiltration affected other well pads and caused a landslide at the edge of the well pad and damaged the pump-pad area. The brine pipeline failure associated with the landslide caused a production loss of up to 17 MW for three days for Salak Units 1 to 3. While we have multiple sources of steam supply lines at the Darajat and Salak Geothermal Operations and have implemented landslide mitigation policies (see "*Business—Strategy*"), there is no assurance that similar suspensions of our operations or shutdowns of units will not occur in the future, and there is no assurance that such future suspensions or shutdowns will not have a material adverse effect on our operations and results of operations.

Some of the equipment that we use in our operations is sufficiently large and project-specific, meaning that replacement units may not be readily available. Any extended period of time needed to obtain, manufacture or transport replacement units could give rise to delays in replacement beyond that for which we may have purchased insurance coverage for lost revenues. The occurrence or continuance of any of these risks could increase our cost of operating our facilities reduce the payments due from PLN under the relevant ESCs or otherwise materially and adversely affect our business, prospects, financial condition and results of operations.

We depend on PT Indonesia Power to maintain the units of the Darajat Geothermal Operations and Salak Geothermal Operations owned by PLN

While we operate the Salak Geothermal Operations and the Darajat Geothermal Operations, the Darajat Geothermal Operations consists of one unit owned by PLN and operated by PT Indonesia Power (Darajat Unit 1) and the Salak Geothermal Operations consists of three units owned by PLN and operated by PT Indonesia Power (Salak Units 1, 2 and 3). We, through SEGDI and SEGDII, operate the Darajat field facilities that supply steam to Darajat Unit 1 and we through SEGSL, operate the Salak field facilities that supply steam to Salak Units 1, 2 and 3. As a result of this arrangement, PT Indonesia Power is responsible for the maintenance and repair of the units which are owned by PLN and operated by PT Indonesia Power and we do not control or manage the scheduled and unscheduled maintenance and repairs conducted by PT Indonesia Power. This may reduce the efficiency of such units, which may in turn require new production wells for us to maintain our current operating levels, thereby requiring substantial capital expenditure. It may also reduce the output of such units, thereby resulting in less revenue from steam sales, and materially and adversely affect our business, prospects, financial condition, results of operations and cash flow. See also "*—Our financial performance depends on the successful operation of our facilities, which is subject to various operational risks*" below.

Our current and future operations depend on our ability to maintain good relations with the local community where the Darajat and Salak Geothermal Operations are located

Our current and future operations depend on our ability to maintain good relations with the local community where the Darajat and Salak Geothermal Operations are located. Although we take an active and leading role in community development and invest in the economic well-being of the community by providing assistance to the local community where we operate, there have been incidents in the past when relations with the local community have been strained. If we are unable to maintain or continue to develop our good relationship with the local community, our operations could be materially adversely affected, which could in turn materially adversely affect our business, prospects, financial condition and results of operations.

Our operations are subject to legal and regulatory risks including uncertainty as to the implementation of certain legislation

Since 2001 the Indonesian geothermal industry has been significantly impacted by the development and implementation of a regulatory framework for the geothermal sector. Government Regulation in Lieu of Law No. 44 of 1960 on oil and gas and Presidential Decree No. 22 of 1981, as amended by Presidential Decree No. 45 of 1991 and later revoked by Presidential Decree No. 76 of 2000, formerly regulated the geothermal sector. However, an oil and gas law, passed in October 2001, namely the Law No. 22 of 2001 on Oil and Gas, removed geothermal power from the purview of oil and gas regulation.

Subsequent to the separation of the geothermal sector from the oil and gas regulatory framework, the Government issued Law No. 27 of 2003 on Geothermal ("**Old Geothermal Law**") as replaced and revoked by Law No. 21 of 2014 on Geothermal ("**Law No. 21 of 2014**") (the Old Geothermal Law and Law No. 21 of 2014, together, the "**Geothermal Laws**"). Several implementing regulations have been issued with respect to geothermal activities, among others the Government Regulation No. 59 of 2007 regarding geothermal business activities, which has been most recently amended by Government Regulation No. 75 of 2014 and revoked by Government Regulation No. 7 of 2017 on geothermal for indirect utilization, Government Regulation No. 28 of 2016 on amounts and procedures for the deposit of geothermal production bonuses ("**Government Regulation No. 28 of 2016**"), MEMR Regulation No. 44 of 2016 on the form and procedures of deposit and release of geothermal exploration commitment, MEMR Regulation No. 21 of 2017 on the management of drilling mud and drilling powder wastes in geothermal drilling, MEMR Regulation No. 23 of 2017 on the procedure for reconciliation, depositing and reporting of geothermal energy production bonuses, MEMR Regulation No. 36 of 2017 on the procedures for assignment of preliminary survey and assignment of preliminary survey and exploration of geothermal and MEMR Regulation No. 37 of 2017 on the geothermal working area for indirect utilization, MEMR Regulation No. 33 of 2018 on the utilization and management of geothermal data and MEMR Regulation No. 37 of 2018 on the offering of geothermal working areas, granting of geothermal license and assignment on the geothermal commercialization.

The Old Geothermal Law introduced significant changes in the geothermal industry. For example, pursuant to the Old Geothermal Law, geothermal activities may only be implemented by virtue of geothermal mining business permits issued by the MEMR or the relevant local government (i.e. the governor/mayor), in accordance with their respective authority (i.e. based on where the geothermal area is located). Furthermore, Law No. 21 of 2014 introduced the geothermal permit regime, provided that the authority to issue the geothermal permit for indirect utilization of geothermal passed to the central government (i.e. MEMR) and revoked the local government's authority to issue geothermal mining permits (as was set out in the Old Geothermal Law).

Notwithstanding the foregoing, the Geothermal Laws provide that the geothermal cooperation contracts, including joint operating contracts, signed prior to the enactment of the Geothermal Laws remain valid and operative until their expiry date. To implement the separation of the geothermal sector from the oil and gas regulatory framework, pursuant to Government Regulation No. 31 of 2003, Pertamina was required to assign all of its geothermal business activities to PT Pertamina (Persero) and, within the maximum period of two years following the establishment of PT Pertamina (Persero), to assign such geothermal business activities further to a subsidiary established by PT Pertamina (Persero). As of January 1, 2007, PT Pertamina (Persero) assigned all of its geothermal business activities, including all of its rights and obligations under the relevant joint operating contracts and energy sales contracts to PGE.

Based on the foregoing, PGE continues to maintain the managerial operations of the joint operation contracts signed prior to the promulgation of the Geothermal Laws, while the regulatory role in the areas of geothermal activities is transferred to the Directorate General of New and Renewable Energy and Energy Conservation (*Energi Baru Terbarukan dan Konservasi Energi* or "**EBTKE**") under the Ministry of Energy and Mineral Resources.

In addition, on June 3, 2014, the MEMR issued MEMR Regulation No. 17 of 2014 on the Purchase of Electricity from Geothermal Power Plants and Geothermal Steam for Geothermal Power Plants by PT Perusahaan Listrik Negara (Persero) ("**MEMR Regulation No. 17 of 2014**"), which requires PLN to purchase electricity generated from steam-fired power plants operated by IPPs, who holds IUPTL, and steam for the purpose of generating electricity from the holders of geothermal exploitation licenses. Under MEMR Regulation No. 50 of 2017 on the Utilization of Renewable Energy for Electricity Supply as amended most recently by MEMR Regulation No. 4 of 2020, the ceiling price for the purchase of electricity produced by a steam-fired power plant is to be set (i) at a maximum of 100% of the local basic production price applicable in the area where the power plant is located if the local basic production price for the local electrical system is above the average national basic production price; or (ii) based on agreement if the local basic production price for the electrical systems in Java, Sumatra and Bali or the other local electrical system are equal to or lower than the national basic production price, subject always to approval from MEMR.

The Government recently introduced another financial obligation, known as a "Production Bonus", payable by all geothermal businesses, including any existing geothermal joint operation contracts that existed prior to the enactment of Law No. 21 of 2014, to the regional governments within the jurisdictions in which the geothermal projects are located pursuant to Law No. 21 of 2014 and Government Regulation

No. 28 of 2016. The amount of Production Bonus is 1% for sale of steam and 0.5% for the sale of electricity calculated based on the companies' gross revenues.

An implementing regulation concerning the mechanism of reimbursement of the Production Bonus to geothermal businesses was issued in December 2017 by the Ministry of Finance under Regulation No. 201/PMK.02/2017 ("**MOF Regulation No. 201 of 2017**"). Under the MOF Regulation No. 201 of 2017, geothermal business operators, including joint operating contract holders, may submit a reimbursement request once in a three-month period to the Directorate General of Budgeting of the Ministry of Finance with a copy to the Director General of EBTKE of the Ministry of Energy and Mineral Resources. When the reimbursement request is approved, the Directorate General of Budgeting of the Ministry of Finance will instruct the Directorate General of Treasuries to process the reimbursement. While we have not had any issues with obtaining the Production Bonus reimbursements in the past, there is no guarantee that we will not face any issues in the future nor can we assure you that we will continue to receive such reimbursements in a timely manner.

See "*Regulation and Regulatory Framework of the Indonesian Geothermal Power and Electricity Industry—Production Bonus*".

Our current and future operations, including development activities and electricity generation from power plants, require licenses and permits from various governmental authorities. Such operations are and will be subject to laws and regulations governing development and utilization of geothermal resources, the construction, ownership and operation of private power projects in Indonesia, exports, taxes, labor standards, occupational health, waste disposal, toxic substances, land use, the use of forestry area, environmental management and protection, project safety and other matters. We may also experience increased costs and delays in production and other schedules as a result of the need to comply with applicable laws, regulations, licenses and permits. As well as the risk of costly and time consuming regulatory compliance, there is no assurance that we will obtain all approvals or required licenses and permits. Additional permits, licenses and studies, which may include environmental impact studies conducted before licenses and permits can be obtained, may be necessary prior to the development of properties or the operation of power plants in which we have interests, and there can be no assurance that we will be able to obtain or maintain all necessary licenses or permits that may be required on terms that enable operations to be conducted at economically justifiable costs.

Failure to comply with applicable laws, regulations, licensing or permit requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. We may be required to compensate those suffering loss or damage by reason of our activities, and may have civil or criminal fines or penalties imposed upon us for violations of applicable laws or regulations.

We are also subject to changes in the laws, regulations and Government policies affecting or governing our operations or in their interpretations and we may be affected by any change in current taxation regulations. In relation to income tax, we understand that a government regulation on income tax in the geothermal business sector is currently being drafted. There can be no assurance that this proposed tax regulation will not affect our current tax treatment or will not cause any material adverse effect to our operations or our financial condition. Any change in the laws, regulations or policies affecting us or our operations could materially adversely affect our operations or increase our compliance expenses, which could in turn materially adversely affect our business, prospects, financial condition and results of operations.

Disclosure of geothermal data is subject to legal and regulatory risks

Pursuant to the New Geothermal Law, any data and information obtained from performing geothermal business activities are state owned, of which the utilization management shall be done by the Government. Any party is prohibited from sending, delivering and/or transferring such data and information without the consent of the Government. Restrictions on the utilization and transfer of data and information as stipulated in the New Geothermal Law are further regulated in Government Regulation No. 7 of 2017 on the Indirect Use of Geothermal Resources ("**GR No. 7 of 2017**"), which applies to the conversion of geothermal energy into electric power and MEMR No. 33 of 2018 on Management and Utilization of Geothermal Data and Information for Indirect Utilization (the "**MEMR Regulation No. 33 of 2018**"). Under GR No. 7 of 2017 and MEMR Regulation No. 33 of 2018, geothermal data and information is defined as all facts, references, indications and information in relation with geothermal resources. Further, Regulation of Minister of Energy and Mineral Resources No. 37 of 2017 and MEMR Regulation No. 33 of 2018 on the Geothermal Working Area for Indirect Use of Geothermal Resources stipulates that geothermal data and information shall include geoscience data, geochemical data, geophysical data, data on the exploration well drilling, and data on geothermal probable reserves. GR No. 7 of 2017 provides that geothermal data and information may be utilized for (i) the preparation of power supply business plans; (ii) development of geothermal science and technology; (iii) the preparation of regional spatial layout plans; and (iv) other utilization. Other utilization may only be performed with certain permits from MEMR. Further, pursuant to GR No. 7 of 2017 and MEMR Regulation No. 33 of 2018, geothermal data and information must be stored and secured within the territory of the Republic of Indonesia.

Under MEMR Regulation No. 33/2018, geothermal data and information are divided into (i) general data; (ii) raw data; (iii) processed data; and (iv) interpretation data. However, the MEMR Regulation No. 33 of 2018 provides an unclear definition of each type of the data. There can be no assurance that the Government of the Republic of Indonesia would not deem the information pertaining to the geothermal data as disclosed in this Offering Memorandum as data which must be kept within the territory of the Republic of Indonesia and requires a permit from the MEMR to be disclosed in this Offering Memorandum. Failure to comply with the requirement to obtain consent from the Government prior to transferring geothermal data could result in sanctions of up to five years of imprisonment or fines of up to Rp25.0 billion which will be imposed on the directors of the geothermal company. In addition, fines of up to Rp33.3 billion or administrative sanctions, including suspension of geothermal activities or revocation of geothermal business license, may be imposed on the relevant geothermal company. See "*Regulation—and Regulatory Framework of the Indonesian Geothermal Power and Electricity Industry—Data Disclosure.*"

We are subject to uncertainties as to the interpretation and application of certain Indonesian tax laws

Although our Company is incorporated in the Netherlands, we have a permanent establishment in Indonesia and therefore we are also subject to Indonesian tax regulations. Our business and operations are governed by the Indonesian tax regime that applied at the time the original JOCs in respect of the Darajat and Salak Geothermal Operations, took effect and by the terms of the relevant JOCs. We expect that we will continue to be governed by such tax regime until the end of the terms of the JOCs. Moreover, the tax provisions under the JOCs specifically stipulate that, except as provided under the JOC, we are not obligated to pay any taxes, duties and levies in respect of our geothermal operations. Taxation of geothermal companies is governed by Presidential Decree No. 49 of 1991 ("**PD No. 49**"), which is revoked by Presidential Decree No. 76 of 2000 on Geothermal Business for Electricity Power Generation ("**PD No. 76**"), and MOF Decree No. 766 of 1992, which was most recently amended by MOF Regulation No. 90/PMK.02/2017. Irrespective of changes to this tax regime that were issued under PD No. 76 and the Geothermal Laws, we believe that the Indonesian tax regime under PD No. 49 that applied at the time of the execution of the Original JOC should still apply until the end of the term of the JOC. Consequently, changes in tax regulations since the issuance of PD No. 76 and the Geothermal Laws will not materially affect the tax regime applicable to the JOC. Hence, we have used the provisions under the JOC to calculate our taxable income. However, the position that will be adopted by the Government and the Director General of Taxation ("**DGT**") remains unclear as Law No. 21 of 2014 provides that the taxation of geothermal companies shall be in accordance with the prevailing laws and regulations. No assurances can be given that the DGT will not interpret and/or apply Law No. 21 of 2014 in a manner that could increase the amount of taxes payable by us or materially adversely affect our business, prospects, results of operations and financial condition.

Further, we pay value-added tax ("**VAT**") on the goods and services we acquire for our operations. Pursuant to applicable tax laws, VAT paid on the goods or services acquired by a contractor under a joint operation contract will be reimbursed by the Government as long as the joint operation contractor has paid the Government Share (taxable income) of 34%. See "*Regulation and Regulatory Framework of the Indonesian Geothermal Power and Electricity Industry—Taxation*". We began paying 34% of our Government Share (taxable income) for the Salak Geothermal Operations and Darajat Geothermal Operations since 2002 and 2004, respectively and have continued to pay 34% of our Government Share (taxable income) and to request a VAT refund in each financial year since then. As of June 30, 2020, we have an outstanding VAT receivable in the amount of US$20.5 million to be reimbursed by the Government. We also have outstanding reimbursements from the Government for deferred VAT for periods prior to the Darajat and Salak Geothermal Operations commencing production. The tax court issued a decision in favor of the Darajat Contractor Group on August 19, 2014 and the Supreme Court issued a decision in favor of SEGS on January 24, 2004. The Darajat Contractor Group and SEGS recorded US$5.1 million (Rp. 72.4 billion) and US$1.6 million (Rp. 22.5 billion), respectively, of deferred VAT as a non-current asset as at June 30, 2020. While these amounts have not yet been refunded by the Government, we believe they will be refunded or reimbursed and as such, no provision for non-recovery of deferred VAT receivables have been recognized in our consolidated financial statements. There can be no certainty as to when we will be reimbursed or whether we will be successful in recovering a greater percentage of such reimbursements or any reimbursements at all. Any failure to recover VAT reimbursements payable to us could have an adverse impact on our business, results of operations and financial condition.

See also note 27(a) of our consolidated financial statements for the six-month period ended June 30, 2020 for more information.

We are subject to uncertainties as to the interpretation and application of certain Indonesian tax laws relating to the payment of Production Bonuses

Pursuant to the New Geothermal Law, we are required to pay a Production Bonus calculated based on our gross revenue. On November 1, 2017, the MEMR issued a decision letter, stipulating the Production Bonus required to be paid for the period from January 1, 2015 to June 30, 2017, which was payable within 30 days for 2015 and 2016 and within 14 days for 2017. Under the New Geothermal Law, the Production Bonus is reimbursable after we make payments for the Government's share (which is defined in the geothermal tax regulation and under the JOC as 34.0% of net operating income). While we have not had any issues with obtaining the Production Bonus reimbursements in the past, there is no guarantee that we will not face any issues in the future nor can we assure you that we will continue to receive such reimbursements in a timely manner. Any failure to recover Production Bonus payments payable to us could have a material and adverse impact on our business, results of operations and financial condition. As of June 30, 2020, we had an outstanding production bonus to be reimbursed by the Government amounting to US$0.7 million for the period from January 1, 2020 to June 30, 2020. Such amount has been paid by the Government in July 2020.

We are subject to uncertainties as to the determination of the deductible and non-deductible expenses by BPKP and DJA which may impact our cash flow

Pursuant to the terms of the JOCs for each of the Darajat and Salak Geothermal Operations, we are subject to an all-inclusive tax rate of 34% of net operating income (referred to as the "**Government Share**"). While the Government Share technically takes the form of income tax; in practice, the Government Share is treated and paid as Non-State Tax Revenue (*Penerimaan Negara Bukan Pajak*/"**PNBP**"), which essentially gives the authority to the Directorate General of Budgeting (*Direktorat Jenderal Anggaran*/"**DJA**") of Ministry of Finance to collect payment of the Government Share and instruct the Financial and Development Supervision Agency (*Badan Pengawasan Keuangan dan Pembangunan*/"**BPKP**") to audit us with respect to the payment of the Government Share.

On May 26, 2016, BPKP issued its 2013 and 2014 audit reports with audit findings. The majority of the audit findings pertain to the dispute over the amount of parent company overhead, support service group allocation and non-deductible expenses recognized by SEGS and SEGDII. With respect to the parent company overhead, BPKP has stated that the finalization of the parent company overhead is subject to the final approval from Pertamina or PGE on the detailed study methodology. On September 5, 2016, SEGS and SEGDII received collection letters from DJA for the underpayments of the Government Share totaling US$10.9 million based on the audit findings of BPKP. SEGS and SEGDII paid this underpayment amount in December 2016. At the same time, SEGS and SEGDII submitted an objection letter pertaining to such underpayment. On January 26, 2018, SEGS and SEGDII received a decision letter from DJA rejecting its objections. SEGDII and SEGSL have sought clarification from the MOF, as the higher authority, to resolve the issue.

On April 25, 2018, SEGS and SEGDII filed a lawsuit before the Jakarta State Administrative Court (*Pengadilan Tata Usaha Negara Jakarta* or "**PTUN**") to dispute the collection letter from DJA. On November 26, 2018, the Panel of Judges issued decisions in favor of SEGS and SEGDII by virtue of Decision Number 91/G/2018/PTUN. JKT for SEGDII and Decision Number 92/G/2018/PTUN.JKT for SEGS.

On February 6, 2019, the MOF submitted the appeal for these PTUN decisions to the Jakarta State Administrative High Court (*Pengadilan Tinggi Tata Usaha Negara Jakarta* or "**PT TUN**"). SEGS and SEGDII submitted a contra memorandum on appeal to PT TUN on February 21, 2019, requesting PT TUN to reject the appeal from the MOF, and supported PTUN decisions dated November 21, 2018. On April 29, 2019, the PT TUN judges issued decisions dismissing PTUN's decision, stating that PTUN was not authorized to rule on the object of the cases by virtue of Decision Number 58/B/2019/PT.TUN.JKT for SEGDII, and Decision Number 59/B/2019/PT.TUN.JKT for SEGS. Following PT TUN's decisions, SEGDII and SEGS submitted the cassation for these PT TUN's decisions to the Supreme Court on May 23, 2019. On October 3, 2019, the Supreme Court issued a verdict in favor of the MOF, rejecting the cassation filed by SEGS by virtue of Decision Number 456 K/TUN/2019, which SEGS formally received on November 12, 2019. We submitted this case for reconsideration to the Supreme Court on May 11, 2020. In addition, for SEGDII, the Supreme Court also issued a verdict in favor of the MOF, rejecting the cassation filed by SEGDII by virtue of Decision Number 455 K/TUN/2019 dated October 3, 2019, which we formally received on May 4, 2020. We submitted this case for reconsideration to the Supreme Court on July 16, 2020. The case is currently pending.

On September 15, 2017, BPKP issued its 2015 audit report on the Darajat and Salak Geothermal Operations, pertaining to a dispute over the amount of non-deductible expenses. On March 12, 2018, SEGS received the collection letter from DJA for the underpayment of the Government Share amounting to US$0.5 million and paid this amount on April 12, 2018. On March 13, 2018, SEGDII received a collection letter for the underpayment for the government share amounting to US$0.1 million and paid this amount on April 12, 2018. On June 7, 2018, SEGS and SEGDII submitted an objection letter to DJA. On

July 23, 2019, the Directorate General of Budget ("**DGB**") issued a decision letter for the overpayment of government share for each of the Darajat Contractor Group and Salak Contractor Group and did not approve our objection requests. As a result, we wrote off the prepaid amount and recorded a loss in 2019.

The most recent BPKP audit was completed with respect to the 2016 financial year. On July 23, 2020, BPKP issued its 2016 audit report on the Darajat and Salak Geothermal Operations. On August 5, 2020, SEGSL received a notification letter from the underpayment of the Government Share amounting to US$224,750. On August 14, 2020, SEGDII received a notification letter from the underpayment of the Government Share amounting to US$85,663. We paid both amounts in September 2020.

The deductible and non-deductible expenses may be open to interpretation. The different interpretation that may be taken by BPKP and DJA in relation to the deductible expenses could have an adverse impact on Star Energy Group Holdings, and in turn, our business, results of operations and financial condition. For more information on our Government audit claims, see also note 27(a) of our consolidated financial statements for the six-month period ended June 30, 2020.

Star Energy is subject to uncertainties as to the whether the Production Allowance under the Darajat JOC and Salak JOC is tax deductible

Since financial year 2004, BPKP issued audit reports with audit findings pertaining to, among others, the treatment of Production Allowance as a tax-deductible item in calculating net operating income. BPKP is of the view that Production Allowance is not to be treated as a tax-deductible item in calculating net operating income. Notwithstanding the findings pertaining to the Production Allowance, BPKP has not considered the findings relating to PPA as an underpayment of the Government Share since financial year 2004.

There is no specific clause in the Darajat and Salak JOCs which states that we are permitted to treat Production Allowance as a tax-deductible item in calculating net operating income and this matter is open to interpretation. We believe that the Production Allowance should be tax deductible as (i) it should be treated as other levy or expenses under the deductible items under the Darajat and Salak JOCs and (ii) under Indonesian tax laws, Production Allowance is part of the cost of obtaining, collecting and maintaining income. We and PGE have the same understanding on this matter that the Production Allowance paid to PGE pursuant to the provision in each Darajat and Salak JOCs shall be allowed as a deduction against annual profits for the purposes of computing the amounts payable pursuant to Article 8.1 of each Darajat and Salak JOCs. In November 2018, the state attorney office *(Jaksa Agung Muda Perdata dan Tata Usaha Negara)* confirmed this understanding and advised the parties to the Darajat and Salak JOCs to clarify this issue in the form of an amended and restated JOC. As of the date of this Offering Memorandum, we and PGE are working on an amended and restated JOC.

In the event that the parties to the JOCs do not reach an agreement to treat Production Allowance as a tax-deductible item, our income tax expense may increase in the amount of US$23.3 million for the period of 2004 to 2016. There is no guarantee that we will be able to deduct Production Allowance to calculate net operating income after 2019. For more information, see note 27(a) to our interim consolidated financial statements for the six-month ended June 30, 2020.

Growing regional autonomy creates an uncertain business environment for us and may increase our costs of doing business

In response to a rise in demands for, and assertion of autonomy in, local governments in Indonesia, the Government has recently granted greater autonomy to local governments. This allows the imposition by such local governments of taxes and other charges on businesses within their jurisdiction and often requires local participation and investment in such businesses. For example, we have experienced instances in which local governments have tried to impose taxes on companies operating in their jurisdiction, including our Company. While to date we have not been actually levied any taxes by such local governments, and we believe that such taxes are not permissible under Indonesian law, there is no guarantee that we will not be negatively impacted by such local government taxes in the future. Increased regional autonomy may expose us to certain risks including increased regulation of our business, and an increase in our taxes and other costs of doing business. These factors could have a material adverse effect upon our business, prospects, results of operations and financial condition.

Under Law No. 23 of 2014 on Regional Government, as most recently amended by Law No. 9 of 2015 (the "**Regional Government Law**") and Law No. 21 of 2014, the roles of provincial and regency governments has diminished. The Regional Government Law provides that provincial and regency governments are authorized only to issue geothermal direct utilization permits. In addition, pursuant to the Regional Government Law, regency governments no longer have the authority to issue electricity-related permits. However, such provision contradicts the provision of Law No. 30 of 2009 on Electricity (the "**Electricity Law**"). Pursuant to the Electricity Law, regional governments are authorized to issue electricity supply business permits (*izin usaha penyediaan tenaga listrik*) and operation permits (*izin operasi*) for businesses whose activities are limited in the respective regency area. See "*Regulation and Regulatory Framework of the Indonesian Geothermal Power and Electricity Industry—Autonomy Law*".

A number of regional governments have commenced a review of their electricity energy infrastructure located within their regions with a view to developing and constructing power plants as co-investors. The extent to which our business and operations will be affected by future development of this policy by regional governments is unknown.

Our operations are dependent on our ability to obtain, maintain and renew land use rights

Our operations are dependent on our ability to obtain, maintain and renew relevant land use rights over land located in the Darajat and Salak contract areas.

The Salak Geothermal Operations are situated within a contract area of 10,000 hectares, with a current utilization of approximately 236.48 hectares. The Salak Geothermal Operations contract area includes land in a national park and private land. With respect to the national park, PGE and the Salak Contractors obtained the Geothermal Environmental Services Utilization Permit (*Izin Pemanfaatan Jasa Lingkungan Panas Bumi* or "**IPJLPB**") on August 12, 2016, which is valid until November 30, 2040. This permit covers an area of 228.69 hectares.

The Salak Contractors have also obtained the right to lease private land from PTPN VIII, which covers 5.22 hectares. As of the date of this Offering Memorandum, the Salak Contractors and PTPN VIII are in the process of amending the lease agreement to include an additional 0.7 hectares to develop the disposal area for the Salak Binary Power Plant. Various of our facilities have been built in the aforementioned area, including an access road, production and injection well pads, pipeline, power plant, offices, housing and warehouse. Pursuant to our lease agreements, the HGU land title and rights belong to PTPN VIII.

The Salak Contractors have also leased approximately 2.57 hectares of HGU land from PT Perkebunan Teh Assam Jayanegara ("**Jayanegara**") for an injection well located in Awi 22. Jayanegara leases this land from the Government and Jayanegara has in turn sub-let this land to the Salak Contractors. Although the lease agreement with Jayanegara expired as of 2017, the Salak Contractors continue to occupy such land and continue to operate the injection well pursuant to ongoing discussions with Jayanegara to extend the lease agreement. In the event that the Salak Contractors are unable to extend the lease agreement, the Salak Contractors may be required to stop using the well in Awi 22 and transfer the injection to an existing well in another location, incurring costs in the process. As of the date of this Offering Memorandum, SEGS, PGE and Jayanegara are currently in discussions to resolve this matter and to extend the lease agreement. We are assessing the possibility of transferring the injection from the well to another location. There is no guarantee that we will be able to obtain such an extension.

Pursuant to the Forestry Law, forests in Indonesia are classified into three main categories: Conservation Forest; Protected Forest and Production Forest. Conservation Forests are further classified into three categories: (i) Nature Reserve Forest (further classified into Nature Preserve Forest and Wildlife Reserve Forest); (ii) Nature Conservation Forest (consisting of Grand Forest Park, National Park and Nature Recreational Park); and (iii) Hunting Park. Nature Preserve Forest is forest area with a distinct value of biodiversity where no economic activity is permitted.

The Darajat Geothermal Operations are situated within a contract area of 4,998 hectares with a current utilization of 78.66 hectares. The Darajat Geothermal Operations include (i) private land, (ii) protected forest and (iii) Nature Recreational Park (*Taman Wisata Alam*).

The private land has a total area of 9.90 hectares and is located within the Darajat Contract Area. Pursuant to the Darajat JOC, the Darajat Contractors are entitled to enter the Darajat Contract Area to conduct geothermal field operations and electricity generation operations until the end of the JOC. Out of 9.90 hectares, (i) 6.28 hectares are registered under the Right to Use (*Hak Pakai*) and the Right to Build (*Hak Guna Bangunan*) with various expiry dates, most of which are beyond the term of the JOC; (ii) 1.22 hectares have been transferred from the previous owner and fully paid, thus based on prevailing laws and regulations, the Darajat Contractors have the right to utilize such land. While the registration and certification are still being processed, it does not affect our right to utilise the land; and (iii) the remaining 2.40 hectares are registered under the Right to Build (*Hak Guna Bangunan*) and is in the process of being extended. This is an administrative process at the Land Office and does not affect our utilization over the land.

The Darajat Geothermal Operations also operate in a working area classified as "protected forest" for which we have already obtained two "borrow-and-use" permits (known as *Izin Pinjam Pakai Kawasan Hutan* or "**IPPKH**"), each of which is valid until January 2043.

The Darajat Contractors operate certain geothermal facilities, including pipeline and well pads, in an area classified as a Nature Recreational Park (*Taman Wisata Alam*), which allowed the Darajat Contractors, on behalf of PGE, to apply for an IPJLPB. An IPJLPB was issued in August 2019 which permits geothermal operations in the utilization block of the relevant Nature Recreational Park.

In the event that either of the Salak Contractors and/or the Darajat Contractors are unable to obtain, maintain or renew land rights over the relevant parcels of land in its contract areas, or if it has to incur significant additional costs to obtain or renew such land use rights, our business, prospects, financial condition, and results of operations would be materially adversely affected. For more information, see "*Business—Properties*".

In the future, any expansion plans may not be successful, additional facilities may not commence operation as planned and we may have difficulty securing necessary financing or financing on terms favorable to us for our facility expansion plans

We intend to continue to explore the potential to expand our installed capacity at the Darajat and Salak Geothermal Operations. Any exploration and development of, and construction of facilities and power plants in, the Darajat and Salak contract areas are subject to significant risks, including the need to incur significant expenses for preliminary engineering, exploration and development activities.

We are in the process of developing the Salak Binary Power Plant, which remains subject to consultation with PLN and meeting minimum economic returns. On commencement of operations, which we expect in the second half of 2022, we expect to increase the gross installed capacity of the Salak Geothermal Operations by up to 15 MW, from 377 MW to up to 392 MW. There can be no assurance that any plan to construct the Salak Binary Power Plant will be successful or that it will commence operations as planned, on schedule or at all. Our expansion plans are also subject to the risk that we may encounter drilling, engineering and environmental problems, construction and operational delays, failure by contractors and vendors to timely and properly perform under their contracts and adverse environmental and geological conditions, including inclement weather conditions.

Successful development and construction are contingent upon, among other things, negotiation of terms satisfactory to us of engineering, procurement and construction contracts with other project participants, receipt of required governmental permits and consents including land use rights and timely implementation of construction. There can be no assurance that development efforts on any particular facility or power plant, or our efforts generally, will be successful.

The construction and development of the Salak Binary Power Plant would require substantial capital investment, the availability of which depends on our ability to generate cash flow from operations, borrow funds on satisfactory terms or at all or raise funds in the capital markets or from our shareholder. For instance, the estimated development cost of the Salak Binary Power Plant could be in excess of US$47 million. There can be no assurance that we, given our substantial leverage, will obtain access to the debt and/or equity capital required to develop and construct new units or to refinance projects. If we seek other third party financing in the future, our ability to arrange for such financing will depend on numerous factors, including general economic and capital market conditions, interest rates, credit availability from banks or other lenders, investor confidence in us, and political and economic conditions in Indonesia. There can be no assurance that such additional financing, either on a short-term or a long-term basis, will be available to us in the future or, if available, that such financing would be obtained on terms favorable to us.

We may not have adequate insurance coverage and may not be able to obtain or maintain adequate insurance and insurance proceeds may not be sufficient for the holders of the Notes to recover all amounts due on the Notes

We hold insurance policies for business interruption, property all-risks insurance, control of well insurance and general liability insurance. There can be no assurance that insurance proceeds from these policies will adequately cover all losses sustained or that insurance from the relevant policies will continue to be available in the future in amounts adequate to insure against our operational losses or property damage. See "*Business—Insurance*". For example, the landslide in 2003 in the Salak contract area caused significant damage to our pipelines and the total losses with respect to this landslide were approximately US$6.2 million. Losses in excess of insurance proceeds were funded from our cash reserves. In the event insurance proceeds do not adequately cover all losses sustained, such an event could have an adverse effect on our business, prospects, financial condition and results of operations.

Further, in the event of major damage to or the destruction of the Darajat or Salak steamfields or the power plants forming part of the Darajat and Salak Geothermal Operations, there can be no assurance as to the amount of insurance proceeds that we would receive. As such, the insurance proceeds received by us in the event of major damage to, or the destruction of, the Darajat or Salak steamfields or the power plants forming part of the Darajat and Salak Geothermal Operations may not be sufficient to satisfy our obligations under the Notes.

Our insurance policies are subject to annual renewal. Our current policies are due to expire on September 30, 2021 and October 1, 2022 (see "*Business—Insurance*" for further details). While we believe we will be able to renew such policies prior to expiration in the future, there is a possibility that we may not be able to renew such policies on time and any failure to renew our insurance policies on time may result in a breach of our existing financing arrangements or the Indentures. In addition, various factors outside of our control may affect the availability of insurance coverage, as well as premium levels for our policies. If the availability of insurance coverage is significantly reduced, we may become exposed to certain risks for which we are not or cannot be insured. In addition, there can be no assurance that comprehensive insurance coverage will be available in the future at commercially reasonable rates. If premium levels for insurance coverage required for our operations or facilities increase significantly, we could incur substantially higher costs for such coverage, which could have an adverse effect on our business, prospects, financial condition and results of operations.

We do not fully insure against all operating hazards, including the risks of doing business in Indonesia, the risks of war, terrorism, expropriation, nationalization, renegotiation or nullification of existing contracts, changes in taxation policies, currency exchange restrictions, changing political conditions or international monetary fluctuations. If our operations suffer a material uninsured loss or if any insured loss significantly exceeds available insurance coverage, our business, prospects, financial condition and results of operations may be adversely affected.

Our ability to recover proceeds pursuant to our insurance policies may be subject to financial limitations on the liability of our respective insurance companies. There may also be thresholds to the amount of loss suffered and the duration of loss or business interruption before insurance proceeds are paid to us. We may also be subject to restrictions on the amount recoverable for certain types of losses incurred by damage to property. Such insurance policy provisions restrict our ability to claim for the full amount of our losses and our business, prospects, financial condition and results of operations may be adversely affected.

Our success depends on our ability to attract and retain key employees

Our success depends, in part, upon the continued commitment of our key management and technical personnel with specialized skills and abilities to our geothermal exploration and power production activities and on our ability to motivate and retain highly qualified employees. External factors, such as employment regulations governing minimum working hours and redundancy, could affect our ability to meet our labor needs and control our labor costs. In addition, we also face competition from other geothermal companies that also seek to employ highly motivated, experienced and qualified personnel at a time when there is a shortage of such persons in the industry globally. If we are unable to retain a sufficient number of our experienced and qualified personnel or are unable to attract new employees with the skills required for our technical operations, our operations could be adversely affected. Compensation offered by international geothermal companies (including for projects outside Indonesia) may also require us to raise employee salaries and benefits, which could have a negative impact on our business, prospects, financial condition and results of operations. If we cannot attract and retain a sufficient number of qualified employees possessing the skills required for our geothermal operations, our business, prospects, financial condition and results of operations could be adversely affected and we may not be able to successfully implement our facilities expansion plans. Further, regency governments in Indonesia annually issue new regulations governing the rates of minimum wages in their regencies. These rates typically increase each year. Moreover, any inflation of wages in the Indonesian energy industry will have a significant impact on the operating costs of our business and on our profit margin.

Our largest shareholder is able to influence our corporate actions and may have interests that are not aligned with yours and our major shareholders may dispose of their shares

Our Company is a joint venture between the Star Energy Group, BCPG Public Company Limited ("**BCPG**"), Mitsubishi Corporation ("**Mitsubishi**") through its interests in DGA SEG B.V. ("**DGA**"), Electricity Generating Public Company Limited ("**EGCO**") through its interests in Phoenix Power B.V. ("**PPBV**"), and Ayala Corporation ("**AC Energy**") through 100% indirect ownership of ACEHI Netherlands B.V. ("**ACEHI**").

Our parent company, PT Barito Pacific, Tbk. ("**Barito Pacific**"), is a listed company in Indonesia, which is indirectly owned and controlled by Mr Prajogo Pangestu. Barito Pacific owns 66.67% of Star Energy Group Holdings Pte Ltd ("**SEGHPL**"), with the remaining 33.33% being owned by BCPG. SEGHPL indirectly owns 51.9% of our Company, through an aggregation of:

- a 24.5% interest through its 60% ownership of Star Energy Geothermal Pte Ltd ("**SEGPL**"), which owns 51% of Star Energy Geothermal Holdings (Salak-Darajat) B.V. ("**SEGHSD BV**"), which in turn owns 80.2% of our Company; and

- a 27.4% interest through its 69.75% ownership of Star Phoenix Geothermal JV B.V. ("**SPGJV BV**"), which owns 49% of SEGHSD BV, which in turn owns 80.2% of our Company.

Our parent company, Barito Pacific, controls the management and operations of our Company through an ability to nominate a majority of the board of directors in each of the following joint venture companies which directly or indirectly own and control interests in our Company:

- SEGHPL, which is a joint venture between Barito Pacific (66.67%) and BCPG (33.33%), and documented in the shareholders' agreement dated July 26, 2017 between Barito Pacific, BCPG and SEGHPL (the "**SEGHPL SHA**"). Pursuant to the SEGHPL SHA, Barito Pacific has the right to appoint four out of six directors of SEGHPL. However, under the SEGHPL SPA, BCPG has certain key veto rights with respect to certain decisions of SEGHPL and its subsidiaries, including our Company.

- SEGPL, which is a joint venture between SEGHPL (60%), DGA (20%) and PPBV (20%), and is documented in the shareholders' agreement dated October 30, 2014 between SEGHPL, DGA, PPBV and SEGPL (the "**SEGPL SHA**"). Pursuant to the SEGPL SHA, SEGHPL has the right to appoint three out of five directors of SEGHPL, and therefore controls SEGPL. However, under the SEGPL SHA, DGA and PPBV have certain veto rights with respect to certain key decisions of SEGPL and its subsidiaries, including our Company.

- SEGHSD BV, which is a joint venture between SEGPL (51%) and SPGJV BV (49%), and in respect of which there is no shareholders agreement. The shareholders have the right to approve the appointment of directors of SEGHSD BV. Currently, all three non-Dutch resident directors of SEGHSD BV have been appointed by SEGPL (with the remaining three Dutch-resident directors having been appointed by the board of SEGHSD BV).

- Our Company, which is a joint venture between SEGHSD BV (80.2%) and ACEHI (19.8%), and is documented in the shareholders' agreement dated March 31, 2017 between SEGHSD BV, ACEHI and our Company (the "**Company SHA**"). Pursuant to the Company SHA, SEGHPL has the right to appoint four out of five non-Dutch resident directors of our Company (with the remaining five Dutch-resident directors to be appointed by our board). However, under the Company SHA, ACEHI has certain veto rights with respect to certain key decisions of our Company.

Therefore, while our parent company, Barito Pacific, is able to influence the day to day operations and management of our Company through its control of the board of directors of the abovementioned companies, no assurance can be given that the objectives of our individual shareholders will not conflict with our business goals and objectives. Our shareholders may also be able to deter or delay a future takeover or change of control of our Company.

The terms of the Indentures provide for no obligation on the part of either Barito Pacific, BCPG, Mitsubishi, EGCO or AC Energy to maintain its indirect equity interest in us at the current level or at all. Additionally, a disposal by one of Barito Pacific, BCPG, Mitsubishi, EGCO or AC Energy of its indirect equity interest in us may not constitute a Change of Control Triggering Event under the terms of the Indentures. Accordingly, there can be no assurance that Barito Pacific, BCPG, Mitsubishi, EGCO or AC Energy will retain their indirect equity interest in us at the current level or at all.

Our use of derivative contracts could result in financial losses that could negatively impact us

We have in the past used derivative instruments, such as interest rate swaps, to manage our financial market risks. Although we currently are not party to any derivative contracts, we may from time to time in the future enter into derivative contracts. If we do enter into derivative contracts, we might recognize financial losses as a result of volatility in the market values of these contracts or should a counterparty fail to perform. In the absence of actively quoted market prices and pricing information from external sources, the valuation of these financial instruments can involve management's judgment or use of estimates. As a result, changes in the underlying assumptions or use of alternative valuation methods could affect the reported fair value of these contracts.

Risks Relating to the Geothermal and Energy Industry

Continued compliance with, and any changes in, environmental, health and safety laws and regulations may adversely affect our operating costs

Our operations are subject to various environmental, health and safety laws and regulations relating to water, air and noise pollution, the management of hazardous and toxic chemicals, materials and waste and workplace conditions and employee exposure to hazardous substances. See "*Business—Health and Safety*". Such laws and regulations generally require us to obtain and comply with conditions contained in various licenses, permits and other approvals.

Although we have obtained approval for the *Analisis Mengenai Dampak Lingkungan*—Analysis of Environmental Impact ("**AMDAL**"), we are required to submit a report on the implementation of AMDAL every six months. Any delay in receipt of or failure to submit or maintain any required periodical report to the appropriate governmental bodies or to satisfy any of the conditions set forth in our permits or approvals could restrict, suspend or halt our operations.

In addition, regulatory compliance for the continuing exploration and development of the Darajat and Salak steamfields and the construction of new facilities is a costly and time-consuming process. Changing environmental regulations may require major expenditures for obtaining permits and regulatory compliance and can create the risk of expensive delays or material impairment of project value.

The adoption of new environmental, health and safety laws, policies or regulations, such as the Environment Protection Law which was passed on September 8, 2009, or changes in the interpretation or application of existing environmental, health and safety laws, policies and regulations that modify the present regulatory environment, could require compliance procedures that increase our costs and have a material adverse effect on our ability to operate our Facility and, consequently, to meet our obligations under the Notes. See "*Description of Material Contracts*". Furthermore, if the measures that we implement to comply with new environmental, health and safety laws and regulations are not deemed sufficient by governmental authorities, we may be subject to administrative, civil and criminal proceedings by governmental authorities, as well as civil proceedings by environmental groups and other individuals, which could result in substantial fines and penalties against us, as well as court or administrative orders that could limit or halt our operations.

Risks Relating to Indonesia

Since all of our operations and assets are located in Indonesia, we could be adversely affected by changes in Government policies, social instability, natural disasters or other political, economic, legal, social, regulatory or international developments in or affecting Indonesia which are not within our control, examples of which are described below. These could, in turn, have an adverse effect on our business, financial condition, results of operations and prospects.

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. The economic crisis resulted in the failure of many Indonesian companies to repay their debts when due. These conditions had a material adverse effect on Indonesian businesses. Indonesia entered a recessionary phase with relatively low levels of growth from 1999 to 2002.

The market price of the Notes may be adversely affected by declines in the international financial markets and adverse world economic conditions. The market for securities in Indonesian companies is, to varying degrees, influenced by economic and market conditions in the United States and certain emerging market countries, especially those in Southeast Asia. The global economic crisis which began in 2008 affected the global economy, including Indonesia and Southeast Asia, and was characterized by, among other things, a shortage in the availability of credit, a reduction in foreign direct investment, the failure of global financial institutions, a drop in global stock markets and a slowdown in global economic growth. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets in other countries. In addition, the Indonesian economy may continue to be disrupted by the current Covid-19 pandemic. We cannot assure you that these past developments will not continue to affect us, nor that any future developments in international markets could not affect us, including our results of operations and consequently the market price of the Notes. Similarly, we cannot assure you that volatility in global financial markets will not affect the Indonesian economy and consequently our business, prospects, financial condition and results of operations.

The Indonesian 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 natural disasters, as well as increasing oil prices, may increase the Indonesian Government's fiscal deficits and could in turn adversely affect the Government's ability to fund subsidies to PLN. The economic difficulties faced by Indonesia during the Asian economic crisis that began in 1997 resulted in, among other things, significant volatility in interest rates, which had a material adverse impact on the ability of many Indonesian companies to service their existing indebtedness. There can be no assurance that the recent improvements in economic condition will continue or the previous adverse economic condition in Indonesia and the rest of Asia will not reoccur. 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.

Indonesia remains subject to considerable political and social instability

Since President Soeharto's regime ended in 1998, Indonesia has experienced a process of democratic change, which on occasion has resulted in political instability and social and civil unrest.

For example, since 2000, thousands of Indonesians have participated in demonstrations in Jakarta and other Indonesian cities both for and against former President Abdurrahman Wahid, former President Megawati Sukarnoputri, former President Susilo Bambang Yudhoyono, and President Joko Widodo as well as in response to specific issues, including fuel subsidy reductions, electricity subsidy reductions, privatization of state assets, anti-corruption measures, decentralization and provincial autonomy and the American-led military campaigns in Afghanistan and Iraq. Some of these demonstrations turned violent. In late March 2012, new protests took place in Jakarta and other parts of the country against proposed fuel price increases. In response, the Parliament voted to defer the subsidy cut, and instead granted the Government authority to adjust the price of subsidized fuel if average oil prices trade at a premium of at least 15% over the budgeted rate in a six-month period. In and shortly after October 2016, thousands of Indonesians marched in a series of demonstrations in Jakarta and other cities either in support of or in opposition to the Governor of Jakarta, Basuki Tjahja Purnama in connection with blasphemy allegations against him, in the period preceding a Jakarta Gubernatorial election in early 2017. Mr. Purnama was convicted of the blasphemy charges in May 2017.

On April 17, 2019, for the first time in history, Indonesia held a general election, where the President and Vice President, members of People's Consultative Assembly (*Majelis Permusyawaratan Rakyat*) and the Regional House of Representatives (*Dewan Perwakilan Rakyat Daerah*) were elected on the same day. On May 21, 2019, the General Elections Commission ("**Komisi Pemilihan Umum**" or "**KPU**") has officially announced that the incumbent President Joko Widodo had won the 2019 Presidential election. Following the official announcement of the election results, protests and riots erupted in various area in Jakarta over two days and authorities officially stated that nine people were dead, more than two hundred were injured and more than three hundred were arrested as results of the protests and riots. Political and related social developments in Indonesia, including immediately after the announcement of the 2019 general election official results, could result in civil disturbances that could directly or indirectly, materially and adversely affect our businesses, financial condition and results of operations.

Additional political and related social developments in Indonesia could result in civil disturbances that could directly or indirectly, materially and adversely affect our businesses, financial condition and results of operations. Political and social unrest may occur if the results of future elections are disputed or unpopular. Any resurgence of political instability could lead to extended disruptions, which may adversely affect our business and/or the Indonesia economy. We cannot assure you 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.

Furthermore 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 numerous clashes between supporters of those separatist movements and the Indonesian military. In Papua, continued activity by separatist rebels has led to violent incidents. In the provinces of Maluku and West Kalimantan, clashes between religious groups and ethnic groups have produced thousands of casualties and refugees over the past several years. The Government has attempted to resolve problems in these troubled regions with limited success except in the province of Aceh in which an agreement between the Government and the Aceh separatists was reached in 2005 and peaceful local elections were held with some former separatists as candidates, but there can be no assurance that the terms of any agreement reached between the Government and the separatists will be upheld.

Indonesia is located in an earthquake zone and is subject to significant geological risk that could damage our powerplant, degrade our geothermal assets and cause us to shut down our power plant. Furthermore, significant geological disturbances could lead to social unrest and economic loss.

The Indonesian archipelago is one of the most volcanically active regions in the world. As it is located in the convergence zone of three major lithospheric plates, it is subject to significant seismic activity that has in the past, and can in the future, lead to destructive earthquakes, tsunamis or tidal waves. For example, on September 28, 2018, a 7.5-magnitude earthquake struck just off the central island of Sulawesi, setting off a tsunami that engulfed the coastal city of Palu. The known number of fatalities as a result of the tsunami has risen to over 2,100. Most recently, on December 22, 2018, a tsunami followed an eruption and partial collapse of the Anak Krakatau volcano in the Sunda Strait, striking coastal regions of Banten province, Java, and Lampung province, in Sumatra. More than 429 people were killed and 1,459 were injured in the aftermath. Roads connecting Serang and Pandeglang was cut off as a result. Recently, heavy rain caused massive flooding in the capital and the Greater Jakarta region and several other regions, including Aceh from December 31, 2019 until January 1, 2020. These types of events may cause significant disruptions and can therefore have significant economic and developmental effects.

Tectonically active geothermal areas, such as the area in which we operate, are subject to occasional low-level seismic disturbances. The Darajat and Salak Geothermal Operations are located in areas with occasional seismic disturbances. Serious seismic disturbances are possible and could result in damage to the Darajat and Salak Operations, a degradation of our geothermal resources or a shutdown of our power plants.

Further, the Darajat and Salak Operations may be impacted by natural disasters or extreme weather conditions. For example, in 2003, Units 1, 2 and 3 of the Salak Geothermal Operations experienced a forced shutdown for approximately six months as a result of a landslide which caused significant damage to the west pump station area and main steam supply pipeline. Further, in 2019, high rainfalls led to a slope failure which impacted a cross country brine pipeline. Water infiltration affected other well pads and caused a landslide at the edge of the well pad and damaged the pump-pad area. The brine pipeline failure associated with the landslide caused a production loss of up to 17 MW for three days for Salak Units 1 to 3. However, see also "*Business—Strategy—Adopt strategies to mitigate geo hazard risk in the future*".

Although we carry insurance cover as protection against such geological risks, we face the additional risk that such cover is inadequate. See "*Risks Relating to Our Business—We may not have adequate insurance coverage and may not be able to obtain or maintain adequate insurance and insurance proceeds may not be sufficient for the holders of the Notes to recover all amounts due on the Notes*".

While such events may not have a significant economic impact on the Indonesian capital markets, 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 provide PLN with sufficient subsidies to cover its costs to produce electricity or 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 affect PLN's ability to meet its obligations under the ESC or trigger an event of default under numerous private-sector borrowings including ours, thereby materially and adversely affecting our business, prospects, financial condition and results of operations, 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 areas could severely disrupt the Indonesian economy and undermine investor confidence, thereby materially and adversely affecting our business, prospects, financial condition and results of operations, and our ability to make payments under the Notes.

Terrorist attacks in the United States, 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 our business

In Indonesia during the last two decades, there have been various bombings directed towards the Government, foreign governments and public and commercial buildings frequented by foreigners, including the Jakarta Stock Exchange Building in 2000. For example, on January 14, 2016, multiple explosions and gunfire took place near the Sarinah shopping mall in Central Jakarta that killed eight people and injured 23 people. The Islamic State of Iraq and the Levant claimed responsibility. In May and June 2019, there were a series of terrorist attacks on various churches and the police headquarters building in Surabaya that killed 28 people, and these attacks occurred just few days after the standoff at Mako Brimob in Depok, in which five police officers were killed. The Islamic State also claimed responsibility for these attacks.

There can be no assurance that further terrorist acts will not occur in the future. 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 businesses. 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 business, prospects, financial condition and results of operations, and our ability to make payments under the Notes.

We are subject to risks associated with movements in exchange rates

One of the most important immediate causes of the Asian economic crisis which 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 US dollar. Although the Rupiah has appreciated considerably from its low point of approximately Rp17,000 per US dollar in January 1998, the Rupiah continues to experience significant volatility. The Rupiah-US dollar exchange rate, based on the middle exchange rate announced by Bank Indonesia, was Rp13,548 = US$1.00 on December 31, 2017, Rp14,481 = US$1.00 on December 31, 2018, Rp13,901 = US$1.00 on December 31, 2019 and Rp14,302 = US$1.00 on June 30, 2020. The Rupiah has also weakened significantly against the US dollar as a result of Covid-19 and its impact on economies worldwide. See "*Exchange Rates and Exchange Controls*" for further information on changes in the value of the Rupiah as measured against the US dollar in recent periods.

Given the rapidly changing implications of the Covid-19 pandemic, it is difficult to assess the full nature and extent of the impact that the pandemic will have on the value of the Indonesian Rupiah. We cannot assure you that the value of the Rupiah will not decline or continue to fluctuate significantly against the US dollar or other currencies in the future, which in turn may materially and adversely affect our business, financial condition and results of operations.

The Rupiah has generally been freely convertible and transferable (except that Indonesian banks may not transfer Rupiah to persons outside of Indonesia and may not conduct certain transactions with non-residents). 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. We cannot assure you that the Rupiah will not be subject to depreciation and continued volatility, 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 US 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. Any depreciation of Rupiah against the US dollar could have a material adverse effect on our business. For example, although PLN is obliged to make payment to us in US dollars under the ESC, PLN's primary sources of revenue are denominated in Rupiah. There can be no assurance that PLN will be able to obtain sufficient US dollars or that available US dollars will be allocated to pay the US dollar-denominated obligations owed to us.

Modification of the current floating exchange rate policy could result in significantly higher domestic interest rates, liquidity shortages, capital or exchange controls or the withholding of additional financial assistance by multinational lenders. This could result in a reduction of economic activity, an economic recession, loan defaults or declining interest by our customer, and as a result, we may also face difficulties in funding our capital expenditure and in implementing our business strategy. Any of the foregoing consequences could have a material adverse effect on our business, financial condition, results of operations and prospects.

The inability or failure of the Government to implement reforms necessary to receive assistance from multilateral agencies could cause the economy and our business to be adversely affected

The Asian economic crisis, which began in 1997, had a significant adverse impact on Indonesia, causing, among other adverse changes, a significant depreciation in the value of the Rupiah and depletion of Indonesia's currency reserves. The crisis caused the Government to turn to the International Monetary Fund ("**IMF**") for financial assistance and, in October 1997, the IMF agreed to provide relief contingent upon the implementation of economic reforms, such as the Government undertaking asset sales and abolishing subsidies for commodities and other consumer products. Indonesia left the IMF-supported program at the end of 2003. The World Bank has also been an important source of funding for the Government which has received assistance from the World Bank since late 1997. The World Bank's 2001 base target for lending in Indonesia was US$1.3 billion, but this amount was subsequently reduced due to the slow pace of institutional reforms in Indonesia as well as concern that the Government's decentralization plan, and particularly empowerment of provincial governments to borrow, could adversely affect the Government's ability to service its debts. In December 2003, the World Bank approved an Indonesian lending program from 2004 to 2007 ranging from US$450 million to US$850 million per year.

The members of the Paris Club and the Consultative Group on Indonesia ("**CGI**"), are sources of funding for the Government. The Paris Club is an informal voluntary group of 19 creditor countries that seeks to coordinate solutions for payment difficulties experienced by debtor nations. CGI is a group of 19 donor countries and 13 international organizations that meets annually to coordinate donor assistance to Indonesia. CGI is the successor organization to the Inter-Governmental Group of Indonesia ("**IGGI**"), an international group of lenders established in 1967 by The Netherlands to coordinate multi-lateral aid to Indonesia. The Government dismissed the IGGI on March 24, 1992. Therefore, since April 8, 1992 the IGGI was replaced by the CGI which is led by the World Bank. Most of the members of CGI were previously members of IGGI, such as Japan, United States, Australia, France, Germany, Italy, the World Bank, and the IMF. The Paris Club and the CGI accounted for approximately two-fifths of the Government's total debt at the end of 2005. The Government has several times successfully rescheduled its foreign debt to multilateral institutions. However, the Paris Club has publicly stated that as a result of the Government's decision to end the IMF program, it would no longer reschedule payments of debts owed to its members or to other creditors by the Government, although there were further debt reschedulings as a result of the earthquake and tsunami in December 2004.

In the absence of funding from the IMF, World Bank or similar agencies or creditor support for debt rescheduling, the Government may not be able to secure alternative funding and may default on its payment obligations, which may result in an economic crisis. Funding restrictions may also result in the Government being unable to fund subsidies for staples such as food and fuel which, in turn, could have serious social, economic and political consequences. These may in turn have a material adverse impact on our business and the value of the Notes. The Government may, in connection with future agreements with the World Bank or other lenders, undertake additional economic or structural initiatives the effects of which are presently unknown.

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

Beginning in 1997, certain recognized statistical rating organizations, including Moody's and S&P, 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. As of the date of this Offering Memorandum, Indonesia's sovereign foreign currency long-term debt is rated "Baa2" by Moody's, "BBB" by S&P and "BBB" by Fitch, and its short-term foreign currency debt is rated "P-2" by Moody's, "A-2" by S&P and "F2" by Fitch with a stable outlook from Moody's, a negative outlook from S&P and a stable outlook from Fitch. 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. Even though the recent trend in Indonesian sovereign ratings has been positive, no assurance can be given that Moody's, S&P or any other statistical rating organization will not downgrade the credit ratings of Indonesia or Indonesian companies in general. In particular, the credit ratings for Indonesia or Indonesian companies have been and may be further downgraded due to the effects of the current Covid-19 pandemic. 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 to us, which could materially and adversely affect our business, financial condition, results of operations and prospects.

Labor activism or increases in labor costs could adversely affect Indonesian companies, including us, which in turn could affect our business, financial condition, results of operations and prospects

Laws and regulations which facilitate the forming of labor unions, combined with weak economic conditions, have resulted and may continue to result in labor unrest and activism in Indonesia. In 2000, the Government issued Law No. 21 of 2000 on Labor Union (the "**Labor Union Law**"). The Labor Union Law permits employees to form unions without employer intervention. In March 2003, the Government enacted Law No. 13 of 2003 on Labor (the "**Labor Law**") which, among other things, increased the amount of severance, service and compensation payments payable to employees upon termination of employment. The Labor Law requires further implementation of regulations that may substantively affect labor relations in Indonesia. The Labor Law requires bipartite forums with participation from employers and employees and the participation of more than 50.0% of the employees of a company in order for a collective labor agreement to be negotiated and creates procedures that are more permissive to the staging of strikes. Under the Labor Law, employees who voluntarily resign are also entitled to payments for, among other things, unclaimed annual leave and relocation expenses. Following the enactment, several labor unions urged the Indonesian Constitutional Court to declare certain provisions of the Labor Law unconstitutional and order the Government to revoke those provisions. The Indonesian Constitutional Court declared the Labor Law valid except for certain provisions, including relating to the right of an employer to terminate an employee who committed a serious mistake and criminal sanctions against an employee who instigates or participates in an illegal labor strike.

Labor unrest and activism in Indonesia could disrupt our operations 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 Indonesian Rupiah relative to other currencies. Such events could materially and adversely affect our businesses, financial condition, results of operations and prospects.

An outbreak of contagious disease may have an adverse effect on the Indonesian economy and other regional and global economies, which may materially and adversely affect us.

The outbreak of an infectious disease such as avian flu, the H1N1 virus, SARS or Covid-19 in Indonesia or in other neighboring countries or the measures taken by the governments of affected countries, including Indonesia, against such potential outbreaks may materially and adversely impact the Indonesian economy and seriously interrupt our operations or the services or operations of our suppliers and customers, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

In 2003, an outbreak of the H5N1 virus, also known as "bird flu", occurred in Southeast Asia and other regions, resulting in hundreds of deaths worldwide and significantly affecting the Southeast Asian economy. In April 2009, an outbreak of the H1N1 virus, commonly referred to as "swine flu", occurred in Mexico and spread to other countries, including Indonesia. In 2013, an outbreak of the H7N9 virus, a different strain of "bird flu", occurred in China. Most recently, Covid-19, which was first reported in December 2019, was declared as a "public health emergency of international concern" by the World Health Organization on January 30, 2020 and was subsequently expanded its assessment of the threat beyond the global health emergency it had announced in January and declared it a "pandemic" on March 11, 2020. On April 13, 2020, the President of Indonesia issued Presidential Decision No. 12 of 2020 declaring the Covid-19 pandemic a "national disaster". The Covid-19 pandemic has already resulted in a high number of cases and deaths in Indonesia and has directly impacted our business operations, requiring us to adopt precautionary measures such as telecommuting, limiting face-to-face meetings and restricting domestic and overseas business travel. See "*Business—Recent Developments*."

The continuation of the first wave, a potential second wave of Covid-19 in Indonesia, the potential recurrence of other infectious or contagious diseases in Indonesia or other neighboring countries could have an adverse effect on economic activity in Indonesia, and could materially and adversely affect us. The potential impact of a pandemic on our results of operations and financial position is highly speculative, and would depend on numerous factors, including: the probability of the virus mutating to a form that can be passed from human to human; the rate of contagion if and when that occurs; the regions of the world most affected; the effectiveness of treatment of the infected population; the rates of mortality and morbidity among various segments of the insured versus the uninsured population; our insurance coverage and related exclusions; and many other variables. The perception that an outbreak of avian flu, SARS, Covid-19 or another contagious disease may occur again may also have an adverse effect on the economic conditions of countries in Asia, including Indonesia.

Risks Relating to the Notes and the Guarantees

The Notes will be effectively subordinated to the secured obligations of the Co-Issuers and the Guarantors and will be effectively subordinated to the debt and other liabilities of any Subsidiaries of the Parent Guarantor that are not Subsidiary Guarantors

The Notes will be effectively subordinated in right of payment to all secured obligations of the Co-Issuers and the Guarantors to the extent that the assets pledged to secure such obligations do not also secure obligations under the Notes. Moreover, the Notes will be effectively subordinated to the debt and other liabilities of any Subsidiaries of the Parent Guarantor that are not Subsidiary Guarantors. The effect of this subordination will be that, in the event of a bankruptcy, liquidation, dissolution, reorganization or similar proceeding involving us or a Subsidiary of the Parent Guarantor that is not a Subsidiary Guarantor, the assets of such Subsidiary cannot be used to pay you until all secured claims against such Subsidiary have been fully paid and other claims against such Subsidiary, including trade payables, have been fully repaid. Although the Indentures restrict the Co-Issuers and the Guarantors from incurring liens on their respective properties, these restrictions are subject to important exceptions. See "*Description of the Notes—Certain Covenants—Limitation on Liens*". In addition, while the Indentures restrict the Co-Issuers, the Guarantors and any other member of the Restricted Group from incurring additional debt, these restrictions do not apply to Subsidiaries of the Parent Guarantor that are not Subsidiary Guarantors.

If we are unable to comply with the restrictions and covenants in the Indentures or our future debt and other agreements, there could be a default under the terms of these agreements, which could cause repayment of the underlying debt to be accelerated

If we are unable to comply with the restrictions and covenants in the Indentures, or our future debt and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to us, accelerate the debt and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of our debt agreements, including the Indentures, contain cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may cause the acceleration of debt, including the Notes, or result in a default under our other debt agreements, including the Indentures.

Our operations are restricted by the terms of the Notes, which could limit our ability to plan for or to react to market conditions or meet our capital needs, which could increase your credit risk

Each Indenture includes a number of significant restrictive covenants relating to the Notes and the Guarantees. These covenants restrict, among other things, the ability of the Co-Issuers, the Guarantors and any member of the Restricted Group, to:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare dividends on its capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of Restricted Subsidiaries;
- guarantee indebtedness of Restricted Subsidiaries;
- enter into unrelated businesses;
- sell assets;
- create liens;
- enter into transactions with shareholders or affiliates; and
- effect a consolidation or merger.

These covenants could limit our ability to plan for or react to market conditions or to meet our capital needs. Our ability to comply with these covenants may be affected by events beyond our control, and we may have to curtail some of our operations and growth plans to maintain compliance.

We may not be able to generate sufficient cash flows to meet our debt service obligations, which will affect our ability to pay principal and interest on the Notes.

Our ability to make scheduled payments on, or to refinance our obligations with respect to, our indebtedness will depend on our financial and operating performance, which in turn will be affected by general economic conditions and by financial, competitive, regulatory and other factors beyond our control. We may not generate sufficient cash flow from operations and future sources of capital may not be available to us in an amount sufficient to enable us to service our indebtedness or to fund our other liquidity needs.

If we are unable to generate sufficient cash flow and capital resources to satisfy our debt obligations or other liquidity needs, we may have to undertake alternative financing plans, such as refinancing or restructuring our debt, selling assets, reducing or delaying capital investments or seeking to raise additional capital. There is no assurance that any refinancing would be possible, that any assets could be sold or, if sold, of the timing of the sales and the amount of proceeds that may be realized from those sales, or that additional financing could be obtained on acceptable terms, if at all. In the absence of such cash flow and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. The Indentures restrict our ability to dispose of our assets and to use the proceeds therefrom. We may not be able to consummate or obtain the proceeds from any such disposition, and, if realized, such proceeds may not be adequate to meet our debt service obligations then due. Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms and in a timely manner, would materially and adversely affect our financial condition and results of operations and our ability to make payments of principal and interest in relation to our debt obligations.

We may incur additional indebtedness which could adversely affect our ability to service our existing debt obligations, including under the Notes.

Subject to restrictions in the Indentures governing the Notes, we may, in certain circumstances, incur additional indebtedness, which could increase the risks associated with the repayment of our existing indebtedness, including under the Notes. If we incur any additional indebtedness that ranks equally with the Notes, the relevant creditors will be entitled to share rateably with the holders of the Notes in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding-up of the Co-Issuers or the Guarantors. This may have the effect of reducing the amount of proceeds paid to the holders of the Notes.

Restrictions and covenants in agreements governing debt that we may incur in the future may also materially restrict our operations, including our ability to incur debt, pay dividends, make certain payments, and encumber or dispose of assets. In addition, we could be in default in respect of financial covenants expected to be contained in the Indentures or any other agreement relating to any other indebtedness in the event that our results of operations do not meet the terms of the covenants, including the financial thresholds or ratios. A default under one debt instrument may also trigger cross-defaults or cross-acceleration under other debt instruments. An event of default under any debt instrument, if not cured or waived, could have a material adverse effect on our financial condition and results of operations and, consequently, our ability to make payments of principal and interest on the Notes.

Enforcing the rights of Noteholders under the Notes or the Guarantees across multiple jurisdictions, including in Indonesia, may prove difficult.

The Notes will be issued by the Co-Issuers and guaranteed by the Guarantors and any future Subsidiary Guarantors. Each of the Co-Issuers is incorporated in Bermuda, the Guarantors are incorporated in The Bahamas, the Cayman Islands and the Netherlands, and the Security Providers are incorporated in the Netherlands and Indonesia. The Notes, the Guarantees and the Indentures will be governed by the laws of the State of New York. The Security Documents will be governed by, and construed in accordance with, the laws of Bermuda, the Cayman Islands, England and Wales, Indonesia, the Netherlands, the State of New York and Singapore, as applicable, while the Intercreditor Deed will be governed by English law.

In the event of a bankruptcy, insolvency or similar event, proceedings could be initiated in The Bahamas, Bermuda, the Cayman Islands, Indonesia, the Netherlands, Singapore and the United States. Such multi-jurisdictional proceedings are likely to be complex and costly for creditors and otherwise may result in greater uncertainty and delay regarding the enforcement of your rights. The rights of Noteholders under the Notes and the Guarantees will be subject to the insolvency and administrative laws of several jurisdictions and there can be no assurance that you will be able to effectively enforce your rights in such complex multiple bankruptcy, insolvency or similar proceedings. In addition, the bankruptcy, insolvency, administrative and other laws of The Bahamas, Bermuda, the Cayman Islands, Indonesia, the Netherlands, Singapore and the United States may be materially different from, or be in conflict with, each other and those with which may be familiar, including in the areas of rights of creditors, priority of governmental and other creditors, ability to obtain post-petition interest and duration of the proceeding. The application of these laws, or any conflict among them, could call into question whether any particular jurisdiction's laws should apply, adversely affect your ability to enforce your rights under the Notes, the Guarantees and the Collateral in the relevant jurisdictions or limit any amounts that you may receive.

Noteholders may be exposed to a legal system subject to considerable discretion and uncertainty and may have difficulty pursuing claims under the Notes and the Guarantees

The Notes, executed pursuant to the provisions of the Indentures, will be governed by and construed in accordance with, the laws of the State of New York. However, the Collateral that will be granted for the benefit of the holders of the Notes will be governed by the laws of other jurisdictions, including Bermuda, the Cayman Islands, England and Wales, the Netherlands, the State of New York and Singapore. See "*Description of the Security Documents and the Collateral*".

The security interest over certain of the Collateral located in Indonesia will be governed by Indonesian law. As a result, holders of the Notes would have to enforce any judgment against the relevant Security Provider or its assets in Indonesia. The administration, enforcement, interpretation and/or application of laws and regulations by Indonesian courts or Indonesian governmental agencies and/or the consequences thereof may be subject to considerable discretion and uncertainty. See "*Risks Relating to the Notes and the Guarantees—It may be difficult or impossible for holders of the Notes to pursue claims under the Notes because of considerable discretion and uncertainty of the Indonesian legal system.*"

We may not be able to repurchase the Notes upon a Change of Control Triggering Event

We must offer to purchase the Notes upon the occurrence of a Change of Control Triggering Event, at a purchase price equal to 101% of the principal amount plus accrued and unpaid interest. See "*Description of the Notes*".

The source of funds for any such purchase would be our available cash or third-party financing. However, we may not have enough available funds at the time of the occurrence of any Change of Control Triggering Event to make purchases of outstanding Notes. Our failure to make the offer to purchase or purchase the outstanding Notes would constitute an Event of Default under the Notes. The Event of Default may, in turn, constitute an event of default with respect to other indebtedness we may incur in the future, which could cause such indebtedness to be accelerated after any applicable notice or grace periods. If our other debt were to be accelerated, we may not have sufficient funds to purchase the Notes and repay the debt.

In addition, the definition of Change of Control Triggering Event for purposes of the Indentures does not necessarily afford protection for the holders of the Notes in the event of some highly leveraged transactions, including certain acquisitions, mergers, refinancings, restructurings or other recapitalizations, although these types of transactions could increase our indebtedness or otherwise affect our capital structure or credit ratings. The definition of Change of Control Triggering Event for purposes of the Indentures also includes a phrase relating to the sale of "all or substantially all" of our assets. Although there is a limited body of case law interpreting the phrase "substantially all", there is no precise established definition under applicable law. Accordingly, our obligation to make an offer to purchase the Notes, and the ability of a holder of the Notes to require us to purchase its Notes pursuant to the offer as a result of a highly-leveraged transaction or a sale of less than all of our assets may be uncertain.

The Notes may not be a suitable investment for all investors seeking exposure to green assets

We intend to apply a portion of the proceeds from the offer and sale of the Notes to finance or refinance "Eligible Green Assets" (as defined in the section "*Green Bond Framework*"), relating to the development, construction and operation of geothermal energy generation facilities. See "*Green Bond Framework*" for more information. To reduce the direct emissions of carbon dioxide resulting from the operational production of geothermal power plants, we intend to finance or refinance only assets with direct emissions of less than 100 gCO_2/kWh and 35 mgH_2S/Nm^3. In connection with the offering of the Notes, we have received a second party opinion from Carbon Trust Assurance Limited on the alignment of our Green Bond Framework to The Green Bond Principles, Voluntary Process Guidelines for Issuing Green Bonds 2018 issued by the International Capital Markets Association ("**ICMA**") and the ASEAN Green Bond Standards (the "**Opinion**").

The examples of Eligible Green Assets in the "*Green Bond Framework*" section are for illustrative purposes only and no assurance can be provided that disbursements for projects with these specific characteristics will be made by us during the term of the Notes. The Opinion is not incorporated into and does not form part of this Offering Memorandum. Neither we nor the Initial Purchasers make any representation as to the suitability of the Opinion or the Notes to fulfill such environmental and sustainability criteria. Prospective investors should have regard to the factors described in this Offering Memorandum regarding the use of proceeds. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Offering Memorandum regarding the use of proceeds, and its purchase of Notes should be based upon such investigation as it deems necessary. The Opinion may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Notes. The Opinion is not a recommendation to buy, sell or hold securities and is only current as of the date that the Opinion was initially issued. A withdrawal of the Opinion or any failure by us to use the net proceeds from the Notes for Eligible Green Projects or to meet or continue to meet the investment requirements of certain environmentally focused investors with respect to such Notes may affect the value of the Notes and/or may have consequences for certain investors with portfolio mandates to invest in green assets.

There is no current market consensus on what constitutes a "green" or "sustainable" project

There is no current market consensus on what precise attributes are required for a particular project to be defined as "green" or "sustainable" and therefore the Eligible Green Assets may not meet the criteria and expectations of all investors regarding environmental impact and sustainability performance. Although the underlying projects have been selected in accordance with the categories recognized by the ICMA Green Bond Principles and the ASEAN Green Bond Standards, and will be developed in accordance with relevant legislation and standards, there can be no guarantee that adverse environmental and/or social impacts will not occur during any stage of design or construction or the commissioning or operation of the projects. In addition, where negative impacts are insufficiently mitigated, the projects may become controversial, and/or may be criticized by activist groups or other stakeholders. We may not meet or continue to meet the investment requirements of certain environmentally focused investors with respect to the Notes, which may also have consequences for certain investors with portfolio mandates to invest in green assets. Each potential purchaser of the Notes should determine for itself the relevance of the information contained in this Offering Memorandum regarding the use of proceeds of the Notes. In the event that the Notes are listed or admitted to trading on any dedicated "green", "environmental", "sustainable" or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by us or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulation or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any green projects. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. No representation or assurance is given or made by us or any other person that any such listing or admission to trading will be obtained in respect of the Notes or, if obtained, that any such listing or admission to trading will be maintained during the life of the Notes. While it is our intention to apply the proceeds of the Notes so specified for Eligible Green Assets in the manner described in this Offering Memorandum, there can be no assurance that any relevant project or use the subject of, or related to, any Eligible Green Assets will be capable of being implemented in, or substantially in, such manner and/or accordance with any timing schedule and that accordingly such proceeds will be totally or partially disbursed for such projects. There can also be no assurance that such Eligible Green Assets will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as we originally expect or anticipate.

An active trading market for the Notes may not develop, and the trading price of the Notes could be materially adversely affected

Each tranche of Notes is a new issue of securities for which there is currently no trading market. We have been advised that the Initial Purchasers intend to make a market in the Notes, but are not obligated to do so and may discontinue such market making activity at any time without notice. We cannot predict whether an active trading market for the Notes will develop or be sustained. If an active trading market were to develop, the Notes could trade at prices that may be lower than the initial offering price. Whether or not the Notes could trade at lower prices depends on many factors, including:

- the number of holders of the Notes;
- the interest of securities dealers in making a market in the Notes;
- prevailing interest rates and the markets for similar securities;
- general economic conditions; and
- our financial condition, historical financial performance and future prospects.

If an active market for the Notes fails to develop or be sustained, the trading price of the Notes could be materially adversely affected. Application has been made for the listing and quotation of the Notes on the SGX-ST. However, no assurance can be given that the Co-Issuers will be able to obtain or maintain such listing or that, if listed, a trading market will develop. We do not intend to apply for listing of the Notes on any securities exchange other than the SGX-ST. The Notes may not be publicly offered, sold, pledged or otherwise transferred in any jurisdiction where registration may be required. Lack of a liquid, active trading market for the Notes may adversely affect the price of the Notes or may otherwise impede a holder's ability to dispose of the Notes.

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

The Notes and the Guarantees have not been registered under, and we are not obligated to register the Notes or the Guarantees 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 "*Transfer Restrictions*."We have not agreed to or otherwise undertaken to register the Notes or the Guarantees (including by way of an exchange offer), and we do not have any intention to do so.

The ratings assigned to the Notes may be lowered or withdrawn in the future

The Notes are expected to be assigned ratings of "BBB-" by Fitch and "Baa3" by Moody's. The ratings represent the opinions of the ratings agencies and their assessment of our ability to perform our obligations under the terms of the Notes and the Guarantees and credit risks in determining the likelihood that payments will be made when due under the Notes. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. We cannot assure you that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. We have no obligation to inform holders of the Notes of any such revision, downgrade or withdrawal. In addition, we cannot assure you that rating agencies other than Moody's and Fitch would not rate the Notes differently. A suspension, downgrade or withdrawal at any time of the rating assigned to the Notes may adversely affect the market price of the Notes.

The liquidity and price of the Notes following the offering may be volatile

The price and trading volume of the Notes may be highly volatile. Factors such as variations in our revenues, earnings and cash flows and proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the volume and price at which the Notes will trade. We cannot assure you that these developments will not occur in the future.

In an event of default, your only recourse is to the Co-Issuers and the Guarantors

The Co-Issuers and the Guarantors are the only parties required to make payments and guarantee the Notes. None of our shareholders nor any of our or their affiliates (other than any future Subsidiary Guarantors), nor any other person guarantees or will guarantee the Notes. As a result, if either the Co-Issuers or the Guarantors are unable to pay any amounts due under the Notes, holders of the Notes will not be able to bring a claim for payment under the Notes or the Guarantees against any of our shareholders or any of our or their respective subsidiaries and affiliates (other than any future Subsidiary Guarantors).

Following a default on the Notes, holders of the Notes will only have recourse to the Co-Issuers, the Guarantors and the Collateral for payments on the Notes and any such payment will be applied in accordance with the provisions in respect of priority of payment and security coordination set out in the Intercreditor Deed.

We will follow the applicable corporate disclosure standards for debt securities listed on the SGX-ST, which standards may be different from those applicable to companies in certain other countries

We will be subject to reporting obligations in respect of the Notes to be listed on the SGX-ST. The disclosure standards imposed by the SGX-ST may be different than those imposed by securities exchanges in other countries or regions such as the United States. As a result, the level of information that is available may not correspond to what investors in the Notes are accustomed to.

Investment in the Notes may subject Noteholders to foreign exchange risks

The Notes are denominated and payable in US dollars. If you measure your investment returns by reference to a currency other than US dollars, an investment in the Notes entails foreign exchange-related risks, including possible significant changes in the value of the US dollars relative to the currency by reference to which you measure your returns, due to, among other things, economic, political and other factors over which we have no control. Depreciation of the US dollar against the currency by reference to which you measure your investment returns could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to you when the return on the Notes is translated into the currency by reference to which you measure your investment returns. In addition, there may be tax consequences for you as a result of any foreign exchange gains resulting from any investment in the Notes.

Noteholders are exposed to risks relating to Singapore taxation.

The Notes to be issued are intended to be issued as "qualifying debt securities" for the purposes of the Income Tax Act, Chapter 134 of Singapore ("**ITA**"), subject to the fulfillment of certain conditions more particularly described in the section "*Certain Tax Considerations—Singapore*".

However, there is no assurance that the Notes will be or continue to be "qualifying debt securities" or that the tax concessions in connection therewith will apply throughout the tenure of the Notes should the relevant tax laws be amended or revoked at any time.

The Guarantees may be challenged under applicable bankruptcy, insolvency or fraudulent transfer, financial assistance, unfair preference or similar laws, impairing the enforceability of the Guarantees

Under bankruptcy, insolvency or fraudulent transfer, financial assistance, unfair preference or similar laws in The Bahamas, Bermuda, the Cayman Islands and the Netherlands, where the Guarantors are incorporated and where all of their significant assets are currently located (as well as under the law of certain other jurisdictions to which a Guarantor may be subject or in which insolvency proceedings against a Guarantor may be commenced), the enforceability of a guarantee may be impaired if certain statutory or other conditions are met. In particular, a guarantee may be voided, or claims in respect of a guarantee could be subordinated to all other debts of such guarantor, if at the time of the incurrence of the indebtedness evidenced by, or when it gives, its guarantee, it:

- incurred the debt with the intent to hinder, delay or defraud creditors or was influenced by a desire to put the beneficiary of the guarantee in a position which, in the event of the guarantor's insolvency, would be better than the position the beneficiary would have been in had the guarantee not been given;

- received less than reasonably equivalent value or fair consideration for the incurrence of such guarantee;

- received no commercial benefit;
- was insolvent or rendered insolvent by reason of such incurrence;
- was engaged in a business or transaction for which the guarantor's remaining assets constituted unreasonably small capital; or
- intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

The measure of insolvency for purposes of the foregoing will vary depending on the laws of the jurisdiction which are being applied. Generally, however, a guarantor would be considered insolvent at a particular time if it were unable to pay its debts as they fell due or if the sum of its debts was then greater than all of its property at a fair valuation or if the present fair saleable value of its assets was then less than the amount that would be required to pay its probable liabilities on its existing debt as they became absolute and matured.

In addition, a guarantee may be subject to review under applicable insolvency or fraudulent transfer laws in certain jurisdictions or subject to a lawsuit by or on behalf of creditors of such guarantor. In such case, the analysis set forth above would generally apply, except that the guarantee could also be subject to the claim that, since the guarantee was not incurred for the benefit of the guarantor, the obligations of the guarantor thereunder were incurred for less than reasonably equivalent value or fair consideration.

In an attempt to limit the applicability of insolvency and fraudulent transfer laws in certain jurisdictions, the obligations of a Guarantor under its Guarantee will be limited to the maximum amount that can be guaranteed by the applicable Guarantor without rendering the Guarantee, as it relates to such Guarantor, voidable under such applicable insolvency or fraudulent transfer laws.

If a court voided any Guarantee, or held any Guarantee unenforceable for any other reason, then the holders of the Notes would cease to have a claim against such Guarantor based upon such Guarantee, and would solely be creditors of us and any Guarantor whose Guarantee was not voided or held unenforceable. If a court subordinated any Guarantee to other indebtedness of such Guarantor, then claims under such Guarantee would be subject to the prior payment of all liabilities (including trade payables) of such Guarantor. We cannot assure you that there would be sufficient assets to satisfy the claims of holders of the Notes after providing for all such prior claims.

Payments with respect to the Notes and Guarantees may be structurally subordinated to liabilities, contingent liabilities and obligations of certain subsidiaries of the Co-Issuers and the Guarantors.

Under the terms of the Indentures, the Board of Directors may designate certain Restricted Subsidiaries to be Unrestricted Subsidiaries, subject to certain conditions. Creditors, including trade creditors of such Unrestricted Subsidiaries and any holders of preferred shares in such entities, would have a claim on the Restricted Subsidiaries' assets that would be prior to the claims of holders of the Notes. As a result, the payment obligations of the Co-Issuers and the Guarantors under the Notes and the Guarantees will be effectively subordinated to all existing and future obligations of the Unrestricted Subsidiaries, and all claims of creditors of the Unrestricted Subsidiaries will have priority as to the assets of such entities over the claims of the Co-Issuers and the Guarantors and their respective creditors, including holders of the Notes.

It may be difficult or impossible for holders of the Notes to pursue claims under the Notes because of considerable discretion and uncertainty of the Indonesian legal system

Indonesian legal principles relating to the rights of debtors and creditors, or their practical implementation by Indonesian courts, may differ materially from those that would apply in other jurisdictions. Neither the rights of debtors nor the rights of creditors under Indonesian law are as clearly established or recognized as under legislation or judicial precedent other jurisdictions. In addition, under Indonesian law, debtors may have rights and defenses to actions filed by creditors that these debtors would not have in jurisdictions with more established legal regimes.

Indonesia's legal system is a civil law system based on written statutes in which judicial and administrative decisions do not constitute binding precedents and are not systematically published. Many of Indonesia's commercial and civil laws and rules on judicial processes are based on pre-independence Dutch law and have not been revised to reflect the complexities of modern financial transactions and instruments. Indonesian courts may not be familiar with complex commercial or financial transactions, leading in practice to uncertainty in the interpretation and application of Indonesian legal principles. The application of many Indonesian laws depends, in large part, upon subjective criteria such as the good faith of the parties to the transaction and principles of public policy. Indonesian judges operate in an inquisitorial legal system and have very broad fact-finding powers and a high level of discretion in relation to the manner in which those powers are exercised. Indonesian court decisions may omit, or may not be decided upon, a 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 governmental agencies may be subject to considerable discretion and uncertainty. For instance, there are currently conflicting court decisions on the ramifications of any failure by an Indonesia-domiciled issuer to submit reports required under certain Bank of Indonesia regulations with respect to certain types of offshore borrowings, including debt securities such as the Notes. While we have been advised by our Indonesian legal advisor that the relevant reporting obligations are administrative requirements only and any failure in complying therewith will result in administrative sanctions in the forms of fines, warning letters and/or notices to the relevant authority and not affect the validity or enforceability of the Notes, there can be no assurance that a court will reach the same conclusion. Furthermore, corruption in the court system in Indonesia has been widely reported in publicly available sources.

On September 2, 2013 the holders of notes issued by BLD Investments Pte. Ltd. and guaranteed by PT Bakrieland Development Tbk. ("**Bakrieland**"), under a trust deed governed under English law, filed a postponement of debt payment petition with the Jakarta commercial court on several grounds, including that Bakrieland had failed to comply with its obligation to repay the principal amount of the notes when noteholders exercised their put option under the terms of the notes. In its decision dated September 23, 2013, the Jakarta commercial court ruled, among other things, that because the trust deed relating to the notes is governed by English law, all disputes arising out of or in connection with the trust deed must be settled by English courts and, accordingly, that the Jakarta commercial court does not have authority to examine and adjudicate this case.

As a result of the foregoing, it may be more difficult for you to pursue a claim against us in Indonesia than it would be to do so in other jurisdictions, which may adversely affect your ability to obtain and enforce a judgment against us in Indonesia and increase your costs of pursuing, and the time required to pursue, claims against us.

You may not be able to enforce judgment of a foreign court against us in Indonesia

Each of the Co-Issuers is incorporated in Bermuda, but its significant assets are located in Indonesia. As a result, it may not be possible for you to enforce against us judgments obtained in non-Indonesian courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state or territory within the United States, and you may be required to initiate proceedings in Indonesia against such assets or Collateral. We have been advised by our legal advisor, Assegaf Hamzah & Partners, that judgments of non-Indonesian courts are not recognized or directly 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 recognize judgments in original actions brought in Indonesian courts based only upon the civil liability provisions of the securities laws of other countries. In addition, an Indonesian court may refuse to hear an original action based on securities laws of other countries. As a result, you might be required to pursue claims against us in Indonesian courts and on the basis of Indonesian laws.

The claims and remedies available under Indonesian laws may not be as extensive as those available in other jurisdictions. We cannot assure you that the Indonesian courts will protect the interests of investors in the same manner or to the same extent as would the courts of other jurisdictions.

Indonesian law requires agreements involving Indonesian parties to be made in the Indonesian language and allows parties thereto to also make and elect a foreign language version of such agreement as the governing language, however, in the event of proceedings in Indonesian court, there can be no assurance that judges render their decisions based on the foreign language version

In compliance with Law No. 24/2009, certain agreements relating to the Notes will be prepared and entered into in both English and Indonesian language, and the parties thereto will agree that the English version of such agreements will prevail in any event of inconsistency. However, we cannot assure you that, in the event of inconsistencies between the Indonesian language and English language versions of these agreements, an Indonesian court would hold that the English version would prevail. Some concepts in the English language may not have a corresponding term in the Indonesian language and the exact meaning of the English text may or may not be fully captured by such Indonesian version. If this occurs, we cannot assure you that the terms of such agreements will be as described in this Offering Memorandum, or will be interpreted and enforced by the Indonesian courts as intended.

Risks Relating to the Collateral and the Subsidiary Guarantees

The Collateral does not consist of all of our property and assets

The Collateral pledged as security for the Notes consists of all of the shares in each of the Co-Issuers and the Guarantors and the shares in DGI held by the Parent Guarantor, shareholder loans from any of our shareholders to any Co-Issuer or Guarantor and shareholder loans from the Parent Guarantor to DGI, certain bank accounts of the Co-Issuers, the Guarantors and DGI, certain insurance proceeds of the Co-Issuers, the Guarantors and DGI related to the Projects (as defined in "*Description of the Notes*") and an assignment of any Hedging Agreements (as defined in "*Description of the Notes*") entered into by any Co-Issuer. However, the Darajat Geothermal Operations and the Salak Geothermal Operations, including the respective electricity generation facilities and field facilities, including pumps, wells and well sites, pipeline systems, separators, ponds, structures, water disposal and water process facilities and other facilities required to capture, produce and process geothermal energy and transport such energy to the geothermal turbine-generator units, although operated by us, are owned by PGE or PLN (as the case may be) and therefore are not included in the Collateral. Moreover, the land where our facilities are located, cash and cash equivalents (with the exception of the Account Collateral) and any project-related contracts, including each JOC and ESC, and any permits, licenses and receivables under such contracts, are not included in the Collateral. In addition, the existing and future assets of, and shares in, PT Star Energy Geothermal Suoh Sekincau, which is an Unrestricted Subsidiary, are not and will not be included in the

Collateral. Accordingly, in a foreclosure sale, holders of the Notes will not have all the property, equipment, licenses, permits and contracts used by us to produce and sell geothermal power.

The proceeds realized from a sale of the Collateral may not be sufficient for the holders of the Notes to recover all amounts due on the Notes

The Notes are secured by liens on the Collateral. If we fail for whatever reason to redeem or pay interest or principal on the Notes, the holders of the Notes will have to rely on the enforcement of the security and the sale of the Collateral for the repayment of any amounts due on the Notes. The proceeds from the enforcement of the security may not be sufficient to satisfy our obligations under the Notes.

The ability of the Trustee, on behalf of the holders of the Notes, or the Collateral Agents to foreclose on the Collateral upon the occurrence of an Event of Default or otherwise, will be subject in certain instances to perfection and priority issues. Although procedures will be undertaken to support the validity and enforceability of the security interests, we cannot assure you that the Trustee, the Collateral Agents or holders of the Notes will be able to enforce the security interest in any jurisdiction.

The amount of the proceeds will depend on a number of factors, including market and economic conditions, the market value of the Collateral at the time of enforcement, the jurisdiction in which the enforcement action or sale is completed, the condition of the Collateral, and the Trustee's (or its agent's) ability to dispose of the security to a willing purchaser. An appraisal of the Collateral has not been prepared in connection with the offering of the Notes.

Any proceeds from the sale of the Collateral may also be subject to certain transfer taxes and/or transaction costs and expenses. Furthermore, the net amounts realized from the enforcement of any security will be subject to payment of the prior-ranking fees and expenses in accordance with the Indentures and the Security Documents (as defined in "*Description of the Notes*"). Each of these factors could reduce the likelihood of an enforcement action and reduce the amount of any proceeds from an enforcement action. Accordingly, we cannot assure you that the proceeds of any sale of the Collateral following an acceleration of the Notes would be sufficient to satisfy, or would not be substantially less than, amounts due and payable on the Notes. By their nature, some or all of the Collateral may be illiquid and may have no readily ascertainable market value. Likewise, we cannot assure you that the Collateral will be saleable or, if saleable, that there will not be substantial delays in its liquidation.

There is uncertainty as to whether security interests in Indonesia can be enforced in full and in accordance with their terms

A significant portion of the assets securing our obligations in respect of the Notes are located in Indonesia and are subject to security created under Indonesian law. See "*Description of the Notes*" and "*Description of the Security Documents and the Collateral*".

There is uncertainty as to whether the Security Documents governed by Indonesian law (the "**Indonesian Security Documents**") can be enforced in full and in accordance with their terms for several reasons, including:

- since we are a foreign entity not incorporated in Indonesia, this may raise an issue with the Fiduciary Registration Office where the fiduciary security granted by us should be registered, thus registration of the fiduciary security in Indonesia may not be possible and accordingly, the holders of the Notes may not have priority security against other secured financiers;

- the security interests will be subject to practical problems generally associated with the enforcement of Indonesian law governed security interests, including that Indonesian courts may require an event of default to be substantiated in a separate contentious proceeding, before the relevant security interest can be enforced against the debtor or security provider. The Indonesian Constitutional Court recently issued a decision which declared that certain provisions of Law No. 42 of 1999 on Fiducia Security are conditionally unconstitutional, changing the way fiducia security can be enforced. Previously, having a perfected fiducia security provides assurance that creditors can execute security without having to go to the court. Given the recent decision, there is a risk that creditors, to exercise their fiducia security rights, will have to secure the cooperation of the debtor (by the debtor agreeing that an event of default has occurred), or, in the likely event that a debtor does not, it will need to procure a final and binding court decision to do so;

- the ability of the Trustee or the Onshore Collateral Agent to enforce its rights under the Indonesian Security Documents will depend on whether an Indonesian court is willing to recognize and enforce the principal debt obligations represented by the Indentures. Accordingly, the enforcement of claims will be subject to the acceptance of New York law, by Indonesian courts, as the governing law of the Notes and the Indentures. Alternatively, Indonesian courts could interpret and apply New York trust law principles to the Indentures. In the past, Indonesian courts have in certain circumstances disregarded the parties' choice of foreign law and applied Indonesian law in such cases; and

- there can be no assurance that an Indonesian court would apply New York law in any proceedings relating to the enforcement of the Notes or the Indentures.

Judgments of foreign courts, including New York courts, are not enforceable in Indonesia. As a result, the Trustee or the Onshore Collateral Agent may be required, prior to the enforcement of the Indonesian Security Documents, to pursue claims based upon the Notes and the Indentures through the Indonesian courts. See "*Risks relating to the Notes and the Guarantees—You may not be able to enforce judgment of a foreign court against us in Indonesia.*"

Depending on the type of security interest, there are two ways to enforce security under Indonesian law. The first one, absent any prior agreement is through a public auction, which in practice would require a prior court decision from the relevant district court. The second one is through a private sale, which in practice would require a court approval to confirm the effectiveness of the transaction (which will be issued upon petition filed by the enforcing party). There is no guarantee that these court decisions will be issued accordingly by the relevant district courts. The security created by the Indonesian Security Documents will be subject to higher-ranking priority rights created by statute. The relevant statute includes rights created pursuant to Articles 1137 and 1139 of the Indonesian Civil Code (*burgerlijk wetboek*) in respect of claims made by the Government. Such claims include those relating to tax and the Indonesian State Treasury, other administrative costs relating to the enforcement of the Indonesian Security Documents and costs to safeguard the relevant secured assets.

Furthermore, for the perfection of certain fiduciary security and the pledge over onshore accounts granted by us, we are required to notify the relevant counterparties/obligors and account banks. We cannot ensure that acknowledgments from the relevant counterparties/insurers and account banks with respect to such notification will be granted in a timely manner, if at all. In relation to fiduciary security, Article 613 of the Indonesian Civil Code provides that any assignment will not be effective against an obligor unless such assignment has been notified to and acknowledged in writing by such obligor. It is not clear whether this requirement applies in respect of a fiduciary security, but failure to obtain acknowledgment could lead to difficulty in enforcing a fiduciary security against the relevant obligor because the obligor could contest the failure to notify and acknowledge. Regardless, however, the preferred status of the security interest created by the fiduciary security (once registered at the Fiduciary Registration Office) is not affected by the absence of such acknowledgment. In relation to a pledge over onshore accounts, in order for it to be a valid first priority security interest over the onshore accounts, the relevant account banks must acknowledge the pledge for it to be enforced against them. In the absence of acknowledgment from the relevant account banks, we cannot ensure that the relevant account banks will be bound by the pledge in the event of enforcement.

We will in most cases have control over the Collateral, and the sale of particular assets by us could reduce the pool of assets securing the Notes

The Intercreditor Deed, the Indentures and the Security Documents allow us to, subject to certain exceptions and conditions, remain in possession of, retain control over, freely operate, and collect, invest and dispose of any income from, the Collateral. We may, among other things, in accordance with the terms of the Intercreditor Deed, the Indentures and any future indebtedness we may incur, without any release or consent by the Collateral Agents or the Trustee, conduct ordinary course activities with respect to Collateral, such as selling or otherwise disposing of Collateral and making ordinary course cash payments. Any disposal of, damage to, or any other action or circumstances that may lead to a reduction in value of the Collateral while the Collateral is in our possession or subject to our control will reduce the value of Collateral securing the Notes, and therefore reduce the amount of proceeds that would be available to holders of the Notes upon an enforcement of the Collateral.

The Collateral may be shared to secure the obligations of other creditors

The Collateral may be shared on a *pari passu* basis by the holders of the Notes and the holders of certain other secured indebtedness in accordance with the terms of the Indenture and as describe in "*Description of the Notes—Permitted Pari Passu Obligations*". Any such pari passu secured indebtedness will also be secured by the Collateral. Accordingly, in the event of a default of the Notes (including any Additional Notes) or other indebtedness secured by the Collateral and a foreclosure on all or any part of the Collateral, any foreclosure proceeds with respect to such Collateral would be shared *pro rata* by holders of the Notes and the holders of such secured indebtedness in proportion to the outstanding amounts of each class of secured indebtedness, and there can be no assurance that such proceeds would be sufficient to repay all amounts due under the Notes. See "*Description of the Notes—Security*".

The security will not be granted directly to the holders of the Notes

The security for our obligations under the Notes and the Indenture executed pursuant to the provisions of the Indentures have not been and will not be granted directly to the holders of the Notes. Such security has only been granted in favor of the Collateral Agents. As a consequence, holders of the Notes will not have direct security and will not be entitled to directly take enforcement action in respect of the security for the Notes. However, holders of the Notes may pursue a course of action through the Trustee, its agent or the Collateral Agents, who have agreed to apply any proceeds of enforcement on such security towards such obligations.

Indonesian law does not recognize the concept of trustee, including without limitation, the relationship of trustee and beneficiary or other fiduciary relationships. In early 2016, an Indonesian company, PT Trikomsel Oke Tbk. ("**Trikomsel**"), entered into a court-supervised debt suspension process (*penundaan kewajiban pembayaran utang* or "**PKPU**"). The PKPU administrators were reported to reject claims that arose from their two Singapore dollar bonds and have taken the stance that the trustees do not have any standing to make claims on behalf of the bondholders. Further, they asserted that only individual noteholders that had filed claims on their own would be able to participate in the PKPU proceedings and to vote on the restructuring plan.

Accordingly, the enforcement of the provisions granting security in favor of third party beneficiaries and otherwise relating to the nature of the relationship between a trustee (in its capacity as trustee) and the beneficiaries of a trust, in Indonesia will be subject to an Indonesian court accepting the concept of trustee under New York law and accepting proof of the application of equitable principles under such security documents.

The new security interest in the Collateral will not be granted, created or perfected on the Original Issue Date, which may adversely affect the rights of holders of the Notes in the Collateral

As of the date of this Offering Memorandum, a significant portion of the Collateral to be secured under the Security Documents is subject to existing encumbrances under the Existing Senior Debt Facilities, which will be fully repaid from the net proceeds from the offering of the Notes, together with cash in hand, as applicable. Upon repayment, we will be required to procure the release of the existing security over the assets securing the Existing Senior Debt Facilities before any new security can be created in respect of the collateral to secure the Notes. Accordingly, the Notes will be issued prior to the creation and perfection of the security over a significant portion of the Collateral.

There will be a period of time between the closing date of this offering, the date that we will procure the release of the existing security over certain of the Collateral, the date on which the registration of the security granted under the Security Documents is lodged with the relevant government authorities in the applicable jurisdictions, and the date that the security over the Collateral is finally perfected. During this interval, there is no assurance that other parties will not register any security interest over the Collateral, which will have priority over the security interests held by the Collateral Agents for the benefit of holders of the Notes.

In addition, we have agreed to file all documents necessary for deregistering the existing security interests under the Existing Senior Debt Facilities and to submit for registration and perfect such security interests (as relevant) granted under the Security Documents within 120 days after the Original Issue Date with the appropriate governmental authorities. If and until the security interests in the Collateral are granted and perfected, the Holders of the Notes will not have the benefit of the Collateral. If we are unable to submit for registration such security interests (as relevant) granted under the Security Documents within the period stipulated for such actions in the Indentures, it would, if such default continues unremedied for a period of 60 days after the Co-Issuers receive written notice thereof specifying such occurrence from the Trustee (acting on the instructions of the holders of at least 25% in principal amount of the outstanding Notes) or the holders of at least 25% in aggregate principal amount of the Notes, then outstanding, constitute an Event of Default under the Notes. The Event of Default may, in turn, constitute an event of default under other indebtedness we may incur in the future, which could cause such debt to be accelerated after any applicable notice or grace periods. We may not have sufficient funds to repay the Notes and/or any other debt accelerated as result of an Event of Default under the Notes, especially if we have already used the proceeds from this offering, together with cash in hand, as applicable, for the repayment in full of the Existing Senior Debt Facilities.

Moreover, in the event of bankruptcy or other analogous proceedings instituted against us between the time the existing security interests under the Existing Senior Debt Facilities are released and the time new security interests under certain of the Security Documents are created or perfected, the assets comprising the relevant portion of the Collateral would not be subject to any priority security interests for the benefit of holders of the Notes but will form part of the bankruptcy estate available to all unsecured creditors of the Co-Issuers.

The powers of attorney granted in respect of the shares in DGI and onshore bank accounts do not constitute security under Indonesian law and is subject to certain limitations under Indonesian law.

In connection with the Notes, the Parent Guarantor will grant to the Onshore Collateral Agent an irrevocable powers of attorney to vote and sell the shares in DGI. Under the terms of such powers of attorney, upon the occurrence of a default, the Onshore Collateral Agent is, in respect of the Parent Guarantor's shares in DGI, empowered, among other things to (i) exercise voting shares in all general meetings of shareholders, (ii) sell and transfer the ownership of such shares to any third party and (iii) generally exercise all rights of ownership of such shares. Furthermore, certain Obligors will also grant powers of attorney to the Onshore Collateral Agent to withdraw monies deposited in certain of such Obligors' onshore bank accounts.

Such powers of attorney are contractual arrangements and do not create any security interest that survives Indonesian bankruptcy proceedings. Rather, such powers of attorney purport to empower the Onshore Collateral Agent to exercise certain rights held by the Parent Guarantor with respect to its shares in DGI and certain of such Obligors' onshore bank accounts. Certain limitations may affect the enforceability of such powers of attorney under Indonesian law, including (a) provisions in the Indonesian Civil Code allowing for termination of a power of attorney in certain circumstances, provisions in the Indonesian company law stipulating that voting rights should remain with a company's shareholders and provisions in the Indonesian Civil Code implying that security over shares in a company to be in the form of a pledge, and (b) that authority granted under a power of attorney will not replace the legal authority of the Board of Directors of DGI, and that a power of attorney that is exercised indefinitely may be open to challenge that it effectively constitutes an absolute assignment of authority. If any of the above powers of attorney is found to be invalid or unenforceable for any reason, in an event of default the Onshore Collateral Agent would be unable to exercise any rights in connection with the Parent Guarantors shares in DGI or the relevant Obligors' onshore bank accounts.

Risks Relating to the Presentation of Certain Information in this Offering Memorandum

Certain facts and statistics are derived from publications not independently verified by us, the Initial Purchasers or our respective advisors

Certain facts and statistics in this offering memorandum relating to Indonesia's economy and the geothermal power industry are derived from publicly available sources. While we have taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such sources, they have not been independently verified by us, the Initial Purchasers or our or their respective advisors and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside Indonesia. Due to possibly flawed or ineffective calculation and collection methods and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies and should not be unduly relied upon. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

USE OF PROCEEDS

The net proceeds from the issue of the Notes, after deducting fees, commissions and other estimated offering expenses, are expected to amount to approximately US$1,095.3 million.

We intend to use a combination of our cash on hand, the release of cash from the DSRA under the Existing Senior Debt Facilities, and the net proceeds from the issue of the Notes for:

(i) the repayment of outstanding indebtedness under the Existing Senior Debt Facilities;

(ii) the payment of expenses to be incurred as a result of the repayment of the Existing Senior Debt Facilities, including the termination fees related to the existing interest rate swaps and loan prepayment fees;

(iii) the funding of the Debt Service Reserve Accounts and Major Maintenance Reserve Account (both as described in the Description of the Notes); and

(iv) general corporate purposes relating to the Darajat and Salak Geothermal Operations (including, but not limited to, our working capital requirements, future investments in power plants and other equipment, and other distributions of available cash in accordance with our distribution policies).

See also "*Green Bond Framework*" for more information on how we intend to apply the proceeds from the offer and sale of the Notes to finance or refinance Eligible Green Assets relating to the development, construction and operation of geothermal energy generation facilities.

See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Indebtedness*" for a description of the Existing Senior Debt Facilities.

GREEN BOND FRAMEWORK

1. Introduction

1.1. General Background

Star Energy Geothermal Salak Ltd ("**Salak**") and Star Energy Geothermal Darajat II Ltd ("**Darajat**"), both part of Star Energy Geothermal Pte Ltd (the "**Group**"), are leading geothermal energy producers in Indonesia.

Situated in Sukabumi, West Java province, Salak manages Indonesia's largest geothermal field[1] and is capable of producing 377MW of electricity. Located in Garut, also in West Java province, Darajat supplies geothermal energy and has an installed capacity of 271MW. Both Salak and Darajat geothermal fields are among the largest geothermal fields globally and were acquired by the Group in April 2017.

As of September 2020, Salak consists of six units supported by 75 production wells and 20 injection wells, of which electricity generation capacity is 197MW and steam sales capacity is 180MW, while Darajat has three units supported by 40 production wells and 3 injection wells, of which generation capacity is 216MW and steam sales capacity is 55MW. Salak and Darajat conduct geothermal operations through a joint operation contract with PT Pertamina Geothermal Energy and sell the electricity produced from the geothermal operations under a long-term energy sales contract to PT PLN (Persero), a state-owned utility company.

The Group envisions to manage and operate 1,200MW of geothermal assets by 2028, to fulfill its ambition of becoming the largest and leading geothermal company in the world. Its wholly-owned subsidiary – Star Energy Geothermal Wayang Windu Ltd ("**Wayang Windu**") also manages a 277MW geothermal facility that is located in Pangalengan, West Java province. With 875MW of combined geothermal operations in Salak, Darajat and Wayang Windu, Star Energy Geothermal is currently the world's third largest and Indonesia's largest geothermal company.

1.2. Environment

Despite possessing the second largest geothermal resource in the world, fossil fuels have historically been, and currently remain, Indonesia's important source of energy for economic growth. Up until October 2018, coal was the largest contributor in power plant energy mix with 59.6% share. However, this figure is set to be reduced, as the Indonesia's Ministry of Energy and Mineral Resources aims to increase the share of renewable energy in its energy mix to 23% by 2025, up from 13% at 2017 level[2].

Star Energy Geothermal recognizes the need to take climate action and is well positioned to spearhead the energy transition, having already three operational geothermal fields (Salak, Darajat and Wayang Windu) with 875MW of combined geothermal capacity and two geothermal projects in exploratory phase. Geothermal energy is clean with minimal greenhouse gases produced when harnessed. In addition, a key strength of geothermal energy compared to other sources of renewable energy is its ability to provide base-load power, ensuring energy reliability in the electricity grid.

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1 R Pasikki, R Maria, F Abdurachman, C Peters. Potential Utilization of Idle Wells in Salak Geothermal Field, Indonesia. 2015.

2 Ministry of Energy and Mineral Resources, Ministry of Finance. Indonesia's Effort to Phase Out and Rationalize Its Fossil-Fuel Subsidies. 2019.

Darajat Unit III facility has been registered as a Clean Development Mechanism project under the United Nations Framework Convention on Climate Change (“**UNFCCC**”)’s Kyoto Protocol, which generates Certified Emission Reductions (“**CERs**”). The significant result of this program is in its reduction of greenhouse gases, through the operation of a low-emission geothermal plant. Since December 2006, Darajat field has contributed a documented 6.2 million tons of CERs.

Both Salak and Darajat also received the ISO 14001:2015 certification in 2019 by meeting stringent requirements for an environmental management system, and were also recipients of the prestigious Subroto Award from the Ministry of Energy and Mineral in 2019 for strong environmental management and safety performances. Salak and Darajat were awarded the Green and Gold PROPER (Company Performance Rating Assessment Program in Environmental Management) from the Ministry of Environment and Forestry.

At Star Energy Geothermal, we see community development as not just a duty, but an opportunity to create inspiring positive impact. This perspective leads to a deep focus on sustainable value creation in the communities we serve, and is aligned with our commitment to creating a brighter future for Indonesia. Our core 3E of Environment, Economy and Education pillars approach ensures a holistic, 360-degree approach in creating meaningful positive impact.

1.3 Environmental Stewardship

Inspired by our commitment to clean energy and in support of the UN’s Sustainable Development Goals, we at Star Energy Geothermal are constantly seeking ways to safeguard our environment and create a more sustainable future for generations to come. We firmly believe that geothermal and the natural world can not only co-exist but can encourage healthy, sustainable environmental practices.

From forest conservation and restoration, to collaborating with local community for freshwater access, we are proud of our ongoing efforts to develop thriving and resilient communities, in harmony with our natural world.

1.4 Economic Empowerment

From broad-based support for local farmers to focused capacity-building programs, Star Energy Geothermal plays a proactive role in growing lives and livelihoods and advancing economic equity and social inclusion. Star Energy Geothermal’s economic empowerment pillar sharpens our focus on advancing socio-economic equity, including the creation of a sustainable food security program.

We work with local partners and independently to improve local and personal economies, supporting micro-enterprises, creating work opportunities, and financing local infrastructure. All to create and sustain lives and livelihoods in the communities we serve in our operational areas.

1.5 Educational Upliftment

At Star Energy Geothermal, we aim to educate rural youth and foster an educational ecosystem. It stems from our belief in education as the primary tool for social mobility, especially for children from disadvantaged backgrounds.

To date, we have provided over 1,600 scholarships to local students, including at the tertiary (university and vocational) level. To further our positive impact, we contribute to the building of schools and sporting facilities, and regularly distribute books, computers and stationery to communities at our operational locations. Our support for local teachers has seen over 200 teachers in Bogor and 100 in Garut benefit from upskilling and increased capacity building.

2. Green Bond Framework

The International Capital Markets Association ("**ICMA**") Green Bond Principles ("**GBP**") are a set of voluntary process guidelines recommending transparency and disclosure to promote integrity in the development of the Green Bond market by clarifying the approach for Green Bond Issuances. In addition, the ASEAN Capital Markets Forum ("**ACMF**") published its own guidelines (ASEAN Green Bond Standards, "**ASEAN GBS**") in November 2017, which were subsequently updated and enhanced in 2018, to ensure alignment with the latest ICMA GBP. Compared to the ICMA GBP, the ASEAN GBS aim to provide more detailed guidance on how the ICMA GBP are to be applied across ASEAN.

The Salak and Darajat's green bond co-issuance will be governed by this Green Bond Framework, which is aligned with both the Green Bond Principles 2018[3], as well as the ASEAN Green Bond Standards[4] and consists of the following five key pillars:

- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting
- External Review

Salak and Darajat intend to update the Green Bond Framework periodically at their sole discretion to reflect developments in the best practices of the Green Bond Market.

2.1. Use of Proceeds

For Salak and Darajat's inaugural issuance of Green Bonds in 2020, the net proceeds from the issuance of the Green Bonds (the "**Green Bond Proceeds**"), after deducting fees, commissions and other estimated offering expenses, are expected to be primarily used for the repayment all outstanding indebtedness under the Existing Senior Debt Facilities and the associated repayment expenses.

The estimated proportion of Green Bond Proceeds used for refinancing the Salak and Darajat geothermal assets vis-à-vis other purposes is 84% : 16%.The Existing Senior Debt Facilities were incurred in December 2016 for the purposes of funding the acquisition of the Salak and Darajat geothermal assets, i.e. a look-back period of almost 4-years.

The balance of the proceeds will be used to fund the Debt Service Account and Major Maintenance Reserve Account, and for working capital requirements of the Salak and Darajat geothermal energy generation facilities. The amounts on deposit in the Debt Service Account will be used to fund the principal and interest payment obligations in respect of the newly issued inaugural Green Bonds, while the amounts on deposit in the Major Maintenance Reserve Account will be used to fund the ongoing major maintenance costs and capital expenditures of the Salak and Darajat geothermal energy generation facilities.

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3 Green Bond Principles 2018 website: https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/

4 ACMF ASEAN Green Bond Standards website: https://www.theacmf.org/initiatives/sustainable-finance/asean-green-bond-standards

In case there should be any further Green Bond issuances under Salak and Darajat's Green Bond Framework in the future, the proceeds of those bonds will be only used to finance or refinance assets that fall under the following general category of Eligible Green Assets ("**Eligible Green Assets**"):

- *Geothermal Energy:* Development, construction and operation of geothermal energy generation facilities. To reduce the direct emissions of carbon dioxide resulting from the operational production of geothermal power plants, Salak and Darajat commit themselves to the highest industry standards by financing or refinancing only assets with direct emissions of less than 100 gCO_2/kWh and 35 mgH_2S/Nm^3.

Additionally, for any further Green Bond issuances, Salak and Darajat will ensure that the estimated proportion of such Green Bond proceeds used for refinancing vis-à-vis financing will be clearly documented in the relevant publically available documents like the annual report, sustainability report or Green Bond Report.

The existing geothermal fields in the Salak and Darajat contract areas with a gross installed generation capacity of 271 MW and 377 MW, respectively, yield direct emissions of less than 100 gCO_2/kWh and 35 mgH_2S/Nm^3. Both plants (inclusive of their steam generation capacity) can be considered as good low carbon alternatives, in particular in Indonesia's still highly carbon intensive grid.

The main inputs to the geothermal energy generation process are (i) geothermal steam; and (ii) brine, which comes from geothermal reservoirs. Production wells are drilled into the geothermal reservoirs to extract the naturally occurring hot fluid from underground. Depending on the type of reservoir, when this fluid is produced at the surface, it consists of either (i) pure steam (from vapor-dominated reservoirs like Darajat's); or (ii) a mixture of steam and brine (from liquid-dominated reservoirs like Salak's).

If the fluid is a mixture of steam and brine, it is must first be passed through the resource production facilities, where separators use centrifugal forces and gravity to separate the steam from the brine, and then to the electricity generation facilities. If the fluid is pure steam, there are no separators and other brine-related facilities required.

In the electricity generation facilities, the steam is then directed at high velocity into a series of turbine blades, which drive the turbine shaft that is coupled to a generator. The electricity generated will then be delivered to an interconnection point, and then subsequently into the grid. As for the steam exhausted from the turbines, it will be condensed into liquid water and then injected back into the geothermal reservoir.

Additional information on the Salak and Darajat geothermal assets can be found under *1.1 General Background*.

Other asset categories that are complimentary to geothermal energy generation, or are of comparable environmental benefit, might be added within the scope of future amendments to the Green Bond Framework, however, only after prior approval by the Salak and Darajat Environmental and Social Impact Committee (as described under *2.2. Process for Project Evaluation and Selection*).

Assets that are involved in the following operations will be in any case ineligible as Use of Proceeds of a Salak and Darajat Green Bond issuance:

- Oil and gas power plants;

- Clean coal or any other fossil fuel-related technologies;

- Nuclear and nuclear-related technologies;
- Large-scale hydropower plants;
- Infrastructure that facilitates the above forms of energy generation

2.2. Process for Project Evaluation and Selection

As described in *2.1. Use of Proceeds*, the proceeds of Salak and Darajat's debut Green Bond will be fully and entirely used for the refinancing of Salak and Darajat's geothermal plants, fund the Debt Service Account and Major Maintenance Reserve Account, pay associated repayment expenses, and for working capital requirements of the Salak and Darajat geothermal energy generation facilities.

Any subsequent Green Bond issuances, projects, acquisitions or other assets that are aligned with the Use of Proceeds are generally eligible for Green Bond proceeds allocation and can be proposed by Salak and Darajat's Treasury Departments to be considered as eligible to Green Bond financing as laid out in this Green Bond Framework.

To underline its continued commitment to the highest environmental standards, Salak and Darajat will establish an Environmental and Social Impact Committee ("**ESIC**") in order to strengthen overall governance and oversee the Green Bond Framework.

As of September 15, 2020, on the direction of the Group Chief Executive Officer, the initial ESIC has been established with the following members:

- Chief Finance & Administration Officer;
- Chief Power Plant Operations Officer;
- Head of Financial Compliance & Treasury;
- Head of Safety, Health and Environmental;
- Head of Darajat Power Plant Operation;
- Head of Salak Power Plant Operation;
- Head of Facility Engineering; and
- Head of Policy, Government & Public Affairs

Further members of the ESIC may be appointed by the CEO or the Board of Directors, on the recommendation of existing Committee members. All further members appointed shall possess an adequate level of awareness of ESG matters to discharge their duties effectively and in the interests of Salak and Darajat.

The roles of the ESIC will be to:

- Select the Eligible Green Assets for the inaugural Green Bonds issuance;

- After future preliminary project evaluation and selection from the Treasury Departments, validate the selection decision of the Eligible Green Assets based on the Green Bond Framework;

- Use its veto power to decline the final selection in case of mismatches between chosen projects and the Use of Proceeds identified; and

- Review annual reporting for all stakeholders, including investors.

The process of evaluating and selecting Eligible Green Assets will also be aligned to the Environmental Policies of Salak and Darajat. In particular, considerations will be given to Eligible Green Assets that can contribute towards the reduction in emissions of conventional air pollutants and greenhouse gases, improve energy efficiency and conservation, and/or the reduction of hazardous waste.

The ESIC will also be responsible for any potential future updates of the issuers' Green Bond Framework and, if there is no extraordinary reason, meet on a semi-annual basis to discuss any potential environmental and social impact issues related to the outstanding Green Bond(s).

2.3. Management of Proceeds

Salak and Darajat's ESIC will ensure the highest standards of governance when applying the proceeds of the Green Bonds issuance toward refinancing the identified Eligible Green Assets. For future potential Green Bonds after the inaugural transaction, Salak and Darajat shall allocate the Green Bond proceeds within 12 months to unencumbered Eligible Green Assets as selected by the ESIC. At any time of the lifetime of the Green Bonds, the outstanding amount of Green Bonds will not exceed the value of Eligible Green Assets.

All relevant details regarding the Green Bond issuances and Eligible Green Assets shall be kept in record in Salak and Darajat's internal accounting systems. Salak and Darajat will establish systems to monitor and account for the allocation of the proceeds. The proceeds of each Salak and Darajat Green Bond will be credited to the general funding account of the issuing entities.

Specific to the inaugural transaction, the proceeds of the Green Bonds will be deposited into a secured account in Singapore that is pledged to the lenders on the Existing Senior Debt Facilities, pending repayment of these Facilities. Upon successful repayment, the remainder of the proceeds will then be credited to the general funding account of the issuing entities.

In order to keep track of the use of proceeds for each Salak and Darajat issuance, the Treasury Departments will maintain a Green Bond Register (the "Register") and earmark the respective assets. The Register will contain – for each Salak and Darajat Green Bond issued – the following information:

- Details about the respective Salak and Darajat Green Bond such as:

  - Notional and amount outstanding;

  - Issue and maturity date; and

  - ISIN;

- Use of Proceeds:
  - Brief overview of project(s) refinanced/financed; and
  - Estimate of the asset(s)' beneficial environmental impact.

Salak and Darajat has in place the respective systems and governance policies that ensure a technical implementation of the management of the Register under this Green Bond Framework.

Pending allocation, the net proceeds from Green Bond issuances may be temporarily invested or otherwise maintained in cash; cash equivalents; short-term investments that do not include greenhouse gas intensive projects which are inconsistent with the delivery of a low carbon and climate resilient economy; or used for other general corporate purposes in relation to the Salak and Darajat geothermal energy generation facilities.

In any case, unallocated proceeds will not be allowed to be invested in carbon-intensive investments or companies that do not meet the requirements of low-carbon and climate-adaptive economies.

2.4. Reporting

Each of Salak and Darajat is committed to prepare and publish a Green Bond Report (the "**Report**") on the Green Bond issuances on an annual basis, which will be made publicly available on Star Energy Geothermal's website (www.starenergygeothermal.co.id).

Details of the report shall include:

- The total amount of outstanding Green Bonds;
- Examples of Eligible Green Assets financed or refinanced subject to confidentiality arrangements;
- Proportion of net proceeds allocated within each Eligible Green Asset category, as well as the balance of unallocated proceeds invested in liquid marketable instruments; and
- Proportion of net proceeds used for new financing versus refinancing.

As part of Salak and Darajat's climate efforts to monitor environmental performance, the following impact metrics, subject to data availability and type of Eligible Green Assets, shall be disclosed in the Green Bond Report:

Geothermal Energy:

- Annual greenhouse gas emissions avoided (tonnes CO_2) versus baseline carbon emission of local energy grid, "Jamali";
- Annual hydrogen sulphide emissions into the atmosphere (tonnes H_2S);
- Installed capacity of geothermal plants (MW); and
- Annual renewable energy generation (MWh).

For each annual Green Bond Report, Salak and Darajat intends to engage an external reviewer to provide independent verification on the reporting and management of proceeds of all Green Bonds issued in accordance with this Framework. Such external review reports will also be made publicly available on Star Energy Geothermal's website (www.starenergygeothermal.co.id).

In addition to the Green Bond Report, Salak and Darajat will also, on a best efforts basis, look to publish a comprehensive Sustainability Report that discloses various other metrics (i.e. amount of water used, energy reduction achievements, etc.) and sustainability efforts on an annual basis going forward.

2.5. External Review

Salak and Darajat have appointed Carbon Trust Assurance Limited as a Second Party Opinion provider for the Green Bond Framework. The resulting Second Party Opinion is publically available on Star Energy's corporate website. Carbon Trust Assurance Limited will separately carry out post-issuance verification of Salak and Darajat's Green Bond Report.

CAPITALIZATION

The following table sets forth our cash and cash equivalents, restricted cash and total capitalization as of June 30, 2020 on a historical basis and as adjusted to give effect to the offering of the Notes and the application of the net proceeds thereof described in "*Use of Proceeds*". You should read the adjusted capitalization data set forth in the table below in conjunction with "*Use of Proceeds*", "*Selected Financial and Other Information*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", and our financial statements and the accompanying notes included elsewhere in this Offering Memorandum.

	As at June 30, 2020	
	Actual	**As adjusted**[(1)] (unaudited)
	US$ in thousands	
Cash and cash equivalents	158	133,165
Restricted cash	126,457	148,600
Current maturities of debt:		
Senior Secured Notes offered hereby	–	–
Borrowings (excluding Senior Secured Notes offered hereby)	78,000	–
Long-term debt, net of current maturities:		
Senior Secured Notes offered hereby	–	1,110,000
Borrowings (excluding Senior Secured Notes offered hereby)	833,893	–
Total long-term debt	833,893	1,110,000
Total shareholder's equity	1,082,553	1,066,365[(3)]
Total capitalization[(2)]	**1,916,446**	**2,176,365**

(1) Assumes net proceeds of US$1,095.3 million from this offering of the Notes and the use of such net proceeds as described in "*Use of Proceeds*".

(2) Total capitalization consists of total long-term debt *plus* total shareholders' equity-net.

(3) The adjustment reflects the Existing Senior Debt Facilities Tranche B cancellation fee, hedge break fees, unamortized deferred financing cost and reversal of other comprehensive income for effective portion of changes in fair value of cashflow hedge.

Except as disclosed herein, there have been no material changes in our capitalization, indebtedness, contingent liabilities or guarantees since June 30, 2020.

One or more of the Joint Global Coordinators and Joint Bookrunners and Co-Managers have provided a binding commitment to purchase US$320,000,000 in aggregate principal amount of the 2029 Notes at a rate of interest of 3.25% per annum, which purchase is conditional on the issuance and settlement of the 2038 Notes offered hereby.

EXCHANGE RATES AND EXCHANGE CONTROL

Exchange Rates

Prior to August 14, 1997, Bank Indonesia maintained the value of the Rupiah based on a basket of currencies of Indonesia's main trading partners. In July 1997, the exchange rate band was widened, and on August 14, 1997, Bank Indonesia announced it would no longer intervene to maintain the exchange rate at any particular level, if at all.

The following table shows the exchange rate of Rupiah for US dollars based on the middle exchange rates during the periods indicated. The Rupiah middle exchange rate is calculated based on the average of Bank Indonesia's buying and selling rate. No representation is made that the Rupiah or US dollar amounts referred to herein could have been or could be converted into US dollars or Rupiah, as the case may be, at any particular rate or at all.

	Middle Exchange Rates			
	High	Low	Average	At Period End
	(Rp per US$)			
2015	14,728	12,444	13,458	13,795
2016	13,946	12,926	13,307	13,436
2017	13,630	13,154	13,384	13,548
2018	15,253	13,290	14,246	14,481
2019	14,513	13,901	14,146	13,901
2020:				
January	13,961	13,612	13,732	13,662
February	14,234	13,647	13,776	14,234
March	16,608	14,168	15,195	16,367
April	16,741	15,157	15,867	15,157
May	15,127	14,733	14,906	14,733
June	14,502	13,956	14,196	14,302
July	14,832	14,341	14,582	14,653
August	14,917	14,554	14,725	14,554
September (through to September 25)	14,979	14,615	14,835	14,951

Source: Statistik Ekonomi dan Keuangan Indonesia (Indonesian Financial Statistics) published monthly by Bank Indonesia; Internet website of Bank Indonesia.

For full years, the high and low amounts are determined based upon the month end middle exchange rate announced by Bank Indonesia during the year indicated. The high and low figures are determined based on the daily middle exchange rates during the period indicated. For full years, the average shown is calculated based on the middle exchange rate announced by Bank Indonesia on the last day of each month during the year indicated. For monthly averages from January 2020 to June 2020, the average shown is calculated based on the daily middle exchange rates during the month indicated.

The middle exchange rate on June 30, 2020 was Rp 14,302 = US$1.00.

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

Exchange Controls

Indonesia has limited foreign exchange controls. The Rupiah has been, and in general is, freely convertible 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 from banks within Indonesia to offshore banks, an offshore branch of an Indonesian bank, or any investment denominated in Rupiah by foreign parties and/or Indonesian parties 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 people and legal entities that are domiciled, or who plan to be domiciled, in Indonesia for at least one year.

SELECTED FINANCIAL AND OTHER INFORMATION

The selected statements of profit or loss and other comprehensive income and statements of financial position data as at December 31, 2017, 2018 and 2019 have been derived from our audited consolidated financial statements included elsewhere in this Offering Memorandum, which have been audited by Ernst & Young Accountants LLP, independent auditors, in accordance with Dutch law, including the Dutch Standards on Auditing, as stated in their audit report appearing elsewhere in this Offering Memorandum.

The selected statements of profit or loss and other comprehensive income and statements of financial position data as at June 30, 2019 and 2020 and for the six-month periods then ended have been derived from our interim financial statements for the six months ended June 30, 2020, which contain comparative figures for the six months ended June 30, 2019, which have been reviewed by Ernst & Young Accountants LLP in accordance with Dutch law including Standard 2410, "Review of Interim Financial Information Performed by the Independent Auditor".

The financial information and operating data included in this Offering Memorandum do not reflect our results of operations, financial position and cash flows in the future and our past operating results are no guarantee of our future operating performance.

Our Company acquired the shares held in the Salak Contractors from subsidiaries and affiliates of Chevron on March 31, 2017 and acquired 95% of the shares held in DGI, which holds a 5% participating interest in Darajat Units 2 and 3 and any future units, on September 27, 2017. Accordingly, and in relation to the financial information disclosed and presented in this Offering Memorandum, the consolidated statement of profit and loss and consolidated statement of cash flows for our Company's first financial period ended December 31, 2017 (i) are in respect of a financial period starting on December 16, 2016 and ended on December 31, 2017; (ii) reflects the results of operations and cash flows of the Salak and Darajat Contractors for a period of nine months (i.e. from the date of acquisition of shares); and (iii) reflects the results of operations and cash flows of DGI for a period of approximately three months (i.e. from the date of acquisition of shares). For these reasons, the period-to-period comparisons of our Company's results of operations and cash flows for the financial year ended December 31, 2017 and December 31, 2018 may not be meaningful and caution should accordingly be exercised in using such comparisons as a basis for any investment decision or to predict the future performance of our Company.

Consolidated Statement of Profit or Loss

	For the years ended December 31,			(Unaudited) For the six-month periods ended June 30,	
	2017[1]	2018	2019	2019	2020
	US$ in thousands				
Revenue from contracts with customers	208,618	298,386	287,526	139,050	150,859
Finance lease income	32,536	43,699	43,185	21,592	21,308
Total revenues	241,154	342,085	330,711	160,642	172,167
Expenses					
Depreciation and amortization	(17,242)	(23,017)	(26,732)	(13,393)	(13,774)
Employee compensation and benefits	(21,484)	(36,069)	(33,917)	(18,444)	(16,352)
Consultants and technicians	(14,217)	(16,033)	(16,203)	(6,023)	(5,835)

	For the years ended December 31,			(Unaudited) For the six-month periods ended June 30,	
	2017[1]	2018	2019	2019	2020
	US$ in thousands				
Production allowance to PT Pertamina Geothermal Energy	(5,699)	(8,270)	(7,925)	(3,924)	(4,672)
Supplies and equipment	(4,370)	(9,184)	(7,710)	(2,364)	(1,699)
Transportation and logistics	(2,530)	(2,793)	(1,110)	(470)	(484)
Insurance	(2,522)	(3,748)	(3,335)	(1,697)	(1,476)
Donation and sponsorship	(1,306)	(1,480)	(905)	(49)	(239)
Others	(461)	(386)	(541)	(131)	(51)
Total expenses	**(69,831)**	**(100,980)**	**(98,378)**	**(46,495)**	**(44,582)**
Other (losses)/gains					
Finance costs	(58,458)	(71,516)	(69,400)	(35,515)	(30,126)
Interest income	22	5	7	5	3
Foreign exchange gain (loss), net	(362)	(2,434)	609	334	(645)
Miscellaneous income (expense)	386	(701)	(3,136)	134	(2)
Profit before tax	**112,911**	**166,459**	**160,413**	**79,105**	**96,815**
Income tax expense	(58,472)	(82,012)	(79,948)	(38,954)	(43,658)
Profit for the period	**54,439**	**84,447**	**80,465**	**40,151**	**53,157**
Attributable to:					
Owners of the parent entity	54,404	84,300	80,373	40,106	53,081
Non-controlling interests	35	147	92	45	76
Profit for the period	**54,439**	**84,447**	**80,465**	**40,151**	**53,157**
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Actuarial gain/(loss)	(2,197)	3,195	(606)	(120)	1,497
Items that will be reclassified to profit and loss Effective portion of changes in fair value of cashflow hedge	(3,259)	10,213	(14,829)	(16,294)	(12,019)
Other comprehensive income (loss) for the period, net of tax	(5,456)	13,408	(15,435)	(16,414)	(10,522)
Total comprehensive income for the period, net of tax	**48,983**	**97,855**	**65,030**	**23,737**	**42,635**
Attributable to:					
Owners of the parent entity	48,948	97,706	64,938	23,692	42,559
Non-controlling interests	35	149	92	45	76
	48,983	**97,855**	**65,030**	**23,737**	**42,635**

(1) As we acquired the shares in the Salak and Darajat Geothermal Operations on March 31, 2017, the financial information presented for the year ended December 31, 2017 effectively only shows our results of operations for a period of only nine months.

Consolidated Statement of Financial Position

	As at December 31,			(Unaudited) As at June 30,
	2017	2018	2019	2020
	US$ in thousands			
Assets				
Non-current assets				
Property, plant and equipment	319,799	314,618	334,667	333,904
Right of use assets	–	–	3,602	2,481
Intangible assets	1,684,879	1,684,265	1,686,795	1,686,388
Other receivables	47,896	46,748	47,150	44,927
Finance lease receivable	405,566	400,199	394,262	390,977
Deferred charges	27,561	28,705	22,715	19,996
Spare parts and supplies	9,449	10,057	10,616	9,621
Derivative assets	–	6,954	–	–
Total non-current assets	2,495,150	2,491,546	2,499,807	2,488,294
Current assets				
Inventories	14,957	13,055	13,180	14,578
Finance lease receivable	4,854	5,367	5,937	6,253
Other current assets	7,498	5,891	3,051	3,022
Trade and other receivables	77,715	70,029	68,641	66,389
Restricted cash	91,777	121,112	105,167	126,457
Cash on hand and in banks	611	280	150	158
Total current assets	197,412	215,734	196,126	216,857
Total assets	**2,692,562**	**2,707,280**	**2,695,933**	**2,705,151**
Equity and Liabilities				
Equity attributable to owners of the Parent Entity				
Share capital	10	10	10	10
Additional paid-in capital	855,777	855,777	855,777	855,777
Other reserves	(21,038)	(10,825)	(25,654)	(37,673)
Retained earnings	52,207	129,168	208,935	263,513
	886,956	974,130	1,039,068	1,081,627
Non-controlling interests	609	758	850	926
Total equity	**887,565**	**974,888**	**1,039,918**	**1,082,553**

	As at December 31,			(Unaudited) As at June 30,
	2017	2018	2019	2020
	US$ in thousands			
Liabilities				
Non-current liabilities				
Provision for long-term employee benefits	3,218	1,839	5,236	4,111
Derivative liabilities	3,259	–	7,875	19,894
Borrowings, net of current maturities	1,047,698	973,768	876,305	833,893
Lease liabilities, net current maturities	–	–	790	700
Deferred tax liabilities	620,640	622,568	628,572	629,124
PLN Make-up account balances	–	13,626	16,215	14,543
Total non-current liabilities	1,674,815	1,611,801	1,534,993	1,502,265
Current Liabilities				
Taxes payable	19,078	19,404	17,382	23,405
Current maturities of borrowings	79,500	71,500	62,500	78,000
Current maturities of lease liabilities	–	–	3,088	1,978
Trade and other payables	1,683	3,345	12,984	4,067
Accrued expenses	29,921	26,342	25,068	12,883
Total current liabilities	130,182	120,591	121,022	120,333
Total liabilities	**1,804,997**	**1,732,392**	**1,656,015**	**1,622,598**
Total equity and liabilities	**2,692,562**	**2,707,280**	**2,695,933**	**2,705,151**

Statement of Cash Flows

	For the years ended and as at December 31,			(Unaudited) For the six-month periods ended and as at June 30,	
	2017[1]	2018	2019	2019	2020
	US$ in thousands				
Consolidated Statement of Cash Flows					
Net cash provided by operating activities	83,601	138,909	142,970	64,271	61,051
Net cash used in investing activities	(1,974,263)	(18,974)	(40,988)	(12,027)	(7,383)
Net cash provided by/(used in) financing activities	1,891,273	(120,266)	(102,112)	(52,422)	(53,660)
Net increase in cash on hand and in banks	611	(331)	(130)	(178)	8
Cash on hand and in banks at the beginning of the period	–	611	280	280	150
Cash on hand and in banks at the end of the period	611	280	150	102	158

(1) As we acquired the shares in the Salak and Darajat Geothermal Operations on March 31, 2017, the financial information presented for the year ended December 31, 2017 effectively only shows our results of operations for a period of only nine months.

Other Financial Data

	As at and for the years ended December 31,			(Unaudited) As at and for the six-month periods ended June 30,	
	2017[21]	2018	2019	2019	2020
	US$ (in thousands, except ratios)				
EBITDA[1] (unaudited)	188,565	264,122	259,065	127,540	141,359
Total Revenue (audited)	241,154	342,085	330,711	160,642	172,167
Profit (loss) (audited)	54,439	84,447	80,465	40,151	53,157
Total Debt[2] (unaudited)	1,127,198	1,045,268	938,805	1,014,407	911,893
Net Debt[3] (unaudited)	1,034,810	923,876	833,488	877,348	785,278
Interest Expense[4] (unaudited)	58,458	71,516	69,400	35,515	30,126
Total Debt to EBITDA[5] (unaudited)	5.98	3.96	3.62	3.91	3.34
Net Debt to EBITDA[6] (unaudited)	5.49	3.50	3.22	3.38	2.88
Total Debt to Equity[7] (unaudited)	1.27	1.07	0.90	1.02	0.84
EBITDA to Interest Expense[8] (unaudited)	3.23	3.69	3.73	3.60	4.26
EBITDA Margin[9] (unaudited)	78%	77%	78%	79%	82%
Profit (loss) Margin[10] (unaudited)	23%	25%	24%	25%	31%
Normalized Operating Profit[11] (unaudited)	135,828	200,881	197,597	95,954	115,908
Normalized Operating Margin[12] (unaudited)	56%	59%	60%	60%	67%
Cash Flow Available for Debt Service[13] (unaudited)	114,648	182,449	161,389	83,080	80,230
Debt Service[14] (unaudited)	108,217	142,014	130,907	66,086	57,437
Debt Service Coverage Ratio[15] (unaudited)	1.1	1.3	1.2	1.3	1.4
Net Profit Margin[16] (unaudited)	23%	25%	24%	25%	31%
Operating Cash Flows[17] (audited)	83,601	138,909	142,970	64,271	61,051
Capital Expenditures[18] (unaudited)	16,269	18,366	40,429	9,591	7,383
Total Expenses and other (losses)/gains[19] (unaudited)	(128,243)	(175,626)	(170,298)	(81,537)	(75,352)
Normalized Operating Expenses in Cents per kWh[20] (unaudited)	1.25	1.40	1.30	1.19	1.01

(1) EBITDA represents net profit/(loss) plus (i) income tax expense/(benefit), (ii) finance costs, (iii) depreciation and amortization, (iv) foreign exchange loss, net and (v) miscellaneous income (expenses), and less (vi) interest income and (vii) foreign exchange (gain), net. EBITDA and the related ratios in this Offering Memorandum are supplemental measures of our performance and liquidity and are not required by, or presented in accordance with IFRS. Furthermore, EBITDA is not a measure of our financial performance or liquidity under IFRS and should not be considered as alternatives to net income, operating income or any other performance measures derived in accordance with IFRS or as alternatives to cash flow from operating activities or as measures of our liquidity. In addition, EBITDA is not a standardized term, hence a direct comparison between companies using such a term may not be possible. Other companies may calculate EBITDA differently from us, limiting its usefulness as a comparative measure. EBITDA as presented herein is calculated differently from Consolidated EBITDA as defined in the Indentures. See "*Description of the Notes—Definitions*" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indentures. Set forth below is a reconciliation of our net profit/(loss) from operations to EBITDA for the periods indicated.

	For the years ended December 31,			(Unaudited) For the six-month periods ended June 30,	
	2017[21]	2018	2019	2019	2020
	US$ in thousands				
Net Profit	54,439	84,447	80,465	40,151	53,157
Plus:					
Income tax expense	58,472	82,012	79,948	38,954	43,658
Finance costs	58,458	71,516	69,400	35,515	30,126
Depreciation and amortization	17,242	23,017	26,732	13,393	13,774
Foreign exchange loss, net	362	2,434	–	–	645
Miscellaneous	(386)	701	3,136	(134)	2
Less:					
Interest income	(22)	(5)	(7)	(5)	(3)
Foreign exchange (gain), net	–	–	(609)	(334)	–
EBITDA (unaudited)	**188,565**	**264,122**	**259,065**	**127,540**	**141,359**

(2) Total debt represents total borrowings excluding subordinated shareholder loans. Please note that total debt defined herein is different from the total long-term debt defined in the "*Capitalization*" section.

(3) Net debt represents total debt as defined in (2) above, less cash and cash equivalents, restricted cash and long-term deposits. Set forth below shows how net debt is calculated:

	As at December 31,			(Unaudited) As at June 30,	
	2017	2018	2019	2019	2020
	US$ in thousands				
Total debt	1,127,198	1,045,268	938,805	1,014,407	911,893
Less:					
Cash and cash equivalents	(611)	(280)	(150)	(102)	(158)
Restricted cash	(91,777)	(121,112)	(105,167)	(136,957)	(126,457)
Net debt	**1,034,810**	**923,876**	**833,488**	**877,348**	**785,278**

(4) Interest expenses equals finance costs plus capitalized borrowing costs, if any.

(5) The ratio of total debt to EBITDA is calculated by dividing total debt as defined in (2) above as at the end of the year/period by EBITDA for the same year/period. Our figures for the six-month periods ended June 30, 2019 and 2020 are calculated on a LTM basis.

(6) The ratio of net debt to EBITDA is calculated by dividing net debt as at the end of the year/period by EBITDA for the same year/period. Our figures for the six-month periods ended June 30, 2019 and 2020 are calculated on a LTM basis.

(7) The ratio of total debt to equity is calculated by dividing the total debt as defined in (2) above as at the end of the year/period by stockholder's equity-net as at the end of the same period.

(8) The ratio of EBITDA to interest expense is calculated by dividing EBITDA for the relevant year/period by interest expenses for the same period. Our figures for the six-month periods ended June 30, 2019 and 2020 are calculated on LTM basis.

(9) The EBITDA margin is calculated by dividing EBITDA for the relevant year/period by revenues for the same period.

(10) The profit (loss) margin is calculated by dividing profit (loss) for the relevant year/period by revenues for the same period.

(11) Normalized operating profit represents our profit before income tax expense without taking into consideration foreign exchange gain (loss), miscellaneous income (expense), depreciation and amortization and production allowance to PGE. Set forth below is a reconciliation of our profit before income tax expense to normalized operating profit:

	For the years ended December 31,			(Unaudited) For the six-month periods ended June 30,	
	2017[21]	2018	2019	2019	2020
	US$ in thousands				
Profit before income tax expense	112,911	166,459	160,413	79,105	96,815
Add back:					
Foreign exchange gain (loss), net	362	2,434	(609)	(334)	645
Miscellaneous income (expense)	(386)	701	3,136	(134)	2
Depreciation and amortization	17,242	23,017	26,732	13,393	13,774
Production Allowance to PGE	5,699	8,270	7,925	3,924	4,672
Normalized operating profit (unaudited)	135,828	200,881	197,597	95,954	115,908

(12) Normalized operating margin is calculated by dividing the normalized operating profit for the relevant year/period by total revenues for the same period.

(13) Cash flow available for debt service represents in respect of any relevant period, EBITDA for that relevant period after: (i) adding the amount of any decrease (and deducting the amount of any increase) in working capital for that relevant period, (ii) adding the amount of any cash receipts (and deducting the amount of any cash payments) during that relevant period in respect of any exceptional items not already taken account of in calculating EBITDA for any relevant period (other than, in the case of cash receipts, relevant proceeds), (iii) adding the amount of any cash receipts during that relevant period in respect of any tax rebates or credits and deducting the amount actually paid in respect of taxes during that relevant period by any member of the group, (iv) deducting (to the extent not already deducted in determining EBITDA) the amount of dividends paid in cash during the relevant period, (v) adding the amount of any increase in provisions, other non-cash debits and other non-cash charges (which are not current assets or current liabilities (and deducting the amount of any non-cash credits (which are not current assets or current liabilities) in each case to the extent taken into account in establishing EBITDA and (vi) deducting the amount of any capital expenditure actually made in cash during that relevant period except (in each case) to the extent funded from the proceeds of any disposal or insurance claims permitted to be retained for this purposes.

(14) Debt Service represents the aggregate of: (A) interest paid for that relevant period, and (B) all scheduled and mandatory repayments of borrowings falling due during that relevant period.

(15) Debt Service Coverage Ratio is calculated by dividing cash flow available for debt service for the relevant year/period by debt service for the same period. Our Debt Service Coverage Ratio for 2017 reflects our cash flow available for debt service for a nine-month period in light of the timing of the Darajat and Salak Acquisitions.

(16) Net profit margin is the ratio of net profits to revenues (expressed as a percentage).

(17) Operating cash flows is taken from net cash flows provided by operating activities shown in the statement of cash flows.

(18) Capital expenditure is the use of funds or an assumption of a liability in order to obtain or upgrade physical assets.

(19) Total Expenses and other (losses)/gains represent profit before income tax expense minus total revenue.

	For the years ended December 31,			For the six-month periods ended June 30,	
	2017[21]	2018	2019	2019	2020
	US$ in thousands				
Total Expenses and other (losses)/gains (Unaudited)[19]	(128,243)	(175,626)	(170,298)	(81,537)	(75,352)
Add back:					
Finance costs	58,458	71,516	69,400	35,515	30,126
Foreign exchange gain (loss), net	362	2,434	(609)	(334)	645
Interest income	(22)	(5)	(7)	(5)	(3)
Miscellaneous income (expenses)	(386)	701	3,136	(134)	2
Depreciation and amortization	17,242	23,017	26,732	13,393	13,774
Production allowance to PGE	5,699	8,270	7,925	3,924	4,672
Normalized operating expenses	(46,890)	(69,693)	(63,721)	(29,178)	(26,136)
Net Dispatch (in MWh)	3,748	4,990	4,904	2,442	2,586
Normalized operating expenses in cents per kWh	1.25	1.40	1.30	1.19	1.01
Total Expenses and other (losses)/gains (Unaudited)[19]	**(128,243)**	**(175,626)**	**(170,298)**	**(81,537)**	**(75,352)**

(20) Normalized operating expenses per kWh represents the ratio of our Total Expenses (as defined above) without taking into consideration depreciation and amortization, finance costs, foreign exchange gain (loss), interest income, miscellaneous income (expenses) and production allowance to PGE, to net dispatch.

(21) As we acquired the shares in the Salak and Darajat Geothermal Operations on March 31, 2017, the financial information presented for the year ended December 31, 2017 effectively only shows our results of operations for a period of only nine months.

Operating Data

		For the years ended December 31,			For the six-month periods ended June 30,	
	Unit	2017[5]	2018[6]	2019[7][8]	2019	2020
Darajat Unit 1 Operating History						
Net Dispatch[1]	GWh	306	206	351	214	207
Availability[2]	%	93	45	79	97	100
Net Capacity Factor[3]	%	91	45	76	93	90
Darajat Units 2 and 3 Operating History						
Net Dispatch[1]	GWh	1,244	1,765	1,661	766	877
Availability[2]	%	97	99	93	87	100
Net Capacity Factor[3]	%	92	97	91	85	97
Darajat Units 1, 2 and 3 Operating History						
End of Period Total Steam Flow Available[4]	(kg/s)	515	529	554	514	544
Salak Units 1, 2 and 3 Operating History						
Net Dispatch[1]	GWh	1,026	1,450	1,310	677	712
Availability[2]	%	92	98	89	93	98
Net Capacity Factor[3]	%	90	97	88	92	96
Salak Units 4, 5 and 6 Operating History						
Net Dispatch[1]	GWh	1,172	1,568	1,582	784	789
Availability[2]	%	98	99	100	100	99
Net Capacity Factor[3]	%	97	98	99	99	99
Salak Units 1 to 6 Operating History						
End of Period Total Steam Flow Available[4]	(kg/s)	888	855	876	822	864

(1) Net dispatch means the net electricity sent out of the relevant geothermal turbine-generator unit to PLN (after the deduction of the electricity used to run our power plant).

(2) Availability means the number of hours during a period when the relevant geothermal turbine-generator is available for service divided by the total number of hours in the relevant period, expressed as a percentage.

(3) Net capacity factor means the ratio of the actual output of the relevant geothermal turbine-generator to the theoretical output assuming full capacity usage (excluding planned maintenance).

(4) End of period total steam flow available means the total steam from all wells which are available at the wellhead at the end of the relevant period, expressed in kg of steam per second.

(5) As we acquired the shares in the Salak and Darajat Geothermal Operations on March 31, 2017, the operational data presented for the year ended December 31, 2017 effectively shows our results of operations for a period of only nine months.

(6) Darajat Unit 1 was shut down from March 18, 2018 to September 29, 2018 by PT Indonesia Power due to high vibration. It resumed normal operations on September 30, 2018.

(7) Darajat Unit 1 experienced a prolonged shutdown of approximately 78 days in 2019 compared to a planned shutdown for 25 days, partially as a result of repair works to its digital electronic hydraulic control and turbine rotor. Darajat Unit 2 was shut down for an additional 18 days for a total of 48 days that year compared to a planned shutdown for 30 days, also as a result of high vibration of a turbine.

(8) In 2019, Salak Unit 1 experienced a prolonged shutdown of approximately 52 days compared to the planned 25 days due to high vibration of its turbines. That same year, Salak Unit 2 was shutdown for scheduled maintenance for 70 days compared to the typical two weeks.

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

The following discussion should be read in conjunction with our audited consolidated financial statements and the related notes thereto included elsewhere in this offering memorandum as at and for the years ended December 31, 2017, 2018 and 2019 which have been audited by Ernst & Young Accountants LLP, independent auditors, in accordance with Dutch law, including the Dutch Standards on Auditing, as stated in their audit report appearing elsewhere in this Offering Memorandum. Our audited consolidated financial statements have been prepared and presented in accordance with IFRS for all periods presented.

This discussion should also be read in conjunction with our consolidated financial statements and the related notes thereto included elsewhere in this offering memorandum as at and for the six months ended June 30, 2019 and 2020 which have been reviewed by Ernst & Young Accountants LLP, independent auditors, in accordance with Dutch law including Standard 2410, "Review of Interim Financial Information Performed by the Independent Auditor". Our unaudited consolidated financial statements have been prepared and presented in accordance with IFRS for all periods presented.

This section includes forward-looking statements that involve risks and uncertainties. All statements, other than statements of historical fact, included in this section that address activities, events or developments, which we anticipate will or may occur in the future, are forward-looking statements. These statements are based upon assumptions and analyzes we made in light of experience and our perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including, but not limited to, those set forth under "Risk Factors" and elsewhere in this Offering Memorandum.

Overview

We operate two geothermal operations, namely:

- the Darajat Geothermal Operations — consisting of field facilities and electricity generating facilities, located in Garut Regency and Bandung Regency in West Java, Indonesia, including all rights and obligations pursuant to the Darajat JOC and the Darajat ESC; and
- the Salak Geothermal Operations — consisting of field facilities and electricity generating facilities located in Sukabumi Regency and Bogor Regency in West Java, including all rights and obligations pursuant to the Salak JOC and the Salak ESC.

The Darajat Geothermal Operations and the Salak Geothermal Operations have a gross installed generation capacity of 271 MW and 377 MW, respectively, inclusive of steam sales capacity of 55 MW and 180 MW, respectively.

Our Company was incorporated on December 16, 2016 by Star Energy Geothermal Holdings (Salak—Darajat) B.V. and ACEHI Netherlands B.V., a wholly-owned subsidiary of Ayala Corporation. Our Company acquired the shares held in the Salak Contractors from subsidiaries and affiliates of Chevron on March 31, 2017 and acquired 95% of the shares held in DGI, which holds a 5% participating interest in Darajat Units 2 and 3 and any future units, on September 27, 2017.

Each of the Darajat Geothermal Operations and Salak Geothermal Operations are based on two main types of contracts. Under the terms of each of the Darajat JOC and the Salak JOC, each entered into with PGE as the holder of the authority issued by the Government to undertake the exploration and exploitation of geothermal resources in each of the Darajat and Salak contract areas, we have the exclusive right to explore, discover, develop, produce, transport, deliver and utilize geothermal energy in the Darajat and Salak contract areas, which includes the design, construction and operation of field facilities and electricity generation facilities to be fueled by geothermal energy thus generated. Under the terms of the Darajat ESC and the Salak ESC, each being a long-term energy sales contract, and as the contractor of PGE for each of the Darajat and Salak contract areas, we also have the exclusive right to convert geothermal energy to electricity and to deliver such electricity to PLN, Indonesia's state-owned electricity provider. See "*Description of Material Contracts*".

Our total revenues for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020 were US$241.2 million, US$342.1 million, US$330.7 million, US$160.6 million and US$172.2 million, respectively. Our EBITDA for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020 was US$188.6 million, US$264.1 million, US$259.1 million, US$127.5 million and US$141.4 million, respectively, and our profit for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020 was US$54.4 million, US$84.4 million, US$80.5 million, US$40.2 million and US$53.2 million, respectively. Our EBITDA margin, which is the ratio of EBITDA to total revenues, for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020 was 78%, 77%, 78%, 79% and 82%.

Acquisition of Darajat and Salak Geothermal Operations and Presentation of Financial Information

Our Company was incorporated on December 16, 2016 by Star Energy Geothermal Holdings (Salak – Darajat) B.V. and ACEHI Netherlands B.V., a wholly-owned subsidiary of Ayala Corporation. Our Company acquired the shares held in the Salak Contractors from subsidiaries and affiliates of Chevron on March 31, 2017 and acquired 95% of the shares held in DGI, which holds a 5% participating interest in Darajat Units 2 and 3 and any future units, on September 27, 2017 (together, the "**Darajat and Salak Acquisitions**").

Accordingly, and in relation to the financial information disclosed and presented in this Offering Memorandum, the consolidated statement of profit and loss and consolidated statement of cash flows for our Company's first financial year ended December 31, 2017 (i) are in respect of a financial year starting on December 16, 2016 and ended on December 31, 2017; (ii) include the results of operations and cash flows of the Salak Contractors for a period of nine months (i.e. from the date of acquisition of shares); and (iii) include the results of operations and cash flows of DGI for a period of approximately three months (i.e. from the date of acquisition of shares). For these reasons, the period-to-period comparisons of our Company's results of operations and cash flows for the financial year ended December 31, 2017 and December 31, 2018 may not be meaningful and caution should accordingly be exercised in using such comparisons as a basis for any investment decision or to predict the future performance of our Company.

Significant Factors Affecting Our Results of Operations

Set out below are some of the more significant factors that have affected our results of operations in the past, as well as factors that are currently expected to affect our results of operations in the foreseeable future. Other factors beyond those identified below may materially affect our results of operations. See "*Risk Factors*" in this Offering Memorandum.

Capacity and Availability of the Darajat and Salak Geothermal Operations

As of the date of this Offering Memorandum, we operate two geothermal operations, namely the Darajat and Salak Geothermal Operations. Substantially all of our revenues arise from the tariff we earn from generating and delivering electricity to PGE and PLN (as the case may be) pursuant to the Darajat and Salak ESCs. Our ability to generate revenue and the level of revenue we are able to generate is primarily based on the capacity and availability of our field facilities and electricity generating facilities, as well as on the tariff (see "—*Tariff*" below). The number and capacity of our geothermal turbine-generator units, the capacities of the SAGS and power plant equipment at our facilities and the availability of steam supply dictate our electricity generating capacity. As of the date of this Offering Memorandum, the Darajat Geothermal Operations have a gross installed generation capacity of 271 MW and the Salak Geothermal Operations have a gross installed capacity of 377 MW, inclusive of steam sales capacity of 55 MW and 180 MW, respectively. The relevant ESCs entered into by Darajat and Salak Contractors, with PLN are take-or-pay contracts, pursuant to which the tariff is paid for regardless of whether electricity is dispatched by PLN.

The availability of our power plant also affects our revenues and is in turn affected by a variety of factors, including, the need to shut down the power plant for scheduled and unscheduled overhauls, maintenance and repairs, and the impact of our well maintenance and repair requirements. For example, Darajat Unit 1 experienced prolonged maintenance periods in 2018 and 2019, which affected its availability for such periods. Similarly, Salak Unit 1 experienced a prolonged shutdown in 2019 as a result of high vibration of its turbines. Excluding the impact of forced shutdowns, the availability of our power plant is primarily affected by scheduled maintenance activities.

For Darajat Unit 1, scheduled major overhauls typically result in a shutdown for a period of approximately 25 days every two years whereas for Darajat Units 2 and 3, scheduled major overhauls typically result in a shutdown for a period of approximately 21 days every three to four years. For Salak Units 1 to 3, major overhauls typically result in a shutdown for a period of approximately 25 to 30 days every three years, whereas for Salak Units 4 to 6, major overhauls typically result in a shutdown for a period of approximately 16 days every four years.

In addition, shutdowns caused by other activities we undertake in the contract area may also affect the availability of our power plant. See "*Business—Plant Operations and Maintenance*".

The average operational performance of the Darajat Geothermal Operations for the time periods indicated is shown below:

	For the years ended December 31,			For the six-month periods ended June 30,	
	2017[5]	**2018[6]**	**2019[7]**	**2019**	**2020**
Darajat Geothermal Operations					
Net dispatch (GWh)[1]					
Unit 1	306	206	351	214	207
Units 2 & 3	1,244	1,765	1,661	766	877
Net Capacity Factor (%)[2]					
Unit 1	91	45	76	93	90
Units 2 & 3	92	97	91	85	97
Availability (%)[3]					
Unit 1	93	45	79	97	100
Units 2 & 3	97	99	93	87	100
End of Period Total Steam Flow Available (kg/s)[4]					
Units 1 to 3	515	529	554	514	544

(1) Net dispatch means the net electricity sent out of the relevant geothermal turbine-generator unit to PLN (after the deduction of the electricity used to run the Darajat Geothermal Operations).

(2) Net capacity factor means the ratio of the actual net generation to the net maximum generation from the geothermal turbine-generator.

(3) Availability means the number of hours during a period when the relevant geothermal turbine-generator is available for service divided by the total number of hours in the relevant period, expressed as a percentage.

(4) End of period total steam flow available means the total steam from all wells which are available at the wellhead at the end of the relevant period, expressed in kg of steam per second.

(5) As we acquired the shares in the Salak and Darajat Geothermal Operations on March 31, 2017, the operational data presented for the year ended December 31, 2017 effectively shows our results of operations for a period of only nine months.

(6) Darajat Unit 1 was shut down from March 18, 2018 to September 29, 2018 by PT Indonesia Power due to high vibration. It resumed normal operations on September 30, 2018.

(7) Darajat Unit 1 experienced a prolonged shutdown of approximately 78 days in 2019 compared to a planned shutdown for 25 days, partially as a result of repair works to its digital electronic hydraulic control and turbine rotor. Darajat Unit 2 was shut down for an additional 18 days for a total of 48 days that year compared to a planned shutdown for 30 days, also as a result of high vibration of a turbine.

The average operational performance of the units of the Salak Geothermal Operations for the time periods indicated is shown below:

	For the years ended December 31,			For the six-month periods ended June 30,	
	2017(5)	2018	2019(6)	2019	2020
Salak Geothermal Operations					
Net dispatch (GWh)(1)					
Units 1 to 3	1,026	1,450	1,310	677	712
Units 4 to 6	1,172	1,568	1,582	784	789
Net Capacity Factor (%)(2)					
Units 1 to 3	90	97	88	92	96
Units 4 to 6	97	98	99	99	99
Availability (%)(3)					
Units 1 to 3	92	98	89	93	98
Units 4 to 6	98	99	100	100	99
End of Period Steam Flow Available (kg/s)(4)					
Units 1 to 6	888	855	876	822	864

(1) Net dispatch means the net electricity sent out of the relevant geothermal turbine-generator unit to PLN (after the deduction of the electricity used to run the Salak Geothermal Operations).

(2) Net capacity factor means the ratio of the actual net generation to the net maximum generation from the geothermal turbine-generator.

(3) Availability means the number of hours during a period when the relevant geothermal turbine-generator is available for service divided by the total number of hours in the relevant period, expressed as a percentage.

(4) End of period total steam flow available means the total steam from all wells which are available at the wellhead at the end of the relevant period, expressed in kg of steam per second.

(5) As we acquired the shares in the Salak and Darajat Geothermal Operations on March 31, 2017, the operational data presented for the year ended December 31, 2017 effectively shows our results of operations for a period of only nine months.

(6) In 2019, Salak Unit 1 experienced a prolonged shutdown of approximately 52 days compared to the planned 25 days due to high vibration of its turbines. That same year, Salak Unit 2 was shutdown for scheduled maintenance for 70 days compared to the typical two weeks.

Tariff

The electricity and the geothermal energy generated by the power plants in the Darajat and Salak Geothermal Operations is sold to PLN on a "take-or-pay" basis under the relevant ESCs. There are certain take-or-pay minimum thresholds under the ESCs. Under the Salak ESC, the minimum threshold is 95.06% of the combined unit rated capacity for Salak Units 1, 2 and 3 during a three-year generation period (which can be reduced to 90.08% for each three-year generation period if PLN makes a one-time payment in an amount specified in the Salak ESC), and 90.14% of the combined unit rated capacity for Salak Units 4, 5 and 6 during a three-year generation period. Under the Darajat ESC, the minimum threshold is 80.0% of unit rated capacity for Darajat Unit 1 and 95.0% of the average gross generating capacity of the relevant unit(s) during the most recent unit rated capacity test for each of Darajat Units 2 and 3. PLN and, as applicable, PGE, pays us a tariff based on a predetermined formula that consists of a fixed component and a variable component, which is subject to escalation. Movements in various indices affected by general economic conditions, such as the US Consumer Price Index ("**CPI**") and the Indonesian CPI, have a direct impact on the calculation of tariff payable by PLN or, as applicable, PGE, to us. Movements in these indices could either increase or decrease the tariff payable by PLN or, as applicable, PGE, to us and could, in turn, increase or decrease our revenues and affect our results of operations. See "*Description of Material Contracts—The Darajat Geothermal Operations—The Darajat Energy Sales Contract—Tariff*" and "*—The Salak Geothermal Operations—The Salak Energy Sales Contract—Tariff*".

The tariff payable to us under the Darajat ESC is most affected by movements in the US CPI whereas the tariff payable to us under the Salak ESC is most affected by movements in the Oil Field Machinery Tools Index. Based on the average tariff for 2019, a 10% decrease in the US CPI would result in a 6% decrease in the Darajat tariff payable to us while a 10% increase in the US CPI would result in a 6% increase. Based on the average tariff for 2019, a 10% decrease in the Oil Field Machinery Tools Index would result in a 5% decrease in the Salak tariff payable to us while a 10% increase in the Oil Field Machinery Tools Index would result in a 4% increase.

The table below illustrates the sensitivity of our tariffs to fluctuations in the variable components of the tariff formula. In this illustration, the base case used is the average actual tariff that was paid by PLN to us in 2019 for Darajat and Salak, respectively. We then apply a 10% increase or decrease to each variable component of the tariff. The average actual tariff in 2019 was US$0.06628 per kWh for Darajat and US$0.06835 per kWh for Salak.

	Darajat: weighted average tariff for 2019				
Variable	**Decrease 10%**		**Increase 10%**		**Range**
	(US$)	**%**	**(US$)**	**%**	**(US$)**
US CPI(1)	0.06234	6	0.07014	6	0.00780
Exchange rate(2)	0.06390	4	0.06872	4	0.00482
Indonesian CPI(3)	0.06390	4	0.06872	4	0.00482

	Salak: weighted average tariff for 2019				
Variable	**Decrease 10%**		**Increase 10%**		**Range**
	(US$)	**%**	**(US$)**	**%**	**(US$)**
Exchange rate(2)	0.06713	2	0.06965	2	0.00252
Indonesian CPI(3)	0.06713	2	0.06965	2	0.00252
Oil Field Machinery Tools Index(4)	0.06550	4	0.07124	4	0.00574
US PPI Index(5)	0.06614	3	0.07063	3	0.00449

(1) The US Consumer Price Index as reported by the US Bureau of Statistics (the "**US CPI**").

(2) The monetary exchange factor which is based on the Bank Indonesia selling rate of exchange in Rupiah per US dollar (the "**Exchange Rate**"). As illustrated in the table above, an appreciation in the value of the Rupiah (i.e. a decrease in the amount of Rupiah needed to acquire one US dollar) results in an increase in the tariff and a depreciation in the value of the Rupiah (i.e. an increase in the amount of Rupiah needed to acquire one US dollar) results in a decrease in the tariff payable by PLN to us.

(3) The Indonesian Consumer Price Index which is published by the Central Bureau of Statistics (the "**Indonesian CPI**").

(4) The Oil Field Machinery Tools Index published by the US Department of Labor, Bureau of Labor Statistics, Producer Prices and Price Indexes, Table 6, Code No. 1191 (the "**Oil Field Machinery Tools Index**").

(5) The US Producer Price Index for all commodities, published by the US Department of Labor, Bureau of Labor Statistics, Producer Prices and Price Indexes, Table 6 (the "**US PPI Index**").

We calculate the applicable tariff on a monthly basis using the formula in the respective ESCs for electricity and geothermal energy dispatched in the preceding month.

The average tariffs are set out in the table below for the periods presented:

	For the years ended December 31,			For the six-month periods ended June 30,	
	2017[2]	2018	2019	2019	2020
			(US$/kWh)		
For the geothermal energy generated by Unit 1 of the Darajat Geothermal Operations	0.04415	0.04663	0.04646	0.04501	0.04766
For the electricity generated by Units 2 and 3 of the Darajat Geothermal Operations	0.06941	0.07018	0.07132	0.07058	0.07212
For the geothermal energy generated by Units 1, 2 and 3 of the Salak Geothermal Operations	0.06129	0.06228	0.06292	0.06261	0.06260
For the electricity generated by Units 4, 5 and 6 of the Salak Geothermal Operations	0.07132	0.07232	0.07296	0.07276	0.07272

(1) Average tariffs are derived by dividing total revenue (according to JOC accounting basis) by the total invoice for electricity generated.

(2) As we acquired the shares in the Salak and Darajat Geothermal Operations on March 31, 2017, the average tariffs presented for the year ended December 31, 2017 is based on our operations for a period of nine months.

Exchange Rate Fluctuations

Movements in the value of the Rupiah affect the tariff payable to us by PLN or as applicable, PGE. Under the terms of the Darajat and Salak ESCs, this is referred to and defined as the monetary exchange factor. An appreciation of the Rupiah against the US dollar would result in an increase in the tariff payable to us, while depreciation of the Rupiah would result in a decrease in the tariff payable. Thus, a depreciation of the Rupiah against the US dollar would reduce our revenue, and *vice versa*. For the sensitivity of the respective tariff in connection with the fluctuation of the exchange rate of Rupiah to US dollars, see "—*Tariff*", above.

We are also subject to exchange rate risk. While all of our revenues are denominated in US dollars, a proportion of our operating expenses, such as employee compensation and benefits expenses, are denominated in Rupiah. For the years ended December 31, 2017, 2018 and 2019 and the six month ended June 30, 2019 and 2020, employee compensation and benefits expenses were 30.8%, 35.7%, 34.5% 39.7%, and 36.7% respectively, of our total expenses. To the extent our operating expenses are not denominated in US dollars, we are exposed to fluctuations in currency exchange rates. In addition, certain of our assets, such as VAT receivables, are denominated in Rupiah. Our exposure to movements in the Rupiah-US dollar exchange rate is, however, partially mitigated by the monetary exchange factor component of our tariff.

Our Relationship with PLN and PGE

Events that would adversely impact PLN or PGE's results of operations and financial condition could also have an impact on us, as the electricity and the geothermal energy generated by the power plants in the Darajat and Salak Geothermal Operations is sold to PLN on a take-or-pay basis under the relevant ESCs, and substantially all of our revenues arise from the tariff we earn from generating and delivering electricity to PGE and PLN (as the case may be) pursuant to the Darajat and Salak ESCs.

There are various factors that could affect PLN or PGE's financial condition, including government policies that apply to PLN and PGE, delay in obtaining parliamentary approval of tariff rates as well as regulatory developments and changes that are either underway or that have been proposed in relation to PLN, PGE and the Indonesian power industry. In the event that PLN is unable to utilize the priority granted to it, the Government may grant the rights to provide electricity for public interest to other parties, including private business enterprises. Any regulatory change that adversely affects, directly or indirectly, PLN or PGE could have a significant effect on our results of operations. In any financial period where PLN or PGE does not make timely payments under the relevant ESCs and JOCs, as applicable, our results of operations and cash flows will be affected. Any regulatory change that adversely affects PLN could have a significant effect on our operations and financial results. See also "*Risk Factors—Risks Relating to our Business—We are subject to risks associated with reliance on PLN and PGE*" and "*Description of Material Contracts*".

Drilling expenses and capital expenditures

Our business involves the exploration, development and production of geothermal energy resources from the Darajat and Salak contract areas and our results of operations are, to a certain extent, dependent on our drilling and well expenses and capital expenditures related to the exploration of geothermal energy resources. Our capital expenditures increased significantly to US$40.4 million in the year ended December 31, 2019 from US$18.4 million in the year ended December 31, 2018 as a result of planned drilling activities in the Darajat Geothermal Operations. Our planned capital expenditures will decrease in the year ended December 31, 2020 as a result of measures enacted in relation to Covid-19 before increasing in the years ended December 31, 2021 and 2022. For more information, see "*—Capital Expenditures*". We have however, developed several well-drilling and completion techniques to help lower capital expenditures. For more information, see "*Business—Strengths—Operational excellence with a strong technical track record and cost-efficient strategies*".

See also "*Risk Factors—Risks Relating to the Geothermal and Energy Industry—Our exploration, development and production of geothermal energy resources are subject to geological risks and uncertainties*."

Taxation

Our Company is a limited liability company incorporated and domiciled in the Netherlands. However, as our operations are based in Indonesia, our main operating subsidiaries, SEGSL, SEGDI, SEGDII and SEGSPL, are subject to Indonesian corporate income tax and other taxes.

Our business and operations are governed by the Indonesian tax regime that applied at the time the original JOCs took effect and by the terms of the relevant JOCs. We will continue to be governed by such tax regime until the end of the term of the relevant JOCs. Moreover, under the relevant JOCs, tax provisions specifically stipulated under the relevant JOCs prevail over the general provisions of the tax laws. Pursuant to the terms of the relevant JOCs, our business and operations are subject to the following tax obligations and allowances:

- corporate income tax at a rate not to exceed 34.0% of net operating income (taxable income minus deductible expenses, excluding other taxes and levies as set forth in the 1984 Indonesian income tax law ("**1984 Tax Law**"));

- in calculating our corporate income taxes, we are entitled to deduct the production allowance/royalty fee paid to PGE and all related well expenditures, including drilling in the year in which the costs are incurred, from our annual profits (however, see also "*Risk Factors—Risks Relating to our Business—Star Energy is subject to uncertainties as to the whether the Production Allowance under the Darajat JOC and Salak JOC is tax deductible*");

- other taxes, including VAT, land and building taxes and levies, are to be borne and reimbursed by the Government;

- we may import equipment for and related to our operations into Indonesia free from import duties, VAT, sales taxes and other levies for the term of the relevant JOCs, provided that such imported items are not produced or manufactured in Indonesia on a reasonably competitive basis;

- tax losses incurred prior to the date of first operation for the initial unit can be credited against gross income in the year of the date of first operation;

- losses incurred commencing the year following the commencement of commercial operations of the respective geothermal operations' initial unit can be carried forward up to eight years (pursuant to the terms of the respective JOCs); and

- we are allowed to deduct from income an amount for recovery of expenditures in respect of depreciable assets notwithstanding that the provisions of the relevant JOCs vest title of certain assets in PGE.

Under prevailing tax laws, the utilization of tax losses carry forward follows a first-in first-out principle.

We collect and pay VAT on the goods and services acquired for our operations. Pursuant to applicable laws, we expect to be reimbursed by the Government for VAT that has accumulated since we commenced payments of corporate income tax, at a rate of 34.0%. We have since sent tax refund letters to the Government requesting VAT refunds.

See "*Risk Factors—Risks Relating to our Business—We are subject to uncertainties as to the interpretation and application of certain Indonesian tax laws*" and "*Regulation and Regulatory Framework of the Indonesian Geothermal Power and Electricity Industry—Taxation*".

Description of Key Income Statement Line Items

Total Revenues

Substantially all of our revenues arise from the tariffs we earn from generating and delivering steam and electricity to PGE and PLN (as the case may be) pursuant to the Darajat and Salak ESCs. However, since the contractual arrangements under the relevant JOCs contain lease and related executory and maintenance costs, applying the relevant accounting policy, our revenue from contracts with PLN are separated into "revenue from contracts with customers" and "finance lease income" on a relative fair value basis. See notes 3(b) and 2.21 to our consolidated financial statements for the years ended December 31, 2017, 2018 and 2019 and notes 3(b) and 2.20 to our interim consolidated financial statements for the six-month period ended June 30, 2020, which describes the designation of the JOCs as an operating lease.

Revenue from contracts with customers includes revenue from the sale of steam and sale of electricity.

Electricity revenue represents the portion of revenue that recovers the operation and maintenance of the power plants while finance lease income represents the portion of revenue that recovers the investment in the power plants. The same is not applicable for revenue from sales of steam.

Electricity revenue and steam revenue are recognized in accordance with IFRS 15 *Revenue from Contracts with Customers*, while finance lease income is recognized in accordance with IFRS 16 *Leases*.

The following table sets out the portions of our revenues that we have designated as revenue from contracts and finance lease income respectively, in amounts and as percentages of our total revenues for the periods presented.

	For the years ended December 31,						**(Unaudited) For the six-month periods ended June 30,**			
	2017[1]		**2018**		**2019**		**2019**		**2020**	
	US$	**%**	**US$**	**%**	**US$**	**%**	**US$**	**%**	**US$**	**%**
	(in thousands, except percentages)									
Revenue from contracts with customers										
Electricity	132,046	54.8	189,006	55.2	185,590	56.1	86,886	54.1	96,389	56.0
Steam	76,572	31.7	109,380	32.0	101,936	30.8	52,164	32.5	54,470	31.6
	208,618	**86.5**	**298,386**	**87.2**	**287,526**	**86.9**	**139,050**	**86.6**	**150,859**	**87.6**
Finance lease income	32,536	13.5	43,699	12.8	43,185	13.1	21,592	13.4	21,308	12.4
Total revenues	**241,154**	**100.0**	**342,085**	**100.0**	**330,711**	**100.0**	**160,642**	**100.0**	**172,167**	**100.0**

(1) As we acquired the shares in the Salak and Darajat Geothermal Operations on March 31, 2017, the financial information presented for the year ended December 31, 2017 effectively only shows our results of operations for a period of only nine months.

Expenses and Other Expenses and/or Income

Our expenses consist of depreciation and amortization, employees' compensation and benefits, consultant and technician expenses, production allowance to PGE, supplies and equipment, transportation and logistics, insurance, pension costs, donation and sponsorship expenses and other operating expenses.

Other expenses and other income consist of finance costs, accretion of interest on lease liabilities, interest income, net foreign exchange gains or losses and miscellaneous expenses.

The following table sets out the components of our expenses and other expenses and/or income in amounts and as percentages of our total expenses and other expenses and/or income for the periods indicated:

	For the years ended December 31,						(Unaudited) For the six-month periods ended June 30,			
	2017[1]		2018		2019		2019		2020	
	US$	%	US$	%	US$	%	US$	%	US$	%
	(in thousands, except percentages)									
Operating Expenses:										
Depreciation and amortization	(17,242)	24.7	(23,017)	22.8	(26,732)	27.2	(13,393)	28.8	(13,774)	30.9
Employees' compensation and benefits	(21,484)	30.8	(36,069)	35.7	(33,917)	34.5	(18,444)	39.7	(16,352)	36.7
Consultants and technicians	(14,217)	20.4	(16,033)	15.9	(16,203)	16.5	(6,023)	13.0	(5,835)	13.1
Production allowance to PGE	(5,699)	8.2	(8,270)	8.2	(7,925)	8.1	(3,924)	8.4	(4,672)	10.5
Supplies and equipment	(4,370)	6.3	(9,184)	9.1	(7,710)	7.8	(2,364)	5.1	(1,699)	3.8
Transportation and logistics	(2,530)	3.6	(2,793)	2.8	(1,110)	1.1	(470)	1.0	(484)	1.1
Insurance	(2,522)	3.6	(3,748)	3.7	(3,335)	3.4	(1,697)	3.6	(1,476)	3.3
Donation and sponsorship	(1,306)	1.8	(1,480)	1.5	(905)	0.9	(49)	0.1	(239)	0.5
Others	(461)	0.6	(386)	0.3	(541)	0.5	(131)	0.3	(51)	0.1
Total	**(69,831)**	**100.0**	**(100,980)**	**100.0**	**(98,378)**	**100.0**	**(46,495)**	**100.0**	**(44,582)**	**100.0**
Other (expenses)/ income:										
Finance costs	(58,458)	100.1	(71,516)	95.8	(69,400)	96.5	(35,515)	101.4	(30,126)	97.9
Interest income	22	(0.0)	5	(0.0)	7	(0.0)	5	(0.0)	3	(0.0)
Foreign exchange gain/(loss), net	(362)	0.6	(2,434)	3.3	609	(0.8)	334	(1.0)	(645)	2.1
Miscellaneous income	386	(0.7)	(701)	0.9	(3,136)	4.3	134	(0.4)	(2)	0.0
Total	**(58,412)**	**100.0**	**(74,646)**	**100.0**	**(71,920)**	**100.0**	**(35,042)**	**100.0**	**(30,770)**	**100.0**

(1) As we acquired the shares in the Salak and Darajat Geothermal Operations on March 31, 2017, the financial information presented for the year ended December 31, 2017 effectively only shows our results of operations for a period of only nine months.

Depreciation and amortization

We depreciate the cost of land rights and leasehold improvements, buildings, office equipment, vehicles, furniture and fixtures, machinery and electricity generation facilities on a straight-line basis over the estimated useful life of each asset. Field facilities are depreciated using the unit of production method (tons of steam produced over the estimated tons of steam to be produced over the generation term). The useful life and method of depreciation are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of property on operating lease. Costs to acquire and prepare software for use are recorded as intangible assets and amortized over five years using the straight line method.

Employees' compensation and benefits

Employees' compensation and benefits makes up the largest component of our operating expenses. Employee compensation and benefits expense consists of payments to our employees for their salaries, catering and food, bonuses and payments for religious allowance equivalent to one month's salary, retirement fund contributions, vacation and medical allowances, housing maintenance, business travel expenses, training, social welfare expenses and termination benefits.

Consultant and Technician

Consultant and technician expenses consist of third-party consultant fees such as technical and legal consultants (including technical services related to well maintenance and plant overhaul), IT service as well as auditors' fees.

Production allowance to PGE

This expense represents the production allowance equivalent to 2.66% for the Darajat Geothermal Operations and 4% for the Salak Geothermal Operations of our net operating income, that we are required to pay to PGE based on the respective JOCs. Under the terms of the JOCs, "net operating income" refers to the proceeds received from the sale of electricity as set forth in the relevant ESC and which are the proceeds cited in Article 4, item (1) of the 1984 Tax Law received and generated by us during one fiscal year, less expenses incurred to generate, collect and maintain income, as set forth in Article 6 of the 1984 Tax Law, and excluding VAT, sales taxes on luxury goods, taxes on land and buildings, import duty, stamp duty and other levies.

The Salak Contractors' obligation to pay the production allowance started in 2002 as the Salak Contractor's taxable income was positive and they had fully utilized the tax loss credit whereas the Darajat Contractors' obligation to pay the production allowance started in 2004 for the same reason.

See note 1.2 to our consolidated financial statements for the years ended December 31, 2017, 2018 and 2019 and our interim consolidated financial statement for the six-month period ended June 30, 2020.

Supplies and Equipment

Supplies and equipment consist of expenses relating to consumables and vehicle rentals used in well maintenance and plant overhauls.

Transportation and logistics

Transportation and logistics consist of operational transportation and logistics.

Insurance

Insurance costs consist of premiums paid to our insurers in respect of property all risk insurance, control of well insurance, business interruption insurance and general liability insurance.

Donation and sponsorship

Donation and sponsorship consist of expenses relating to community development services and charitable activities.

Other Expenses/Income

Other expenses and income primarily comprise the following:

- finance costs, representing interest expenses payable on bank loans, the fair value of the ineffective portion of our interest rate hedging agreements and amortization of deferred financing cost;

- interest income, representing income generated from cash deposited at banks;

- foreign exchange loss/gain, representing foreign exchange losses or gains arising from timing differences primarily between the recognition of Rupiah-denominated expenses when these are incurred and our actual payment of those expenses. In addition, foreign exchange losses or gains arise as a result of our monthly revaluation of Rupiah denominated expenses recognized but unpaid; and

- miscellaneous expense/income representing one-off non-cash adjustments related to the allowance of SEGSL's VAT dispute for 2007, 2008 and 2010.

Income Tax Expense

Income tax expense represents current corporate income tax and deferred tax expense. Deferred income tax assets and liabilities are recognized for temporary differences between the financial and the tax bases of assets and liabilities at each reporting period. Future tax benefits, such as the carryover of unused tax losses, are also recognized to the extent that such benefits are more likely than not to be realized. See notes 2 and 8 to our consolidated financial statements for the years ended December 31, 2017, 2018 and 2019 and our interim consolidated financial statements the six-month period ended June 30, 2020.

Critical Accounting Policies

In preparing our financial statements, we make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and on various assumptions that we believe to be reasonable under the circumstances, the results of which form our basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Our results of operations may differ if prepared under different assumptions or conditions.

For further details of our significant accounting policies and significant accounting judgments, estimates and assumptions, see notes 2 and 3 to our consolidated financial statements for the years ended December 31, 2017, 2018, 2019 and our interim consolidated financial statements for the six-month period ending June 30, 2020, respectively.

We believe the following principal accounting policies affect the significant judgments and estimates used in the preparation of our financial statements:

Contractual arrangement assessment

Management exercises its judgment in determining whether the contractual arrangement with PLN falls within the scope of IFRIC 12 *Service Concession Arrangements.* Based on management's evaluation of the terms of the arrangement, it determined that the arrangement is not within the scope of service concession arrangements on the basis that PLN does not control, through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the term of the arrangement.

Further, management also exercises its judgment in determining whether the arrangement contains a lease and the classification of the lease. Based on such evaluation, management determined that the arrangement contains a lease as fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use such asset or assets.

Management classifies it as a finance lease based on management's evaluation that the arrangement does not transfer substantially all the risks and rewards incidental to ownership.

Revenue from contracts with customers

We applied the following judgments that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Identifying performance obligations in our contract with customers and determining the transaction price and the amount to be allocated to the performance obligation

The contracts with PLN contain a lease and should be accounted for as finance lease and operating lease in accordance with IFRS *16 Leases* (see note 2.21 of our interim consolidated financial statements for the six-month period ended June 30, 2020 for a discussion on the treatment of the lease component in the contracts with PLN). However, the electricity tariff as stipulated in the contract with PLN is not allocated between the payment consideration to cover for the use of the electricity generating facility by PLN and the payment consideration for the electrical output delivered to PLN.

Therefore, management divides the revenue from a contract with PLN between electricity revenue and finance lease income. Management concluded that the reasonable representation of the value of the electricity revenue is based on the expected cost to operate the power generating facilities to generate electricity plus a profit margin, including the expected maintenance cost of the power generating facilities. These costs are the primarily associated costs in generating electricity, while the residual value of the revenue is considered to be finance lease income to be recognized by our Company representing the payment by PLN to us for the use of the power generating facilities.

Electricity revenue and steam revenue are recognized at the point in time when the control of the electrical or steam output, as the case may be, is transferred to PLN, which is upon delivery. Geothermal energy sales are recorded on the basis of prices determined by certain formulas in accordance with the ESC.

Determining the timing of satisfaction of performance obligation

Management concluded that electricity and steam revenue are to be recognized at a point in time when the electrical steam and output are delivered to PLN, because upon delivery, PLN obtains control over the electrical and steam output, has the ability to direct the use of the electrical and steam output, and obtains substantially all the benefits from the electrical and steam output.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax provisions already recorded. We establish provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which we operate.

The amount of such provisions is based on various factors, such as the experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in our place of domicile.

Significant judgment is required in determining the deductibility of certain expenses during the estimation of the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

We recognize liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of income tax payable and deferred tax liabilities are disclosed in note 8 to our consolidated financial statements for the six-month period ended June 30, 2020.

All unused tax losses are recognized as deferred tax assets to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the number of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. See note 8 to our consolidated financial statements for the years ended December 31, 2017, 2018 and 2019 and our interim consolidated financial statements for the six-month period ended June 30, 2020 for more information.

Lease term of contracts with renewal options

We determine the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it reasonably certain not to be exercised. We have an option under some of our leases to lease the assets for additional terms of three to five years. We apply judgment in evaluation whether it is reasonably certain to exercise the option to renew.

Units of production depreciation of geothermal assets and field facilities

Field facilities included in property, plant and equipment are depreciated using the unit of production ("**UoP**") method over the estimated tones of steam to be produced over the generation term. This results in a depreciation/amortization charge proportional to the depletion of the anticipated remaining production from the field.

Each items' life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the field at which the asset is the location. These calculations require the use of estimates and assumptions, including the number of recoverable reserves and estimates of future capital expenditure. The calculation of the UoP rate of depreciation could be impacted to the extent that actual production in the future is different from current forecast production based on proved and probable reserves, or future capital expenditure estimates changes. Changes to proved, developed and undeveloped reserves could arise due to changes in factors or assumptions used in estimating reserves, including the effect on proved developed and undeveloped reserves of differences between actual commodity prices and commodity price assumptions; or unforeseen operational issues.

Changes are accounted for prospectively.

Recoverability of geothermal assets

We assess each asset or cash-generating unit ("**CGU**") (excluding goodwill, which is assessed annually regardless of indicators) each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of fair value less costs of disposal and value in use. These assessments require the use of estimates and assumptions such as long-term electricity prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, exploration potential, reserves and operating performance (which includes production and sales volumes).

These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value for geothermal assets is generally determined as the present value of estimated future cash flows arising from the continued use of the assets, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account.

Cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Management has assessed its CGUs as being an individual field, which is the lowest level for which cash inflows are largely independent of those of other assets.

Reserve estimates

Management determines the estimated useful lives and related depreciation charges for our well-related facilities. Management uses our geological reserves as the basis for depreciating its well related facilities. In order to estimate the reserves, assumptions are required about a range of geological, technical and economic factors, including contract periods, production quantities, production techniques, production costs.

Because the economic assumptions used to estimate reserves vary from period to period and because additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect our financial results and financial position in a number of ways, including the carrying values of the well-related facilities which may be affected due to changes in depreciation charges that were calculated on a UoP basis.

Employee benefits

The cost of providing long-term employee benefits is determined using actuarial valuations. An actuarial valuation involves making various assumptions, which include the determination of the discount rate, future salary increases, mortality rates, employee turnover rate, disability rate, and the expected rate of return on plan assets. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, estimated liabilities for long-term employee benefits is highly sensitive to changes in these assumptions. All assumptions are reviewed at financial year-end.

In determining the appropriate discount rate, management considers the market yields (at year end) on Indonesian rupiah government bonds with maturities corresponding to the expected duration of the obligation. The mortality rate is based on publicly available mortality tables. Future salary increases are based on our long-term business plan which is also influenced by expected future inflation rates for the country.

While we believe that our assumptions are reasonable and appropriate, significant differences in our actual experiences or significant changes in our assumptions may materially affect our estimated liabilities for employee benefits and net employee benefits expense.

Goodwill impairment

Acquisition accounting requires extensive use of accounting estimates to allocate the purchase price to the reliable fair market values of the assets and liabilities purchased, including intangible assets. Under IFRS 3 Business Combinations, goodwill is not amortized and is subject to an annual impairment testing.

The impairment test is performed when certain impairment indicators are present. In case of goodwill, such asset is subject to annual impairment test and whenever there is an indication that such asset may be impaired; management uses its judgment in estimating the recoverable value and determining the amount of impairment.

Borrowing rate on lease liabilities

We are unable to readily determine the interest rate implicit in the lease and therefore use our incremental borrowing rate (the "**IBR**") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Recent accounting pronouncements

We applied new accounting pronouncements during the periods under review, including

IFRS 15 *Revenue from Contracts with Customers*, IFRS 9 *Financial Instruments*, and IFRS 16 *Leases*. The nature and effect of the changes as a result of the adoption of these new accounting standards are described below.

We applied other accounting pronouncements, amendments and interpretations other than those set forth below, which do not have a material impact on our consolidated financial statements, if any. We have not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

For more information, see notes 2.2 to our consolidated financial statements for the years ended December 31, 2017, 2018 and 2019 and our interim consolidated financial statements for the six-month period ended June 30, 2020.

For the year ended December 31, 2018

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

We adopted IFRS 15 using the modified retrospective method with the date of initial application of January 1, 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. We elected to apply the standard to all contracts as at January 1, 2018.

The cumulative effect of initially applying IFRS 15 is recognized at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related Interpretations.

We determined that the adoption of IFRS 15 affects the timing of revenue recognition for SEGSL and SEGSPL. Before adopting IFRS 15, SEGSL and SEGSPL recognized revenue based on the invoiced amount. Under IFRS 15, the consideration received for receivable from PLN which is based on invoiced amount contains an additional performance obligation (a set off mechanism) whereby if SEGSL and SEGSPL subsequently deliver to PLN the quantities of electricity and geothermal energy that PLN previously were not able to accept, the consideration previously received from PLN will be utilized towards payment for such quantities of electricity or geothermal energy deliver by SEGSL and SEGSPL.

Upon adoption of IFRS 15, we adjusted the opening balance of retained earnings and recorded PLN make-up account balances amounting to US$15,956,000, which is the full amount with a corresponding deferred tax assets amounting to US$5,425,000, which is the full amount required to recognize our obligation to set-off the consideration previously received for receivable from PLN against future delivery by SEGSL and SESGPL of quantities of electricity and geothermal energy to PLN. Nevertheless, the obligation to set-off the consideration previously received for receivable from PLN against future transfer electricity and steam to PLN to reduce the PLN make-up account is subject to request from PLN, and to be performed on SEGS and SEGSPL's "best efforts" basis. The set-off mechanism to reduce the PLN make-up account is strictly limited to delivery of electricity or steam by SEGSL and SEGSPL. There are no financial repayment obligations under the Salak ESC for SEGSL and SEGSPL to settle the PLN make-up account.

Set out below, are the amounts by which each financial statement line item is affected as at January 1, 2018 as a result of the adoption of IFRS 15:

	December 31, 2017	IFRS 15 Adjustment	January 1, 2018
	US$	US$	US$
Liabilities			
PLN Make-up account balances[1]	—	15,956	15,956
Deferred tax liabilities[2]	620,640	(5,425)	615,215
Total liabilities	1,804,997	10,531	1,815,528
Equity			
Retained earnings	52,207	(10,531)	41,676
Total equity	887,565	(10,531)	877,034
Total equity and liabilities	**2,692,562**	**—**	**2,692,562**

(1) See note 25 of our consolidated financial statements for the year ended December 31, 2018 for more information.

(2) See note 8 of our consolidated financial statements for the year ended December 31, 2018 for more information.

We evaluated and determined that the adoption of IFRS 15 for the Darajat Geothermal Operations did not affect the timing of revenue recognition and as the amount of revenue to be recognized, as the contracts with customers have no variable consideration (such as rights of return and volume rebates) and have no significant financing cash consideration and consideration payable to customers.

The adoption of IFRS 15 did not have a material impact on other comprehensive income or our operating, investing and financing cash flows.

See note 2.2 of our consolidated financial statements for the year ended December 31, 2018 for further information.

IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after January 1, 2018 and addresses the following aspects of accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

Under IAS 39, our financial assets were classified as loans and receivables. Under IFRS 9, these are now classified and measures as debt instruments at amortized cost. All our financial assets, except for trade receivables, have no significant financing components and the classification and measurement requirements of IFRS 9 did not have a significant impact on our consolidated financial statements. The adoption of IFRS 9 changed our accounting for impairment losses for financial assets by replacing IAS 39's "incurred loss" approach with the forward-looking "expected credit loss" approach. As of the date of the initial application of hedge accounting under IFRS 9, our existing hedging relationships were eligible to be treated as continuing hedging relationships and we continued to designate the change in fair value of the entire interest rate swap contract in cash flow hedge relationships, consistent with prior periods.

We determined that the adoption of IFRS 9 did not have a significant impact on our consolidated financial statements and have not restated the comparative financial statements. Retrospective application is required with the exception of hedge accounting.

See note 2.2 of our consolidated financial statements for the year ended December 31, 2018 for further information.

For the year ended December 31, 2019

IFRS 16 Leases

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases—Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

We have lease contracts for buildings and vehicles. Before the adoption of IFRS 16, we classified each of our leases (as lessee) at the inception date as either a finance lease or an operating lease. Upon adoption of IFRS 16, we applied a single recognition and measurement approach (modified retrospective) for all leases, except for short-term leases and leases of low-value assets.

We recognized right-of-use assets and lease liabilities for leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Based on the above, as of January 1, 2019:

- right-of-use assets of US$6,268,000 were recognized and presented separately in the statement of financial position; and

- additional lease liabilities of US$6,268,000 were recognized.

Standards and interpretations issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of our financial statements as at and for the six-month period ending June 30, 2020 is IFRS 17 *Insurance Contracts*. We plan to adopt these standards, if applicable, when they become effective. We do not expect the adoption of IFRS 17 to be significant on our results nor operations.

Results of Operations

The following table sets forth our results of operations for the time periods indicated:

	For the years ended December 31,			(Unaudited) For the six-month periods ended June 30,	
	2017	2018	2019	2019	2020
	US$ in thousands				
Revenue from contracts with customers	208,618	298,386	287,526	139,050	150,859
Finance lease income	32,536	43,699	43,185	21,592	21,308
Total revenues	**241,154**	**342,085**	**330,711**	**160,642**	**172,167**
Expenses					
Depreciation and amortization	(17,242)	(23,017)	(26,732)	(13,393)	(13,774)
Employee compensation and benefits	(21,484)	(36,069)	(33,917)	(18,444)	(16,352)
Consultants and technicians	(14,217)	(16,033)	(16,203)	(6,023)	(5,835)
Production allowance to PGE	(5,699)	(8,270)	(7,925)	(3,924)	(4,672)
Supplies and equipment	(4,370)	(9,184)	(7,710)	(2,364)	(1,699)
Transportation and logistics	(2,530)	(2,793)	(1,110)	(470)	(484)
Insurance	(2,522)	(3,748)	(3,335)	(1,697)	(1,476)
Donation and sponsorship	(1,306)	(1,480)	(905)	(49)	(239)
Others	(461)	(386)	(541)	(131)	(51)
Total expenses	**(69,831)**	**(100,980)**	**(98,378)**	**(46,495)**	**(44,582)**
Other (losses)/gains					
Finance cost	(58,458)	(71,516)	(69,400)	(35,515)	(30,126)
Interest income	22	5	7	5	3
Foreign exchange loss, net	(362)	(2,434)	609	334	(645)
Miscellaneous	386	(701)	(3,136)	134	(2)
Profit before tax	**112,911**	**166,459**	**160,413**	**79,105**	**96,815**
Income tax expense	(58,472)	(82,012)	(79,948)	(38,954)	(43,685)
Profit for the year	**54,439**	**84,447**	**80,465**	**40,151**	**53,157**
Attributable to:					
Owners of the parent entity	54,404	84,300	80,373	40,106	53,081
Non-controlling interests	35	147	92	45	76
Profit/(loss) for the year	**54,439**	**84,447**	**80,465**	**40,151**	**53,157**

(1) As we acquired the shares in the Salak and Darajat Geothermal Operations on March 31, 2017, the financial information presented for the year ended December 31, 2017 effectively only shows our results of operations for a period of only nine months.

Six-month period ended June 30, 2020 compared to six-month period ended June 30, 2019

Revenues

Revenues increased by 7.2% from US$160.6 million for the six-month period ended June 30, 2019 to US$172.2 million for the six-month period ended June 30, 2020. This increase was primarily due to an increase in revenue from contracts with customers due to higher steam and electricity generation. Revenue from electricity generation increased from US$86.9 million for the six-month period ended June 30, 2019 to US$96.4 million for the six-month period ended June 30, 2020. For the same period, revenue from steam generation increased from US$52.2 million to US$54.5 million.

Expenses

Total expenses decreased by 4.1% from US$46.5 million for the six-month period ended June 30, 2019 to US$44.6 million for the six-month period ended June 30, 2020. This decrease was primarily due to:

- a decrease in employee compensation and benefits by 11.3% from US$18.4 million for the six-month period ended June 30, 2019 to US$16.4 million for the six-month period ended June 30, 2020, primarily as a result of a decrease in training expenses and business travel; and

- a decrease in supplies and equipment by 28.1% from US$2.4 million for the six-month period ended June 30, 2019 to US$1.7 million for the six-month ended June 30, 2020, primarily as a result of cost efficiency measures we implemented.

This decrease was partially offset by (i) an increase in depreciation and amortization by 2.8% from US$13.4 million for the six-month period ended June 30, 2019 to US$13.8 million for the six-month period ended June 30, 2020, primarily due to increase on asset capitalization, and (ii) an increase in production allowance to PGE by 19.1% from US$3.9 million for the year ended June 30, 2019 to US$4.7 million for the six-month period ended June 30, 2020, in line with our increase in revenues.

Other Expenses and Other Income

Other expenses and other income decreased by 12.2% from US$35.0 million for the six-month period ended June 30, 2019 to US$30.8 million for the six-month period ended June 30, 2020. This is primarily a result of a decrease in finance costs by 15.2% from US$35.5 million for the six-month period ended June 30, 2019 to US$30.1 million for the six-month period ended June 30, 2020, primarily due to a decrease in interest of bank borrowings (payment of principal) and amortization of deferred financing cost. The decrease was partially offset by a net foreign exchange loss of US$0.6 million for the six-month period ended June 30, 2020 as a result of the weakening of the Indonesian Rupiah, compared to a net foreign exchange gain of US$0.3 million for the six-month period ended June 30, 2019.

Profit before tax

As a result of the foregoing, profit before tax increased by 22.4% from US$79.1 million for the six-month period ended June 30, 2019 to US$96.8 million for the six-month period ended June 30, 2020.

Income Tax Expense

Income tax expense increased by 12.1% from US$39.0 million for the six-month period ended June 30, 2019 to US$43.7 million for the six-month period ended June 30, 2020, primarily as a result of our increase in taxable revenue.

Profit for the Period

As a result of all the foregoing, our profit for the period increased by 32.4% from US$40.2 million for the six-month period ended June 30, 2019 to US$53.2 million for the six-month period ended June 30, 2020.

Year ended December 31, 2019 compared to year ended December 31, 2018

Revenues

Revenues decreased by 3.3% from US$342.1 million for the year ended December 31, 2018 to US$330.7 million for the year ended December 31, 2019. This decrease was primarily due to a decline in revenue from contracts with customers, as a result of Salak Unit 2 being shutdown for 70 days as part of its planned maintenance and due to the generator stator rewinding and Darajat Unit 2 having a prolonged shutdown period of 48 days as opposed to 30 days as a result of a major high vibration of its turbine.

Expenses

Total expenses decreased by 2.6% from US$101.0 million for the year ended December 31, 2018 to US$98.4 million for the year ended December 31, 2019. This decrease was primarily due to:

- a decrease in employee compensation and benefits by 6.0% from US$36.1 million for the year ended December 31, 2018 to US$33.9 million for the year ended December 31, 2019, primarily as a result of a decrease in training expenses and one-off pension charges in 2018 related to provisions for other long-term employee benefit as stated in our collective labor agreement;

- a decrease in production allowance to PGE by 4.2% from US$8.3 million for the year ended December 31, 2018 to US$7.9 million for the year ended December 31, 2019, in line with our decrease in revenues;

- a decrease in supplies and equipment by 16.0% from US$9.2 million for the year ended December 31, 2018 to US$7.7 million for the year ended December 31, 2019, primarily as a result of the adoption of IFRS 16 amounting to US$1.8 million such that this cost was moved to "depreciation and amortization"; and

- a decrease in transportation and logistics expenses by 60.3% from US$2.8 million for the year ended December 31, 2018 to US$1.1 million for the year ended December 31, 2019, primarily due to the adoption of IFRS 16 amounting to US$1.5 million such that this cost was moved to "depreciation and amortization".

This decrease was partially offset by an increase in depreciation and amortization by 16.1% from US$23.0 million for the year ended December 31, 2018 to US$26.7 million for the year ended December 31, 2019. The increase in depreciation and amortization was primarily due to the adoption of IFRS 16 for the year ended December 31, 2019, where we recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases which we then depreciated.

Other Expenses and Other Income

Other expenses and other income decreased by 3.7% from US$74.6 million for the year ended December 31, 2018 to US$71.9 million for the year ended December 31, 2019. This is primarily a result of:

- a decrease in finance costs by 3.0% from US$71.5 million for the year ended December 31, 2018 to US$69.4 million for the year ended December 31, 2019, primarily due to a decrease in interest of bank borrowings (payment of principal) and amortization of deferred financing cost; and

- net foreign exchange gain of US$0.6 million for the year ended December 31, 2019 compared to a net foreign exchange loss of US$2.4 million for the year ended December 31, 2018 as a result of the strengthening of the Indonesian Rupiah.

Profit before tax

As a result of the foregoing, profit before tax decreased by 3.6% from US$166.5 million for the year ended December 31, 2018 to US$160.4 million for the year ended December 31, 2019.

Income Tax Expense

Income tax expense decreased by 2.5% from US$82.0 million for the year ended December 31, 2018 to US$79.9 million for the year ended December 31, 2019, primarily due to a decrease in taxable profits.

Profit for the Period

As a result of all the foregoing, profit for the period decreased by 4.7% from US$84.4 million for the year ended December 31, 2018 to US$80.5 million for the year ended December 31, 2019.

Year ended December 31, 2018 compared to year ended December 31, 2017

Revenues

Revenues increased by 41.9% from US$241.2 million for the year ended December 31, 2017 to US$342.1 million for the year ended December 31, 2018. This increase was primarily due to recognizing a full 12-month period of revenues from the Salak Geothermal Operations and the Darajat Geothermal Operations in the financial year ended December 31, 2018, compared to revenues in respect of a nine month period of operations from the Salak Geothermal Operations and approximately three month period of operations from the Darajat Geothermal Operations in the prior financial year, following the consummation of the Darajat and Salak Acquisitions and the consolidation of their results of operations with that of our Company. See "*—Acquisition of Darajat and Salak Geothermal Operations and Presentation of Financial Information*", above.

Expenses

Total expenses increased by 44.6% from US$69.8 million for the year ended December 31, 2017 to US$101.0 million for the year ended December 31, 2018. This increase was primarily due to the following:

- an increase in employees' compensation by 67.9% from US$21.5 million in 2017 to US$36.1 million in 2018;

- an increase in depreciation and amortization by 33.5% from US$17.2 million in 2017 to US$23.0 million in 2018; and

- an increase in production allowance to PGE from US$5.7 million in 2017 to US$8.3 million in 2018.

This increase was primarily due to recognizing a full 12-month period of total expenses from the Salak Geothermal Operations and the Darajat Geothermal Operations in the financial year ended December 31, 2018, compared to expenses incurred in respect of a nine month period of operations from the Salak Geothermal Operations and approximately three month period of operations from the Darajat Geothermal Operations in the prior financial year, following the consummation of the Darajat and Salak Acquisitions and the consolidation of their results of operations with that of our Company. See "*—Acquisition of Darajat and Salak Geothermal Operations and Presentation of Financial Information*", above.

Profit before tax

As a result of the foregoing, profit before tax increased from US$112.9 million for the year ended December 31, 2017 to US$166.5 million for the year ended December 31, 2018.

Income Tax Expense

Income tax expense increased by 40.3% from US$58.5 million for the year ended December 31, 2017 to US$82.0 million for the year ended December 31, 2018. This increase was primarily due to an increase in our taxable income for the year ended December 31, 2018 compared to the corresponding period in 2017 as a result of recognizing a full 12-month period of taxable profits from the Salak Geothermal Operations and the Darajat Geothermal Operations in the financial year ended December 31, 2018, compared to taxable profits in respect of a nine month period of operations from the Salak Geothermal Operations and approximately three month period of operations from the Darajat Geothermal Operations in the prior financial year, following the consummation of the Darajat and Salak Acquisitions and the consolidation of their results of operations with that of our Company. See "*—Acquisition of Darajat and Salak Geothermal Operations and Presentation of Financial Information*", above.

Profit (Loss) for the Period

As a result of all the foregoing, we made a profit for the period of US$54.4 million for the year ended December 31, 2017, compared to a profit for the period of US$84.4 million for the year ended December 31, 2018.

Liquidity and Capital Resources

Over the past three years, we have financed our capital requirements through cash flows from our operations and borrowings.

As at June 30, 2020, we had US$0.1 million in cash and cash equivalents and US$126.5 million in restricted cash. We are of the opinion that, after taking into account our unused sources of liquidity and cash flow from our operations, we will have sufficient working capital available for our expected requirements during the next 12 months.

Cash Flow

The following table sets forth certain information about our cash flows during the periods indicated:

	For the years ended December 31,			(Unaudited) For the six-month periods ended June 30,	
	2017[1]	**2018**	**2019**	**2019**	**2020**
	US$ in thousands				
Net cash flows provided by operating activities[2]	83,601	138,909	142,970	64,271	61,051
Net cash flows (used in)/provided by investing activities	(1,974,263)	(18,974)	(40,988)	(12,027)	(7,383)
Net cash flows used in financing activities	1,891,273	(120,266)	(102,112)	(52,422)	(53,660)
Net increase/(decrease) in cash and cash equivalents	**611**	**(331)**	**(130)**	**(178)**	**8**
Cash and cash equivalents as of January 1	—	611	280	280	150
Cash and cash equivalents as of end of period	611	280	150	102	158

(1) As we acquired the shares in the Salak and Darajat Geothermal Operations on March 31, 2017, the financial information presented for the year ended December 31, 2017 effectively only shows our results of operations for a period of only nine months.

(2) Calculated as net profit (loss) as adjusted for (a) non-cash adjustments provided by (i) depreciation and amortization, (ii) finance costs, (iii) finance lease income, (iv) income tax expense, (v) interest income, (vi) provision for pension cost and (vii) PLN make-up account balances, (b) working capital adjustments (c) interest paid and (d) income taxes paid.

Net Cash Provided by Operating Activities

Our net cash provided by operating activities consists of funds generated from our operating activities and net cash inflows or outflows from changes in our operating assets and liabilities which comprise our working capital. As at June 30, 2020, we had cash and cash equivalents of US$0.2 million.

Our net cash provided by operating activities decreased by US$3.2 million, or 5.0%, compared with US$64.3 million for the six-month period ended June 30, 2019. This decrease was primarily due to decrease in changes of working capital from trade payable and accruals in the six-month period ended June 30, 2020, which related primarily to drilling activities in the Darajat Geothermal Operations.

Our net cash provided by operating activities increased by US$4.0 million, or 2.9%, from US$138.9 million for the year ended December 31, 2018 compared to US$142.9 million for the year ended December 31, 2019. This increase was primarily due to an increase in changes of working capital from trade payable and accruals in 2019, which related primarily to drilling activities in the Darajat Geothermal Operations which commenced in July 2019.

Our net cash provided by operating activities increased by US$55.3 million, or 66.2%, from US$83.6 million for the year ended December 31, 2017 compared to US$138.9 million for the year ended December 31, 2018. This increase was primarily due to recognizing a full 12-month period of cash provided by operating activities from the Salak Geothermal Operations and the Darajat Geothermal Operations in the financial year ended December 31, 2018, compared to cash provided by operating activities in respect of a nine month period of operations from the Salak Geothermal Operations and approximately three month period of operations from the Darajat Geothermal Operations in the prior financial year, following the consummation of the Darajat and Salak Acquisitions and the consolidation of their results of operations with that of our Company. See "*—Acquisition of Darajat and Salak Geothermal Operations and Presentation of Financial Information*", above.

Net Cash Used in Investing Activities

Our net cash used in investing activities for the six-month period ended June 30, 2020 amounted to US$7.4 million and primarily comprised of additions to property, plant and equipment of US$6.8 million for drilling activities in the Darajat Geothermal Operations.

Our net cash used in investing activities for the six-month period ended June 30, 2019 amounted to US$12.0 million and primarily comprised of additions to property, plant and equipment of US$9.6 million for drilling activities in the Salak and Darajat Geothermal Operations.

Our net cash used in investing activities for the year ended December 31, 2019 amounted to US$41.0 million and primarily comprised of additions to property, plant and equipment of US$40.3 million for drilling activities in the Salak and Darajat Geothermal Operations commencing July 2019.

Our net cash used in investing activities for the year ended December 31, 2018 amounted to US$19.0 million and primarily comprised of additions to property, plant and equipment amounting to US$11.8 million and additions to deferred charges amounting to US$6.6 million. Our net cash used in investing activities decreased by US$1,955.3 million, or 99.0%, from US$1,974.3 million for the year ended December 31, 2017 compared to US$19.0 million for the year ended December 31, 2018. This decrease was primarily due to the acquisition of the Darajat and Salak Geothermal Operations in the year ended December 31, 2017.

Our net cash used in investing activities for the year ended December 31, 2017 amounted to US$1,974.3 million and primarily comprised of net cash outflow on acquisition of subsidiaries (net of cash acquired) of US$1,933.4 million in respect of our Company's acquisition of the subsidiaries conducting the Darajat Geothermal Operations, the Salak Geothermal Operations and PT Suoh Sekincau, and a net cash outflow on acquisition of non-controlling interests (net of cash acquired) of US$26.6 million in respect of our Company's acquisition of DGI. As the increase in our Company's ownership did not result in a change of control in the Darajat Geothermal Operations, the acquisition was accounted for as an equity transaction. See notes 20 and 26 to our consolidated financial statements for the year ended December 31, 2018 for further information.

Net Cash Provided by/Used in Financing Activities

Our net cash used in financing activities for the six-month period ended June 30, 2020 amounted to US$53.7 million and primarily comprised of repayment of borrowings of US$30.9 million relating to payments for the Existing Senior Debt Facilities used for purposes of the Darajat and Salak acquisitions.

Our net cash used in financing activities for the six-month period ended June 30, 2019 amounted to US$52.4 million and primarily comprised of repayment of borrowings of US$35.3 million relating to payments for the Existing Senior Debt Facilities used for purposes of the Darajat and Salak Acquisitions.

Our net cash used in financing activities for the year ended December 31, 2019 amounted to US$102.1 million and primarily comprised of repayment of borrowings of US$115.3 million relating to payments for the Existing Senior Debt Facilities used for purposes of the Darajat and Salak acquisitions.

Our net cash used in financing activities for the year ended December 31, 2018 amounted to US$120.3 million and comprised of repayment of borrowings of US$90.9 million relating to payments for the Existing Senior Debt Facilities used for purposes of the Darajat and Salak Acquisitions and an increase in restricted cash of US$29.3 million.

Our net cash provided by financing activities for the year ended December 31, 2017 amounted to US$1,891.3 million and comprised primarily of (i) the receipt of US$1,250 million in borrowings from the Existing Senior Debt Facilities used for purposes of the Darajat and Salak Acquisitions (see "*—Indebtedness—Existing Senior Debt Facilities*", below), and (ii) additional paid-in capital of US$855.78 million from convertible loan and share premium contribution agreements entered into by our Company and the joint venture shareholders in connection with the Darajat and Salak Acquisitions. This was partially offset by increase in restricted cash amounting to US$91.8 million and repayment of borrowings of US$87.8 million.

Indebtedness

Existing Senior Debt Facilities

On December 22, 2016, we entered into a secured term loan facility agreement with Bangkok Bank Public Company Limited, Bank of China Ltd., BPI Capital Corporation, BDO Unibank, Inc., DBS Bank Ltd., RCBC Capital Corporation, Sumitomo Mitsui Banking Corporation, Singapore Branch, and The Bank of Tokyo-Mitsubishi UFJ, Ltd. (subsequently, MUFG Bank, Ltd.) for facilities commitments of Tranche A and Tranche B amounting to US$1,250,000,000 and US$700,000,000 respectively (the "**Existing Senior Debt Facilities**"). On March 23, 2017, the Existing Senior Debt Facilities agreement was amended and restated with changes to the finalization date and repayment schedules. The Existing Senior Debt Facilities was amended subsequently from time to time.

The purposes of the utilization of the Tranche A and Tranche B loans are as follows:

- the first utilization of Tranche A is (i) to fund, in part, the purchase price for the acquisition of the Salak Geothermal Operations and Darajat Geothermal Operation, (ii) to fund the reserve accounts, and (iii) to pay fees, costs and expenses in relation to the facility and acquisition costs. This utilization shall not exceed US$1,230,000,000;

- the second utilization of Tranche A is to fund, in part, the purchase price for DGI. This utilization shall not exceed US$20,000,000;

- Tranche B is to finance the repayment of all outstanding Tranche A Loans in 2021 and to fund the reserve accounts. Cancellation fees will apply in certain circumstances.

Repayment of the Existing Senior Debt Facilities is due five years after the utilization date, being December 22, 2021 and December 22, 2026 for Tranche A and Tranche B, respectively. The Existing Senior Debt Facilities bears interest at 3.25% margin plus LIBOR per annum and is payable at the end of each quarter.

The 1% upfront fee for the Existing Senior Debt Facilities totaling US$12,500,000 was paid on January 10, 2017, by SEGHPL, SEGPL, PPBV, and AC Energy International Holdings Pte. with respect to their effective ownership. The total payments made by SEGHPL and SEGPL amounting to US$3,426,294 and US$5,112,750 were considered a convertible loan.

The first utilization of Tranche A took place on March 30, 2017, amounting to US$1,230,000,000. The total cash received was US$1,195,319,160 after taking into account financing costs of US$34,680,840. These funds were used to settle the purchase price for the acquisition of Chevron's shares in the Darajat, Salak and Suoh Sekincau geothermal blocks.

Pursuant to the terms of the Existing Senior Debt Facilities, our Company caused SEGDII and SEGSL to each become an "Additional Borrower" in a push down transaction. On April 26, 2017 the Existing Senior Debt Facilities was effectively pushed down to SEGSL and SEGDII with total amounts to be novated of US$750,000,000 and US$480,000,000, respectively.

The second utilization of Tranche A took place on September 19, 2017 amounting to US$20,000,000. Such funds were used to settle the purchase price for the acquisition of 95% of PT Austindo Nusantara Jaya Tbk's shares in DGI.

We are subject to various covenants, including obligations to obtain written approval from the lenders before entering into certain transactions such as mergers, acquisitions, liquidation or change in status and articles of association or reducing our authorized, issued and fully paid capital; restrictions on lending money to third parties or making negative pledges, with certain exceptions; restrictions on changes to our core business activities, declaring and paying dividends, redeeming, repurchasing, defeasing, retiring or repaying any of our share capital or resolving to do so; restrictions on allowing guarantees and indemnities in respect of any obligation of any person; and requirements to comply with certain financial ratios.

The Existing Senior Debt Facilities also require us to maintain certain financial ratios such as that:

a. the leverage ratio shall not exceed:

   (i) 6.00:1 from the initial Testing date until the Testing Date falling immediately after the first anniversary;

   (ii) 5.50:1 from the Testing Date immediately after the first anniversary until the Testing Date falling immediately after the third anniversary; and

   (iii) 4.50:1 thereafter until the final Semi-Annual Date;

b. the DSCR shall not be less than 1.20:1;

c. the Senior Interest Cover shall not be less than 3:1;

d. the Debt to Equity Ratio shall be no greater than 70:30, or after the final Tranche A repayment date, 50:50.

In August 2019, we obtained a waiver of the DSCR covenant in the Existing Senior Debt Facilities agreement for the testing date ended June 30, 2019. We expected that we would not be able to comply due to the following reasons:

- acceleration of the Darajat Unit 2 shut-down turn around ("**SDTA**") from the second half of 2019 to the first half of 2019, to avoid a water supply shortage that could have impacted drilling activities in the Darajat Geothermal Operations, which would have eventually affected the steam supply situation; and

- damage to a turbine in Darajat Unit 1 and vibration issue in Darajat Unit 2 after the SDTA, that together significantly reduced the cashflow available for debt service during the testing period (see also "*—Significant Factors Affecting Our Results of Operations—Capacity and Availability of the Darajat and Salak Geothermal Operations*" above and "*Risk Factors—Our financial performance depends on the successful operation of our facilities, which is subject to various operational risks*"); and

- high amortization levels as a result of the principal repayment installments of US$82.25 million during the testing period, which reflect the highest levels compared to any other relevant period, save for the final two principal repayment instalments for this purpose.

The Existing Senior Debt Facilities are secured by certain offshore account charges, account pledges, share pledges, onshore account pledges, assignment of contract rights and fiduciary security.

In the years ended December 31, 2018, 2019 and in the six-month period ended June 30, 2020, we made payments on the Existing Senior Debt Facilities amounting to US$90.9 million, US$115.3 million and US$30.9 million.

For more information on the Existing Senior Debt Facilities, see note 24 of our consolidated financial statements for the years ended December 31, 2018 and 2019 and our interim consolidated financial statements for the six-month period ended June 30, 2020.

In 2017, SEGDII and SEGSL entered into interest rate swap arrangements amounting to US$250 million and US$375 million, respectively, with certain lenders of the Existing Senior Debt Facilities to hedge the interest rate risk relating to the facility. In 2018, SEGDII and SEGSL entered into additional interest rate swap agreements amounting to US$130.6 million and US$195.9 million, respectively, with certain lenders of the Existing Senior Debt Facilities. As of June 30, 2020, the hedge ratio is 78% of the total outstanding balance of the facility. For more information on the interest rate swap arrangements, see note 23 of our consolidated financial statements for the years ended December 31, 2018 and 2019 and our interim consolidated financial statements for the six-month period ended June 30, 2020. See also "*—Qualitative Disclosure about Financial Risks—Interest Rate Risks*".

Capital Expenditures

Historical Capital Expenditures

The table below presents our significant capital expenditures for the periods indicated:

	For the years ended December 31,			(Unaudited) For the six-month periods ended June 30,	
	2017	**2018**	**2019**	**2019**	**2020**
	US$ (in thousands)				
Drilling[1]	18	5,580	32,668	5,635	5,958
Maintenance[2]	10,341	5,546	2,102	1,577	316
Other[3]	5,910	7,231	5,659	2,379	1,109
Total	**16,269**	**18,366**	**40,429**	**9,591**	**7,383**

(1) Drilling capital expenditure includes well pad costs, hook-up costs and drilling expenditure.

(2) Maintenance capital expenditure includes workover costs, overhaul and major maintenance costs.

(3) Other capital expenditure includes capital expenditure associated with Brine Outfield Injection ("**BOI**") and Proximal South East ("**PSE**") completion costs, which are Salak injection realignment projects to move the injection away from the reservoir.

Our capital expenditures increased in the year ended December 31, 2019 as compared to the year ended December 31, 2018 as a result of planned drilling activities for new make-up wells in the Darajat Geothermal Operations.

Planned Capital Expenditures

Our budgeted capital expenditures for 2020, 2021 and 2022 are summarized in the following table.

	For the years ended December 31,		
	2020	**2021**	**2022**
	US$ in thousands		
Drilling[1]	7,323	26,024	51,249
Maintenance	2,312	16,419	7,919
Other	3,103	5,234	4,412
Salak Binary Power Plant[2]	10,022	34,311	124
Total	**22,760**	**81,989**	**63,704**

(1) Drilling capital expenditure includes well pad costs, hook-up costs and drilling expenditure.

(2) The Salak Binary Power Plant is expected to have a capacity of 13 MW to 15 MW. As of the date of this Offering Memorandum, we have completed the FEED for the Salak Binary Power Plant and are in the process of obtaining the necessary board approvals for its FID, which we expect in the fourth quarter of 2020, subject to consultation with PLN and meeting minimum economic returns. We intend for the Salak Binary Power Plant to commence operations in the second half of 2022.

The primary source of the amounts we plan to expend on capital expenditures will be cash from our operations.

Our planned capital expenditures may vary depending on changes to our business plans and changes to development, construction and drilling costs. See "*Risk Factors—Risks Relating to our Business—In the future, any expansion plans may not be successful, additional facilities may not commence operation as planned and we may have difficulty securing necessary financing or financing on terms favorable to us for our facility expansion plans*".

Contractual Obligations and Contingent Liabilities

As at June 30, 2020, we had total contractual obligations in the amount of US$970.4 million. The following table sets forth information regarding our contractual obligations as at June 30, 2020:

	Due in				
	Less than 1 year	**>1-3 years**	**3-5 years**	**More than 5 years**	**Total**
			US$ in thousands		
Total debt	78,000	847,100	—	—	925,100
Derivative liabilities	—	19,894	—	—	19,894
Production allowance to PGE Accrual	2,410	—	—	—	2,410
Corporate income tax payable (34% Government Share)	22,985	—	—	—	22,985
Total	**103,395**	**866,994**	**—**	**—**	**970,389**

(1) This table does not include Tranche B of the Existing Senior Debt Facilities.

Off-Balance Sheet Arrangements

As at June 30, 2020, we did not have any off-balance sheet arrangements.

Qualitative Disclosure about Financial Risks

We are exposed to financial risks arising from our operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency risk and commodity price risk. Our overall risk management strategy focuses on the unpredictability of financial markets and seeks to minimize adverse effects on our financial performance.

Risk management is carried out by the corporate finance department under the supervision of the Board of Directors. The corporate finance department identifies, evaluates and hedges financial risks.

Credit Risks

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. Our exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash on hand and in banks, restricted cash, finance lease receivables and derivatives), we minimize credit risk by dealing exclusively with high credit rating counterparties. Our corporate finance department also regularly monitors the financial condition of banks and financial institutions where cash is placed.

As of June 30, 2020, we are subject to concentration of credit risk as almost all of our bank deposits are placed in one bank.

With respect to credit risk arising from trade receivables, we are subject to concentration of credit risk as all of our electricity and steam sales are solely through PGE and PLNs. We do not hold any collateral to secure PLN payments to us under the relevant ESCs. See "*Description of Material Contracts*" and "*Risk Factors—Risks Relating to our Business—We are subject to risks associated with reliance on PLN and PGE*".

Liquidity Risks

Liquidity risk is the risk that we will encounter difficulty in meeting financial obligations due to a shortage of funds. Our exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. Our corporate finance department aims to maintain flexibility in funding by keeping committed credit facilities available.

Interest Rate Risks

As we have no significant interest-bearing assets, our income and operating cash flows are substantially independent of changes in market interest rates. In the past, we have managed our cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting bank borrowings from floating rates to fixed rates. For the period under review, we raised long-term bank borrowings at floating rates and swapped them into fixed rates that were lower than those available had we borrowed at fixed rates directly. Under the interest rate swaps, we agree with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts. In order to manage interest rate risk against fluctuations in LIBOR, we entered into interest rate swap transactions with a consortium of banks in relation to the Existing Senior Debt Facilities in 2017 and 2018. See "*—Indebtedness—Existing Senior Debt Facilities*", above and also note 24 of our interim consolidated financial statements for the six-month period ended June 30, 2020. By entering into the interest rate swap transactions, the interest payable on the Existing Senior Debt Facilities is expected to be fixed (not affected by changes in LIBOR). Going forward, upon repayment of our bank borrowings, such interest rate swaps are expected to be mark-to-market. As at June 30, 2020, the fair value of the interest rate swaps recognized as derivative liabilities amounted to US$19.9 million.

Market Risks

Our exposure to market risks derives primarily from changes in exchange rates, interest rates, as well as credit risks.

Foreign Currency Risk

We have transactional currency exposures arising from purchases denominated in a currency other than the functional currency of our entities, which is US dollars. The foreign currency in which these transactions are denominated is mainly in Indonesian Rupiah as our operations are all in Indonesia. We do not enter into foreign currency exchange contracts to mitigate foreign currency risk. See notes 12, 18 and 25 to our interim consolidated financial statements for the six-month period ended June 30, 2020, for disclosure relating to our currency exposure.

Further, the amount of tariff payable by PLN under the Darajat and Salak ESCs are based on a pre-determined formula. See "*Description of Material Contracts—The Darajat Energy Sales Contract—Tariff*" and "*—The Salak Energy Sales Contract—Tariff*". One of the variable components in the formula is a monetary exchange factor based on the Bank Indonesia selling rate of exchange in Rupiah per US dollar. In the event of a weakening of the Rupiah against the US dollar, tariff payments by PLN to us will decrease. On the other hand, in the event that the value of the Rupiah strengthens against the US dollar, tariff payments by PLN to us will increase based on the formula in the relevant ESC. Under the terms of the relevant ESC, PLN is obliged to make payments to us in US dollars. See "*—Significant Factors Affecting Our Results of Operations—Tariff*" above for an illustration of the sensitivity of our tariff to fluctuations in the variable components of the tariff formula, including the Indonesian Rupiah-US dollar exchange rate.

OVERVIEW OF THE INDONESIAN POWER INDUSTRY

The statistical and graphical information contained in this report—including historical data and forecast future supply, demand and market trends—was produced by compiling, interpreting and analyzing production, economic, statistical and technical information mainly from the Electricity Power Supply Business Plan 2019—2028 dated February 20, 2019, the Handbook of Energy and Economic Statistics of Indonesia dated January 2019 and Statistik PLN 2019. This information was obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. See also "Risk Factors—Risks Relating to the Presentation of Certain Information in this Offering Memorandum—Certain facts and statistics are derived from publications not independently verified by us, the Initial Purchasers or our respective advisors". Data included in this section with respect to any period in the future is forecasted based on available sources and internal analyzes.

Forecasts and assumptions included in this report are inherently uncertain because of events or combinations of events that cannot reasonably be foreseen, including, without limitation, the actions of governments, individuals, third parties and competitors. Prospective investors should not place undue reliance on such statements, or on the ability of any third party, to accurately predict future industry trends and performance.

Market Structure

The power sector in Indonesia is regulated by the MEMR through the Directorate General of Electricity and the Directorate General of New and Renewable Energy and Energy Conservation. MEMR is responsible for developing the National Electricity Plan ("**RUKN**") which sets out a 20-year estimate of demand/supply, investment and funding policies as well as the approach to utilization of new and renewable energy resources. The RUKN is reviewed every three years.

PLN is a state-owned enterprise ("**SOE**") which is wholly-owned by the Government through the Ministry of State-Owned Enterprises ("**MSOE**"). PLN plays a critical role in all sectors of Indonesia's power sector. It owns the majority of Indonesia's installed power generation capacity, is the sole purchaser of all electricity generated in Indonesia (with the exception of captive power projects) and is also the sole provider for the transmission and distribution of electricity in Indonesia. As at December 2019, PLN owns 46 GW of 63 GW (73%) of Indonesia's total installed power generation capacity. The remaining 27% of Indonesia's total installed power generation capacity is owned by independent power producers ("**IPPs**") which are owned by the private sector, comprising of both Indonesian and international investors. PLN is the sole purchaser of electricity from such IPPs under long-term Power Purchase Agreements ("**PPAs**") of up to 25 years.

PLN is also responsible for preparing the Electricity Power Supply Business Plan ("**RUPTL**") which references the RUKN and is approved by the MEMR. The RUPTL is the official 10-year electricity development plan for Indonesia and contains demand forecasts, future expansion plans, KWh production and fuel requirements and indicates which projects will be developed by PLN and IPP investors.

Indonesia is an archipelago comprising over 18,000 islands, and access to electricity and electricity consumption varies across the country. Indonesia does not currently have an integrated national grid but has a series of separate Transmission & Distribution ("**T&D**") grids with over 600 isolated grids and eight major networks in total. The four major grids are in Java-Bali, North Sumatra, South Sumatra and South Sulawesi, which are the most populated regions in Indonesia. Distribution is also uneven with consumption higher in more industrialized areas, such as the western part of Java. Similarly, the level of access to the grid is mixed with electrification rates in the western part of the country as high as 99.99% (i.e. DKI Jakarta), and in the eastern part of the country as low as 62% (i.e. Nusa Tenggara Timur). The national average electrification rate in 2019 was 98.8% (2018: 98.3%).

PLN currently has a de facto monopoly on T&D asset ownership and operations, although the private sector is legally permitted to operate T&D grids. Certain transmission lines are built by IPPs, particularly for power plants in remote areas, in order to connect these to the closest PLN substations. However, ownership of these transmission lines will typically be transferred to PLN upon the completion of construction.

As at March 2020, the total length of transmission lines in Indonesia was 59,218km. Transmission losses were 2.3% in 2019. In 2019, distribution losses were 7.2%. Within the period 2019 to 2028, PLN intends to build another 57,203km of transmission lines to achieve a balance between generation capacity and power demand efficiently. For distribution network, PLN intends to develop the network between 2019 to 2028 to serve a projected 16.9 million more customers.

Demand

Indonesia has seen a steady growth in electricity demand in recent years. PLN electricity sales in Indonesia grew from 133 TWh in 2009 to 245 TWh in 2019, representing a CAGR of 6.3% per annum. Demand is projected to grow at more than 6.42% per annum from 2019 to 2028, with total electricity demand expected to more than double between 2019 and 2028, according to the Electricity Power Supply Business Plan (RUPTL) 2019-2028. The electricity demand growth is a result of Indonesia's transformation from an agricultural to a manufacturing-oriented economy and the expansion of the commercial sector. The agricultural sector is characterized by a low level of electricity consumption. In contrast, the manufacturing sector relies heavily on electricity as a major source of energy. 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 Indonesians have generally resulted in higher per capita consumption of electricity, including 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.

As of 2019, PLN served approximately 77 million customers (up 8.5% from 71 million in 2018) throughout Indonesia, of which 48.1 million were located in Java. Residential and industrial customers account for the largest proportion of electricity sales at 42% and 32% of total electricity sales respectively. Business and public services accounting for the remaining 19% and 7% respectively. In terms of region, Java-Bali and Nusa Tenggara, which contains the capital Jakarta, accounts for 74% of total electricity sales by PLN, followed by Sumatra (16%), Kalimantan (4%), Sulawesi (4%) and Maluku and Papua (2%).

The following table sets forth the estimated electricity consumption per capita according to the Electricity Power Supply Business Plan (RUPTL) 2019 – 2028 for the time periods indicated:

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Electricity Consumption per capita (kwh/capita)	914	963	1,018	1,081	1,143	1,203	1,266	1,332	1,404	1,480

Demand Outlook

As at 2019, Indonesia's total population is estimated at 270 million people and is forecasted to reach 292 million people by 2028. The following table sets forth the estimated population growth according to the Electricity Power Supply Business Plan (RUPTL) 2019 – 2028 for the time periods indicated:

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Population (millions)	268.43	271.43	274.35	277.8	279.94	282.62	285.21	287.71	290.1	292.44

According to the Electricity Power Supply Business Plan (RUPTL) 2019 – 2028, GDP growth is forecasted to be 6.42% per annum between 2019 to 2028 and population growth to be 1% per annum between 2019 to 2028. Urbanization and increased rural electrification are likely to continue to drive significant increases in Indonesia's power demand over the next decade. According to PLN, Indonesia's electricity demand is expected to increase from 233 TWh in 2018 to 433 TWh in 2028 representing a CAGR of 6.4%.

Indonesia Estimated Growth and Demand	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Estimated economic growth %	5.6	6.5	6.8	7.2	6.8	6.2	6.2	6.2	6.2	6.3
Estimated demand (TWh)	245	261	279	300	320	340	361	383	407	433

Source: Electricity Power Supply Business Plan (RUPTL) 2019-2028.

Of this, most of the increase in demand is anticipated to come from the Java-Bali power grid, as this region is expected to continue to account for most of Indonesia's economic and urbanization activity. Access to electricity is expected to improve over the next decade and is also a driving factor for increasing electricity demand.

Estimated Energy Demand (TWh)	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Indonesia	245	261	279	300	320	340	361	383	407	433
Java-Bali and Nusa Tenggara	184	195	206	219	232	245	259	274	290	307
Sumatra	38	40	44	49	54	57	61	66	70	75
Kalimantan	11	12	13	14	15	16	18	19	20	22
Sulawesi	11	12	13	14	16	17	19	20	22	23
Maluku & Papua	3	3	3	3	4	4	4	5	5	5

Source: Electricity Power Supply Business Plan (RUPTL) 2019–2028.

Supply

Indonesia's power generation installed capacity stood at 63 GW according to Statistik PLN 2019, comprising both PLN and IPP plants which generated approximately 271 TWh of electricity in the same year. Coal accounts for the largest share of 2018 the generation fuel mix at 59.3%, followed by gas (22.6%), renewables (12.7%), and oil (5.4%). Hydropower and geothermal are Indonesia's main contributors of renewable energy to-date contributing 6.3% and 5.0% respectively.

Supply Outlook

Given the projected demand growth, Indonesia continues to need significant investment in power infrastructure. President Joko Widodo's 2014 National Energy Policy originally set out an ambitious target to transform the energy mix by 2025, establish energy independence and 100% electrification by 2020. To meet the 2020 target, the MEMR established a 35 GW power expansion program ("**35 GW Programme**"), mandating PLN to implement this capacity target together with the associated transmission and distribution facilities. As the implementation of the 35 GW Programme has been slower than expected, the 2020 target has been shifted to 2028. Nevertheless, the recent re-election of President Joko Widodo in May 2019 for another five-year term lends continuity to the 35 GW Programme. As of March 31, 2020, approximately 19.2% of the 35 GW Programme's construction was completed (mainly in Java, Sulawesi and Sumatra region), 54.9% is under construction (mainly in Java, Bali and Sumatra), 19.8% has yet to be constructed (mainly in Sumatra, Java, Bali and Kalimantan), 2.3% is still in the tendering process (mainly in Sumatra, Kalimantan and Sulawesi) and 2.1% is still under planning (mainly in Kalimantan, Sulawesi, Maluku, Papua and Nusa Tenggara).

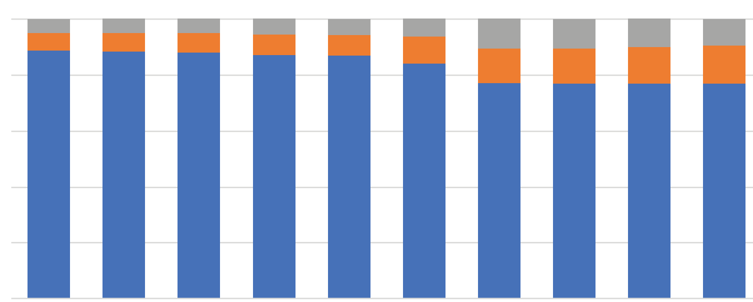
According to the current Electricity Power Supply Business Plan (RUPTL) 2019-2028, as at November 2018, 2.9 GW (8%) was operational, 18.2 GW (52%) is under construction, 11.5 GW (33%) is in the process of executing PPAs but have not been developed and 2.7 GW (7%) is in the planning phase. Beyond the 35 GW Programme, PLN anticipates that another 20 GW of power generation capacity will be built by 2028, bringing the total additional power generation capacity to 56 GW in the next 10 years.

PLN has recently revised its target down from 78 GW of new power generation capacity by 2026 in the 2017 RUPTL to 56 GW by 2028 in the 2019 RUPTL. The key reason for PLN to lower their total capacity target by 2028 is due to the lower expected average electricity demand growth rate, which had been revised from 6.9% in the 2018 RUPTL to 6.4% in the 2019 RUPTL.

The improvement of national power generation and electricity access remains a significant part of the Government's wider plan for infrastructure support covering roads, railways, seaports and airport development, water supply and treatment, oil refining, gas supply and distribution, and fiberoptic broadband.

In terms of generation mix, coal is expected to account for a slightly lower share of the energy mix at 54.4% by 2028, while gas remains relatively stable around 20%. The capacity targets for renewables is expected to reach 23.2% of Indonesia energy mix by 2028, which will be mainly attributable to hydro (10.9%) and geothermal (9.6%), with the remaining from traditional renewable energy generation from solar and wind.

Composition of Generation Mix of Power Plants in Indonesia



	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Fossil Fuels	88.6%	88.3%	88.7%	86.9%	86.8%	84.0%	77.0%	76.8%	76.8%	76.8%
Renewables (Ex. Geothermal)	6.4%	6.5%	7.0%	7.5%	7.5%	9.7%	12.4%	12.5%	13.1%	13.6%
Geothermal	5.0%	5.2%	5.2%	5.6%	5.7%	6.4%	10.7%	10.7%	10.1%	9.6%

Source: Electricity Power Supply Business Plan (RUPTL) 2019-2028.

Geothermal Energy in Indonesia

Indonesia possesses one of the world's largest geothermal resources. As shown in the table below, it has proven reserves of 3,012 MW and combined total probable and possible reserves of 15,127 MW as at 2018. Indonesian geothermal reserves are widely distributed across the country and are generally highly productive. The largest reserves currently are in Sumatra and Java, which make up 95% of proven reserves.

Geothermal Resources and Reserves (as of December 2018)

		Resources		Reserves			
No	Location	Speculative	Hypothetical	Possible	Probable	Proven	Total (MW)
1	Sumatera	2,776	1,689	3,889	1,083	1,028	10,465
2	Jawa	1,190	1,460	3,708	516	1,820	8,694
3	Bali	70	22	122	110	30	354
4	Nusa Tenggara	225	210	829	121	13	1,398
5	Kalimantan	151	18	13	0	0	182
6	Sulawesi	1,360	362	1,041	180	120	3,063
7	Maluku	560	91	497	6	2	1,156
8	Papua	75	0	0	0	0	75
Total		**6,407**	**3,852**	**10,099**	**2,016**	**3,013**	**25,387**

Source: MEMR Handbook of Energy and Economic Statistics Indonesia 2018

Despite this significant geothermal potential, limited geothermal generation capacity has so far been developed. Electricity production from geothermal sources in 2018 was approximately 14,018 GWh, and the total installed geothermal generation capacity as of 2018 was 1,948 MW (12.9% of the total reserves).

The following tables show Indonesia's geothermal production assets and their turbine capacities, operator, and total capacities as of 2018. As at 2018, the Salak—Darajat asset is the largest geothermal power and steam producers in Indonesia accounting for 33% of geothermal power capacity and 37% of steam production in 2018.

No	Working Area	Commercial Operation Date	Location	Developer	Operator	Total Capacity (MWe)
1	Salak	1994	West Java	Chevron	Star Energy/PLN	376.8
2	Sarulla		North Sumatra	Sarulla	Sarulla	330.0
3	Darajat	1994	West Java	Chevron	Star Energy/PLN	270.0
4	Kamojang	1982	West Java	Pertamina	PLN Pertamina	235.0
5	Wayang Windu	2000	West Java	Star Energy	Star Energy	227.0
6	Ulubelu	2011	Lampung	Pertamina	PLN	220.0
7	Lahendong	2016	North Sulawesi	Pertamina	PLN/Pertamina	120.0
8	Dieng	1998	Central Java	Geo Dipa Energy	Geo Dipa Energy	60.0
9	Patuha	2014	West Java	Geo Dipa Energy	Geo Dipa Energy	55.0
10	Karaha	2018	West Java	Pertamina		30.0
11	Sibayak	2000	North Sumatra	Pertamina	PT Dizamatra Powerindo	12.0
12	Ulumbu	2012	NTT	PLN	PLN	10.0
13	Mataloko	2010	NTT	PLN	PLN	2.5
						1,948.3

Source: MEMR Handbook of Energy and Economic Statistics Indonesia 2018

Fuel Type	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Hydro	6.10%	6.08%	6.38%	5.92%	5.79%	7.88%	10.40%	10.62%	10.65%	10.93%
Geothermal	5.00%	5.22%	5.17%	5.62%	5.66%	6.36%	10.65%	10.74%	10.08%	9.63%
Other NRE	0.27%	0.39%	0.62%	1.54%	1.74%	1.79%	1.95%	1.84%	2.47%	2.64%
Gas	21.24%	19.32%	18.03%	18.44%	19.62%	19.82%	22.00%	22.00%	22.00%	22.00%
Oil	4.00%	2.91%	1.48%	0.55%	0.51%	0.40%	0.40%	0.40%	0.40%	0.40%
Coal	62.75%	65.49%	68.19%	67.81%	66.60%	63.74%	54.60%	54.40%	54.40%	54.40%
Imports	0.64%	0.59%	0.12%	0.12%	0.08%	0.01%	0.00%	0.00%	0.00%	0.00%
Total (GWh)	**282,065**	**301,755**	**321,446**	**343,201**	**365,436**	**387,926**	**412,851**	**439,330**	**472,253**	**500,681**

Source: Electricity Power Supply Business Plan (RUPTL) 2019-2028.

In the latest Electricity Power Supply Business Plan (RUPTL) 2019-2028, the proportion of New and Renewable Energy generation is expected to rise from 32 GW in 2019 to 116 GW by 2028. Energy generation from geothermal is expected to reach 48 GW by 2028, with an increase of 3 GW between 2019 to 2023.

The following table sets forth the estimated annual geothermal capacity additions according to the Electricity Power Supply Business Plan (RUPTL) 2019 – 2028 for the time periods indicated:

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Geothermal capacity addition (MW)	190	151	147	455	245	415	2,759	45	145	55

REGULATION AND REGULATORY FRAMEWORK OF THE INDONESIAN GEOTHERMAL POWER AND ELECTRICITY INDUSTRY

The legal framework for the development of geothermal power plants in Indonesia is separate from that of other IPPs such as that for coal fired, combined cycle or hydro plants. The regulatory regime that applies to our geothermal business and operations is the regulatory regime that was in place prior to the 2003 enactment of Law No. 27 of 2003 as revoked and replaced by Law No. 21 of 2014 on Geothermal ("**Law No. 21 of 2014**"). We are also subject to the electricity law, particularly on the regulation governing the tariff that shall be paid by PLN to the IPP in case of purchase of electricity by PLN from IPP. In addition, we must also comply with other regulations such as environmental and forestry regulations.

Law No. 21 of 2014 on Geothermal

On September 17, 2014, the Parliament of Indonesia passed Law No. 21 of 2014 to entirely replace the previously applicable law on geothermal, Law No. 27 of 2003. Law No. 21 of 2014 regulates, among other things, the division of authority between the central government and the regional government, utilization of geothermal resources for power generation purposes (indirect utilization) and for other purposes (direct utilization), rights and obligations of geothermal license holders, operation of geothermal activity in forestry areas, land utilization, state income, production bonus for regional government and supervision activities. Law No. 21 of 2014 and its implementing regulations serve as the legal basis for geothermal utilization in Indonesia.

Under Law No. 21 of 2014, any existing geothermal joint operation contracts signed prior to the effectiveness of Law No. 21 of 2014, including the JOC, remain valid until the contract expires and may be extended provided that the joint operation contract is converted into a geothermal license and subject to the provisions of Law No. 21 of 2014.

This section discusses some salient provisions of Law No. 21 of 2014 and its implementing regulations.

Utilization of Geothermal Resources and Centralized Licensing

Similar to the previous geothermal law, Law No. 21 of 2014 differentiates the utilization of geothermal into two types, direct and indirect utilization. Direct utilization refers to activities that utilize geothermal resources for purposes other than generating electricity covering activities such as tourism, agribusiness, industry, and other business activities, while indirect utilization refers to activities that utilize geothermal resources for generating electricity.

Law No. 21 of 2014 and its implementing regulation, GR No. 7 of 2017, vest sole authority in the central government to determine the designated work areas for the indirect utilization of geothermal resources and grant the licensing authority for all aspects of geothermal indirect utilization to the central government, whereas previously such authority was shared with regional government.

Law No. 21 of 2014 provides that the size of the geothermal concession shall have regard to the geographical extent of the geothermal system. However, under GR No. 7 of 2017, the size of geothermal concession is capped at 200,000 hectares.

Excluded from Mining Sector

Law No. 21 of 2014 significantly liberalizes the rules regulating the utilization of geothermal resources, in particular by no longer classifying geothermal exploitation as a form of "mining," and therefore exempting it from the restrictive rules governing mining activities in conservation forest areas.

Should the geothermal project be located in a designated forest area, the holder of geothermal indirect utilization license is required to obtain a borrow-use permit for a production or protected forest area; or, in the case of a conservation forest area, a geothermal environmental service utilization license. See "*Forestry Laws and Regulations*" below.

Production Bonus

Although the regional governments no longer have authority over indirect utilization of geothermal resources, Law No. 21 of 2014 regulates that the regional governments within whose jurisdiction geothermal project is located are entitled to receive a "production bonus" from companies engaged in indirect utilization of geothermal resources, levied in addition to any applicable local taxes.

The implementation of the production bonus is regulated by Government Regulation No. 28 of 2016 and MEMR Regulation No. 23 of 2017 on Procedure for Reconciliation, Depositing and Reporting of Geothermal Energy Production Bonuses ("**Regulations on Production Bonus**").

Pursuant to the Regulations on Production Bonus, the amount of production bonus is 1% for sale of steam and 0.5% for sale of electricity, calculated based on the company's gross revenues. The production bonus is payable by all geothermal businesses, including any existing geothermal joint operation contract and/or energy sales contract that existed prior to the enactment of Law 21 of 2014 (September 17, 2014), from the time they commence the commercial production stage. In our case, where the commercial production stage commences before September 17, 2014, the payment of a production bonus has been mandatory since January 1, 2015 and the payment is to be made quarterly.

Specifically, for contractors under a joint operating contract, upon payment of the production bonus, the geothermal business is entitled to receive reimbursement from the central government. The reimbursement is to be allocated from the central government's share (which is set at 34% of the geothermal business' net profits) provided that the central government's share paid by the geothermal business is greater than the production bonus paid to the regional government.

An implementing regulation concerning the mechanism for recovery and reimbursement of the production bonus to geothermal businesses was issued on December 22, 2017 by the Minister of Finance under Regulation No. 201/PMK.02/2017 ("**MOF Regulation No. 201 of 2017**"). Pursuant to MOF Regulation No. 201 of 2017, a geothermal business must fully settle the production bonus and the central government's share before it can submit a request for reimbursement to the Directorate General of Budgeting and the Directorate General of EBTKE. To apply for the reimbursement, it is imperative for the geothermal business to obtain a confirmation letter from the regional government that the production bonus has been fully settled and payment receipt for the central government's share. The Directorate General of Budgeting will review and assess whether the geothermal business has fulfilled and complied with its financial obligations (i.e. payment of production bonus and central government's share). If the Directorate General of Budgeting approves the request, the Directorate General of Budgeting will instruct the Directorate General of Treasury of the Ministry of Finance to reimburse the geothermal business for the production bonus paid to the regional government. Immediately within 7 business days following the receipt of such reimbursement, the geothermal business should send a written confirmation to the Directorate General of Budgeting and the Directorate General of Treasury of the Ministry of Finance that the reimbursement amount has been received in good funds. Should there be any discrepancies in calculation, the negative or positive amount will be credited or debited to the next reimbursement round.

MOF Regulation No. 201 of 2017 comes into effect 30 days after December 22, 2017 (i.e. January 21, 2018). We have yet to see the actual implementation of such regulation and what difficulties may arise in relation to the recovery and reimbursement mechanism stipulated by MOF Regulation No. 201 of 2017.

Joint Operation Contract Regime for Geothermal Projects Existing Prior to Law No. 27 of 2003 and Law No. 21 of 2014 on Geothermal

The legal framework applicable to our facility is based on Presidential Decree No. 22 of 1981, as amended by Presidential Decree No. 45 of 1991 (together the "**Presidential Decrees**"), which was revoked by Presidential Decree No. 76 of 2000 on Geothermal Resources Business for Power Generation ("**PD No. 76 of 2000**").

Under the Presidential Decrees, the Government conferred on Pertamina the right to manage and supervise the state's mining authority (concession rights) to develop geothermal resources, including the generation of electricity from developed steamfields. The Presidential Decrees enabled Pertamina to cooperate with contractors appointed by the MME (now MEMR) to carry out these activities under a "**joint operation**".

Two alternatives follow from the Presidential Decrees. In the first alternative, Pertamina enters into a joint operation contract with the contractor which sets forth their respective rights and responsibilities in developing the steamfield and electricity generation facilities. The contractor, on behalf of Pertamina, will develop and operate the steamfield and the electricity generation facilities, produce and convert the steam into electricity and deliver the electricity to PLN. Under an energy sales contract, Pertamina, as the holder of the mining authority, would be the seller of the electricity that is produced and sold to PLN or other off-takers. In the second alternative, Pertamina or its contractors on behalf of Pertamina simply develop the steamfield, produce, deliver and sell the steam to PLN or other off-takers for electricity generation.

Presidential Decree No. 76 of 2000 and Pertamina Corporatization

To promote the diversification and conservation of energy, the Government issued PD No. 76 of 2000. The issuance of PD No. 76 of 2000 resulted in significant changes to the joint operation contract regime which was based on the Presidential Decrees. PD No. 76 of 2000 revoked the Presidential Decrees and Presidential Decree No. 49 of 1991 on Income Tax, Value Added Tax and Levies Treatment Against the Implementation of Authority and Business License of Geothermal for Power Plant ("**PD No. 49**"), which had set forth special tax rules for geothermal power projects but grandfathered the existing joint operation contracts and the like, and confirmed that the tax rules of PD No. 49 would continue to apply to those projects. Energy sales contracts renegotiated with PLN as part of the rationalization process following Indonesia's economic crisis were also grandfathered by PD No. 76 of 2000 unless the negotiations among the parties provided otherwise. Accordingly, we continue our operations under the JOC and ESC, including having the benefit of special tax rules as set forth under PD No. 49.

A change introduced by PD No. 76 of 2000 was that Pertamina's right to manage and supervise existing joint operation contracts was transferred to the MEMR. The management and supervision authority of the existing joint operation contracts, including the JOC, was then transferred to the Director General of Geology and Mineral Resources, pursuant to MEMR Decree No. 0980.K/40/MEM/2004, effective as of October 22, 2003. This role has been assumed by the Directorate General of New, Renewable Energy and Energy Conservation pursuant to MEMR Regulation No. 13 of 2016, enacted on May 24, 2016.

The issuance of Law No. 22 of 2001 on Oil and Gas ("**Law No. 22 of 2001**") removed geothermal power from the oil and gas sector, and as a result removed geothermal business as one of Pertamina's business lines. Law No. 22 of 2001 revoked the earlier Government Regulation in Lieu of Law No. 44 of 1960 on Oil and Gas, which was the basis for the Presidential Decrees.

Pertamina was corporatized in 2003 and is now named PT Pertamina (Persero) pursuant to Government Regulation No. 31 of 2003 ("**GR No. 31 of 2003**"). Pertamina's assets and liabilities were transferred by law to PT Pertamina (Persero) under GR No. 31 of 2003. Under GR No. 31 of 2003, and given that Pertamina's new Articles of Association do not authorize Pertamina to conduct geothermal business, Pertamina's existing geothermal businesses, rights and obligations and assets were transferred to a dedicated Pertamina subsidiary. Based on Letter No. 282/C00000/2007-SO issued by Pertamina, as of January 1, 2007, PGE, a subsidiary of Pertamina, became our counterparty under both the JOC and the ESC. As a result of the transfer of geothermal businesses to PGE, contractors of existing joint operation contracts, including us, are now using PGE's master list to enable the import of plant and equipment.

Transfer of Shares and Changes in Board of Directors/Board of Commissioners

On August 3, 2017, the MEMR issued MEMR Regulation No. 48 of 2017, as partially revoked by MEMR Regulation No. 41 of 2018 (as amended) ("**MEMR Regulation 48 of 2017**") which sets out, among others, the procedures for the transfer of participating interest and shares as well as procedures relating to the change of the board of directors and board of commissioners of power, oil and gas, mining and geothermal companies, including companies operating under a joint operating contract. MEMR Regulation 48 of 2017 imposes an MEMR consent obligation for the transfer of shares in geothermal companies that are conducted on the Indonesian stock exchange. Such transfer can only be made after the end of the exploration stage of the given project including in the case of an Initial Public Offering. Transfer of shares outside the Indonesian stock exchange, such as our company, only require notification to the MEMR after the transfer is completed. Any changes to our board of directors and board of commissioners are also subject to notification to the MEMR.

Environmental Laws and Regulations

Environmental protection in Indonesia is governed by, among others, Law No. 32 of 2009 regarding Environmental Protection and Management (the "**Environmental Law**"), Government Regulation No. 27 of 2012 regarding Environmental Permits ("**Regulation No. 27 of 2012**"), Law No. 5 of 1990 regarding Conservation of Biodiversity and Ecosystems and Minister of Environment and Forestry Regulation No. P.38/MENLHK/SETJEN/KUM.1/7/2019 on Types of Business and/or Activity Plans that Must be Completed with AMDAL ("**Regulation No. 38 of 2019**").

Under Regulation No. 38 of 2019, geothermal activities in the exploitation stage require an AMDAL. Other geothermal activities in the exploration stage do not require an AMDAL. Pursuant to the Environmental Law, in the event that such a company does not require an AMDAL, then such company is required to prepare an environmental management effort report, known as a *Upaya Pengelolaan Lingkungan* ("**UKL**") and an environmental control effort report, known as an *Upaya Pemantauan Lingkungan* ("**UPL**").

Furthermore, under the Environmental Law, we are also required to obtain an environmental permit. Pursuant to Regulation No. 27 of 2012 on Environmental Permit, a company required to obtain the AMDAL (as stipulated under Regulation No. 38 of 2019) 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 Regulation No. 27 of 2012.

Under the transitional provision of Regulation No. 27 of 2012, any AMDAL which was approved before the enactment of Regulation No. 27 of 2012 shall remain valid and will be treated in the same manner as an Environmental Permit. Because our AMDAL was approved before the enactment of Regulation No. 27 of 2012, we do not need to obtain an Environmental Permit for our current operations in Unit 1 and Unit 2. In addition, we have also obtained Environmental Permit for our activities, in relation to an additional geothermal turbine-generator unit.

Geothermal operating companies must also comply with, among others, Government Regulation No. 101 of 2014 on Management of Hazardous and Toxic Waste Material, Government Regulation No. 74 of 2001 on Management of Hazardous or Toxic Materials (or *bahan berbahaya dan beracun*), State Minister for Environmental Affairs Regulation No. 19 of 2010 on Quality Standard of Wastewater for Business and/or Activity of Oil and Gas and Geothermal, and State Minister for Environmental Affairs Regulation No. 13 of 2007 on Terms and Procedure of Wastewater Management for Business and/or Activity of Upstream Oil and Gas and Geothermal with Injection Method which regulates waste management of geothermal business activities, among others, by requiring the monthly analysis of wastewater in an accredited laboratory.

Forestry Laws and Regulations

Most of the working area used for geothermal operations is located in forestry area, such laws and regulations issued by the Ministry of Environment and Forestry in relation to such matters are applicable to geothermal contractors and/or companies, including us. Based on Law No. 41 of 1999 regarding Forestry, as amended by Law No. 19 of 2004, partly revoked by Law No. 18 of 2013 ("**Forestry Law**"), the use of forest areas for geothermal purposes is required to be conducted based on a "**borrow and use**" permit (now known as *Izin Pinjam Pakai Kawasan Hutan* or "**IPPKH**") issued by the Minister of Environment and Forestry (formerly known as Minister of Forestry). The current implementing regulation of this requirement is Minister of Environment and Forestry ("**MOEF**") Regulation No. P.27/MENLHK/SETJEN/KUM.1/7/2018, as amended by Minister of Environment and Forestry Regulation No. P.7/MENLHK/SETJEN/KUM.1/2/2019 ("**MOEF Regulation No. 27 of 2018**").

Under MOEF Regulation No. 27 of 2018, assuming that the size of the forestry area in West Java province is equal to or below 30% of the size of riverbed area, island and/or the relevant province, a borrow and use permit will only be granted if the applicant provides compensation in the form of land in a ratio of 2:1 commercial use of for forestry area, as well as to perform planting for the purpose of rehabilitation of the area of river watershed in a ratio of 1:1 for non-commercial use of forestry area. The borrow and use permit validity period will be granted in accordance with the purpose of the forest utilization. For the development of installation of power generator, transmission, and distribution of power supplies as well as the technology of new and renewable energy such as geothermal, the Minister of Environment and Forestry may grant the borrow and use permit which validity period is equal to the validity period of the relevant operational license held by the applicant. The IPPKH can be extended pursuant to an evaluation led by the Head of Forestry Office (*Kepala Dinas Kehutanan*) of the relevant provincial government.

All existing forestry area borrow-and-use agreements issued prior to the enactment of MOEF Regulation No. 27 of 2018 remain valid until they expire and upon extension will be converted into IPPKH.

As previously discussed, exploitation of geothermal for indirect utilization is no longer regarded as a mining activity, hence geothermal businesses are allowed to exploit and utilize geothermal resources located in conservation forest areas. Government Regulation No. 108 of 2015 on Amendment to Regulation 28 of 2011 on the Management Zone of Nature Reserve and Conservation Areas and

Regulation of the Minister of Environment and Forestry No. P.4/MENLHK/SETJEN/KUM.1/1/2019 concerning Utilization of Geothermal Environment Services at the National Park, Forest Park and Nature Park regulate the obligations and requirements of geothermal exploitation activities conducted in national parks, forest parks and nature parks based on the Geothermal Environmental Services Utilization Permit (*Izin Pemanfaatan Jasa Lingkungan Panas Bumi* or "**IPJLPB**") issued by the MOEF.

Company Registration

Pursuant to Law No. 3 of 1982, it is mandatory for every company domiciled and conducting business in the territory of the Republic of Indonesia (including a branch office, support office, subsidiary, agent and representative of said company that has authority to enter into an agreement) to register certain corporate information relating to it with the Company Registration Office at the Ministry of Trade and as a result thereof, obtain a Certificate of Company Registration (*Tanda Daftar Perusahaan*). Under the elucidation of this law, companies defined therein include foreign companies domiciled and conducting business in the territory of the Republic of Indonesia. To comply with Law No. 3 of 1982, we submitted an application for registration with the Company Registration Office. However, we understand from the Company's notary that the Company Registration Office cannot accept our application for registration because the Company Registration Office can only register Indonesian legal entities which are established and incorporated under Indonesian law. We have attempted to discharge our obligation under Law No. 3 of 1982 and, should the view of the Company Registration Office change so as to permit our Company to register, we intend to re-submit our application.

Autonomy Law

As a result of political changes in 1999, the Government passed two laws relating to regional autonomy, Law No. 22 of 1999, which was revoked by Law No. 32 of 2004 Regarding Regional Administrations ("**Autonomy Law**"), and Law No. 33 of 2004 regarding the financial equilibrium between the central government and the regional governments (as partially revoked from time to time). In principle, these laws provide greater authority to regional governments to administer local issues, including those relating to foreign investment. Furthermore, national income is more fairly allocated to the regional governments where revenues have been generated. Under the Autonomy Law, the central government and the regional governments theoretically have a similar but parallel status.

Under the Autonomy Law, each regional government has more flexibility to prepare and formulate its own regulations, as it will no longer be necessary to secure prior approval from the central government. However, the central government maintains its authority over matters relating to the national interest (e.g. foreign affairs, defense and security, the judicial system, monetary and fiscal affairs and religious affairs).

As discussed above, under Law No 21 of 2014, the regional governments no longer have the authority to manage, organize and issue permits for the indirect utilization of geothermal resources located within their jurisdiction. This provision is in line with Law No. 23 of 2014 on Regional Government, as most recently amended by Law No. 9 of 2015 and as partially revoked from time to time ("**Law No. 23 of 2014 as amended**") which revoked the Autonomy Law. Law No. 23 of 2014 as amended revoked regional government's authority to manage, organize and issue permits for the indirect utilization of geothermal resources located within their jurisdiction. However, it provided that regional governments have the authority to issue permits for the direct utilization of geothermal resources.

Electricity Industry

Law No. 30 of 2009 on Electricity

On September 23, 2009, the Parliament of Indonesia passed Law No. 30 of 2009 to replace the previously applicable law on electricity, Law No. 15 of 1985. Government Regulation No. 14 of 2012 on Electric Power Supply Business Activities issued on January 24, 2012, as amended by the Government Regulation No. 23 of 2014, is the implementing regulation of Law No. 30 of 2009 ("**Regulation No. 14 of 2012**"). In addition to the Regulation No. 14 of 2012, the procedure for obtaining an electricity business license is regulated under MEMR Regulation No. 12 of 2016, which amended the MEMR Regulation No. 35 of 2013.

This section discusses some key provisions of Law No. 30 of 2009 and its implementing regulations.

Industry Framework

Under Law No. 30 of 2009, electricity supply is controlled by the State, but management is performed by central government and regional governments (as relevant) through State-owned entities (i.e. PLN) and regional owned entities. Law No. 30 of 2009 further provides that private business entities, cooperatives and non-governmental entities (*swadaya masyarakat*) can participate in the electricity supply business. However, PLN is given first priority to be the public electricity supplier. If PLN declines the offer to undertake a public electricity supply business for the specified area, the central government or the regional government, in accordance with their respective authorities, may offer the right to maintain the public electricity supply business to regionally owned entities, private business entities or cooperatives.

PLN Licenses

PLN held an Electricity Business Proxy ("**PKUK**") from the central government under which PLN operates as an integrated electricity supply company. Under Law No. 30 of 2009, PLN's PKUK is no longer recognized. Pursuant to Law No. 30 of 2009, PLN is deemed to already have an Electricity Supply Business License ("**IUPTL**"). Within two years of the enactment of Law No. 30 of 2009, the central government was required to adjust PLN's IUPTL in accordance with the provisions of Law No. 30 of 2009.

Tariff of Electricity

Law No. 30 of 2009 provided that the central government, with Parliament's approval, would stipulate the tariff for electricity that is sold to end customers by the holder of an IUPTL. Meanwhile, the regional government, with approval from the regional parliament, would stipulate the tariff for provision of electricity within its jurisdiction in accordance with tariff guidelines provided by the central government, and therefore different tariffs for different regions within a business area may be determined.

We are a contractor to PGE and because the sale of electricity under the ESC is between PGE and PLN, we are not subject to Law No. 30 of 2009 and its implementing regulation, in respect of the provision on tariffs for the end customer.

Notwithstanding the foregoing, the purchase price for the electricity produced by geothermal companies is subject to i) Regulation of Minister of Energy and Mineral Resources No. 17 of 2014 on the Purchase of Electricity from Steam-fired Power Plant and Geothermal Steam for Steam-fired Power Plant by PLN ("**MEMR Regulation No. 17 of 2014**"); and ii) Regulation of Minister of Energy and Mineral Resources No. 50 of 2017 on the Utilization of Renewable Energy Resources for the Production of Electricity, as most recently amended by MEMR Regulation No. 4 of 2020 ("**MEMR Regulation No. 50 of 2017**").

MEMR Regulation No. 17 of 2014 requires PLN to purchase electricity generated from steam-fired power plants operated by IPP that held IUPTL and steam for the purpose of generating electricity from the holders of geothermal exploitation licenses. Under MEMR Regulation No. 50 of 2017, the ceiling price for the purchase of electricity produced by steam-fired power plant is to be set i) at maximum of 100% of the local basic production price applicable in the area where the power plant is located if the local basic production price for the local electrical system is above the average national basic production price; or ii) based on agreement if the local basic production price for the electrical systems in Java, Sumatra and Bali or the other local electrical system are equal to or lower than the national basic production price, subject always to approval from MEMR.

Taxation

Under the Joint Operation Contract, in conjunction with PD No. 49 as revoked by PD No. 76, and MOF Decree No. 766 of 1992 as most recently amended by MOF Decree No. 90/PMK.02/2017 ("**MOF Decree No. 766**"), existing joint operation contracts are subject to an "**all inclusive**" tax rate of 34% of net operating income or taxable income (referred to as "**Government Share**"), which is considered as payment of income tax while the other taxes, VAT, Land and Building Tax and other charges including Production Bonus, shall be borne/reimbursed by the Government.

Law No. 21 of 2014 that grandfathers existing joint operation contracts intends to also preserve the special tax treatment applicable to the existing joint operation contracts. The position that will be adopted by the DGT however remains unclear. See "*Risk Factors—Risks Relating to our Business—We are subject to uncertainties as to the interpretation and application of certain Indonesian tax laws*".

VAT paid for the goods or services acquired by a contractor under an existing joint operation contract will be reimbursed by the Government as long as the joint operation contract has paid the Government Share.

MOF Decree No. 766 also provides for importation facilities for operational goods of geothermal activities in form of import duty exemption, non-collected VAT and, Sales Tax on Luxury Goods and/or non-collected Article 22 Income Tax as stipulated in the joint operation contract.

After Pertamina's supervisory role with regard to geothermal projects was transferred to the Government, Pertamina was no longer able to use its master list to import goods for geothermal projects, and so existing joint operation contract contractors had difficulties importing plant and equipment. Following the assignment of geothermal business activities from Pertamina to PGE in 2007, geothermal projects established under joint operation contracts existing prior to Law No. 21 of 2014, including ours, have been using PGE's master list to import equipment for their geothermal projects.

In relation to import duties, the MOF issued Regulation No. 218/PMK.04/2019, dated December 31, 2019, which provides possible exemptions from import duty as well as possible non-collected VAT and Sales Tax on Luxury Goods and/or exemption Article 22 Income Tax on goods for geothermal activities in accordance with the prevailing tax regulations.

Data Disclosure

Pursuant to Law No. 21 of 2014, any data and information obtained from performing geothermal business activities are state owned, of which the utilization management shall be done by the Government. Any party is prohibited from sending, delivering and/or transferring such data and information without the consent of the Government. Restrictions on the utilization and transfer of data and information as stipulated in Law No. 21 of 2014 are fully adopted in GR No. 7 of 2017 and MEMR Regulation No. 33

of 2018 on Management and Utilization of Geothermal Data and Information for Indirect Utilization ("**MEMR Regulation No. 33 of 2018**"). In addition, GR No. 7 of 2017 stipulates that geothermal data and information may be utilized for (i) preparation of power supply business plan; (ii) development of geothermal science and technology; (iii) preparation of regional spatial layout plan; and (iv) other utilization. Other utilization may only be performed with certain permit from the MEMR. Further, pursuant to GR No. 7 of 2017 and MEMR Regulation No. 33 of 2018, geothermal data and information must be stored and secured within the territory of the Republic of Indonesia.

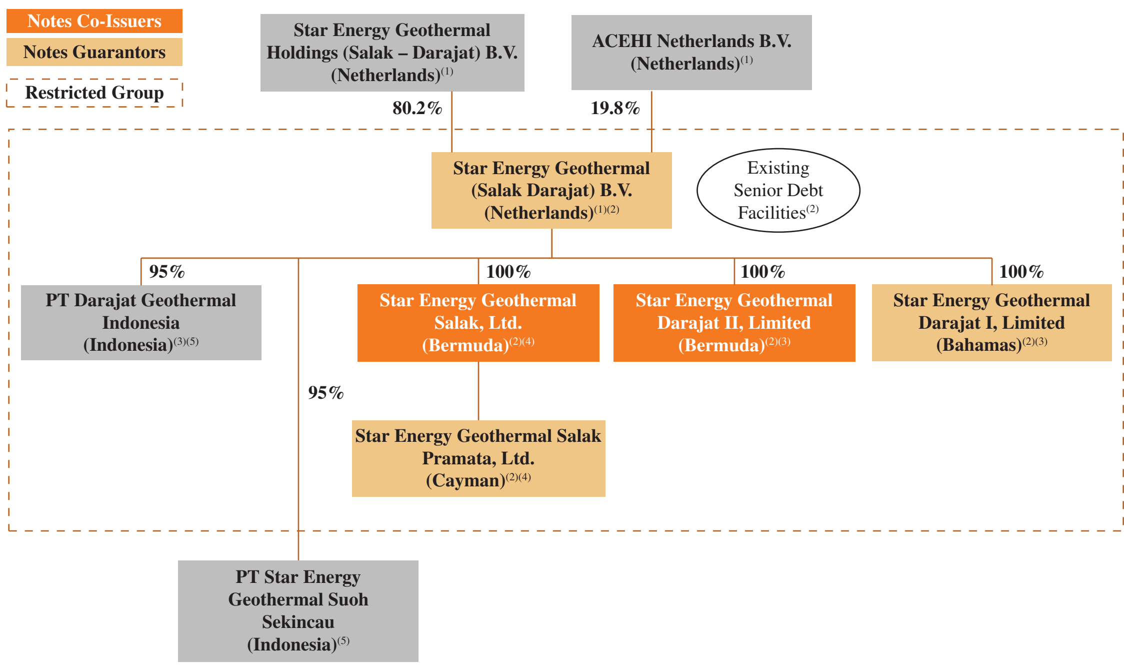
In GR No. 7 of 2017 and MEMR Regulation No. 33 of 2018, geothermal data and information is defined as all facts, reference, indication and information related to with geothermal resources. Further, MEMR Regulation No. 37 of 2017 on the Geothermal Working Area for Indirect Use of Geothermal Resources and MEMR Regulation No. 33 of 2018 stipulate that geothermal data and information shall include geoscience data, geochemical data, geophysical data, data on exploration well drilling, and data on geothermal probable reserves.

Under MEMR Regulation No. 33 of 2018, geothermal data and information are divided into (i) general data; (ii) raw data; (iii) processed data; and (iv) interpretation data. However, the MEMR Regulation No. 33 of 2018 provides an unclear definition of each type of the data. There can be no assurance that the Government of Indonesia would not deem the information pertaining to the geothermal data as disclosed in this Offering Memorandum as data which must be kept within the territory of the Republic of Indonesia and requires a permit from the MEMR to be disclosed in this Offering Memorandum. Under Law No. 21 of 2014, failure to comply with the requirement to obtain consent from the Government prior to transferring geothermal data could result in criminal sanctions of up to 5 years of imprisonment or fines of up to Rp 25 billion which will be imposed on the director of the geothermal business. In addition, fines of up to Rp. 33.3 billion or administrative sanctions including suspension of geothermal activities or revocation of geothermal business license will be imposed on the relevant geothermal business.

SUMMARY CORPORATE AND FINANCING STRUCTURE

The following diagram shows a simplified summary of our corporate and financing structure as of the date of this Offering Memorandum. The following is provided for illustration purposes only and should be read in conjunction with the information contained in this Offering Memorandum as a whole. The diagram does not include a description or depiction of each Guarantor's subsidiaries, nor all of the debt obligations of each of the Guarantors.

For a description of the Existing Senior Debt Facilities, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Indebtedness".



(1) Our Company is a joint venture between the Star Energy Group, BCPG, Mitsubishi through its interests in DGA, EGCO through its interests in PPBV and AC Energy) through 100% indirect ownership of ACEHI. See "*Major Shareholders*" and "*Risk Factors—Risks Relating to Our Business—Our largest shareholder is able to influence our corporate actions and may have interests that are not aligned with yours and our major shareholders may dispose of their shares*".

(2) The Co-Issuers are co-borrowers and the Parent Guarantor and other Guarantors are borrowers under the US$1,950.00 million Existing Senior Debt Facilities, to be refinancing with the proceeds of the issue of the Notes. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Sources—Indebtedness*" and "*Use of Proceeds*".

(3) PT Darajat Geothermal Indonesia, Star Energy Geothermal Darajat II, Limited and Star Energy Geothermal Darajat I, Limited are the Darajat Contractors. See "*Business—Our Operations—Darajat Geothermal Operations*".

(4) Star Energy Geothermal Salak, Ltd. and Star Energy Geothermal Salak Pratama, Ltd. are the Salak Contractors. See "*Business—Our Operations—Salak Geothermal Operations*".

(5) 5% of the issued share capital of each of PT Darajat Geothermal Indonesia and PT Star Energy Geothermal Suoh Sekincau ("**SEGSS**") are owned directly by our ultimate parent company, Barito Pacific. SEGSS is an Unrestricted Subsidiary. As of the date of this Offering Memorandum, SEGSS does not materially contribute to the revenues, profits or assets of our Company.

Overview

We operate two geothermal operations, namely:

- the Darajat Geothermal Operations — consisting of field facilities and electricity generating facilities, located in Garut Regency and Bandung Regency in West Java, Indonesia, including all rights and obligations pursuant to the Darajat JOC and the Darajat ESC; and

- the Salak Geothermal Operations — consisting of field facilities and electricity generating facilities located in Sukabumi Regency and Bogor Regency in West Java, including all rights and obligations pursuant to the Salak JOC and the Salak ESC.

The Darajat Geothermal Operations and the Salak Geothermal Operations have a gross installed generation capacity of 271 MW and 377 MW, respectively, inclusive of steam sales capacity of 55 MW and 180 MW, respectively.

Our Company was incorporated on December 16, 2016 by Star Energy Geothermal Holdings (Salak – Darajat) B.V. and ACEHI Netherlands B.V., a wholly-owned subsidiary of Ayala Corporation. Our Company acquired the shares held in the Salak Contractors from subsidiaries and affiliates of Chevron on March 31, 2017 and acquired 95% of the shares held in DGI, which holds a 5% participating interest in Darajat Units 2 and 3 and any future units, on September 27, 2017.

Each of the Darajat Geothermal Operations and Salak Geothermal Operations are based on two main types of contracts. Under the terms of each of the Darajat JOC and the Salak JOC, each entered into with PGE as the holder of the authority issued by the Government to undertake the exploration and exploitation of geothermal resources in each of the Darajat and Salak contract areas, we have the exclusive right to explore, discover, develop, produce, transport, deliver and utilize geothermal energy in the Darajat and Salak contract areas, which includes the design, construction and operation of field facilities and electricity generation facilities to be fueled by geothermal energy thus generated. Under the terms of the Darajat ESC and the Salak ESC, each being a long-term energy sales contract, and as the contractor of PGE for each of the Darajat and Salak contract areas, we also have the exclusive right to convert geothermal energy to electricity and to deliver such electricity to PLN, Indonesia's state-owned electricity provider. See "*Description of Material Contracts*".

Our total revenues for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020 were US$241.2 million, US$342.1 million, US$330.7 million, US$160.6 million and US$172.2 million, respectively. Our EBITDA for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020 was US$188.6 million, US$264.1 million, US$259.1 million, US$127.5 million and US$141.4 million, respectively, and our profit for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020 was US$54.4 million, US$84.4 million, US$80.5 million, US$40.2 million and US$53.2 million, respectively. Our EBITDA margin, which is the ratio of EBITDA to total revenues, for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020 was 78%, 77%, 78%, 79% and 82%.

Recent Developments

The Covid-19 pandemic has had and continues to have adverse repercussions across local, regional and global economies, financial markets, industries and businesses. The length of time for countries to slow the spread of Covid-19 to the point where various commercial and economic activities will resume to normal levels, whether in Indonesia or globally, remains uncertain.

We implemented a business continuity management plan in response to the Covid-19 pandemic. We established a Covid-19 task force and prepared and implemented protocols for all of our operating areas, including at the Salak Geothermal Operations, the Darajat Geothermal Operations and our headquarters in Jakarta. We conduct regular health checks and screenings of our employees and contract workers, implement work-from-home policies and physical distancing requirements in the office, implement strict access controls, provide personal protective equipment and other supporting gear for all of our employees, whether on the field or at our headquarters, and collaborate with the relevant government and health agencies to ensure that we are in line with their efforts to prevent the spread of Covid-19.

The Covid-19 pandemic has not significantly impacted our financial results of operations for six-month period ended June 30, 2020 given the take-or-pay clauses under the existing Salak ESC and Darajat ESC. In addition, we have not experienced significant disruptions to the operations of our power plants as a result of the various lockdowns and social distancing requirements implemented by the Government and as a result of our business continuity management plan. We have however, postponed certain maintenance and drilling activities and related capital expenditures in order to effectively carry out our business continuity management plan and to comply with social distancing requirements. See "*—Plant Operations and Maintenance"* below. There is no assurance that our business, operations or financial condition will not be significantly impacted as a result of the Covid-19 pandemic in the future and we may not be able accurately predict the near-term or long-term impact of the Covid-19 pandemic on our business. See "*Risk Factors—The ongoing global Covid-19 pandemic and the disruption caused by various countermeasures to reduce its spread may have unprecedented adverse consequences of uncertain magnitude and duration on our business, industry, Indonesia and the global economy*."

Strengths

We believe that we play an important role in the electricity sector of Indonesia, particularly in the development of renewable energy sources. We believe that the following are our key strengths:

Exclusive rights to geothermal resources with longstanding record in the Darajat and Salak contract areas

We believe that we benefit from world-class geothermal assets located in the Darajat and Salak contract areas, each with a longstanding track record of operations.

The Darajat contract area is one of the few vapor-dominated reservoirs in the world, which allows us to realise significant cost advantages compared to operating a liquid-dominated reservoir. The Salak steam field is the largest geothermal field in Indonesia, which provides us with a resource base that allows us to achieve significant economies of scale. Each of the Darajat and Salak Geothermal Operations commenced commercial operations in 1994, demonstrating a track record of reliable performance of over 25 years. See "*—Our Operations*" below for further information on the key facility metrics and operational and financial performance of each of the Darajat and Salak Geothermal Operations.

Under the terms of the respective JOCs, we have the exclusive right to explore, develop and utilize the geothermal resources in the Salak contract area of 10,000 hectares until 2040, and in the Darajat contract area of 4,998 hectares until 2041 for Darajat Units 1 and 2, and until 2047 for Darajat Unit 3. PGE has appointed our subsidiaries to build and operate power plants in the Salak and Darajat contract areas as its exclusive contractors, and to sell geothermal energy and electricity to PLN on behalf of PGE. Each of the contract areas has significant high-temperature steam reserves that contain low levels of impurities, which is favorable for geothermal power production. See "*Description of Material Contracts*" for a description of the respective JOCs and ESCs.

As of the date of this Offering Memorandum, approximately 2.1% of the total contract area is in use for both the Darajat and Salak Geothermal Operations. The current aggregate plant capacity is 648 MW, comprising 180 MW for Units 1 to 3 and 197 MW for Units 4 to 6 at the Salak Geothermal Operations, and 55 MW, 95 MW and 121 MW for Unit 1, Units 2 and 3 at the Darajat Geothermal Operations, respectively, with an aggregate contract capacity of up to 825 MW.

Operational excellence with a strong technical track record and cost-efficient strategies

Our geothermal assets have also consistently achieved high operational reliability. The following table sets out certain average operational performance data relating to the Darajat and Salak Geothermal Operations since 2000:

	%
Darajat Geothermal Operations	
Average Net Capacity Factor (%)[1]	
Unit 1	93.2[3]
Units 2 & 3	94.6[4][5]
Average Availability Factor (%)[2]	
Unit 1	94.3[3]
Units 2 & 3	96.2[4][5]
Salak Geothermal Operations	
Average Net Capacity Factor (%)[1]	
Units 1 to 3	91.3
Units 4 to 6	98.0[6]
Average Availability Factor (%)[2]	
Units 1 to 3	93.4
Units 4 to 6	98.4[6]

(1) Average net capacity factor means the ratio of the average generation to the maximum generation from the geothermal turbine-generator.

(2) Average availability means the number of hours during a period when the relevant geothermal turbine-generator is available for service divided by the total number of hours in the relevant period, expressed as a percentage.

(3) Excludes factors for 2018 owing to one-off repair of turbine rotor.

(4) Excludes factors for 2013 owing to one-off repair of turbine rotor.

(5) Average net capacity and average availability factors for Darajat Units 2 and 3 are combined and provided since 2007.

(6) Average net capacity and average availability factors for Salak Units 4 to 6 are combined and provided since 2007.

See "*—Our Operations—Darajat Geothermal Operations—Operational and Financial Performance*" and "*—Our Operations—Salak Geothermal Operations—Operational and Financial Performance*" for average operational performance information for the financial years ended December 31, 2019.

The Star Energy Group operates three geothermal operations, namely the Wayang Windu geothermal operations, the Salak Geothermal Operations and the Darajat Geothermal Operations, with a total gross capacity of 875 MW. The Wayang Windu geothermal operations include two units with a combined gross installed generation capacity of 227 MW, owned and operated by the Star Energy Group. The Darajat and Salak Geothermal Operations have a gross installed generation capacity of 271 and 377 MW respectively, inclusive of steam sales capacity of 55 MW and 180 MW, respectively.

We believe that the operational reliability we have achieved is a result of our industry-leading well-drilling performance and a focus on continuous improvement across the Star Energy Group's asset portfolio. The Star Energy Group is the operator of three of the five largest geothermal projects in Indonesia by capacity (including the Darajat and Salak Geothermal Operations), which has enabled us to extract substantial economies of scale from the Star Energy Group's asset portfolio and realize cost efficiencies through the optimization of the well-drilling operations across our portfolio. We have developed well-drilling and completion techniques to have faster and lower cost wells, including:

- *One-rig strategy* — a centralized drilling function that ensures best practices are applied consistently and captured across the Darajat and Salak Geothermal Operations, as well as the Star Energy Group's Wayang Windu geothermal operations;

- *Value-based well objectives* — ensuring that well designs are fit-for-purpose and that technical objectives are aligned with our business needs;

- *Process and technical standards* — ensuring consistency in planning and executing safe and efficient drilling activities;

- *Quality assurance programs* — ensuring well control is maintained at all times, that process safety is supported and driving improvements in costs and schedules;

- *Standard well designs* — improving reliability and reducing engineering time, delivery time, equipment inventory and maintenance costs; and

- *Category management* — building value-creating business relationships with suppliers which lowers the cost of well construction and service through realizing volume discounts.

We work with independent experts who conduct resources assessments, technical reviews and facility reviews.

In addition, the key equipment used in the Darajat and Salak Operations was supplied by Mitsubishi, Ansaldo and Fuji Electric. The EPC contractors for the development of Units 1 to 3 in the Darajat Geothermal Operations are GENZL, PT. Singgar Mulia, Hyundai Consortium and THIESS. The EPC contractors for the development of Units 1 to 3 and Units 4 to 6 in the Salak Geothermal Operations were Rekayasa Industri and Fluor Daniel, respectively.

We expect to continue to utilize comparable reputable suppliers and contractors in the future. We have formal training programs for all our operations and maintenance personnel. We have created detailed manuals containing prescribed maintenance schedules, operating procedures, and preventive, corrective and predictive maintenance plans to facilitate our operations and maintenance. Lloyds Register independently audits our management system in accordance with international standards on a regular basis. We believe the foregoing factors are a significant contributor to the high standards of operational efficiency that we have achieved, and which we are able to maintain.

Long-term committed offtake contract with PLN

PLN, Indonesia's state-owned electric utility provider, is our committed off-taker for a maximum aggregate generating capacity of up to 330 MW (of which 271 MW is in service as of the date of this Offering Memorandum) from the Darajat Geothermal Operations and 495 MW (of which 377 MW is in service as of the date of this Offering Memorandum) from the Salak Geothermal Operations. PLN is wholly owned by the Government, which is obliged to subsidize PLN when its electricity production costs exceed the revenue from electricity sales at tariff rates set by the Government. PLN is the sole off-taker of electricity from the plants of both the Darajat Geothermal Operations and Salak Geothermal Operations. PLN has had a monopoly over the transmission and distribution of electricity in Indonesia, making it the sole off-taker of power for most independent power producers. PLN is rated "Baa2" by Moody's, "BBB" by S&P and "BBB" by Fitch as of the date of this Offering Memorandum.

In addition, our cash flows are underpinned by long-term ESCs between us, PGE and PLN, which provide us with contracted tariffs for steam or electricity sales from the Darajat and Salak Geothermal Operations until the expiry of the respective ESCs. Pertamina, PGE's parent company, is rated "Baa2" by Moody's, "BBB" by S&P and "BBB" by Fitch as of the date of this Offering Memorandum.

The Darajat ESC

The Darajat ESC, entered into by the Darajat Contractors, is a take-or-pay contract for a production period of up to November 16, 2041 in respect of Darajat Units 1 and 2 and up to May 11, 2047 in respect of Darajat Unit 3, with the understanding that the ESC period is shortened accordingly to follow the term of the JOC. Under the Darajat ESC, the Darajat Contractors have the obligation to make available the unit rated capacity of each geothermal turbine-generator unit after the commercial operations date of that geothermal turbine-generator unit to PLN on behalf of PGE, and PLN is obliged to make payments under a tariff which consists of a fixed component and a variable component and subject to escalation, as more fully described in "*Description of Material Contracts—The Darajat Geothermal Operations—The Darajat Energy Sales Contract—Tariff*". Subject to limited relief upon certain events of *force majeure*, if, in any month (i) PLN fails to accept all geothermal energy delivered (or made available for delivery) by the Darajat Contractors due to pre-determined conditions the tariff payment for that month shall be determined as the amount of geothermal energy nominated (or declared) in the amount of at least 80.0% of unit rated capacity multiplied by the price per kilowatt-hour of geothermal energy, and (ii) PLN fails to accept all electricity delivered (or made available for delivery) by the Darajat Contractors due to pre-determined conditions, the tariff payment for that month shall be determined as the amount of electricity nominated (or declared) in the amount of at least 95.0% of the average gross generating capacity of the relevant unit(s) during the most recent unit rated capacity test. See "*Description of Material Contracts—The Darajat Geothermal Operations—The Darajat Energy Sales Contract*" for a more detailed description of the Darajat ESC.

The Salak ESC

The Salak ESC, entered into by the Salak Contractors, is a take-or-pay contract for a production period up to November 30, 2040. Under the Salak ESC, the Salak Contractors have the obligation to make available the unit rated capacity of each geothermal turbine-generator unit after the commercial operations date of that geothermal turbine-generator unit to PLN on behalf of PGE, and PLN is obliged to make payments regardless of whether such electricity is dispatched by PLN, according to an agreed formula consisting of a fixed component and variable component, as more fully described in "*Description of Material Contracts—The Salak Geothermal Operations—The Salak Energy Sales Contract—Tariff*". In respect of Units 1, 2 and 3, PLN's take-or-pay obligation during each three-year generation period is

95.06% of the combined unit rated capacity during that three-year generating period (which can be reduced to 90.08% for each three-year generation period if PLN makes a one-time payment in an amount specified in the Salak ESC). In respect of Units 4, 5 and 6, PLN's take-or-pay obligation is 90.14% of the combined united rated capacity during that three-year generating period. See "*Description of Material Contracts—The Salak Geothermal Operations—The Salak Energy Sales Contract*" for a more detailed description of the Salak ESC.

Moreover, as our power plant relies on geothermal steam to generate electricity, we do not incur fuel costs. As such, the stable cash flows that we are able to realize under the terms of the Darajat and Salak ESC are not exposed to market fluctuations in commodity prices.

Strong financial profile with predictable and stable cash flows

We believe that the high operational standards we have set as a result of the operational reliability and cost efficiencies realized across the Darajat and Salak Geothermal Operations (see "*—Operational excellence with a strong technical track record and cost-efficient strategies*", above) is a key driver of our strong financial profile. Our total revenues for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020 were US$241.2 million, US$342.1 million, US$330.7 million, US$160.6 million and US$172.2 million, respectively. Our EBITDA for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020 was US$188.6 million, US$264.1 million, US$259.1 million, US$127.5 million and US$141.4 million, respectively, and our profit for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020 was US$54.4 million, US$84.4 million, US$80.5 million, US$40.2 million and US$53.2 million, respectively. Our EBITDA margin, which is the ratio of EBITDA to total revenues, for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020 was 78%, 77%, 78%, 79% and 82%, respectively.

In addition, we are focused on maintaining a prudent capital structure which in turn has enabled us to maintain and operate with a conservative leverage profile. Our Total Debt to Equity ratio was 1.27, 1.07, 0.90, 1.02 and 0.84 as at December 31, 2017, 2018 and 2019 and June 30, 2019 and 2020, respectively.

Well-positioned to capitalize on favorable Indonesian electricity market dynamics and supportive policies towards geothermal energy

According to the IMF, while Indonesia's real GDP is projected to contract by 0.3% in 2020, Indonesia's real GDP is forecast to grow by 6.1% in 2021. We believe that we will directly benefit from the expected economic growth in Indonesia due to the critical role played by the energy and power sectors in driving this economic development. We believe that our focus on the energy and power generation industries means that we are well-positioned to take advantage of these growth opportunities.

We believe that this forecast economic growth and population growth, as well as increasing consumption of electricity per capita arising from urbanization and improvements in the standard of living, will drive growth in electricity demand. To meet this demand, the Government's Electricity Supply Business Plan expects 30.5 GW of power capacity to be constructed in Indonesia between 2019-2023, of which, the geothermal industry is expected to contribute 1.2 GW in additional power capacity, creating a geothermal power generation capacity of 3.15 GW in Indonesia by 2023.

The current level of electricity consumption per capita in Indonesia is low compared to that of other Asian emerging economies. Indonesian power demand is projected by PLN to grow at 6.4% per annum over the period 2018 to 2028. We believe this offers us significant potential for growth in the Indonesian electricity sector. The Java-Bali region accounts for approximately 74% of on-grid power demand in Indonesia and has a high demand-supply imbalance that heavily favors power producers. According to PLN, between 2019 and 2028, electricity sales in Java-Bali are expected to rise at a compound annual growth rate of 5.8% representing an additional 9.9 million customers in the region. As our power plant is located in West Java and is linked via a transmission system to the Java-Bali grid, we are well positioned to take advantage of future growth in power demand in this region.

To reduce Indonesia's dependency on fuel oil and increase electricity production capacity to meet rising demand, the Government has mandated PLN, through the Fast Track Programs, to procure renewable, gas and coal-fired energy.

In addition to the favorable industry and market dynamics, we benefit significantly from the Indonesian Government's policy objectives in supporting the development of the geothermal power sector. For example, the Indonesian Ministry of Finance signed an agreement on financing commitment with the World Bank for GREM amounting to U.S.$190 million or approximately Rp.3 trillion. GREM aims to provide financing schemes and de-risking facilities in the exploration stage that can be utilized by both public and private developers. By utilizing this risk sharing mechanism, the Government expects to reduce the perceived risk of failure in the exploration stage, thus accelerating exploration activity and overall investment in geothermal energy sector. The scheme also has a capacity building and technical assistance program.

Fiscal benefits include favorable tax allowances for investments made in certain working fields and/or areas, and providing incentive schemes for geothermal exploration, including a 30% investment tax credit; accelerated depreciation and amortization allowances; lower income tax charges on foreign investors in geothermal companies and compensation for losses incurred over a five year period. In addition, geothermal operations are exempted from various import duties, including in respect of important machinery, goods and materials to be utilized in the development process. Other existing fiscal incentives for geothermal energy include income tax facilities in the form of tax holidays or tax allowances, land and building tax exemptions during the exploration stage, various Government guarantee schemes and financing and de-risking facilities such as the Infrastructure Fund for Geothermal Sector, the Geothermal Energy Upstream Development Program and GREM.

See "*Regulation and Regulatory Framework of the Indonesian Geothermal Power and Electricity Industry*" for further information.

As part of the Star Energy Group, the largest geothermal operator in Indonesia, we are well positioned to benefit from the overall growth in the industry, the favorable market dynamics and the beneficial regulatory and fiscal environment.

High quality and experienced sponsors

Our sponsors have extensive expertise in the energy and power generation industry, and we benefit from such extensive experience.

Barito Pacific effectively owns a 34.6% stake in our Company, which it acquired in July 2018. Barito Pacific is a leading Indonesia-based conglomerate with interests in petrochemicals, wood manufacturing, real estate and plantations, in addition to its interests in the Star Energy Group. It is rated

"B1" by Moody's and "B+" by Fitch. Barito Pacific is owned and was founded by Mr Prajogo Pangestu, a leading Indonesian businessman who holds key positions in other Indonesian companies.

Mitsubishi effectively owns an 8.2% and EGCO effectively owns a 20.1% stake in our Company, which they acquired in October 2012 and July 2014, respectively. Mitsubishi's long-term debt is rated "A2" by Moody's, "A" by S&P and "AA–" by Fitch. We believe that each of Mitsubishi and EGCO is committed to our success as part of their objective to enter the Indonesian power industry and to develop multiple geothermal power plants in Indonesia. With Mitsubishi's involvement, we are in a beneficial position to procure key equipment, such as turbines, from Mitsubishi Heavy Industries, Ltd which is one of the largest turbine manufacturers in the world, and are able to obtain support from Mitsubishi for project financing in respect of feasible renewable energy projects. EGCO is the first independent power producer in Thailand and its current portfolio consists of 28 operating power plants with approximately 4,574 MW of gross capacity. We can benefit from EGCO's extensive experience in the power plant industry, and operation and maintenance services, to improve and support our operations and business performance.

AC Energy, the energy platform of the Ayala group (one of the largest conglomerates in the Philippines), owns a 19.8% stake in our Company. AC Energy is one of the fastest growing energy companies in the Asia-Pacific region, with over US$1 billion in committed equity investments in renewable and thermal energy in the Philippines and the region.

BCPG effectively owns a 17.3% stake in our Company. It was established in 2015 and its current portfolio includes operating solar assets with an aggregate capacity of 182 MW in Thailand and 236 MW in Japan. We can benefit from BCPG's support and experience to improve our business performance.

See "*Major Shareholders*" for further information.

Experienced management team and extensive technical experience

Our Board of Directors and management team have extensive experience in the relevant fields. Members of our Board and management team have held a variety of managerial and executive positions including at companies such as PT Bank Niaga, PT Danareksa, PT Nusantara Capital, SGS and Deutsche Morgan Grenfell. Our management team has extensive experience in the Indonesian geothermal power industry and the regulatory environment, having developed positive relationships with key industry participants such as PLN, PGE, Pertamina, and governmental authorities such as the MOF and MEMR, which are crucial to ensuring the sustainability of our operations. The top five technical team members of the Darajat and Salak Geothermal Operations have an average of 25 to 30 years of experience in the industry.

The management team's excellence has translated into multiple awards and accolades, including (i) the Gold PROPER Award, which is the highest award for environmental, safety and corporate social responsibility management from the Minister of Environmental and Forestry in 2011 (for Salak), 2012 (for Salak and Darajat), 2013 (for Darajat) and 2019 (for Salak) and (ii) the Green PROPER Award in 2014 (for Salak and Darajat), 2015 (for Salak), 2016 (for Salak and Darajat), 2017 (for Salak), 2018 (for Salak) and 2019 (for Darajat).

Additionally, we received the Zero Accident Award from the Minister of Manpower and Transmigration for Salak and Darajat in 2015, 2016, 2017 and 2018, the Subroto Awards for Environmental Management Performance form the Ministry of Energy and Mineral for Salak in 2017, 2018 and 2019.

Furthermore, our staff is experienced and skilled, and our management systems are certified under ISO 14001:2015 (Environmental Management System) and ISO 45001 (Occupational Health and Safety).

Strategy

Our strategic objectives aim to maximize our potential while maintaining a sustainable business model.

Optimize our assets and improve our operational efficiency

We will continue to focus on improving our dispatch capability to PLN. We will also strive to continue to optimize the efficiency of the units in the Darajat and Salak Geothermal Operations through critical equipment monitoring, enhanced work processes, enhanced operations and maintenance training programs and procedures, and energy loss monitoring and mitigation. We also intend to continue to refine our operating procedures and maintenance plans, and to further develop our computer-based management system, SAP, a suite of programs which handles maintenance data, inventory needs and activity scheduling and also provides financial management systems.

Throughout the 25-year operating history of the Salak and Darajat Geothermal Operations, we have focused on maximizing our revenue by managing our steam supply to ensure generation targets can always be achieved. We have a comprehensive well intervention program in place to ensure the sustainability and continuity of our steam supply. During the period from 2015 to 2019, well interventions or workovers were performed on (i) 17 wells at the Salak Geothermal Operations, resulting in total steam gain of 129 kg/s and (ii) 10 wells at the Darajat Geothermal Operations, resulting in total steam gain of 54 kg/s. In 2019, we drilled three new steam production wells at the Darajat Geothermal Operations resulting in total steam gain of 46 kg/s as based on our assessment in July 2020. During 2020, we drilled two additional steam production wells at the Darajat Geothermal Operations and we intend to drill five new steam production wells at the Salak Geothermal Operations during 2021 to 2022. As at June 30, 2020 we have 71 kg/s of steam supply in excess of the 793 kg/s required for the operation of Salak Units 1 to 6 and 82 kg/s in excess of the 462 kg/s required for the operation of Darajat Units 1 to 3.

We intend to remain a cost-efficient power producer by managing costs through strict cost-control initiatives that help reduce unit operating costs, while continuing to maintain high availability. We have developed well drilling and completion techniques that have resulted in lower capital expenditures for drilling compared to if these activities were outsourced. With the acquisition of the Salak Geothermal Operations and the Darajat Geothermal Operations from Chevron, we have also seen an increase in our capital expenditure efficiency due to economies of scale, as we, as part of the Star Energy Group, are now able to hire and deploy drilling rigs and services across three sites, namely Darajat, Salak and Wayang Windu. We expect drilling campaigns in 2020 and beyond will also see further cost reductions as a result of continuous operational and technological enhancements which we have implemented.

Exploit geothermal reserves and grow revenues

We intend to grow our business by expanding the installed capacity at the Salak Geothermal Operations to take full advantage of the ESC with PLN. We intend to develop the Salak Binary Power Plant, which is expected to have a capacity of 13 MW to 15 MW.

As of the date of this Offering Memorandum, we have completed the FEED for the Salak Binary Power Plant and are in the process of obtaining the necessary board approvals for its FID, which we expect in the fourth quarter of 2020, subject to consultation with PLN and meeting minimum economic returns. We intend for the Salak Binary Power Plant to commence operations in the second half of 2022.

We may look to acquire assets outside of Indonesia as the opportunity arises.

Maintain and develop positive relationships with our key stakeholders

In order to achieve success in our business, we believe it is imperative to have a positive relationship with the community in which we operate. Our operations are designed to adhere to strict environmental standards. As a result, we received the Gold PROPER Award, the highest award for environmental, safety and corporate social responsibility management from the Minister of Environmental and Forestry, in 2011 (for Salak), 2012 (for Salak and Darajat), 2013 (for Darajat) and 2019 (for Salak).

We also invest in the local community by renovating schools, improving education levels and awarding scholarships to local students. In relation to economic empowerment, we provide micro finance schemes for farming, coffee plantation and ecotourism to boost the local economy. In relation to environmental protection, we work closely with PTPN VIII and the local national park forestry department with respect to re-forestation efforts in certain areas surrounding our power plant facilities.

Furthermore, we actively manage our relationships with other key stakeholders, such as PLN, PGE, our employees and governmental authorities.

Maintain and strengthen our workforce to support our operations

The capability, motivation and performance of our workforce is critical to our success. As we seek to implement the strategies discussed above and to expand our operations, we will continue to devote the resources required for recruiting, training and retaining a talented workforce, including through customized leadership and management programs with INSEAD and other technical programs with internationally reputed training institutions. We intend to offer competitive compensation packages, training and career opportunities to attract and retain talented employees.

Adopt strategies to mitigate geo hazard risk in the future

In order to mitigate risks that may arise due to natural disasters, including landslides, and other geo hazards we face, we have adopted strategies to minimize the risks and impact of such hazards on our operations and routinely implement projects to mitigate the risks associated with identified hazards.

The diagram below outlines the strategies we have adopted to mitigate geo hazard risks at the Darajat and Salak Geothermal Operations.

Risk Assessment

- Jan 2019: International consultant (“**Consultant**”) from Japan appointed to conduct geo hazard mapping and study in SEGS and SEGD.
  - June 2019 – Site survey completed.
  - October 2019 – Final report submitted.
- For Salak, Consultant identified 4 locations Rank A, 25 locations, Rank B and 244 locations Rank C
- For Darajat, Consultant identified 20 locations Rank B and 124 locations Rank C (no Rank A identified)
- Risk determined using 6x6 risk matrix. Rank A is high risk which requires countermeasures. Rank B is medium risk which requires special monitoring using instrument and Rank C is low risk which needs regular visual inspection.

Risk Prevention

- Implement immediate actions recommended by Consultant
- Install monitoring tools and perform regular monitoring
- Conduct countermeasure for Rank A to improve safety factor and maintain slope stability

Risk Measures Implemented

- ✓ Landslide restoration in progress (SEGS: Awi 2 and Awi 18)
- ✓ Installed soil movement instrumentation (Nuki-Ita, inclinometer and extensometer).
- ✓ Conducted regular soil movement monitoring and analysis.
- ✓ Improved the drainage system.
- ✓ Constructed embankment and gabion (SEGD: Cigupakan)

Plan for 2020-2021

- ➢ Complete Rank A in SEGS, including:
  - ➢ Construct ground reinforcement by soil nailing and ground anchoring to increase safety factor of the slope stability.
  - ➢ Install dewatering system by horizontal drilling
  - ➢ Improve monitoring system by adding inclinometer and piezometer.
- ➢ Topography and geotechnical survey of SEGD

We have also implemented a landslide mitigation program as per the geo hazard survey and recommendations by our consultant. We have commenced works to complete restoration in four locations (Awi 2, Awi 18, Awi 3 and Housing 8) throughout 2020 and intend to fabricate and purchase monitoring instruments, engage in prevention works, lower ground water and conduct periodic monitoring of such results through 2021. During this period, we also intend to conduct regular inspections by way of visual monitoring. We intend for the next comprehensive geo hazard survey to be conducted within five years. In addition, the Darajat and Salak Geothermal Operations have multiple sources of steam supply lines, which reduces the likelihood of total shutdown of our plants in the event of a landslide.

Geothermal Energy

Geothermal energy comes from heat from the earth. It is clean, renewable and generally sustainable. It does not use combustion in the production of electricity and, therefore, releases significantly lower levels of emissions than those that result from energy generation based on the burning of fossil fuels. Geothermal processes are considered to be one of the cleanest forms of energy generation. When compared to other non-renewable energy sources such as coal and oil, the carbon dioxide emissions of geothermal energy are negligible.

The principal emission in geothermal energy production is steam. Heated water is brought close to the surface of the earth through thermal conduction and by the intrusion into the earth’s crust of molten rock magma. When ground water comes sufficiently close to hot molten rock, the water is heated to temperatures of up to 370°C. The heated water then rises towards the earth’s surface where, if geological conditions are suitable, it can be extracted for commercial geothermal power production by drilling geothermal production wells.

Dormant volcanoes, hot springs and other geothermal activity indicate the presence of prospective geothermal reservoirs. Geothermal reservoirs are usually classified under either of two categories: vapor-dominated or liquid-dominated. A vapor-dominated geothermal system produces pure steam at the surface when drilled by a geothermal production well. Most geothermal systems are liquid-dominated and produce both water and steam at the surface when drilled by a geothermal production well.

Subject to consultation with PLN and meeting minimum economic returns, we are also in the process of developing the Salak Binary Power Plant, which we expect will recover additional geothermal energy from the hot water or brine that is produced by liquid-dominated wells at the Salak Geothermal Operations and generate 13 MW to 15 MW of electricity. The hot brine will be routed through a heat exchanger where a second “working” or “binary” fluid with a lower boiling point (such as butane or pentane) is vaporized and then directed through a turbine which turns a generator and produces electricity. The working fluid vapor exiting the turbine is then condensed by cold air radiators or cold water and cycled back through the heat exchanger. The cooled brine exiting the binary plant heat exchanger is returned to the underground reservoir.

To access the steam for power generation, wells can be drilled into underground geothermal reservoirs using technology that is similar to that employed in the oil and gas industry. Geothermal production wells are usually located sufficiently close to the power plant (at a distance of up to 5 km) to prevent excessive loss of heat and pressure.

A geothermal reservoir can become a source of sustainable energy for as long as the geothermal steamfield is properly managed. Extracted water from the geothermal process should be re-injected into the geothermal reservoir to replenish it, and the steamfield should not be excessively exploited.

Geothermal energy projects typically have high capital costs as a result of costs attributable to the development of the geothermal steamfield. However, these projects tend to have lower variable operating costs, including maintenance expenditures, compared to fossil fuel-fired power plants, which continue to be subject to ongoing fuel expenses throughout their productive lives.

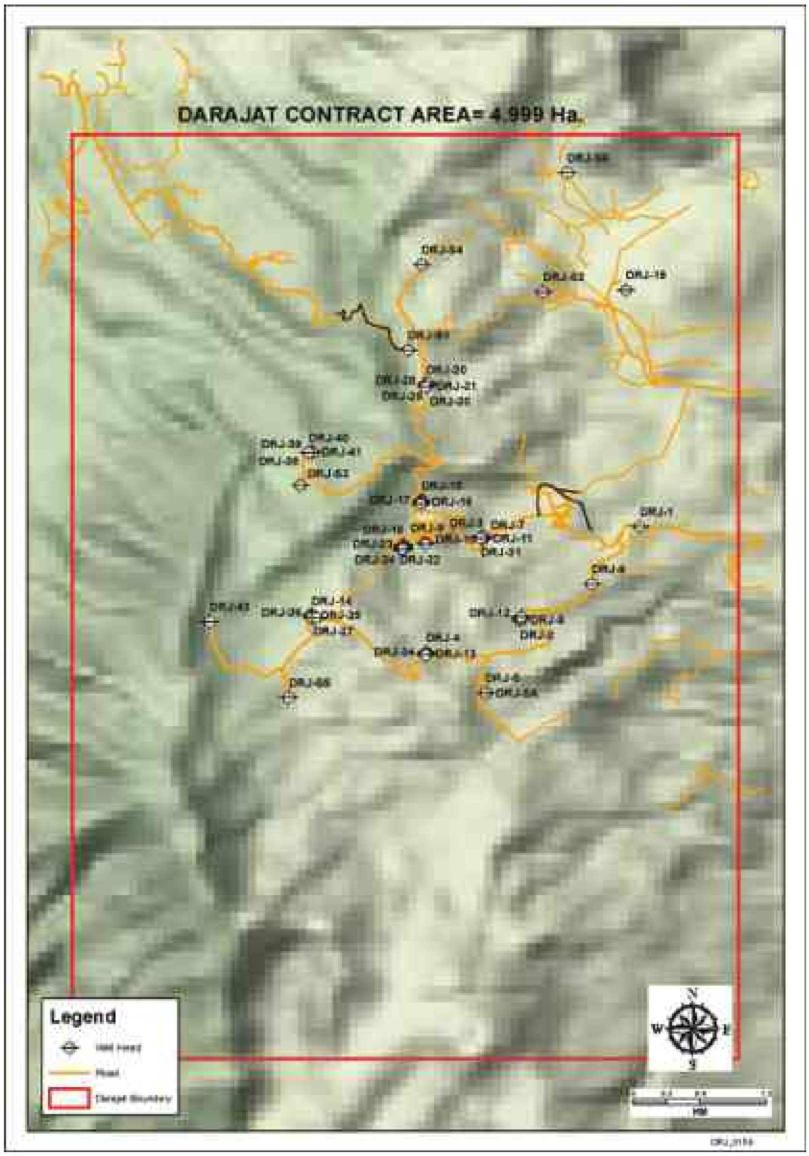
Our Operations

Our geothermal power generation business consists of the Darajat Geothermal Operations and the Salak Geothermal Operations, each of which are based on a framework comprised of two main types of contracts, the Darajat JOC and Salak JOC, and the Darajat ESC and Salak ESC. We operate the steam and electricity generation facilities, including the power plants in the Salak and Darajat contract areas. Pursuant to the respective JOCs, we have the exclusive right to use the contract areas and all field facilities during the term of the respective JOCs without any disturbance from the Government. For detailed descriptions of these agreements, see “*Description of Material Contracts*”.

Darajat Geothermal Operations

The Darajat Geothermal Operations are located in Garut Regency and Bandung Regency in West Java, Indonesia.

The following concession map illustrates the extent of the Darajat contract area:



As of the date of this Offering Memorandum, the Darajat Geothermal Operations include field facilities and electricity generating facilities comprising (i) one unit owned by PLN and operated by PT Indonesia Power, with a gross installed capacity of 55 MW, and (ii) two units owned and operated by the Darajat Contractors, with gross installed capacities of 95 MW and 121 MW, respectively. The Darajat Geothermal Operations have a total gross installed capacity of 271 MW.

Chevron and DGI previously owned the Darajat Geothermal Operations and we acquired it from Chevron on March 31, 2017 and from PT Austindo Nusantara Jaya Tbk on September 27, 2017.

Assets Overview

The following table sets forth the key facility metrics for the Darajat Geothermal Operations as of the date of this Offering Memorandum:

	Unit 1	Unit 2	Unit 3
Installed Capacity (MW)	55	95	121
COD	October 1994	June 2000	May 2007
Ownership	PLN	Star Energy	
Type of operation by Star Energy	Steam supply	Integrated geothermal power generation	

The following table describes the wells that form part of the Darajat Geothermal Operations as of the date of this Offering Memorandum:

Type	Total Number of Wells	Description
Production wells	35	Supplies steam for Units 1, 2 and 3
Idle Production wells	5	Subject to reactivation
Injection wells	1	Services for Units 1, 2 and 3
Idle Injection wells	2	Subject to reactivation
Monitoring wells	1	Monitoring wells for Units 1, 2 and 3
Suspended wells	1	Temporarily abandoned wells
Abandoned wells	9	Non-commercial wells with no further use

The Darajat Geothermal Operations are situated within a contract area of 4,998 hectares with a current utilization of 78.66 hectares. The Darajat Geothermal Operations include private land, protected forest and Nature Recreational Park (*Taman Wisata Alam*).

Through our subsidiaries, SEGDI and SEGDII, we operate the field facilities that supply steam to Unit 1 of the Darajat Geothermal Operations, the unit which is owned by PLN and operated by PT Indonesia Power, a subsidiary of PLN, and has a total steam generation capacity of 55 MW. Through our subsidiaries, SEGDI, SEGDII and DGI, we own and operate Units 2 and 3 of the Darajat Geothermal Operations, an integrated geothermal power generation facility, with a total electricity generation capacity of 95 MW and 121 MW, respectively.

The geothermal resource for the Darajat Geothermal Operations is a vapor-dominated reservoir with temperatures of up to 250ºC with wells that produce dry steam at the surface rather than a mixture of steam and water. As of the date of this Offering Memorandum, 35 production wells supplied steam for Units 1 to 3 of the Darajat Geothermal Operations and one injection well was used to dispose of condensed steam.

Operational and Financial Performance

The average operational performance of the Darajat Geothermal Operations for the time periods indicated is shown below:

	For the years ended December 31,			For the six-month periods ended June 30,	
	2017[(5)]	2018[(6)]	2019[(7)]	2019	2020
Darajat Geothermal Operations					
Net dispatch (GWh)[(1)]					
Unit 1	306	206	351	214	207
Units 2 & 3	1,244	1,765	1,661	766	877
Net Capacity Factor (%)[(2)]					
Unit 1	91	45	76	93	90
Units 2 & 3	92	97	91	85	97
Availability (%)[(3)]					
Unit 1	93	45	79	97	100
Units 2 & 3	97	99	93	87	100
End of Period Total Steam Flow Available (kg/s)[(4)]					
Units 1 to 3	515	529	554	514	544

(1) Net dispatch means the net electricity sent out of the relevant geothermal turbine-generator unit to PLN (after the deduction of the electricity used to run the Darajat Geothermal Operations).

(2) Net capacity factor means the ratio of the actual net generation to the net maximum generation from the geothermal turbine-generator.

(3) Availability means the number of hours during a period when the relevant geothermal turbine-generator is available for service divided by the total number of hours in the relevant period, expressed as a percentage.

(4) End of period total steam flow available means the total steam from all wells which are available at the wellhead at the end of the relevant period, expressed in kg of steam per second.

(5) As we acquired the shares in the Salak and Darajat Geothermal Operations on March 31, 2017, the operational data presented for the year ended December 31, 2017 effectively shows our results of operations for a period of only nine months.

(6) Darajat Unit 1 was shut down in 2018 by PT Indonesia Power from March 18, 2018 to September 29, 2018 due to high vibration of its turbines. It resumed normal operations on September 30, 2018.

(7) Darajat Unit 1 experienced a prolonged shutdown of approximately 78 days in 2019 compared to a planned shutdown for 25 days, partly as a result of repair works to its digital electronic hydraulic control and turbine rotor.

The following table sets forth the average electricity tariff for the geothermal energy generated by the relevant units of the Darajat Geothermal Operations for the periods indicated:

	The average tariffs for the years ended December 31,[1]			The average tariffs for the six-month periods ended June 30,	
	2017[2]	2018	2019	2019	2020
			(US$/kWh)		
Unit 1	0.04415	0.04663	0.04646	0.04501	0.04766
Units 2 and 3	0.06941	0.07018	0.07132	0.07058	0.07212

(1) Average tariffs are derived by dividing total revenue (according to JOC accounting basis) by the total invoice for electricity generated.

(2) As we acquired the shares in the Salak and Darajat Geothermal Operations on March 31, 2017, the average tariffs presented for the year ended December 31, 2017 is based on our operations for a period of nine months.

For further information on the tariff formula in the Darajat ESC, see "*Description of Material Contracts—The Darajat Energy Sales Contract—Tariff*", and for information on the sensitivity of our tariff to fluctuations in the variable components of the tariff formula, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Factors Affecting Our Results of Operations—Tariff*".

Contractual Framework

The Darajat Geothermal Operations are primarily based on the Darajat JOC and the Darajat ESC.

PGE, SEGDII and SEGDI entered into a JOC on November 16, 1984, last amended on February 7, 2003, under which each of SEGDII and SEGDI is responsible for the delivery of steam to PLN for the operation of Unit 1 of the Darajat Geothermal Operations and each of SEGDII, SEGDI and DGI (who became a party to the Darajat JOC in 1997) for the delivery of electricity to PLN from the operation of Units 2 and 3 of the Darajat Geothermal Operations.

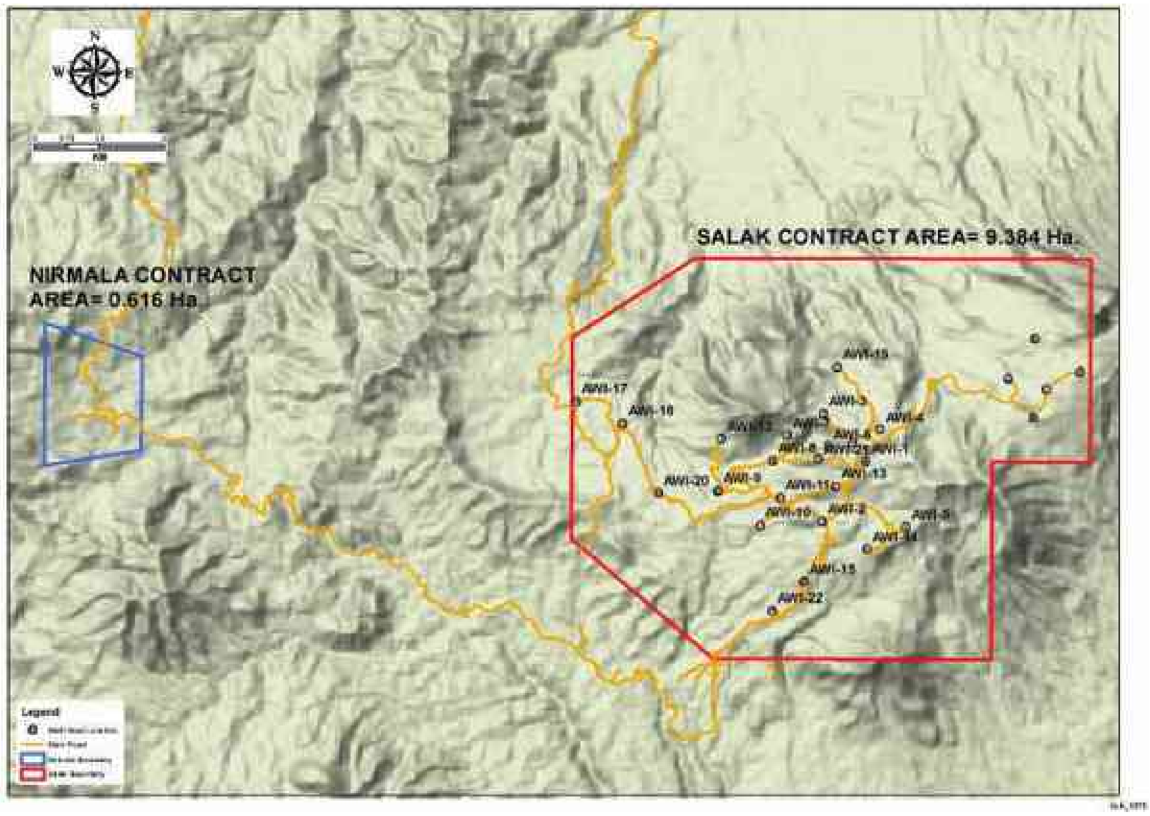
PGE, SEGDII and SEGDI entered into an ESC with PLN on November 16, 1984, last amended on August 10, 2004. DGI became a party to the Darajat ESC in 2000. Pursuant to the Darajat ESC, PGE has an obligation to procure the delivery of steam to PLN by SEGDII and SEGDI for the operation of Unit 1 of the Darajat Geothermal Operations and the delivery of electricity to PLN through SEGDII, SEGDI and DGI's operation of Units 2 and 3 of the Darajat Geothermal Operations. The "take-or-pay" minimum threshold is 80.0% of the unit rated capacity of in connection with Unit 1 of the Darajat Geothermal Operations, and 95.0% of the average gross generating capacity of the relevant unit(s) during the most recent unit rated capacity test.

The production periods under the Darajat JOC and the Darajat ESC are up to November 16, 2041 with respect to Darajat Units 1 and 2 and May 11, 2047 with respect to Darajat Unit 3. For further information on the Darajat JOC and Darajat ESC, see "*Description of Material Contracts—The Darajat Geothermal Operations*".

Salak Geothermal Operations

The Salak Geothermal Operations are located in Sukabumi Regency and Bogor Regency in West Java, Indonesia.

The following concession map illustrates the extent of the Salak contract area:



As of the date of this Offering Memorandum, the Salak Geothermal Operations consist of field facilities and electricity generating facilities comprising (i) three units owned and operated by the Salak Contractors, each unit of which has an installed capacity of 65.6 MW, and (ii) three units owned by PLN and operated by PT Indonesia Power, each unit of which has an installed capacity of 60 MW. The Salak Geothermal Operations have a total gross installed capacity of 377 MW.

We intend to develop the Salak Binary Power Plant, which is expected to have a capacity of 13 MW to 15 MW. We completed the FEED for the Salak Binary Power Plant in April 2019 and are in the process of obtaining the necessary board approvals for its FID, which we expect in the fourth quarter of 2020, subject to consultation with PLN and meeting minimum economic returns. We intend for the Salak Binary Power Plant to commence operations in the second half of 2022.

The Salak Geothermal Operations were the first Indonesian private geothermal contract and was awarded to Union Geothermal of Indonesia, Ltd., a subsidiary of the Union Oil Company of California ("**UNOCAL**") in 1982. Chevron acquired UNOCAL and, in turn, Salak Geothermal Operations, in 2005, and we later acquired the Salak Geothermal Operations from Chevron on March 31, 2017.

Assets Overview

The following table sets forth the key facility metrics for the Salak Geothermal Operations as of the date of this Offering Memorandum:

	Unit 1	Unit 2	Unit 3	Unit 4	Unit 5	Unit 6
Installed Capacity (MW) . . .	60[(1)]	60[(1)]	60[(1)]	65.6	65.6	65.6
COD	March 1994	June 1994	July 1997	October 1997	November 1997	November 1997
Ownership	PLN	PLN	PLN	Star Energy	Star Energy	Star Energy
Type of operation by Star Energy		Steam supply			Integrated geothermal power generation	

(1) While contractual capacity is 55MW, Star Energy generally provides steam flow up to 60MW.

The following table describes the wells that form the Salak Geothermal Operations as of the date of this Offering Memorandum:

Type	Total Number of Wells	Description
Production wells	51	Supplies steam for Units 1 through 6
Idle Production wells	24	Subject to reactivation
Injection wells	12	Service Units 1 through 6
Idle Injection wells	8	Subject to reactivation
Monitoring wells	5	Monitoring wells for Units 1 through 6
Suspended wells	4	Temporarily abandoned wells
Abandoned wells	6	Non-commercial wells with no further use

The Salak Geothermal Operations are situated in a contract area of approximately 10,000 hectares with a current utilization of approximately 236.48 hectares of operation area. The Salak Geothermal Operations contract area includes land in a national park and private land. With respect to the national park, PGE and the Salak Contractors obtained the IPJLPB on August 12, 2016, which is valid until November 30, 2040. This permit covers an area of 228.69 hectares. With respect to the private land, we also lease 2.57 hectares of plantation land for pipelines and access roads to certain well pads under a lease agreement with Jayanegara, 5.22 hectares of land which we lease from PTPN VIII for access roads, well pads and pipelines. As of the date of this Offering Memorandum, PTPN VIII and us are in the process of amending the lease agreement to include an additional 0.7 hectares to develop the disposal area for the Salak Binary Power Plant.

Through our subsidiary, SEGSL, we operate the Salak field facilities that supply steam to Units 1, 2 and 3 of the Salak Geothermal Operations, each unit of which is owned by PLN and operated by PT Indonesia Power and has a gross installed capacity of 60 MW (55 MW pursuant to the Salak ESC). Through our subsidiary, SEGSPL, we operate Units 4, 5 and 6 of the Salak Geothermal Operations, which is an integrated geothermal power generation plant, each unit of which has an installed capacity of 65.6 MW.

The Salak geothermal resource is a liquid-dominated reservoir with temperatures of up to 320ºC and wells that produce a mixture of steam and water at the surface. As of the date of this Offering Memorandum, 51 production wells supplied steam for Salak Units 1 to 6 and 12 injection wells were used to dispose of separated brine and condensed steam.

Operational and Financial Performance

The average operational performance of the units of the Salak Geothermal Operations for the time periods indicated is shown below:

	For the years ended December 31,			For the six-month periods ended June 30,	
	2017[5]	2018	2019[6]	2019	2020
Salak Geothermal Operations					
Net dispatch (GWh)[1]					
Units 1 to 3	1,026	1,450	1,310	677	712
Units 4 to 6	1,172	1,568	1,582	784	789
Net Capacity Factor (%)[2]					
Units 1 to 3	90	97	88	92	96
Units 4 to 6	97	98	99	99	99
Availability (%)[3]					
Units 1 to 3	92	98	89	93	98
Units 4 to 6	98	99	100	100	99
End of Period Steam Flow Available (kg/s)[4]					
Units 1 to 6	888	855	876	822	864

(1) Net dispatch means the net electricity sent out of the relevant geothermal turbine-generator unit to PLN (after the deduction of the electricity used to run the Salak Geothermal Operations).

(2) Net capacity factor means the ratio of the actual net generation to the net maximum generation from the geothermal turbine-generator.

(3) Availability means the number of hours during a period when the relevant geothermal turbine-generator is available for service divided by the total number of hours in the relevant period, expressed as a percentage.

(4) End of period total steam flow available means the total steam from all wells which are available at the wellhead at the end of the relevant period, expressed in kg of steam per second.

(5) As we acquired the shares in the Salak and Darajat Geothermal Operations on March 31, 2017, the operational data presented for the year ended December 31, 2017 effectively shows our results of operations for a period of only nine months.

(6) In 2019, Salak Unit 1 experienced a prolonged shutdown of approximately 52 days compared to the planned 25 days due to high vibration of its turbines. That same year, Salak Unit 2 was shutdown for scheduled maintenance for 70 days compared to the typical two weeks.

The following table sets forth the average electricity tariff for the geothermal energy generated by the relevant units of the Salak Geothermal Operations for the periods indicated:

	The average tariffs for the years ended December 31,[1]			The average tariffs for the six-month periods ended June 30,	
	2017[2]	2018	2019	2019	2020
			(US$/kWh)		
Units 1, 2 and 3	0.06129	0.06228	0.06292	0.06261	0.06260
Units 4, 5 and 6	0.07132	0.07232	0.07296	0.07276	0.07272

(1) Average tariffs are derived by dividing total revenue (according to JOC accounting basis) by the total invoice for electricity generated.

(2) As we acquired the shares in the Salak and Darajat Geothermal Operations on March 31, 2017, the average tariffs presented for the year ended December 31, 2017 is based on our operations for a period of nine months.

For further information on the tariff formula in the Salak ESC, see "*Description of Material Contracts—The Salak Energy Sales Contract—Tariff*", and for information on the sensitivity of our tariff to fluctuations in the variable components of the tariff formula, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Factors Affecting Our Results of Operations—Tariff*".

Contractual Framework

The Salak Geothermal Operations are based on the Salak JOC and the Salak ESC.

PGE and SEGSL entered into the Salak JOC on February 11, 1982, last amended on July 22, 2002. Under the Salak JOC, SEGSL is responsible for the delivery of steam to PLN for the operation of Units 1, 2 and 3 of the Salak Geothermal Operations and SEGSPL is responsible for the delivery of electricity to PLN from the operation of Units 4, 5 and 6 of the Salak Geothermal Operations. Under the Salak JOC, Star Energy may produce up to 495 MW of geothermal energy, compared with the currently installed capacity of 377 MW. Accordingly, Star Energy may from time to time seek opportunities to increase installed capacity to further benefit from the Salak JOC arrangement.

PGE and SEGSL entered into the Salak ESC with PLN on February 11, 1982, last amended on July 22, 2002. Under the ESC, PGE has an obligation to procure (i) the delivery of steam by SEGSL to PLN for the operation of Units 1, 2 and 3 of the Salak Geothermal Operations and (ii) the delivery of electricity by SEGSPL to PLN through SEGSPL's operation of Units 4, 5 and 6 of the Salak Geothermal Operations on a "take-or-pay" basis. The "take-or-pay" minimum threshold is (i) in respect of Units 1, 2 and 3 of the Salak Geothermal Operations, 95.06% of the combined unit rated capacity of Units 1, 2 and 3 during a three-year generation period (which can be reduced to 90.08% if PLN makes a one-time payment in an amount specified in the Salak ESC) and (ii) in respect of Units 4, 5 and 6 of the Salak Geothermal Operations, 90.14% of the combined unit rated capacity of Units 4, 5 and 6 during a three-year generation period.

SEGSPL acquired interest to the operation of Units 4, 5, and 6 of the Salak Geothermal Operations as of August 28, 1996.

Both the Salak JOC and the Salak ESC expire on November 30, 2040, pursuant to an extension notice dated July 22, 2002.

For further information on the Salak JOC and Salak ESC, see "*Description of Material Contracts—the Salak Geothermal Operations*".

Steam Reserves

We consider reservoir management to be a key factor in the success of our company and employ world-class tools and techniques to characterize geothermal reservoirs, identify the optimum production and injection schemes, and accurately forecast future steam field performance. To ensure the sustainability of geothermal energy production for the Darajat and Salak Geothermal Operations, we have formulated near-term and long-term reservoir management strategies that extend over the life of the projects.

Conceptual and numerical models of a geothermal system are advanced reservoir management tools used as a basis for understanding, analyzing, planning and managing the development and exploitation of a geothermal resource. The conceptual model is a description of the hydrogeologic characteristics of the system, including the source of heat and fluid for the system; the location, extent, and limits of the geothermal reservoir; the temperature, pressure, and chemical characteristics of the reservoir fluids; the pattern of fluid movement within the system; and the geologic features that control the fluid movement.

The numerical reservoir model is a quantitative model that represents the hydrologic and thermodynamic behavior of the system, based on the conceptual model and on calibration to quantitative data on the response of the system to exploitation. The numerical model allows for forecasting of reservoir and well field performance under different scenarios of exploitation and is used to optimize reservoir management strategies and field development plans.

At the Darajat and Salak Geothermal Operations, the conceptual and numerical models have been continuously updated and enhanced as new well data, reservoir performance data and other subsurface information becomes available. The current conceptual models of the systems are consistent with observations from surface exploration, drilling, and production. The current numerical models of the reservoirs closely replicate the observed response to 25 years of exploitation. As such, geothermal reserve assessments and forecasts of future well field performance based on the models may be considered reliable for the remaining production periods.

Darajat

The most recent independent evaluation of the Darajat geothermal resource, undertaken by senior technical staff of geothermal resources consultant GeothermEx in 2020, concluded that the project can be maintained at the target level of generation through 2041 (the term of the energy sales contract for Darajat Unit 1 and Unit 2), through appropriate make-up well drilling and the implementation of "trickle injection" beginning in 2027. After 2041, it is projected that steam supply will be adequate to maintain the target generation level of Unit 3 through 2047 (the term of the energy sales contract for Unit 3). Our projection of capital expenditures and operating costs is appropriate and consistent with both historical costs and the expected requirements for well field maintenance.

The steam supply for the Darajat project has been sufficient to supply the installed power plant units at essentially their full capacity of 271 MW combined up to the present time. In addition, there is some spare capacity available from existing wells. The responses of the Darajat wells and reservoir to exploitation, which include decline in reservoir pressure and well capacities, wellbore scaling, and changes in non-condensable gas concentrations, are common in this type of geothermal resource and can typically be managed through proper monitoring, analysis and mitigation. Our technical team has the expertise and experience to undertake the appropriate monitoring, analysis, and management.

Salak

The most recent independent evaluation of the Salak geothermal resource, undertaken by senior technical staff of geothermal resources consultant GeothermEx in 2020, concluded that the project can be maintained at its current level of generation through 2040. Our projection of capital expenditures and operating costs is appropriate and consistent with both historical costs and the expected requirements for well field maintenance. We plan to add 13 MW to 15 MW of generation capacity in the form of a binary power plant to utilize brine that is now produced and injected. This plan appears feasible in terms of historical and expected well field performance.

The steam supply for the Salak project has been sufficient to operate the installed power plant units at essentially their full capacity of about 377 MW combined up to the present time. In addition, there is some spare capacity available from the existing wells. The responses of the Salak wells and reservoir to exploitation are common in geothermal projects and can typically be managed through proper monitoring, analysis, and mitigation; they include well-capacity declines from reservoir pressure decrease and from scaling, and changing concentrations of non-condensable gases. Our technical team has the expertise and experience to undertake the appropriate monitoring, analysis, and management.

Strategy for full output at the Darajat and Salak Geothermal Operations

We have prepared a strategy which addresses how to maintain the supply of steam from the geothermal fields to the turbines and achieve full output of the Salak and Darajat power plants on a continuous basis. At this stage, this strategy looks at the next five-year period in detail, and will be updated at least on an annual basis. The strategy comprises the following key aspects:

- *Surveillance, Analysis and Optimization* — we maintain a diligent program for collecting and analyzing data on well and reservoir performance to understand changes that may be occurring. The data is interpreted to optimize the operation of individual wells and maximize current production, identify issues that may require intervention or remediation and make forecasts of future production.

- *Well Workovers* — A normal characteristic of geothermal wells is to require periodic intervention or workover activities in order to maintain production capacity and mechanical integrity. We use a variety of techniques to conduct wellbore cleanouts, enhance the production of new and existing wells, and repair subsurface casing and surface wellhead equipment.

- *Drilling New Wells* — As energy is extracted from geothermal reservoirs through the production process, it is normal for pressure and enthalpy changes to cause declines in the steam production from individual wells. We address this naturally occurring decline by the periodic drilling of make-up wells to meet the steam demand of the power plants.

- *Surface Facility Optimization* — we also monitor the performance of surface facilities including resource production facilities and electricity generation facilities to optimize the output and efficiency of individual components and identify opportunities to upgrade facilities to improve efficiency and ensure sufficient facility capacity to achieve full output.

Geothermal Growth Prospects

In June 2018, MEMR issued a PSPE to our Company to conduct drilling of at least one exploration well in the undeveloped South Sekincau area within three years as of the issuance of the PSPE. If PSPE is completed, we will be competitively positioned in the limited tender process to develop resources in South Sekincau.

Geothermal Power Generation Process

The information set out below relates to the geothermal power generation process and the systems used in the Darajat Geothermal Operations and Salak Geothermal Operations.

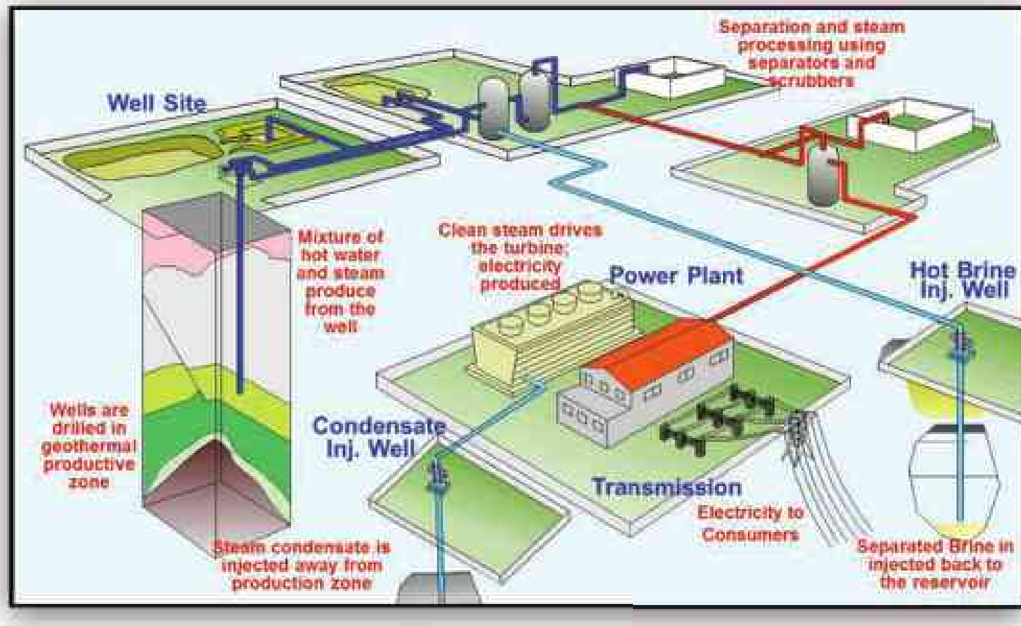
The main inputs to the geothermal power generation process are the geothermal steam and brine which comes from the geothermal reservoir. By employing strategic management of the Salak and Darajat reservoirs, wells, resource production facilities and power generation facilities, we aim to ensure stable operations for the economic life of the power plant.

Production wells are drilled into the geothermal reservoir to extract naturally occurring hot fluid from underground. Depending on the type of reservoir, when this fluid is produced at the surface, it consists of either (i) pure steam, in a vapor-dominated reservoir such as Darajat; or (ii) a mixture of steam and hot water in liquid-dominated reservoirs, such as Salak.

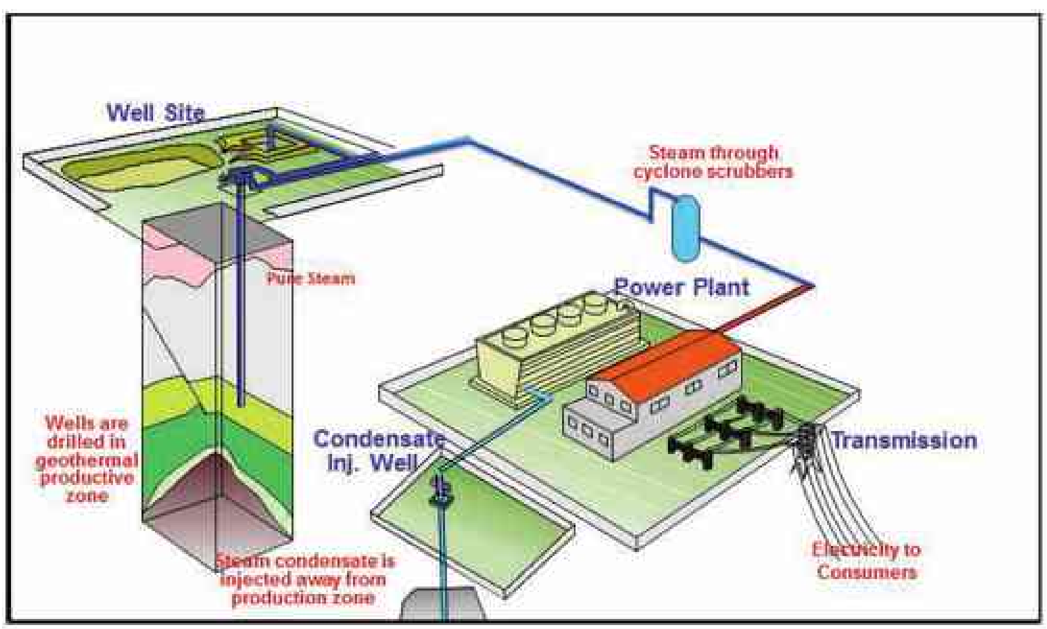
At the Salak Geothermal Operations, the steam-water mixture flows from the wells through the resource production facilities also known as resource production facilities ("**RPF**"), which consist of the steam-gathering pipelines, separators, scrubbers, rock mufflers, steam-transfer pipelines, brine and condensate injection pipelines and pumps, along with auxiliary equipment and controls. Insulated pipelines minimize heat loss and convey fluid to vessels known as separators, where centrifugal forces and gravity separate the steam from the brine. The steam is piped from the separators to vessels known as scrubbers where any remaining water droplets are removed. The separated brine is piped to brine injection wells and injected back into the geothermal reservoir. At the Darajat Geothermal Operations, wells produce pure steam; therefore, no separators, brine pipelines and brine injection wells are required.

In the electricity generation facilities, the steam is directed at high velocity into a series of turbine blades, which drive the turbine shaft which is coupled to the generator. The generator is a large electromagnet which rotates within copper coils. As the electromagnet rotates, electricity is generated. The electricity generated is delivered to an interconnection point, and subsequently delivered via transmission lines to load centers. Steam exhausted from the turbine is condensed to liquid water and used in the cooling water system or piped to condensate injection wells and injected back into the geothermal reservoir.

A simplified illustration of the geothermal power generation process at the Salak Geothermal Operations is shown below:



A simplified illustration of the geothermal power generation process at the Darajat Geothermal Operations is shown below:



Field Facilities and Electricity Generation Facilities

We use the following equipment and systems to generate electricity in the Darajat and Salak Geothermal Operations:

- *Steam Turbines*

  We use steam turbines supplied by Ansaldo and Fuji Electric in the Salak Geothermal Operations for Units 1 to 3 and Units 4 to 6, respectively, and steam turbines supplied by Mitsubishi in the Darajat Geothermal Operations. Each of the turbines has a single-shaft, double-flow design and rotates at 3,000 revolutions per minute.

- *Generators*

  We use generators supplied by Fuji in the Salak and Darajat Geothermal Operations. Each of the Salak generators is rated 11.8 kV with a capacity of 70,000 KVA at 0.85 power factor, 50 hertz. The Darajat Unit 2 generator is rated 13.8 kV, with a capacity of 100,700 kVA at 0.85 power factor, 50 hertz and the Darajat Unit 3 generator is rated 13.8 kV, with a capacity of 137,500 kVA at 0.8 power factor, 50 hertz.

- *Condensers*

  We use condensers supplied by Balcke-Dürr in the Salak Geothermal Operations and condensers supplied by Graham in the Darajat Geothermal Operations. The surface condensers are used to condense exhaust steam that is released from the turbines.

- *Cooling Towers*

  We use concrete cooling towers supplied by Marley in the Darajat and Salak Geothermal Operations. Warm circulating water is pumped from the condenser hot well using hot well pumps and is cooled as it flows through the cooling tower fill and is collected in a basin beneath the cooling tower cells. Cold circulating water from the cooling tower basin is admitted to the condenser and is pumped through the plant equipment heat exchangers and returned to the cooling tower by auxiliary cooling water pumps.

- *Gas Removal System*

  The Darajat and Salak Geothermal Operations are equipped with gas extraction vacuum pumps in the form of a two-stage steam ejector and a liquid ring vacuum pump, together called a gas extraction system. The gas extracted by this system is piped to the top of the cooling tower and emitted into the stream of air from the cooling tower fans to aid dispersion. We conduct regular testing to confirm that its emissions are within the permissible emission levels for the respective gases.

- *Remaining Plant Systems*

  In addition to the generation equipment described above, there are various supporting systems used in the Darajat and Salak Geothermal Operations, including:

  - a compressed air system consisting of air compressors with associated receivers and air dryers serving the power plant and instrument air requirements of the power plant and resource production facilities;

- a domestic water system that is provided by a water treatment facility supplied by water from surface-water sources. Treated potable water is stored in a pressurized water-storage tank;

- a firewater system that includes a diesel engine-driven pump, an electric motor-driven pump and a jockey pump; and

- plant water and steam wash systems along with heating, ventilation and air conditioning systems.

- *Electrical System*

The generators are connected to step-up transformers and circuit breakers supplied by PLN. The circuit breakers connect the generator circuit to PLN's 150 kV transmission system. PLN operates the necessary transmission lines to connect our power plants to the existing PLN transmission system that delivers power to its electric grid. To provide uninterrupted power functions and lightning and surge protection, the power plants have in place emergency power systems, which include a diesel generator, and an uninterruptible power supply comprising a 110V DC battery charger and batteries and a 230V DC battery charger and batteries.

- *Process Control System*

The process control system is a distributed control system ("**DCS**") that is primarily operated from the control room. It provides analogue and digital control, data acquisition and the interface to other microprocessor control systems in the power plant and resource production facilities or RPF. Included with the DCS is an interface to PLN's supervisory control and data acquisition system, and a sequence of events recorder with time stamping of all alarms.

- *Resource Production Facilities*

The resource production facilities, consist of the steam-gathering pipelines, separators, scrubbers, rock mufflers, brine and condensate injection pipelines and associated steam-transfer pipelines, auxiliary equipment and controls. The interface of the resource production facilities with the power plant occurs at the interface header.

At the Salak Geothermal Operations, some wells produce a mixture of liquid water and steam. Centrifugal separators remove the liquid water which is subsequently reinjected into the geothermal reservoir. Steam is piped from the separators to scrubbers that remove any remaining entrained liquids by centrifugal action. At the Darajat Geothermal Operations, wells do not produce liquid water so separators are not required and steam is piped from production wells directly to the scrubbers.

Steam system pressure is maintained by having sufficient steam production capacity to support unit load. In the Salak Geothermal Operations, control of excess pressure developed by the production wells is vented to the atmosphere through rock mufflers. The rock mufflers are located on the steam lines between the scrubbers and the power plant units. In the Darajat Geothermal Operations, motorized flow control valves on the production wells are used to help maintain stable system pressure to minimize the exhausting of excess steam. Pressure relief devices are located on each separator outlet steam line to protect against over pressure.

Excess condensate from the power plant and geothermal brine collected at the separators and condensate at the scrubbers are introduced to the injection pipelines and distributed to injection locations by pumps or gravity flow and then injected into the underground geothermal reservoir through injection wells. Sumps which are lined with high density polyethylene lining to prevent leakage are also provided near the separators to serve as holding ponds.

Resource Management

We implement a rigorous resource management, production optimization and well maintenance strategy to ensure sufficient steam supply and injection capacity to maintain generation at full capacity.

In relation to steam supply management, we aim to optimize existing surface facilities to ensure efficient and reliable steam delivery to our power plants. We also aim to maintain a prioritized portfolio of steam supply projects to economically sustain current exploitation rates. To achieve the same, we implement a make-up well drilling program to offset natural steam decline. Moreover, we maintain an integrated well intervention program, which includes well washing, broaching, reaming and acidizing, to reduce the decline of steam. We also repair or replace subsurface casing and surface wellhead equipment as needed in order to maintain the mechanical integrity of wells. We manage the turbine inlet pressures and wellhead pressures to maintain generation while minimizing make-up well requirements.

In relation to injection management, we maintain and optimize the injection well capacity and pumping facilities for condensate and brine disposal of its power plants.

Plant Operations and Maintenance

We carry out major and minor overhauls and maintenance activities on a regular basis to ensure our power plants' operability and reliability. We plan and perform our overhaul and maintenance schedule according to the conditions of the plant as indicated by the performance criteria that we monitor.

While we operate the Darajat Geothermal Operations and the Salak Geothermal Operations, the Darajat Geothermal Operations consists of one unit owned by PLN and operated by PT Indonesia Power (Darajat Unit 1) and the Salak Geothermal Operations consists of three units owned by PLN and operated by PT Indonesia Power (Salak Units 1, 2 and 3). We, through SEGDI and SEGDII, operate the Darajat field facilities that supply steam to Darajat Unit 1 and we through SEGSL, operate the Salak field facilities that supply steam to Salak Units 1, 2 and 3. As a result of this arrangement, PT Indonesia Power is responsible for the maintenance and repair of the units which are owned by PLN. Although PT Indonesia Power sets the overhaul and maintenance schedules of the units of the Darajat and Salak Geothermal Operations owned by PLN, we are involved in regular discussions and schedule planning with PT Indonesia Power.

See "*Risk Factors—Risks Relating to our Business—We depend on PT Indonesia Power to maintain the units of the Darajat Geothermal Operations and Salak Geothermal Operations owned by PLN*" for more information.

Darajat Geothermal Operations

For Darajat Unit 1, scheduled major overhauls typically result in a shutdown for a period of approximately 25 days every two years whereas for Darajat Units 2 and 3, scheduled major overhauls typically result in a shutdown for a period of approximately 21 days every three to four years. Major overhauls for the Darajat Geothermal Operations are generally longer than that of the Salak Geothermal Operations, due to the larger electricity generation capacity of the Darajat Geothermal Operations.

In 2019, PT Indonesia Power carried out a scheduled major overhaul of Darajat Unit 1, which was shut down for 72 days. We also carried out a scheduled major overhaul for Darajat Unit 2 for 30 days commencing in April. We have tentatively planned our next shutdown for Darajat Unit 3 to occur for five days in the fourth quarter of 2020 to reduce high vibration.

Salak Geothermal Operations

For Salak Units 1 to 3, major overhauls typically result in a shutdown for a period of approximately 25 to 30 days every three years, whereas for Salak Units 4 to 6, major overhauls typically result in a shutdown for a period of approximately 16 days every four years.

We carried out scheduled major overhaul for Salak Unit 4 in November 2017, which lasted for 15.5 days, and conducted a scheduled major overhaul for Salak Unit 6 in November 2018 for a period of 14.2 days. We expect the next major maintenance inspection to be conducted for Unit 5 in 2021, which we postponed from September 2020 as a result of the business continuity management plan in response to Covid-19, for a period of 16 days. PT Indonesia Power carried out scheduled major overhauls for Salak Units 1 and 2 in 2019, for 52 days and 69 days, respectively. We expect the next major maintenance inspection for Salak Unit 3 to be conducted by PT Indonesia Power in the fourth quarter of 2020 for 70 days, which was postponed from the second quarter of 2020 in response to Covid-19.

Maintenance

In respect of both the Darajat and Salak Geothermal Operations, a turbine inspection is completed during a typical major scheduled maintenance. The rotating and stationary blades are sand blasted clean, bearings checked and cleaned, the turbine lube oil pump, control valves, and critical equipment disassembled and inspected, the condenser inspected and cleaned, and major steam valves opened and repaired. The generator is inspected either by pulling out the rotor or by boroscope. The transformers are also inspected and transformer oil is filtered and samples tested. Steamfield equipment is also inspected and repairs made on items requiring maintenance from time to time. During minor scheduled maintenance, specific attention is placed on condenser inspection and cleaning, as well as inspection of the last stage and first stage steam turbine blades.

Regular plant preventive maintenance programs are also carried out throughout the year. We have a number of operations and maintenance programs and procedures in place, including operating procedures, preventive, corrective and predictive maintenance plans, administrative and human resources procedures and policies, emergency action plans, health and safety procedures, and warehouse storage procedures. In addition, we have developed a formal training program for operations and maintenance personnel, where operators and technicians are trained in proper equipment, systems and integrated project operations.

Our computer-based maintenance management system handles maintenance data, inventory needs, and scheduling of activities. It is run as part of the SAP suite of programs, which also provide financial management systems. Preventive maintenance work orders are loaded, scheduled, and issued automatically. The operators generate corrective work orders, which are put into the system for tracking.

In conjunction with a performance monitoring program that monitors equipment performance and trends, we also use a computer-based plant information system which collects, archives, displays, and disseminates process and performance data and process variables obtained from its power plants' various computers and programmable logic controllers. The information system accommodates real-time and historic databases and is used to develop reports and track equipment performance.

Drilling Program

In 2019, we drilled three new steam production wells at the Darajat Geothermal Operations resulting in total steam gain of 46 kg/s as based on our assessment in July 2020. During 2020, we drilled two additional steam production wells at the Darajat Geothermal Operations and we intend to drill five new steam production wells at the Salak Geothermal Operations during 2021 to 2022. During the remaining production periods of the Darajat and Salak Geothermal Operations, it is anticipated that drilling programs each consisting of five to six new production wells will be executed approximately every three years at each of the Darajat and Salak Geothermal Operations to maintain adequate steam supply. To accommodate the new production wells, we will construct additional well pads, pipelines and well hook-ups as needed.

Environmental Compliance

Our operations are subject to various environmental, health and safety laws and regulations relating to water, air and noise pollution, the management of hazardous and toxic chemicals, materials and waste and workplace conditions and employee exposure to hazardous substances. The Director General of the New and Renewable Energy and Energy Conservation (*Energi Baru Terbarukan dan Konservasi Energi* or "**EBTKE**") under the MEMR has also issued several decrees concerning occupational health and safety that apply to our operations.

We submit quarterly monitoring and compliance reports to the appropriate local authorities in compliance with the requirements of the Environmental Impact Analysis (*Analisis Mengenai Dampak Lingkungan* or "**AMDAL**"), and we monitor the air and liquid waste and noise emissions resulting from our operations on an ongoing basis.

Due to the issuance of Law No. 32 of 2009, all of our environmental-related permits will be integrated into one environmental permit (the "**Environmental Permit**") at the latest one year after the effective date of the new environmental law. Law No. 32 of 2009 provides that any business required to comply with AMDAL requirements must also obtain an Environmental Permit. The mechanism and procedures relating to the Environmental Permit will be further regulated under government regulations. In 2012, the Government issued Regulation No. 27/2012 stating that any AMDAL which was approved before the enactment of Regulation No. 27/2012 shall remain valid and will be treated the same as an Environmental Permit. As our AMDAL was approved before the enactment of Regulation No. 27/2012, we do not need to obtain the Environmental Permit for our current operations, save for in relation to the Salak Binary Power Plant and the additional 0.7 hectares of land we are expecting to lease from PTPN VIII for the development of a disposal area for the Salak Binary Power Plant, pursuant to a proposed amendment to the existing lease agreement between the Salak Contractors and PTPN VIII. We have also obtained the Environmental Permit for an additional geothermal turbine-generator unit in 2012.

The Salak working area has also received the Green PROPER award for 2016, 2017 and 2018 and the Gold PROPER Award for 2019 and the Darajat working area received a Green PROPER Award for 2016 and 2019 and a Blue PROPER Award for 2017 and 2018. The Gold PROPER Award is the highest award for environmental, safety and corporate social responsibility management from the Minister of Environmental and Forestry, followed by the Green PROPER Award and the Blue PROPER Award.

We have also been awarded various recognitions in each year by the MEMR for excellence in environmental safety. We received, among others, the Subroto Award in 2018 in the category of Geothermal Environment Protection award for the Salak working area. This award is the highest award given by the MEMR to stakeholders who play an active role in contributing towards energy efficiency in the mineral resources and energy sector.

We are also subject to international environmental standards, including those set in the Kyoto Protocol, an international agreement between countries, including Indonesia, to limit emissions of greenhouse gases as a major cause of global warming.

As of the date of this Offering Memorandum, we believe that we are in compliance in all material respects with applicable environmental and health and safety laws and regulations.

Health and Safety

We maintain compliance with health, safety and environmental regulations promulgated by local and national governing bodies. As of the date of this Offering Memorandum, we believe that we are in compliance with all relevant Indonesian safety regulations.

We have a number of programs in place to ensure the health and safety of our workers in the workplace, as well as to ensure the health and safety of the local community where it operates. These programs include plans, procedures and policies regarding health and safety, administration, human resources and emergency action issues. As of June 30, 2020, the Darajat Geothermal Operations and Salak Geothermal Operations have operated for a period of 3,790 days and 2,905 days (15,240,480 man-hours and 19,003,480 man-hours) with no material accident or injury, respectively. See "*Risk Factors—Risks Relating to our Business—Our financial performance depends on the successful operation of our facilities, which is subject to various operational risks*".

Corporate Social Responsibility

We believe in the connection between socially responsible management and our long-term growth and development. We take an active and leading role in community development and invest in the economic well-being of the community by providing assistance to the local community where we operate.

We provide scholarships, renovate schools and provide training to improve the quality of teachers in our local communities. In relation to economic empowerment, we provide micro finance schemes, such as farming, coffee plantation and ecotourism to boost the local economy. In relation to environmental protection, we work closely with PTPN VIII and the local national park forestry department with respect to re-forestation efforts in certain areas surrounding our power plant facilities. Furthermore, we provide emergency support in times of need caused by floods, earthquakes, and landslides.

We have received various awards from the Governor of West Java recognizing our community development program in education and our promotion of ecotourism. In 2019, our community development programs was awarded the Gold PROPER Award, which is the highest award for environmental, safety and corporate social responsibility management from the Minister of Environmental and Forestry. We also received a CSR sustainability award from Trisakti University for our Community-based Environmental Guardian Program.

While we amend our community development programs from year to year, we intend to maintain key programs in the areas of education, economic empowerment and environmental protection.

Competition

Under the terms of the respective ESCs, PLN (or PGE, as applicable) is obliged to purchase net electrical output or, if PLN (or PGE, as applicable) does not dispatch from our generators, a set percentage of the total unit rated capacity of each of our geothermal energy turbine-generator units, up to a designated maximum for the life of the ESC. As a result, we believe that we do not face any material competition from other geothermal energy producers or independent power producers in our business.

Properties

The Darajat Geothermal Operations is situated in a contract area of approximately 5,000 hectares. We are currently using approximately 78.66 hectares of operation area located in the Darajat contract area for our geothermal power operations, of which 26 hectares is a nature reserve, 42.76 hectares is a protected forest and 9.90 hectares is private property.

The private land, owned by PGE-SEGDII, has a total area of 9.90 hectares and is located within the Darajat Contract Area. Various facilities have been built in the aforementioned area, including wells, access roads, offices, warehouse facilities, and pipelines. Pursuant to the Darajat JOC, the Darajat Contractors are entitled to enter into the Darajat Contract Area to conduct geothermal field operations and electricity generation operations until the end of the JOC. Out of 9.90 hectares, (i) 6.28 hectares are registered under the Right to Use (*Hak Pakai*) and the Right to Build (*Hak Guna Bangunan*) with various expiry dates, most of which are beyond the term of the JOC; (ii) 1.22 hectares have been transferred from the previous owner and fully paid, thus based on prevailing laws and regulations, the Darajat Contractors have the right to utilise such land. While the registration and certification are still being processed, it does not affect our right to utilize the land; and (iii) the remaining 2.40 hectares are registered under the Right to Build (*Hak Guna Bangunan*) and is in the process to be extended. This is an administrative process at the Land Office and does not affect our utilization over the land. In addition, as the private land is owned by PGE and PGE is obliged to assist our efforts in obtaining all land rights and necessary permits relating to the relevant contract area under the terms of the relevant JOCs, we are of the view that this is unlikely to materially and adversely affect our business operations.

The Darajat Geothermal Operations also operate in a working area classified as "protected forest" for which we have already obtained two "borrow-and-use" permits (known as *Izin Pinjam Pakai Kawasan Hutan* or "**IPPKH**"), each of which is valid until January 2043.

The Darajat Contractors operate certain geothermal facilities, including pipeline and well pads, in an area classified as a Nature Recreational Park (*Taman Wisata Alam*), which allowed the Darajat Contractors, on behalf of PGE, to apply for an IPJLPB. An IPJLPB was issued in August 2019 which permits geothermal operations in the utilization block of the relevant Nature Recreational Park.

The Salak Geothermal Operations are situated within a contract area of 10,000 hectares, with a current utilization of approximately 236.48 hectares. The Salak Geothermal Operations contract area includes land in a national park and private land. With respect to the national park, PGE and the Salak Contractors obtained the IPJLPB on August 12, 2016, which is valid until November 30, 2040. This permit covers an area of 228.69 hectares.

With respect to the private land, the Salak Contractors obtained the right to lease such land from PTPN VIII on October 11, 2016, pursuant to an agreement for the utilization of land under HGU title between PTPN VIII, PGE and SEGSL dated October 26, 2016. The HGU land title and rights belong to PTPN VIII. This land right covers 5.22 hectares, and various facilities have been built in the aforementioned area, including an access road, production and injection well pads, pipeline, power plant, offices, housing and warehouse. As of the date of this Offering Memorandum, the Salak Contractors and PTPN VIII are in the process of amending the lease agreement to include an additional 0.7 hectares to develop the disposal area for the Salak Binary Power Plant. In the event we are unable to amend the lease agreement, we may be required to develop the disposal area in another location. We believe this would not have a material adverse effect on the Salak Binary Power Plant.

The Salak Contractors have also leased approximately 2.57 hectares of HGU land from Jayanegara for the well injection located in Awi 22. Jayanegara leases this land from the Government and Jayanegara has in turn sub-let this land to the Salak Contractors. Although the lease agreement with Jayanegara expired as of 2017, the Salak Contractors continue to occupy such land and continue to operate the injection well pursuant to ongoing discussions with Jayanegara to extend the lease agreement. In the event that the Salak Contractors are unable to extend the lease agreement, the Salak Contractors may be required to stop using the well in Awi 22 and transfer the injection to an existing well in another location, incurring costs in the process. As of the date of this Offering Memorandum, SEGS, PGE and Jayanegara are currently in discussions to resolve this matter and to extend the lease agreement. We are still assessing the option of whether to transfer the injection from the well to another location. We believe that the injection well in Awi 22 is not critical to maintaining our current level of operations, and in the event that we are required to move our facilities to another location and to abandon the well, that there would not be a material adverse effect on our results of operations. See "*Risk Factors—Risks Relating to our Business—Our operations are dependent on our ability to obtain, maintain and renew land use rights.*"

Under the terms of the relevant JOCs for the Darajat and Salak Geothermal Operations, PGE is obliged to assist our efforts in obtaining all land rights and necessary permits relating to the relevant contract area, and any related access areas necessary for us to carry out our operations. In the event that PGE obtains title or such other exclusive interest to all or any portion of the contract area, PGE is obliged to make such rights available to us for the purpose of conducting our geothermal operations and all incidental activities.

Ownership of the Facilities

With respect to the Darajat Geothermal Operations, all assets relating to the field facilities required to generate geothermal steam are owned by PGE, with the exception of Darajat Unit 1, which is owned by PLN. Assets relating to the electricity generation facilities of Darajat Units 2 and 3 are owned by the Darajat Contractor, in their position as contractor of PGE. The electricity generation facilities of Darajat Units 2 and 3 shall become the property of PGE upon termination of the Darajat JOC and the Darajat ESC on an "as is, where is" basis, and PGE shall transfer, free and clear of all encumbrances, each unit installed by the Darajat Contractors and all other electricity generation facilities to PLN at no cost.

With respect to the Salak Geothermal Operations, all assets relating to the field facilities required to generate geothermal steam are the property of PGE. Assets relating to the electricity generation facilities of Units 1, 2 and 3 are owned by PLN. Assets relating to the electricity generation facilities of Units 4, 5 and 6 are owned by PGE and operated by SEGSPL. Upon expiration of the Salak ESC, PGE shall transfer, free and clear of all liens and encumbrances, the electricity generation facilities of Salak Units 4, 5 and 6 to PLN at no cost to PLN, with each party bearing any taxes required to be paid under applicable Indonesian law.

The RPF and other field facilities, including materials and equipment purchased by us and incorporated into the field facilities, are owned by PGE and operated by our companies.

Other Properties

We also lease corporate offices located in Jakarta, Indonesia.

Intellectual Property

We do not have any patents, licenses, trademarks or other intellectual property on which our business is materially dependent.

Insurance

We maintain an insurance program including (i) property all risks insurance covering property damage and business interruption, (ii) control of well insurance covering physical damage to the well and costs of well control and (iii) general liability insurance. Our control of well insurance policy is valid until September 30, 2021, our property all risks insurance policy is valid until September 30, 2021 and our public liability and employers liability policy is valid until October 1, 2022. See "*Risk Factors—Risks Relating to our Business—We may not have adequate insurance coverage and may not be able to obtain or maintain adequate insurance and insurance proceeds may not be sufficient for the holders of the Notes to recover all amounts due on the Notes.*" Our insurance policies are provided by Indonesian insurance companies with a minimum of 50% reinsured off-shore with insurance companies with a minimum Standard & Poor's rating of "A-" or higher or a minimum Moody's rating of "A3" or higher if rated by one of the respective rating agencies (and a minimum of both "A-" and "A3" if rated by both Standard & Poor's and Moody's).

The following table sets forth certain information regarding our current key insurance coverage as of the date of this Offering Memorandum:

Insurance Coverage	Deductible/Time Excess	Total Amount Insured
		(in US$ millions)
Property All Risks		
Property Damage	• Fire, lightning, explosion, impact of falling aircraft & smoke (FLEXAS)—5% of recoverable claim amount or 0.1% of Total Sum Insured, whichever is higher, each and every loss. • Earthquake, volcano, eruption and tsunami (EQVET)—US$3 million each and every loss • Flood—10% of claim subject to a minimum US$0.5 million each and every loss. • Other Perils—US$0.5 million each and every loss	739.4 (Salak: 374.6; Darajat: 364.8)
Business Interruption		
Business Interruption	45-day waiting period for each and every loss, 60 days waiting period for each and every loss in respect of machinery breakdown	281.0 (Salak: 165.8; Darajat: 115.2)

Insurance Coverage	Deductible/Time Excess	Total Amount Insured
		(in US$ millions)
Control of Well Insurance		
Physical Damage	US$0.025 million for any one accident or occurrence	49.7 (Salak: 31.1; Darajat: 18.6)
Costs of Well Control	• US$0.15 million for any one accident or occurrence • US$0.25 million for any one accident or occurrence in respect of drilling and/or workover for wells not exceeding 7,500ft and AFE not exceeding US$5 million • US$0.35 million for any one accident or occurrence in respect of drilling and/or workover for wells not exceeding 7,500ft and AFE US$5 million • US$0.5 million for any one accident or occurrence in respect of drilling and/or workover for wells exceeding 7,500ft • US$0.05 million for any one accident or occurrence in respect of care, custody, and control claims	35.0
General Liability Insurance		
Public Liability	Nil but US$50,000 for any one accident in respect of third-party property damage only	20.0
Employers Liability	Nil	2.5 for each loss and in the aggregate
Automobile Third Party Liability	Nil but US$1,000 for any one accident in respect of third-party property damage only	1.0

We believe that the types and amounts of insurance coverage set out above are in line with standard market practice for the industry and are adequate for the conduct of our business. However, we cannot assure you that all risks are covered or are adequately insured against. See "*Risk Factors—Risks Relating to our Business—We may not have adequate insurance coverage and may not be able to obtain or maintain adequate insurance and insurance proceeds may not be sufficient for the holders of the Notes to recover all amounts due on the Notes*" and "*Description of the Notes—Certain Covenants—Maintenance of Insurance*".

Employees and Labor Relations

As of June 30, 2020, we employed 466 employees, of which 448 are on permanent contracts and the remaining employed on a trial contract basis. Employees who perform adequately during their one-year trial contract are thereafter permanently employed by us. We do not employ part-time workers but do outsource some routine functions, such as catering and housekeeping, to third parties.

The table below sets forth the number of our employees as at the dates indicated by activity and location.

	As at December 31,			As at June 30,
	2017	2018	2019	2020
Employees by Activity:				
Management	13	13	19	17
Staff	490	484	459	449
Total	**503**	**497**	**478**	**466**
Employees by Geothermal Operations:				
Darajat Geothermal Operations	263	263	253	246
Salak Geothermal Operations	240	234	225	220
Total	**503**	**497**	**478**	**466**

While all critical tasks are undertaken by our permanent employees, we outsource certain of our activities to contractors. These contractors are either individuals, engaged through a third-party contract labor company, or specialist contracting companies who are engaged under specific limited-scope contracts. Tasks which are outsourced include catering and housekeeping, landscape maintenance, non-skilled operations and maintenance ("**O&M**") activities, certain skilled mechanical and electrical activities and some low-priority administration duties. In all cases, contractors are actively supervised by permanent staff who take responsibility for the activity concerned. All activities related to O&M are guided by standard operating procedures which form part of the management system.

Our employees are part of labor unions, namely Serikat Pekerja Panas Bumi Salak ("**SPPABUM**") in the Salak Geothermal Operations and Serikat Pekerja Panas Bumi Indonesia ("**SPPBI**") in the Darajat Geothermal Operations. We hold bipartite meetings on a quarterly basis to discuss employee-related issues with the union. The union enters into collective labor agreements with us in relation to compensation, employee benefits and other employee entitlements. We negotiate employee allowances every two years. The current collective labor agreement has been extended until June 2021.

As of the date of this Offering Memorandum, we have not experienced any strikes or material labor disputes or actions and we consider our relations with the union and our employees to be good.

We provide various benefits to our employees, including medical benefits, mandatory *Lebaran* allowance, vacation allowance and pension payments. Our employees are members of a defined contribution pension plan.

We believe that we are in compliance with manpower laws, such as the Labor Law No. 13 of 2003.

We have several policies and procedures to attract and retain key employees. These include:

- good corporate values and practices;
- fast track promotion prospects;
- housing ownership programs;
- scholarship programs;
- performance bonuses; and
- social, sport and religious programs.

Legal Proceedings

We are not involved in and have not, in the last 12 months preceding the date of this Offering Memorandum, been involved in, any legal or arbitration proceedings, and no proceedings are threatened, which we believe may have or would be likely to have a material adverse effect on our business, prospects, financial condition, operational results or cash flows.

DESCRIPTION OF MATERIAL CONTRACTS

The Salak Geothermal Operations

The Salak Geothermal Operations is a geothermal power plant located in Sukabumi Regency and Bogor Regency, West Java, Indonesia. Star Energy has the sole rights to explore and develop geothermal resources in the Salak contract area as a contractor for the Government (now represented by PGE). The Salak Geothermal Operations have a gross installed generation capacity of 377 MW, and the Salak Contractors have the exclusive long-term right to sell up to 495 MW of geothermal energy generated from the contract area to PLN on a take-or-pay basis.

The Salak Geothermal Operations are based on a framework comprised of two main material contracts, namely the Salak JOC and the Salak ESC.

The Salak Joint Operation Contract

The original Salak joint operation contract (the "**Original Salak JOC**") was executed on February 11, 1982, as amended on November 19, 1986 and December 26, 1988, between Pertamina and UGI. The Original Salak JOC was approved by the MEMR on behalf of the Government of Indonesia on February 11, 1982, and on December 8, 1986 and December 26, 1988, respectively, for the relevant subsequent amendments. On November 16, 1994, Pertamina and UGI entered into an amended and restated JOC which replaced and superseded the previous JOC and was also approved by the MEMR on behalf of the Government of Indonesia on the same date. Further, on July 22, 2002, Pertamina (now transferred to PGE), UGI (now known as SEGSL), and Dayabumi Salak Pratama, Ltd (now known as SEGSPL) entered into the Amendment No. 1 to the amended JOC, which amended and restated the preceding JOC between Pertamina and UGI dated November 16, 1994 (the "**Salak JOC**"). The Salak JOC is governed by the laws and regulations of Indonesia. SEGSL and SEGSPL are hereby referred to collectively as the "Salak Contractors."

Subsequently, pursuant to Law No. 22 of 2001 and GR No. 31, the Salak JOC was novated to PGE by Pertamina effective as of January 1, 2007. See "*Risk Factors—Risks Relating to our Business—We are subject to risks associated with reliance on PLN and PGE.*"

Under the Salak JOC, PGE, as the holder of the authority issued by the Government to undertake the exploration and exploitation of geothermal resources in the contract area, appointed the Salak Contractors as its exclusive contractor for exploring, discovering, developing, producing, transporting, delivering and utilizing geothermal energy and without limiting the generality of the foregoing, shall include the design, construction and operation of field facilities and electricity generation facilities to be fueled by geothermal energy and the delivery of geothermal energy or electricity thus generated. SEGSL is the exclusive contractor in respect of all geothermal operations under the Salak JOC except those assigned to SEGSPL, and SEGSPL is the exclusive contractor in respect of Units 4, 5, and 6, notwithstanding the foregoing. Pertamina acknowledged and consented to SEGSL, being the actual operator of units 4, 5 and 6, and SEGSL has in turn acknowledged that it is liable to Pertamina (now assigned to PGE) for SEGSPL's failure to carry out its rights and obligations as the contractor of units 4, 5 and 6. PGE retains title to all original data resulting from the geothermal operations. PGE also has a right to enter the contract area to inspect the operations and financial and technical records.

PGE and authorized representatives of the Government have the right to review and audit the Salak Contractors' annual financial statements consisting of balance sheet and statement of income and all such information concerning the Salak Contractors' operations within five (5) years after submission of such financial statements by the Salak Contractors to PGE.

PGE will receive a quarterly production allowance from the Salak Contractors of 4.0% of the net operating income.

Under the terms of the JOC, net operating income or taxable income refers to the proceeds received from the sale of geothermal energy or electricity as set forth in the Salak ESC and which are the proceeds cited in Article 4, item (1) of the 1984 Tax Law received and generated by SEGSL during one fiscal year, less expenses incurred to generate, collect and maintain income, as set forth in Article 6 of the 1984 Tax Law, but excluding VAT, sales taxes on luxury goods, taxes on land and buildings, import duty, stamp duty and other levies.

Tax

Under the Salak JOC in conjunction with Presidential Decree No. 49 of 1991 as revoked by Presidential Decree No. 76 of 2000 and MOF Decree No. 766 of 1992 as most recently amended by MOF Decree No. 90/PMK.02/2017, existing joint operation contracts are subject to "all inclusive" tax rate of 34.0% of net operating income or taxable income (the Government Share) which is considered as payment of income tax while the other taxes, VAT, land and building tax and other charges including Production Bonus shall be borne/reimbursed by the Government. In the event that Salak Contractors request facilities or services to the Government, it shall pay general administrative fees and charges for facilities and services provided by the Government.

In the case of any increase or decrease from present levels in any of the tax under the Salak JOC or the imposition on the Salak Contractors of any new taxes, duties, levies, contributions, charges or fees other than those mentioned in the Salak JOC, the price payable under the Salak ESC and the amount payable to the Salak Contractors from PGE under the Salak JOC shall be adjusted to fully compensate for such change. See "*Risk Factors—Risks Relating to our Business—Star Energy is subject to uncertainties as to the whether the Production Allowance under the Darajat JOC and Salak JOC is tax deductible.*"

The Salak Contractors may import equipment for and related to the geothermal operations into Indonesia free from import duties, VAT, sales taxes and other levies for the term of the Salak JOC. The Salak Contractors may also import equipment for use in geothermal operations and intended to be re-exported, which will be exempt from import duties.

Amounts for dead rent, regional development tax, Land and Building tax shall be paid by the Government. VAT on goods and services shall be deferred during the preproduction period and reimbursed pursuant to the terms and conditions of the Minister of Finance Regulation No. 766/KMK.04/1992.

Term

The term of the Salak JOC shall be a period until November 30, 2040, pursuant to an extension notice dated July 22, 2002. Pursuant to the New Geothermal Law, the Salak JOC shall remain applicable until expiry to its terms. Following the expiry of its term, the geothermal activities in the area shall comply with the New Geothermal Law and be granted based on a geothermal permit.

Rights and obligations

The Salak JOC sets forth the rights and obligations of the Salak Contractors and PGE relating to, among other things, the exploration, exploitation, development and utilization of geothermal resources in the contract area; risk allocation following the occurrence of an event of *force majeure*; events of default; rights of termination and the consequences thereof; assignment; and dispute resolution. Under the Salak JOC, PGE is responsible for the management of the operations under the Salak JOC, and PGE shall assist and consult with the Salak Contractors, and the Salak Contractors are responsible to PGE for the conduct of the geothermal operations under the Salak JOC.

PGE's obligations to the Salak Contractors under the Salak JOC include, among other things, assisting the Salak Contractors in obtaining all governmental permits required for geothermal operations including, but not limited to, work permits and land use rights, and furnishing the Salak Contractors with all information in its possession relevant to geothermal operations on the contract area upon payment of mutually agreeable compensation. Upon the expiration of the term of the Salak JOC, PGE shall succeed to and assume the Salak Contractors' rights and obligations that arise subsequent to such date of expiration under the Salak ESC. PGE shall regularly consult with the Salak Contractors on all matters pertaining to the Salak ESC and will not to cause or allow any termination, amendment, waiver, renegotiation or renewal of the Salak ESC or any provision thereof without first receiving the express written consent of the Salak Contractors.

The Salak Contractors are required to, among other things: employ Indonesian personnel to the maximum extent possible consistent with good operating practice and available skills; train Indonesian employees for all levels of technical and executive positions; arrange for all funds required for geothermal operations and bear the risk of geothermal operations in accordance with the terms of the Salak JOC; and give preference to such goods and services which are produced in Indonesia or rendered by Indonesian nationals in accordance with the terms of the Salak JOC. See "*Business—Insurance" and "Risk Factors—Risks Relating to Businesses—We may not have adequate insurance coverage and may not be able to obtain or maintain adequate insurance and insurance proceeds may not be sufficient for the holders of the Notes to recover all amounts due on the Notes*".

In the event that PGE fails to fulfill its payment obligations to the Salak Contractors under the Salak JOC, the amount due will be subject to interest from the date on which the payment obligation is due until the date that the obligation is paid, at a rate calculated from day to day on the basis of a 360-day year equal to 2.0% per annum above the US dollar deposit rate of a bank specified in the Salak JOC.

Assignment

Under the Salak JOC, the assignment of all or part of the rights, interest and obligations is permitted to (i) affiliates of the Salak Contractors; or (ii) financiers for the purpose of securing financing for geothermal operations. However, assignments of rights and interest for purposes other than securing financing for geothermal operations shall obtain consents from other parties of the Salak JOC and the MEMR (as applicable).

Sale of electricity

The Salak Contractors must deliver all geothermal energy and electricity not utilized in the geothermal operations for sale in accordance with the terms of the ESC. PGE agrees to pay the Salak Contractors all sums due and payable to PGE under the ESC for electricity delivered or capable of being delivered to PLN by the Salak Contractors on behalf of PGE. The sale of geothermal energy or electricity produced and delivered or made available pursuant to the Salak JOC and Salak ESC is exempt from all sales tax, value added tax charges or other levies.

The Salak Contractors are to prepare (i) invoices to be presented by PGE to PLN for payment under the Salak ESC and (ii) invoices for payment by PGE to the Salak Contractors under the Salak JOC. Payment from PGE is due within 45 days of receipt of invoice from Salak Contractors.

Surrender of contract area

The Salak Contractors have fulfilled the obligation to surrender approximately 46,650 hectares of the original contract area under the Salak JOC. These relinquishments have now been completed and as such, the remaining contract area stands at 10,000 hectares.

Article 15.1 of the Salak JOC provides that, after having used all reasonable diligence to conduct geothermal operations, if, in the Salak Contractors' opinion, the continuation of geothermal operation is no longer warranted, after consultation with and notification to PGE, the Salak Contractors may terminate the Salak JOC by providing 60 days' advance notice. In such event, the Salak ESC will be automatically terminated following the termination of the Salak JOC.

Construction of field facilities and electricity generation facilities

The Salak Contractors are entitled to build, construct, erect and operate field facilities and electricity generation facilities in the contract area for geothermal operations.

The following description sets forth the arrangements as of the date of this Offering Memorandum. Units 1, 2 and 3, having manufacturer's name-plate ratings of an aggregate of 165 MW, have been installed by, and are constructed and operated by, PLN; and SEGSL is delivering, on behalf of PGE, geothermal energy to such units. Units 1, 2 and 3 shall, at all times, remain the sole property of PLN and are fully owned by PLN, and PLN shall assume the full responsibility for such electricity generation facilities. Meanwhile, Units 4, 5, and 6, having manufacturer's name-plate ratings of an aggregate of 196.8 MW have been installed, constructed and operated by SEGSPL. Units 4, 5, and 6 shall be transferred to PLN at the expiration of the Salak ESC. The total gross installed capacity of the Salak field is 377 MW. Materials and equipment purchased by SEGSL and SEGSPL (as applicable) for geothermal operations become the property of PGE.

Indonesian Participant

The Salak Contractors shall offer an Indonesian participant established in Indonesia and approved by PGE the opportunity to acquire up to a 10.0% interest. There has been no specific waiver obtained from PGE over the requirement in the Salak JOC to offer an Indonesian participant a 10.0% interest in the Salak project. We believe this requirement has been satisfied following Star Energy's acquisition of Salak Geothermal Operation.

Termination and default

The Salak JOC provides that, after having used all reasonable diligence to conduct geothermal operations, if (in the Salak Contractors' opinion) the project is not workable, after consultation with and notification to PGE, the Salak Contractors may terminate the Salak JOC by providing 60 days' advance notice. PGE may also terminate the Salak JOC for unremedied default by the Salak Contractors.

Work program and expenditures

Under the Salak JOC, the Salak Contractors are required to obtain an approval for their work program and budget from PGE. The approval must be obtained three months prior to the beginning of each contract year of the JOC.

The Salak Energy Sales Contract

The original Gunung Salak energy sales contract was executed on February 11, 1982, as amended on November 19, 1986 and December 26, 1988, between Pertamina (now transferred to PGE), UGI (now known as SEGSL), and PLN. On November 16, 1994, Pertamina, UGI and PLN entered into an amended and restated ESC which replaced and superseded the previous ESC. Further on July 22, 2002, Pertamina, UGI, PLN and Dayabumi Salak Pratama, Ltd (now known as SEGSPL) entered into the Amendment No. 1 to the amended and restated ESC (the "**Salak ESC**"), which amended and restated the preceding ESC between Pertamina, PLN and UGI dated November 16, 1994. The Salak ESC, and its amendment made from time to time, was approved by the MEMR on behalf of the Government. The Salak ESC is governed by the laws and regulations of Indonesia.

Similar to the Salak JOC, the Salak ESC was novated to PGE by PT Pertamina (Persero) effective as of January 1, 2007. See "*Regulations and Regulatory Framework of the Indonesian Geothermal Power and Electricity Industry—Law No. 21 of 2014 on Geothermal—Presidential Decree No. 76 of 2000 and Pertamina Corporatization*". Thereafter, PGE became the counterparty of the Salak Contractors under the Salak ESC.

The ESC is a "take-or-pay" contract. The geothermal energy and electricity tariff is paid for regardless of whether geothermal energy and electricity is delivered to PLN.

Joint committee

The Salak Contractors have established a joint committee (the "**Salak Joint Committee**") with PLN and PGE for the purposes of coordinating the Salak Contractors' activities pursuant to the Salak ESC. The Joint Committee does not exercise control over the operations of the Salak Contractors and functions merely for purposes of coordinating activities among the Salak Contractors, PLN and PGE. The Joint Committee is composed of representatives of PLN, PGE and the Salak Contractors and is currently composed of four, two and three representatives from each of PLN, PGE and the Salak Contractors, respectively. Pursuant to the terms of the ESC, in no case shall the total number of members for PLN, PGE and the Salak Contractors exceed four. The duties of the Joint Committee include coordinating the activities of the parties to avoid delays in construction and promoting efficient operation and maintenance of facilities and total system (Jawa Transmission System). Under the ESC, the Joint Committee members are to meet at least quarterly, but not more than once a month.

Emergency meetings may also be called by any party to consider matters which require the urgent attention of the Joint Committee. The chairman of the Joint Committee shall prepare a summary of the proceedings of each meeting, which will be forwarded to each party for approval.

Term

The term of the Salak ESC shall be a period until November 30, 2040, pursuant to an extension notice dated July 22, 2002.

Upon termination of the Salak JOC, the Salak Contractors' rights and obligations as a party to the Salak ESC in its role as contractor to PGE for the delivery of geothermal energy or electricity to PLN shall terminate and PGE shall assume all the rights and obligations of the Salak Contractors pursuant to this Salak ESC upon the date of such termination.

Upon expiration of the Salak ESC, PGE shall transfer, free and clear of all liens and encumbrances, each unit installed by the Salak Contractors and other electricity generation facilities pertaining to the units to PLN at no cost to PLN, with each party bearing any taxes required to be paid by such party under applicable Indonesian law, and such transferred units and associated electricity generation facilities shall become the sole property of PLN.

Rights and obligations

The ESC sets forth the rights and obligations of the Salak Contractors, PLN and PGE relating to, among other things: the tariff applicable to the geothermal energy and electricity delivered or made available by the Salak Contractors to PLN; the purchase of such geothermal energy and electricity by PLN; risk allocation following the occurrence of an event of force majeure; events of default; rights of termination and the consequences thereof; assignments; and dispute resolution.

Tariff

Under the Salak ESC, the Salak Contractors have the obligation to make available the unit rated capacity of each geothermal turbine-generator unit after the commercial operations date of that geothermal turbine-generator unit to PLN on behalf of PGE. Under the Salak ESC, PLN is obliged to make payments regardless of whether such geothermal energy and electricity is delivered to PLN.

The formula to calculate the base monthly electricity charge in respect of the electricity delivered or made available by SEGSPL from Units 4, 5 and 6 consists of a fixed component and a variable component (which is subject to escalation), and can be briefly described as follows:

$$E = [G_x+(G_y \times I)] \times D_1$$

where:

G_x = 0.0030 Dollars per kWh

G_y = 0.0415 Dollars per kWh

D_1 = the lesser of (x) Units 4, 5 and 6 Electricity Monthly Take-Or-Pay Amount (expressed in kWh), as applicable, and (y) the greater of the amount of electricity (expressed in kWh) (i) delivered by SEGSPL or (ii) nominated in good faith and made available by SEGSPL during such Month.

I = Inflation Index calculated pursuant to the terms of the Salak ESC.

The Inflation Index can be briefly described as follows:

$$0.15 \times \frac{(Y_I \times M_b)}{(Y_{Ib} \times M_I)} + 0.45 \times (Y_m/Y_{mb}) + 0.40 \times (Y_w/Y_{wb})$$

where:

M_b = Monetary exchange factor average for the months of fourth quarter of 2000

M_I = Monetary exchange factor average for the months of the previous quarter, as published by Bank Indonesia in Rp per US dollar in effect on the last day of the month for which Gy charge is due

Y_I = Indonesian CPI (published by Central Bureau of Statistics) averaged for the months of the previous quarter

Y_{Ib} = Indonesian CPI averaged for the months of the fourth quarter of 2000

Y_m = Oilfield Machinery and Tools Index (published by the US Departments of Statistics) averaged for the months of the previous quarter

Y_{mb} = Oilfield Machinery and Tools Index (published by the US Departments of Statistics) averaged for the months of the fourth quarter of 2000

Y_W = US PPI for All Commodities (published by the US Departments of Statistics) averaged for the months of the previous quarter

Y_{wb} = US PPI for All Commodities (published by the US Departments of Statistics) averaged for the months of the fourth quarter of 2000

The formula to calculate the base monthly geothermal energy charge in respect of the geothermal energy delivered or made available by SEGSL consists of a fixed component and a variable component (which is subject to escalation), and can be briefly described as follows:

$$E = P_1 \times D_2 \times I$$

where:

P_1 = 0.03724 Dollars per kWh

D_2 = the lesser of (x) Units 1, 2, and 3 Energy Monthly Take-Or-Pay amount (expressed in kWh of electricity) and (y) the greater of the amount of geothermal energy (expressed in kWh of electricity based upon the performance ratings specified in the Salak ESC) (i) delivered by SEGSL or (ii) nominated in good faith and made available by SEGSL, during such month.

I = Inflation Index calculated pursuant to the terms of the Salak ESC.

The tariff described took effect from July 22, 2002.

PLN Take-or-Pay Obligations

In respect of Units 1, 2 and 3, PLN's take-or-pay obligation during each three-year generation period is limited to 95.06% of the combined unit rated capacity during that three-year generating period (which can be reduced to 90.08% if PLN makes a one-time payment in an amount specified in the Salak ESC).

In respect of Units 4, 5 and 6, PLN's take-or-pay obligation is limited to 90.14% of the combined united rated capacity during that three-year generating period.

SEGS (in respect of Units 1, 2 and 3) and SEGSPL (in respects of Units 4, 5 and 6) are required to prepare delivery schedules for each three-year generating period to be presented to Joint Committee.

Make-up Accounts

If, in any month, (a) the Salak Contractors deliver and make available geothermal energy or electricity in the amount less than the applicable take-or-pay amount; or (b) PLN fails to accept deliveries of geothermal energy or electricity such that the amount delivered and made available by the Salak Contractors is less than the applicable take-or-pay amount, the shortfall shall be credited to a make-up account.

If the shortfall is due to the failure of the Salak Contractors to make available for delivery geothermal energy or electricity, such amount shall be credited into the Salak Contractors' make up account ("**Salak Contractors Make-Up Account**"). In this case, the amount payable by PLN is calculated based on the geothermal energy or electricity actually generated by the Salak Contractors.

If the shortfall is due to the failure of PLN to accept full deliveries of the geothermal energy or electricity (i) up to the take-or-pay amount or (ii) any nominated amount and made available for delivery by the Salak Contractors, such shortfall amount shall be credited to PLN's make up account ("**PLN Make-Up Account**"). In this case, the amount payable by PLN is calculated based on the lesser amount between (i) the take-or-pay amount or (ii) the nominated and made delivered amount by Salak Contractor.

Alternatively, if in any particular month (i) the Salak Contractors fail to nominate and make available for delivery the geothermal energy or electricity up to the applicable take-or-pay amount and (ii) PLN fails to accept deliveries of the geothermal energy or electricity made available for delivery by the Salak Contractors, then the make-up account calculation shall be as follows:

- for Salak Contractors Make-Up Account, the difference between the take-or-pay amount and the geothermal energy or electricity made delivered by the Salak Contractors shall be credited to Salak Contractor Make Up Account; and

- for PLN Make-Up Account, the Salak Contractors' (i) take or pay amount or (ii) the geothermal energy or electricity nominated and made available for delivery (whichever amount is lesser) shall be deducted with the amount of geothermal energy or electricity accepted by PLN. The difference shall then be credited to PLN Make Up Account.

Accordingly, if in the subsequent monthly periods, the Salak Contractors deliver and make available geothermal energy or electricity in excess of the monthly take-or-pay amount ("**Additional Generation**"), such Additional Generation shall first be credited to reduce the Salak Contractors Make-Up Account. PLN will pay for any such reduction at the price that was in effect at the time the amount was credited as the Salak Contractors Make-Up Account. In other words, all geothermal energy or electricity credited to the Salak Contractors Make-up Account shall be paid on a first-in/first-out basis.

In the event the Salak Contractors Make-Up Account has been fully depleted, then the remaining Additional Generation (if any) shall then be credited to reduce the PLN Make-Up Account. As PLN has already paid for this geothermal energy or electricity at the time it was credited as the PLN Make-Up Account, no further payment from PLN is required.

In the event the Salak Contractors Make-Up Account and PLN Make-Up Account have been fully depleted, the base price of any remaining Additional Generation is priced at US$0.01 per kWh multiplied by the applicable inflation index ("**One Cent Steam**" or "**One Cent Electricity**,"as applicable).

As of the date of this Offering Memorandum, no "One Cent Steam" or "One Cent Electricity" has been sold.

Tax

Under the Salak JOC in conjunction with Presidential Decree No. 49 of 1991 as revoked by Presidential Decree No. 76 of 2000 and MOF Decree No. 766 of 1992 as most recently amended by MOF Decree No. 90/PMK.02/2017, existing joint operation contracts are subject to "all inclusive" tax rate of 34.0% of net operating income or taxable income (Government Share) which is considered as payment of income tax while the other taxes, VAT, land and building tax and other charges including Production Bonus shall be borne/reimbursed by the Government. In the event that Salak Contractors request facilities or services to the Government, it shall pay general administrative fees and charges for facilities and services provided by the Government.

In the case of any increase or decrease from present levels in any of the tax under the Salak ESC or, the imposition on the Salak Contractors of any new taxes, duties, levies, contributions, charges or fees, other than those mentioned in the Salak ESC, the price payable under the Salak ESC shall be adjusted to fully compensate for such change.

Payment terms

PLN shall pay the monthly charges to PGE each month during the term of the Salak ESC. The monthly charges for such deliveries shall be determined in accordance with the pricing provisions contained in the Salak ESC and computed at the end of each month. PLN or its designated agent and representatives of PGE and the Salak Contractors shall jointly read the applicable electrical measurement meters at the metering point for each relevant unit to determine the total quantity of geothermal energy or electricity delivered to PLN. PLN shall at all reasonable times permit representatives of PGE and the Salak Contractors access to inspect such meters. The quantity of geothermal energy or electricity delivered and/or nominated in good faith and made available and the formula as set out in the Salak ESC shall form the basis for the relevant invoice.

Following the end of each month, PGE shall submit such invoice, including all supporting data to PLN. Payment shall be made by PLN within 30 days after receipt of the invoice. If an invoice is in dispute, notice of which shall be given to PGE within 30 days of PLN's receipt of PGE's invoice, the amount not in dispute shall be paid promptly, and the balance paid at a later date in accordance with the terms of settlement of the dispute.

In the event that PLN fails to pay any monetary obligation due and payable, such obligation shall bear compounded interest from the due date until paid at a rate calculated from day to day on the basis of a 360 day year equal to 2.0% per annum above the annual rate quoted by the Bank of America N.T. & S.A., London for 3 months' deposit of Dollars in London. In the event PGE is required to enforce collection through legal action, PLN shall also pay the reasonable legal costs and expenses of such enforcement; provided, however, that PLN shall only be responsible for any such costs and expenses incurred after 30 days from the date that PGE gives written notice to PLN that PGE will seek to enforce collection through legal action.

Indonesian Participant

An Indonesian Participant who has acquired an interest in the Salak Contractors' geothermal operations under the Salak JOC with a corresponding undivided interest in the total rights and obligations of the Salak Contractors under the Salak ESC shall be approved by PGE and PLN in accordance with the terms of the Salak ESC.

Assignment

Under the Salak ESC, the assignment of rights, interest and obligations is permitted to (i) affiliates of the Salak Contractors; or (ii) financiers for the purpose of securing financing for geothermal operations. However, assignments of rights and interest for purposes other than securing financing for geothermal operations require consents from other parties of the Salak ESC and the MEMR (as applicable).

Termination and default

In the event that any party is found to be in default in the performance of any material provision of the Salak ESC, the other parties, as their remedy under the Salak ESC, shall give the defaulting party written notice, and such party shall have a reasonable period to correct such default as may be mutually agreed. In the event the defaulting party corrects such default within such period, this Salak ESC shall remain in full force and effect. In the event the defaulting party does not correct such default within such period, the other parties may terminate this Salak ESC by written notice effective immediately upon delivery to the defaulting party.

Employment and training of Indonesian personnel

The Salak Contractors shall utilize local content to the maximum extent practicable, including: (i) employing Indonesian personnel to the maximum extent possible consistent with good operating practices and available skills; (ii) training Indonesian employees for all levels of technical and executive positions; (iii) giving preference to such goods and services which are produced in Indonesia or rendered by Indonesian nationals, subject to the terms of the Salak ESC.

The Darajat Geothermal Operations

The Darajat Geothermal Operations is a geothermal power plant located in Garut Regency and Bandung Regency, West Java, Indonesia. Star Energy has the sole rights to explore and develop geothermal resources in the Darajat contract area as a contractor for PGE. Darajat Geothermal Operations has a gross installed generation capacity of 271 MW, and the Darajat Contractors have the exclusive long-term right to sell up to 330 MW of geothermal energy generated from the contract area to PLN, on a take-or-pay basis.

The Darajat Geothermal Operations is based on a framework comprised of two main material contracts, namely the Darajat JOC and the Darajat ESC.

The Darajat Joint Operation Contract

The original Darajat joint operation contract was executed on November 16, 1984 between Pertamina, CDL and Texaco Darajat Limited ("**Texaco**" and the original Darajat JOC, the "**Original Darajat JOC**"). On January 15, 1996, the Original Darajat JOC was amended and restated by the parties ("**1996 Amended and Restated Darajat JOC**") and approved by the MEMR of Indonesia on behalf of the Government of Indonesia on the same date.

On February 7, 2003, Pertamina (now transferred to PGE), CDL (now known as SEGDI), Texaco (now SEGDII), and DGI amended the 1996 Amended and Restated Darajat JOC by entering into the Amendment No.1 thereto, which provides additional provisions on the parties, term of contract and commercial provision on bonus related to Units 2 and 3. On July 8, 2003, MEMR reaffirmed that its approval on the 1996 Amended and Restated Darajat JOC remains in full force and effect in regard to the terms and conditions of the Darajat Amendment No. 1.

The Darajat JOC is governed by the laws and regulations of Indonesia. SEGDI, SEGDII and DGI are hereby referred to collectively as the "**Darajat Contractors**."

Subsequently, pursuant to Law No. 22 of 2001 and GR No. 31, the Darajat JOC was novated to PGE by Pertamina effective as of January 1, 2007. See "*Regulations and Regulatory Framework of the Indonesian Geothermal Power and Electricity Industry—Law No. 21 of 2014 on Geothermal—Presidential Decree No. 76 of 2000 and Pertamina Corporatization*." Thereafter, PGE became the Darajat Contractors' counterparty under the Darajat JOC.

Under the Darajat JOC, PGE, as the holder of the authority issued by the Government to undertake the exploration and exploitation of geothermal resources in the contract area, appointed the Darajat Contractors as its exclusive contractor for exploring, discovering, developing, producing, transporting, delivering and utilizing geothermal energy and without limiting the generality of the foregoing, shall include the design, construction and operation of field facilities, and electricity generation facilities to be fueled by geothermal energy and the delivery and sale of geothermal energy or electricity thus generated. The development of the contract area is handled by the Darajat Contractors (excluding DGI), in respect of delivery of steam to PLN-owned Unit 1, and Darajat Contractors in respect of the integrated power generation at, and delivery of electricity from, Unit 2 and Unit 3. PGE retains title to all original data resulting from the geothermal operations. PGE also has a right to enter the contract area to inspect the operations and financial and technical records.

PGE is entitled to receive a quarterly production allowance from Darajat Contractors of 2.66% of the net operating income.

Under the terms of the Darajat JOC, net operating income or taxable income refers to the proceeds received from the sale of geothermal energy and electricity as set forth in the Darajat JOC and the Darajat ESC and which are the proceeds cited in Article 4, item (1) of the 1984 Tax Law received during one fiscal year, after deducting therefrom all amounts in respect of expenses and costs permitted by the JOC and all deductions permitted by the tax laws of the Government to the extent not covered by the JOC.

Tax

Under the Darajat JOC in conjunction with Presidential Decree No. 49 of 1991 as revoked by Presidential Decree No. 76 of 2000 and MOF Decree No. 766 of 1992 as most recently amended by MOF Decree No. 90/PMK.02/2017, existing joint operation contracts are subject to an "**all inclusive**" tax rate of 34.0% of net operating income or taxable income (the Government Share), which is considered as payment of income tax while the other taxes, VAT, land and building tax and other charges including Production Bonus shall be borne/reimbursed by the Government. In the event that the Darajat Contractors request facilities or services to the Government, it shall pay general administrative fees and charges for facilities and services provided by the Government.

In the event of any increase or decrease on the level of this tax, or on imposition of new taxes, duties, levies, contributions, charges or fees, then the amount payable by PGE under the Darajat JOC will be adjusted to fully compensate contractors of such charge.

Term

The term of the Darajat JOC is for a period ending 564 months from November 16, 1984 until November 16, 2031, which can, upon delivery of an extension notice for the Darajat ESC, be automatically extended for another 10 years until November 16, 2041.

Further, in the event that it is not possible to fulfill the production period requirement for each unit (which is either 360 months or 480 months, if extended by the parties to the Darajat ESC), then with PGE's consent, an extension period may be added to the term of the Darajat JOC as it pertains to such unit only, to enable the fulfillment of 360 or 480 months of production period (as applicable) (the "**Darajat JOC Term**").

Rights and obligations

Under the terms of the JOC, Darajat Contractors are to conduct, and arrange for funding of, all Geothermal Operations, including activities undertaken by Darajat Contractors for the purpose of exploring, discovering, developing, producing, transporting, delivering and utilizing geothermal energy, including: (i) design, construction and operation of field facilities utilizing geothermal energy; and (ii) delivery and sale of geothermal energy or electricity so generated.

In relation to Unit 1, all geothermal energy produced from geothermal field operations (other than self-use) is required to be delivered to Unit 1 as the electricity generation facilities constructed are owned by PLN and operated by PT Indonesia Power, and the geothermal energy produced is sold under the terms of the Darajat ESC. In relation to Unit 2 and Unit 3, all geothermal energy delivered to the electricity generation facilities constructed and operated by the Darajat Contractors is to be converted to electricity and all such electricity (other than for self-use) is to be delivered by the Darajat Contractors to the point of interconnection on behalf of PGE and sold under the terms of the Darajat ESC.

As contractor under the Darajat JOC, Darajat Contractors are required to pay PGE production allowance of 2.66% of the net operating income. Net operating income is calculated by taking the proceeds from (steam) resource charge (as calculated under the Darajat ESC) and electricity charge (as calculated under the Darajat ESC) less expenses incurred in order to generate, collect and maintain income, including specifically: (i) labor, materials, and services used in day-to-day operations, production drilling, exploratory drilling, abandonment of wells and field facilities, surveys and other exploration activities; (ii) general and administrative expenses, depreciation and amortization; (iii) amounts for interest and fees on loans used in financing geothermal operations. Such allowance is payable on the end of the ensuing month following the relevant quarter for which net operating income is calculated.

PGE has expressly agreed that it has waived the right to demand that the contractors offer an undivided interest in the Darajat JOC to either PGE or an Indonesian participant. Upon the expiry of the JOC Term, PGE will assume all rights and obligations of the contractors.

Darajat Contractors are entitled to receive from PGE all sums due from PLN for the sale of geothermal energy and electricity under the Darajat ESC. Payment is received by SEGDII (as operator for the Darajat Contractors) and then distributed to SEGDI and DGI in accordance with the terms of the Darajat Joint Operating Agreement ("**JOA**"). Darajat Contractors are required to prepare (i) invoices to be presented by PGE to PLN for payment under the Darajat ESC and (ii) invoices for payment by PGE to Darajat Contractors under the Darajat JOC. Payment from PGE will be due within 40 days of receipt of invoice from Darajat Contractors.

In the event that PGE fails to fulfill its payment obligations to the Darajat Contractors under the Darajat JOC, the amount due will be subject to interest from the date in which the payment obligation is due until the date that the payment obligation is paid, at a rate calculated from day to day on the basis of a 360-day year equal to 2.0% per annum above the US dollar deposit rate of a bank specified in the Darajat JOC.

Assignment

Under the Darajat JOC, the assignment of rights, interest and obligations is permitted to (i) affiliates of the Darajat Contractors or (ii) financiers for the purpose of securing financing for geothermal operations. However, assignments of rights and interest for purposes other than securing financing for geothermal operations shall obtain consents from other parties of the JOC and the MEMR (as applicable).

Sale of energy and electricity

The Darajat Contractors must deliver all energy and electricity not utilized in the geothermal and electricity operations for sale in accordance with the terms of the Darajat ESC. PGE agrees to pay the Darajat Contractors all sums due and payable to PGE under the Darajat ESC for geothermal energy and electricity delivered or capable of being delivered to PLN by the Darajat Contractors on behalf of PGE. The sale of geothermal energy or electricity produced and delivered or made available pursuant to the Darajat JOC and Darajat ESC is exempt from all sales tax, value added tax charges or other levies.

The Darajat Contractors are to prepare (i) invoices to be presented by PGE to PLN for payment under the Darajat ESC and (ii) invoices for payment by PGE to the Darajat Contractors under the Darajat JOC. Payment from PGE is due within 40 days of receipt of invoice from Darajat Contractors.

See "*Risk Factors—Risks Relating to our Business—We are subject to risks associated with reliance on PLN and PGE.*"

Surrender of contract area

The Darajat Contractors have fulfilled the obligation to surrender approximately 12,388 hectares of the original contract area under the Darajat JOC. These relinquishments have now been completed and, as such, the remaining contract area stands at 4,988 hectares. With respect to the remaining portion of the contract area, the Darajat Contractors are required to submit exploration programs to PGE every two years, otherwise they may be required to surrender a part of the remaining contract area to PGE which is to be mutually agreed with PGE. Alternatively, the Darajat Contractors may agree to resume drilling activities of the remaining portion of the contract area with PGE at a later date instead of surrendering a part of the remaining contract area.

Article 15.1 of Darajat JOC provides that, after having used all reasonable diligence to conduct geothermal operations, if (in the Darajat Contractors' opinion) circumstances do not warrant the continuation of the project, after consultation with and notification to PGE, the Darajat contractors may terminate Darajat JOC by providing 60 days' advance notice.

Construction of field facilities and electricity generation facilities

The Darajat Contractors are entitled to build, construct, erect and operate field facilities and electricity generation facilities in the contract area for geothermal operations. The development of the contract area is handled by the Contractors, namely SEGDI and SEGDII in respect of delivery of steam to PLN-owned Unit 1, and SEGD I, SEGD II and DGI in respect of the integrated power generation at, and delivery of, electricity from, Units 2 and Unit 3.

Termination and default

The Darajat JOC provides that, after having used all reasonable diligence to conduct geothermal operations, if (in the Darajat Contractors' opinion) the circumstances do not warrant continuation of the project, after consultation with and notification to PGE, the Darajat Contractors may terminate the Darajat JOC by providing sixty (60) days' advance notice.

Work program and expenditures

Under the JOC, the Darajat Contractors are required to obtain an approval for their work program and budget from PGE. The approval must be obtained three months prior to the beginning of each contract year of the JOC.

The Darajat Energy Sales Contract

The original Darajat energy sales contract was executed on November 16, 1984 between PLN, as buyer, Pertamina, as seller and CDL (now SEGDI) and Texaco (now SEGDII) as contractor and deliverer of electricity (the "**Original Darajat ESC**"). The Original Darajat ESC was subsequently amended and restated with effect from January 15, 1996 (the "**1996 Amended and Restated Darajat ESC**").

Effective as of May 1, 2000, PLN, Pertamina (now transferred to PGE), CDL (now known as SEGDI), Texaco (now SEGDII) and DGI amended the 1996 Amended and Restated Darajat ESC by entering into the Amendment Agreement, which provides, among others, additional provision on the term of the contract and commercial provision on the production period, base resources price and base periods.

On August 10, 2004, the 1996 Amended and Restated Darajat ESC was further amended by the Amendment Agreement No.2 (the "**Darajat ESC**"), which provides, among others, additional provisions on base resources price, and clean development mechanism.

Similar to the Darajat JOC, pursuant to GR No. 31, the Darajat ESC was novated to PGE by PT Pertamina effective as of January 1, 2007. See "*Regulations and Regulatory Framework of the Indonesian Geothermal Power and Electricity Industry—Law No. 21 of 2014 on Geothermal—Presidential Decree No. 76 of 2000 and Pertamina Corporatization*". Thereafter, PGE became the Darajat Contractors' counterparty under the Darajat ESC.

The Darajat ESC is a "take-or-pay" contract. The geothermal energy and electricity tariff is paid for regardless of whether geothermal energy and electricity is delivered to PLN. The Darajat ESC is governed by the laws and regulations of Indonesia.

Joint committee

Under the Darajat ESC, a joint committee (the "**Darajat Joint Committee**") was established between PLN and Pertamina (now PGE) and the Darajat Contractors for the purposes of coordinating their activities pursuant to the ESC. The Joint Committee does not exercise control over the operations of Star Energy and functions merely for the purposes of coordinating activities among us, PLN and PGE.

The Joint Committee is composed of representatives of PLN, PGE and the Darajat Contractors and is currently composed of nine representatives from each of PLN, PGE and the Darajat Contractors. Pursuant to the terms of the Darajat ESC, in no case shall the total number of members for PLN, PGE and Darajat Contractors exceed four. The duties of the Joint Committee include coordinating activities to promote the efficient operation of the facilities and transmission systems and establishing certain standard operating procedures necessary to effect coordination of design and maintenance of the facilities, transmission systems and other operational matters.

Under the Darajat ESC, the Joint Committee members are to meet at least quarterly, but not more than once a month.

Emergency meetings may also be called by any party to consider matters which require the urgent attention of the Joint Committee.

Term

The term of the Darajat ESC is valid until January 15, 2032. However, as the term of the Darajat ESC is longer than the Darajat JOC (which expires on November 16, 2031), and that the Darajat ESC will expire simultaneously with the expiry of Darajat JOC, the Darajat ESC will expire on November 16, 2031. Based on the Amendment Agreement which was effective as of May 1, 2000, the parties to the Darajat JOC and ESC have agreed that the Darajat Contractors and PLN each have the right to extend the term for an additional 10 years until January 15, 2042 by providing notice to the other parties no later than January 15, 2027, which in turn should be valid only until November 16, 2041 to align with the expiry of the extended term of the Darajat JOC. The term of the Darajat ESC will be automatically extended upon the receipt of a notice of extension by the other parties and no prior approval is needed. Furthermore, should any production period(s) be extended beyond the term of the Darajat ESC, the term of the Darajat ESC will be automatically extended until the end of such production period(s). As of the date of this Offering Memorandum, the Darajat Contractors have submitted a notice of extension to the other parties to the Darajat ESC and extended the production period of Unit 3 until May 11, 2047.

Rights and obligations

The Darajat ESC sets forth the rights and obligations of the Darajat Contractors, PLN and PGE relating to, among other things: the tariff applicable to geothermal energy and the electricity delivered or made available by the Darajat Contractors to PLN; the purchase of such electricity by PLN; risk allocation following the occurrence of an event of force majeure or changes in the regulatory environment; events of default; rights of termination and the consequences thereof; insurance, liability and indemnity obligations; assignments and transfers of interest thereunder; and dispute resolution.

Tariff

Under the Darajat ESC, the Darajat Contractors have the obligation to make available the unit rated capacity of each geothermal turbine-generator unit after the commercial operations date of that geothermal turbine-generator unit to PLN on behalf of PGE.

The tariff applicable in the ESC consists of a fixed component (comprising of the base resource price) and a variable component (which is subject to escalation).

The formula is briefly described below:

i. Geothermal Energy (for Darajat Unit 1)

$$R = P \times D \times I$$

P: Base Resource Price = US¢3.15/kWh as of the fourth quarter of 1999

D: Generation in kWh

I: Inflation Index

ii. Electricity (for Darajat Units 2 and 3)

$$E = B \times D_1 \times I$$

B: Base Resource Price

— Unit 2: US¢4.20/kWh

— Unit 3: US¢4.2336/kWh

D_1: The generation quantity in kWH which the units delivered or is capable of delivering, whichever is greater.

I: Inflation Index

Inflation Index shall be computed as follows:

$$0.3 \times \frac{(Y_i \times M_b)}{(Y_{ib} \times M_i)} + 0.7 \times (Y_b/Y_{pb})$$

Where:

M_b The Monetary Exchange Factor averaged for the months of the fourth quarter of 1999 for Darajat Units 1 and 2 and the first quarter of 2001 for Darajat Unit 3

M_i The Monetary Exchange Factor averaged for the months of the previous Quarter. The prevailing telegraphic transfer selling rate of exchange in the foreign exchange bourse (*Bursa Valuta Asing*) in Indonesia Rupiah per Dollar in effect of the last day of the month for which the resource charge is due

Y_i Indonesian Consumer Price Index (published by Central Bureau of Statistics) averaged for the months of the previous Quarter

Y_{ib} The above index average for the months of the fourth quarter of 1999 for Darajat Units 1 and 2 and the first quarter of 2001 for Darajat Unit 3

Y_p United States Consumer Price Index as reported by the U.S. Bureau of Statistics, averaged for the months of the previous Quarter

Y_{pb} The above index averaged for the months of the fourth quarter of 1999 for Darajat Units 1 and 2 and the first quarter of 2001 for Darajat Unit 3

If, in any month, PLN fails to accept all geothermal energy delivered (or made available for delivery) by the Darajat Contractors, the tariff payment for that month shall be determined as the amount of geothermal energy made available for delivery in the amount of at least 80.0% of unit rated capacity multiplied by the price per kilowatt-hour of geothermal energy.

If, in any month, PLN fails to accept all electricity delivered (or made available for delivery) by the Darajat Contractors, the tariff payment for that month shall be determined as the amount of electricity made available for delivery in the amount of at least 95.0% of the average gross generating capacity of the relevant unit(s) during the most recent unit rated capacity test.

For any month in which Unit 1 generation exceeds 30 GWh for that month, the tariff applicable shall be US$0.01 per KWh multiplied by the applicable inflation index for each KWh generated by Unit 1 in excess of 30 GWh.

Assignment

Under the Darajat ESC, the assignment of the rights, interest and obligations is permitted to (i) affiliates of the Darajat Contractors; or (ii) financiers for the purpose of securing financing for geothermal operations. However, assignments of rights, interests and obligations other than (i) pursuant to the payment provisions set out in the Darajat ESC, (ii) to affiliates of the Darajat Contractors or (iii) to financiers for purposes of securing financing for geothermal operations requires the consent of the other parties to the Darajat ESC.

Tax

The Darajat ESC provides that the Darajat Contractors corporate tax rate on its annual profits in respect of geothermal operations is capped at 34.0%. The Darajat Contractors may import equipment for the ESC into Indonesia free from import duties for the term of the ESC, provided that such imported items are not produced or manufactured in Indonesia or, if produced, are not available on a reasonably competitive basis.

If the corporate tax rate applicable to the Darajat Contractors is increased or decreased for any reason, or if any additional sales, income, VAT, corporate, withholding or other taxes, duties, levies, contributions, charges or fees or the like are imposed on the Darajat Contractors, then, upon issuance of Government guidelines relating to such change, the tariffs payable under the Darajat ESC shall be adjusted to maintain the Darajat contractor's economic rate of return upon its investment in the geothermal operations, including a gross-up to reflect any taxes payable with respect to such adjustment.

Payment terms

PLN is required to make payment for geothermal energy to PGE each month, commencing from the date of the first operations of each unit. In respect of electricity charge, PLN is required to make payments to the Darajat Contractors, or its trustee, if applicable, or to any payee directed by the Darajat Contractors with a notice no less than 30 days. The due date for payment is 30 days following receipt of an invoice from PGE. If PLN fails to fulfill its payment obligations to PGE under the Darajat ESC, its obligation to pay shall bear interest from the due date until paid at a rate calculated from day to day on the basis of a 360-day year plus 3.0% per annum above LIBOR. PLN shall also pay any legal costs and expenses invoiced or paid by PGE and/or the Darajat Contractors as a consequence of its failure to pay.

Termination

Termination Right by the Darajat Contractors

In the event of unforeseen events fundamentally frustrating the economics of the Darajat ESC, the Darajat Contractors may re-negotiate the commercial terms of the Darajat ESC upon submitting prior written notification to both PGE and PLN. Failure to reach an agreement to such commercial terms of the Darajat ESC within 120 days of the written notification gives the Darajat Contractors a right to terminate the Darajat ESC (in whole or only pertaining to individual unit(s)) by written notice to both PGE and PT PLN, which will be effective 30 days thereafter.

Termination due to Default

Any party (including the Darajat Contractors, PLN, or PGE) may terminate the Darajat ESC due to default of the other party(ies). In such case, the non-defaulting party shall submit a written notice to the defaulting party so that it may correct such default within a reasonable period but no longer than 12 months or as agreed otherwise, during which the contract shall remain in full force and effect. Failure to correct the default may cause the non-defaulting party to terminate the contract by written notice effective immediately upon delivery to the defaulting party.

Waiver of immunity

The Darajat Contractors, PGE and PLN have agreed not to claim any immunity, foreign or otherwise, in any legal proceedings brought against them or their assets in relation to the Darajat ESC or any transaction contemplated therein, to the maximum extent permitted by law.

Force majeure

The Darajat ESC provides certain relief of obligations under certain conditions such as *force majeure* except that only Darajat Contractors are excused under events of governmental/regulatory *force majeure*.

The Darajat Joint Operating Agreement

The original Joint Operating Agreement (the "**Original Darajat JOA**" as amended) was executed on August 23, 1997 between CDL (now SEGDI), Texaco (now SEGDII) and DGI. The original JOA was subsequently amended by Amendment No.1 effective January 1, 1998, and further amended by Amendment No.2 effective June 1, 2000.

On July 19, 2006, DGI, CGI (now known as SEGDII) and CDL (now SEGDI) reached the Amended and Restated Joint Operating Agreement (respectively, the "**2006 Darajat JOA**," and the "**Darajat JOA**," as amended), amending and restating the Original Darajat JOA. The 2006 Darajat JOA is further amended by Amendment No.1 to the 2006 Darajat JOA effective January 1, 2009.

Participating Interest

Under the Darajat JOA, with respect to Unit 1, SEGDI and SEGDII have 100.0% of the participating interest; and with respect to Unit 2, Unit 3, and any future units, SEGDI and SEGDII have 95.0% of the participating interest; and DGI has the remaining 5.0% participating interest.

Development of future units

DGI has the right to decide whether it wishes to participate in the development of any future units, and such right has to be exercised within 90 days of receipt of notice of intent to develop.

In respect of the development and construction of future units, SEGDI and SEGDII have sole discretion to either join DGI to obtain third-party project financing or to offer DGI financing representing typical "market" limited-recourse financing conditions offered by international financial institutions for a project in Indonesia such as the relevant unit.

Decision making

DGI has a veto right in respect of a limited number of key decisions at the Operating Committee level. Considering that SEGDI, SEGDII, and DGI are all controlled by Star Energy group, this division is for administrative purposes only.

MANAGEMENT

Board of Directors

Members of our Board of Directors are appointed and removed through a general meeting of shareholders. Both natural persons and legal entities can be appointed as members of the board of directors of a private company with limited liability under Dutch law. The Board of Directors is currently composed of ten members.

The following table sets forth certain information concerning our directors.

Name	Position	Year Appointed
Hendra Soetjipto Tan	Director	2016
Rudy Suparman	Director	2016
Gerad Jan van Spall	Director	2019
Djonie Maria Angela Spreeuwers	Director	2018
Robert Godfried Hawley	Director	2020
Yvonne Maria Wimmers-Theuns	Director	2016
Bundit Sapianchai	Director	2017
Danuja Semasthien	Director	2019
Pravienkoemar Mahabier	Director	2017
Patrice Rene Clausse	Director	2016

The rights and obligations of each member of the Board of Directors are regulated by our articles of association (the "**Articles**") and by the decisions of the general meetings of our shareholders. Under the Articles, our Board of Directors shall consist of two categories of directors: director 'A' and director 'B', consisting of five members for each category. The authority to represent the Parent Guarantor is vested with the board of directors as a whole or one (1) director 'A' and one (1) director 'B' acting jointly.

Key Executive Personnel

In addition to the above, the day-to-day operations of the Co-Issuers are carried out by our key executive personnel.

The following table sets forth certain information concerning our key executive personnel.

Name	Position	Year Appointed
Hendra Soetjipto Tan	Group Chief Executive Officer	2019
Heribertus Dwiyudha	Chief Power Plant and Operations Officer	2019
Merly	Group Chief Finance and Administration Officer	2019
Agus Sandy Widyanto	Group Chief Strategy and Planning Officer	2019
Kenneth L. Riedel	Group Chief Asset Management Officer	2019
Boyke Bratakusuma	Deputy Chief Asset Management Officer	2019
Suharsono Dharmono	Deputy Chief Power Plant and Operations Officer	2019

Brief background summaries of the respective members of the key executive personnel are as follows:

Hendra Soetjipto Tan

Hendra Tan was appointed as Group Chief Executive Officer on August 2019 and has been a member of the Board of Directors since 2016. Mr. Tan was previously Chief Financial Officer of the Star Energy Group since 2007. Mr. Tan has 22 years of experience in the finance industry. Prior to joining Star Energy, he worked in the Research and Corporate Finance Department of PT Nusantara Capital and PT Bahana Securities covering the property and infrastructure sector. He also has experience as a Research Analyst with PT. Deutsche Morgan Grenfell, a securities arm of Deutsche Bank and in working on property sector matters with PT. Procon Indah/Jones Wootton.

At present, Mr. Tan is primarily responsible for business planning and managing Star Energy's financial matters and serves as a board member of various Star Energy Group's subsidiaries located in Singapore, the United Kingdom, Indonesia and the Netherlands. During his 17-year tenure at Star Energy Group, he has raised more than US$3.5 billion bond/project financing loans for refinancing, acquisition or developing geothermal projects in Star Energy Group. In 2017, he led the Star Energy acquisition team to form a consortium with Ayala Group (Philippines), EGCO (Thailand) and Mitsubishi (Japan) to acquire the Darajat and Salak Geothermal Operations.

Mr. Tan holds a Master's Degree in Engineering from Cornell University.

Heribertus Dwiyudha

Heribertus Dwiyudha was appointed as Group Chief Power Plant and Operations Officer on August 2019. Mr. Dwiyudha has 22 years of experience in the manufacturing, chemical and geothermal industries. He has been with the Star Energy Group since 2000. Mr. Dwiyudha was promoted to Field Manager of Unit 1 and Unit 2 of the Wayang Windu Geothermal Operations in 2008 and is responsible for the management of the steamfield and operation of the Wayang Windu power plant. Through his position as Field Manager, he was also appointed as Head of Mining for the Wayang Windu geothermal field and has a formal reporting duty to the Directorate Renewable Energi-Geothermal which involves ensuring safe operations at the Wayang Windu geothermal working area. Prior to joining Star Energy, he worked in Electricity Corporation of New Zealand Services Indonesia, which is the operations and maintenance contractor to the Wayang Windu geothermal field, where he was responsible for supervising operations at the geothermal steamfield.

Mr. Dwiyudha holds a holds a degree in Mechanical Engineering from Institut Teknologi Sepuluh Nopember Surabaya.

Merly

Merly was appointed as Group Chief Finance & Administration Officer on August 2019. Ms. Merly has 23 years of experience in the oil & gas and geothermal industry and has been with Star Energy since 2007. Prior to joining Star Energy, Ms. Merly served as Manager Management Accounting in PT Aneka Gas Industri from 2003 to 2006 and as Senior Auditor in Ernst &Young from 1997 to 2003.

Ms. Merly holds a Bachelor Degree from University of Trisakti.

Agus Sandy Widyanto

Agus Sandy Widyanto was appointed as Group Chief Strategy & Planning Officer in October 2019. In this role he is responsible for the group's strategic planning, process improvement, business development, and delivery of strategic capital projects. His over 15 years of professional experience spans multiple industries in both general management and consulting roles. Prior to joining Star Energy, Agus was a senior manager at McKinsey&Company where he advised top management of his client's company on capital productivity, JV formation, and strategy implementation.

Agus holds a Master in Business Administration degree from MIT Sloan School of Management, Cambridge, USA and a Bachelor degree in Electrical Engineering from Trisakti University, Jakarta, Indonesia.

Kenneth L. Riedel

Kenneth L. Riedel was appointed as Group Chief Asset Management Officer on August 2019. He has 35 years of experience in the geothermal industry and has been with Star Energy since 2018, where he held the position of General Manager Asset Development from 2018 to 2019. Prior to joining Star Energy, he worked at Chevron Corporation from 2005 to 2017, where he was responsible for the development of geothermal assets.

Mr. Riedel holds a Masters in Petroleum Engineering from Colorado School of Mines.

Boyke Bratakusuma

Boyke Bratakusuma was appointed as Deputy Chief Asset Management Officer on August 2019. He has 22 years of experience in the geothermal industry and has been with Star Energy since 2014, where he held the position of Vice President from 2014 to 2019. Prior to joining Star Energy, he worked at Newcrest Mining Limited from 2013 to 2014, where he was responsible for providing advice on the Lihir geothermal field management in effort to support mining operations in a sustainable manner. From 2011 to 2013, Mr. Bratakusuma held the position as Reservoir Manager at Star Energy, where he was responsible for setting short, medium and long-term reservoir management strategies for the Life Cycle Reservoir Depletion and Development. From 2007 to 2011, as Reservoir Engineer at Contact Energy Ltd., New Zealand, his main responsibilities were to define and progress infill well drilling and well targeting for production and injection wells for the Te Mihi-Wairakei Fields.

Mr. Bratakusuma holds a Masters in Petroleum Engineering from Institut Teknologi Bandung.

Suharsono Darmono

Suharsono Darmono was appointed as Deputy Chief Power Plant and Operations Officer on August 2019. He has 33 years of experience in the geothermal industry and has been with Star Energy since 2017, where he held the position of Vice President Operations from 2017 to 2019. Prior to joining Star Energy, he worked at Chevron Indonesia from 2005 to 2017, where he was responsible for the operations of geothermal assets.

Mr. Darmono holds a Magister Financial Management from Soedirman State University and a Bachelor Degree in Electrical Engineering, Bandung Institute of Technology.

Compensation

The aggregate key management personnel compensation that we paid in the years ended December 31, 2017, 2018 and 2019 was US$0.3 million, US$0.1 million and US$0.0 million, respectively. We did not pay any compensation to the members of our Board of Directors during the six-month period ended June 30, 2020.

MAJOR SHAREHOLDERS

We are a member of the Star Energy Group, which operates three geothermal operations, namely the Wayang Windu Geothermal Operations, the Salak Geothermal Operations and the Darajat Geothermal Operations, with a total gross capacity of 875 MW. The Wayang Windu geothermal operations include two units with a combined gross installed generation capacity of 227 MW.

Our Company is a joint venture between the Star Energy Group, BCPG, Mitsubishi through its interests in DGA, EGCO through its interests in PPBV and AC Energy through 100% indirect ownership of ACEHI.

Each of Barito Pacific, BCPG, Mitsubishi, EGCO and AC Energy and each of their Affiliates are Permitted Holders for purposes of a Change of Control Triggering Event, following the occurrence of which the Co-Issuers will be required to make an offer to repurchase the Notes at a price equal to 101.0% of the principal amount plus accrued and unpaid interest, if any, to (but not including) the date of repurchase. See "*Description of the Notes—Change of Control Triggering Event*".

Barito Pacific is a listed company in Indonesia, which is indirectly owned and controlled by Mr Prajogo Pangestu. Barito Pacific has core businesses in petrochemical production and energy and power generation, which includes the Star Energy Group. Their non-core businesses comprise of property development and management.

Barito Pacific owns 66.67% of SEGHPL, with the remaining 33.33% being owned by BCPG. SEGHPL indirectly owns 51.9% of our Company, through an aggregation of:

- a 24.5% interest through its 60% ownership of SEGPL, which owns 51% of SEGHSD BV, which in turn owns 80.2% of our Company; and

- a 27.4% interest through its 69.75% ownership of SPGJV BV, which owns 49% of SEGHSD BV, which in turn owns 80.2% of our Company.

Barito Pacific controls the management and operations of our Company through an ability to nominate a majority of the board of directors in each of the following joint venture companies which directly or indirectly own and control interests in our Company:

- SEGHPL, which is a joint venture between Barito Pacific (66.67%) and BCPG Public Company Limited (33.33%), and documented in the SEGHPL SHA). Pursuant to the SEGHPL SHA, Barito Pacific has the right to appoint four out of six directors of SEGHPL. However, under the SEGHPL SPA, BCPG has certain key veto rights with respect to certain decisions of SEGHPL and its subsidiaries, including our Company.

- SEGPL, which is a joint venture between SEGHPL (60%), DGA (20%) and PPBV (20%), and is documented in the SEGPL SHA. Pursuant to the SEGPL SHA, SEGHPL has the right to appoint three out of five directors of SEGHPL, and therefore controls SEGPL. However, under the SEGPL SHA, DGA and PPBV have certain veto rights with respect to certain key decisions of SEGPL and its subsidiaries, including our Company.

- SEGHSD BV, which is a joint venture between SEGPL (51%) and SPGJV BV (49%), and in respect of which there is no shareholders agreement. The shareholders have the right to approve the appointment of directors of SEGHSD BV. Currently, all three non-Dutch resident directors of SEGHSD BV have been appointed by SEGPL (with the remaining three Dutch-resident directors having been appointed by the board of SEGHSD BV).

- Our Company, which is a joint venture between SEGHSD BV (80.2%) and ACEHI (19.8%), and is documented in the Company SHA. Pursuant to the Company SHA, SEGHPL has the right to appoint four out of five non-Dutch resident directors of our Company (with the remaining five Dutch-resident directors to be appointed by our board However, under the Company SHA, ACEHI has certain veto rights with respect to certain key decisions of our Company.

See "Risk Factors—Risks Relating to Our Business—Our largest shareholder is able to influence our corporate actions and may have interests that are not aligned with yours and our major shareholders may dispose of their shares".

RELATED PARTY TRANSACTIONS

As at the date of this Offering Memorandum, we are not engaged in material transactions between us, our principal shareholders or our affiliates.

DESCRIPTION OF THE NOTES

For purposes of this "*Description of the Notes*," the term "**Co-Issuers**" refers only to Star Energy Geothermal Salak, Ltd. ("**SEGSL**"), a company incorporated with limited liability under the laws of Bermuda, and Star Energy Geothermal Darajat II, Limited ("**SEGDII**"), a company incorporated with limited liability under the laws of Bermuda, and any successor obligor on the Notes. For purposes of this "*Description of the Notes*", the term "**Parent Guarantor**" refers only to Star Energy Geothermal (Salak – Darajat) B.V., a company incorporated with limited liability under the laws of the Netherlands, and not to any of its Subsidiaries. The Parent Guarantor's guarantee of the Notes is referred to as the "**Parent Guarantee**". The guarantee of each Co-Issuer is referred to as a "**Co-Issuer Guarantee**." Each Subsidiary of the Parent Guarantor that guarantees the Notes is referred to as a "**Subsidiary Guarantor**", and each such guarantee is referred to as a "**Subsidiary Guarantee**". The term "**Guarantor**" refers to the Parent Guarantor, a Co-Issuer or a Subsidiary Guarantor, as the context requires, and the term "**Guarantee**" refers to the Parent Guarantee, a Co-Issuer Guarantee or a Subsidiary Guarantee, as the context requires. The term "**Guarantors**" refers to the Parent Guarantor, the Co-Issuers and the Subsidiary Guarantors, collectively, and the term "**Guarantees**" refers to the Parent Guarantee, the Co-Issuer Guarantees and the Subsidiary Guarantees, collectively. The term "**Obligors**" refers to the Co-Issuers and the Guarantors, collectively. The term "**Security Providers**" refers to Star Energy Geothermal Holdings (Salak – Darajat) B.V. ("**SEGH**"), ACEHI Netherlands B.V. ("**ACEHI**") and PT Darajat Geothermal Indonesia ("**DGI**").

The 3.25% Guaranteed Secured Senior Notes due 2029 (the "**2029 Notes**") are to be issued under an indenture (the "**2029 Notes Indenture**"), to be dated as of the Original Issue Date, among the Co-Issuers, the Guarantors, SEGH, ACEHI, The Bank of New York Mellon as trustee (the "**2029 Notes Trustee**"), The Bank of New York Mellon as collateral agent under the Security Documents in respect of the Security over the Collateral governed by the laws of New York, Bermuda, the Cayman Islands, the Netherlands and England and Wales (the "**Collateral Agent 1**"), The Bank of New York Mellon, Singapore Branch as collateral agent under the Security Documents in respect of the Security over the Collateral governed by Indonesian law and Singapore law (the "**Collateral Agent 2**" and, together with the Collateral Agent 1, the "**Collateral Agents**"), in a transaction that is not subject to the registration requirements of the Securities Act. The 4.85% Guaranteed Secured Senior Notes due 2038 (the "**2038 Notes**" and together with the 2029 Notes, the "**Notes**") are to be issued under an indenture (the "**2038 Notes Indenture**" and, together with the 2029 Notes Indenture, the "**Indentures**"), to be dated as of the Original Issue Date, among the Co-Issuers, the Guarantors, The Bank of New York Mellon as trustee (the "**2038 Notes Trustee**" and, together with the 2029 Notes Trustee, the "**Trustee**") and the Collateral Agents, in a transaction that is not subject to the registration requirements of the Securities Act. The Indentures will not be qualified under the U.S. Trust Indenture Act of 1939, as amended. The Indentures, the Notes and the Guarantees will be subject to the Intercreditor Deed (as defined below). Holders of Notes will not be entitled to any registration rights. See "*Transfer Restrictions*."

The following is a summary of certain provisions of the Indentures, the Notes, the Guarantees, the Intercreditor Deed and the Security Documents. This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indentures, the Notes, the Guarantees, the Intercreditor Deed and the Security Documents. It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indentures, the Intercreditor Deed or the Security Documents not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. If there is any discrepancy and/or inconsistency between each of the Indentures, the Notes, the Guarantees, the Intercreditor Deed or the Security Documents and the description of the same in this Offering Memorandum, the former shall prevail. Copies of the Indentures, the Intercreditor Deed and the Security Documents will be available for inspection to Holders of the Notes on or after the Original Issue Date during normal office hours at the Corporate Trust Office of the Trustee at 240 Greenwich Street, New York, NY 10286, United States of America.

The Holder of a Note registered in the Note register will be treated as the owner of it for all purposes. Only registered Holders will have rights under the Indenture.

Brief Description of the Notes

The Notes issued by a Co-Issuer will:

- be general unsubordinated obligations of such Co-Issuer;

- be senior in right of payment to any existing and future obligations of such Co-Issuer expressly subordinated in right of payment to the Notes;

- rank at least *pari passu* in right of payment with all unsubordinated obligations of such Co-Issuer (subject to any priority rights of such unsubordinated obligations pursuant to applicable law);

- be guaranteed by the Guarantors on an unsubordinated basis, subject to the limitations described below under the captions "*—Parent Guarantee*", "*—Co-Issuer Guarantees*" and "*—Subsidiary Guarantees*" and in "*Risk Factors—Risks Relating to the Notes and the Guarantees*;"

- be effectively subordinated to secured obligations of such Co-Issuer and the Guarantors, to the extent of the value of the assets serving as security therefor (other than the Collateral, to the extent applicable);

- be effectively subordinated to all obligations of any Subsidiaries of the Parent Guarantor that are not Subsidiary Guarantors; and

- after repayment of the Existing Senior Debt Facilities as described in "*Use of Proceeds*" and release of the liens securing such Existing Senior Debt Facilities, be secured by a first priority lien over the Collateral (subject to Permitted Liens and the Intercreditor Deed) as described below under "*—Security*," on an equal and ratable basis with all Permitted Pari Passu Secured Obligations incurred by each Obligor.

The Co-Issuers will initially issue U.S.$320,000,000 in aggregate principal amount of 2029 Notes and U.S.$790,000,000 in aggregate principal amount of 2038 Notes. The 2029 Notes Indenture will allow additional 2029 Notes to be issued from time to time (the "**Additional 2029 Notes**") and the 2038 Notes Indenture will allow additional 2038 Notes to be issued from time to time (the "**Additional 2038 Notes**" and, together with the Additional 2029 Notes, the "**Additional Notes**"), subject to certain limitations described under "*—Further Issues*." Unless the context requires otherwise, references to the "Notes" for all purposes of the Indentures and this "*Description of the Notes*" include any Additional Notes that are actually issued.

Interest

The 2029 Notes will bear interest at 3.25% per annum and the 2038 Notes will bear interest at 4.85% per annum, in each case, from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable semi-annually in arrears on April 14 and October 14 of each year (each a "**Notes Interest Payment Date**") commencing April 14, 2021.

Interest on the Notes will be paid to Holders of record at the close of business on April 14 or October 14 immediately preceding a Notes Interest Payment Date (each a "**Notes Record Date**"), notwithstanding any transfer, exchange or cancellation thereof after a Notes Record Date and prior to the immediately following Notes Interest Payment Date. Interest on the Notes will be calculated on the basis of a 360-day year comprised of 12 30-day months.

Amortization of Principal

Instalments of principal of the 2029 Notes (each a "**2029 Notes Amortization Amount**") are payable on each April 14 and October 14 of each year (each a "**2029 Notes Amortization Payment Date**," and together with the Notes Interest Payment Date, a "**2029 Notes Payment Date**"), commencing October 14, 2021 *pro rata* to the Holders thereof on the immediately preceding Notes Record Date in accordance with the following schedule:

2029 Notes Payment Date	Percentage of Original Principal Amount
October 14, 2021	0.625%
April 14, 2022	4.688%
October 14, 2022	3.125%
April 14, 2023	6.250%
October 14, 2023	5.625%
April 14, 2024	5.313%
October 14, 2024	8.438%
April 14, 2025	7.500%
October 14, 2025	4.688%
April 14, 2026	4.688%
October 14, 2026	8.750%
April 14, 2027	9.375%
October 14, 2027	12.500%
April 14, 2028	8.438%
October 14, 2028	5.469%
April 14, 2029	All remaining outstanding principal amounts

Instalments of principal of the 2038 Notes (each a "**2038 Notes Amortization Amount**") are payable on each April 14 and October 14 of each year (each a "**2038 Notes Amortization Payment Date**," and together with the Notes Interest Payment Date, a "**2038 Notes Payment Date**"), commencing October 14, 2029 *pro rata* to the Holders thereof on the immediately preceding Notes Record Date in accordance with the following schedule:

2038 Notes Payment Date	Percentage of Original Principal Amount
October 14, 2029	2.532%
April 14, 2030	3.038%

2038 Notes Payment Date	Percentage of Original Principal Amount
October 14, 2030	5.190%
April 14, 2031	5.063%
October 14, 2031	4.557%
April 14, 2032	2.532%
October 14, 2032	4.747%
April 14, 2033	5.063%
October 14, 2033	6.329%
April 14, 2034	6.329%
October 14, 2034	4.430%
April 14, 2035	3.544%
October 14, 2035	5.443%
April 14, 2036	5.696%
October 14, 2036	7.595%
April 14, 2037	8.861%
October 14, 2037	6.329%
April 14, 2038	5.063%
October 14, 2038	All remaining outstanding principal amounts

Payment of Notes

In any case in which the date of the payment of principal of, premium, if any, or interest on the Notes (including any payment to be made on any date fixed for redemption or purchase of any Note) is not a Business Day in the relevant place of payment, then payment of principal, premium, if any, or interest need not be made in such place on such date but may be made on the next succeeding Business Day in such place. Any payment made on such next succeeding Business Day will have the same force and effect as if made on the date on which such payment was stated to be due, and no interest on the Notes will accrue for the period after any such stated due date of the payment of principal of, premium, if any, or interest on the Notes to such next succeeding Business Day. Interest on overdue principal and interest and Additional Amounts, if any, will accrue at the same rate as the then applicable interest rate on the Notes.

The Notes will be issued only in fully registered form, without coupons, in minimum denominations of U.S.$200,000 of original principal amount and integral multiples of U.S.$1,000 in excess thereof. See "*—Book-Entry; Delivery and Form*". No service charge will be made for any registration of transfer or exchange of Notes, but the Co-Issuers may require payment of a sum sufficient to cover any tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made by wire transfer in U.S. dollars in immediately available funds by the Co-Issuers at the office or agency of the Co-Issuers maintained for that purpose (which initially will be the office of The Bank of New York Mellon (the "**Paying Agent**")), currently located at 240 Greenwich Street, New York, NY 10286, United States of America), and the Notes may be presented for registration of transfer or exchange at such office or agency; *provided* that if the Notes are in certificated form and the Co-Issuers act as their own paying agent, payment of interest may be made by check mailed to the address of the Holders as such address appears in the Note register or by wire transfer. Interest payable on the Notes held through DTC will be available to DTC participants (as defined herein) in accordance with DTC's procedures.

Parent Guarantee

The Parent Guarantee will:

- be a general unsubordinated obligation of the Parent Guarantor;

- be senior in right of payment to all future obligations of the Parent Guarantor expressly subordinated in right of payment to the Parent Guarantee;

- rank at least *pari passu* in right of payment with all other unsecured, unsubordinated obligations of the Parent Guarantor (subject to any priority rights of such unsecured, unsubordinated obligations pursuant to applicable law); and

- be effectively subordinated to secured obligations of the Parent Guarantor, to the extent of the value of the assets serving as security therefor.

Under the Indentures, and any supplemental indenture to the Indentures, as applicable, the Parent Guarantor will guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes and the Indentures, subject to the limitations set forth herein. The Parent Guarantor will (1) agree that its obligations under the Parent Guarantee will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indentures and (2) waive its right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Co-Issuers prior to exercising its rights under the Parent Guarantee. Moreover, if at any time any amount paid under a Note or an Indenture is rescinded or must otherwise be repaid, the rights of the Holders under the Parent Guarantee will be reinstated with respect to such payments as though such payment had not been made. All payments under the Parent Guarantee are required to be made in U.S. dollars.

Under the Indentures, and any supplemental indenture to the Indentures, as applicable, the Parent Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by the Parent Guarantor without rendering the Parent Guarantee, as it relates to the Parent Guarantor, voidable under applicable law relating to fraudulent conveyance, fraudulent transfer, financial assistance, corporate benefit, capital maintenance or similar laws affecting the rights of creditors generally. By virtue of these limitations, the Parent Guarantor's obligations under the Parent Guarantee could be significantly less than amounts payable with respect to the Notes, or the Parent Guarantor may effectively have no obligation under the Parent Guarantee. If the Parent Guarantee were to be rendered voidable, it could be subordinated by a court to all other Indebtedness (including guarantees and other contingent liabilities) of the Parent Guarantor, and, depending on the amount of such Indebtedness, the Parent Guarantor's liability on the Parent Guarantee could be reduced to zero.

The obligations of the Parent Guarantor may be limited, or possibly invalidated, under applicable law. See "*Risk Factors—Risks Relating to the Notes, the Guarantees and the Collateral—The Guarantees may be challenged under applicable bankruptcy, insolvency or fraudulent transfer, financial assistance, unfair preference or similar laws, impairing the enforceability of the Guarantees.*"

As of June 30, 2020:

- the Parent Guarantor and its consolidated Subsidiaries (other than the Unrestricted Subsidiary) had U.S.$2,704.4 million of combined assets and U.S.$911.9 million of combined indebtedness outstanding; and

- the Parent Guarantor's Subsidiaries (other than the Co-Issuers, the Subsidiary Guarantors and the Unrestricted Subsidiary) had U.S.$28.0 million of combined assets and nil combined indebtedness outstanding.

For each of the year ended December 31, 2019 and the six months ended June 30, 2020, the Parent Guarantor's Subsidiaries (other than the Co-Issuers, the Subsidiary Guarantors and the Unrestricted Subsidiary) had U.S.$5.8 million and U.S.$3.1 million of revenue.

Release of the Parent Guarantee

The Parent Guarantee may be released in certain circumstances, including:

- upon repayment in full of the Notes; or

- upon a defeasance or satisfaction and discharge as described under *"—Defeasance—Defeasance and Discharge*" or "*—Satisfaction and Discharge*".

Co-Issuer Guarantees

On the Original Issue Date, each Co-Issuer will guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes and the Indentures by the other Co-Issuer.

The Co-Issuer Guarantee of each Co-Issuer will:

- be a general unsubordinated obligation of such Co-Issuer;

- be senior in right of payment to all future obligations of such Co-Issuer expressly subordinated in right of payment to such Co-Issuer Guarantee;

- rank at least *pari passu* in right of payment with all other unsecured, unsubordinated obligations of such Co-Issuer (subject to any priority rights of such unsecured, unsubordinated obligations pursuant to applicable law); and

- be effectively subordinated to secured obligations of such Co-Issuer, to the extent of the value of the assets serving as security therefor.

Under the Indentures, and any supplemental indenture to the Indentures, as applicable, each Co-Issuer will guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes and the Indentures by the other Co-Issuer, subject to the limitations set forth herein. Each Co-Issuer will (1) agree that its obligations under such Co-Issuer Guarantee will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indentures and (2) waive its right to require the Trustee to pursue or exhaust its legal or equitable remedies against the other Co-Issuer prior to exercising its rights under such Co-Issuer Guarantee. Moreover, if at any time any amount paid under a Note or an Indenture is rescinded or must otherwise be repaid, the rights of the Holders under such Co-Issuer Guarantee will be reinstated with respect to such payments as though such payment had not been made. All payments under the Co-Issuer Guarantees are required to be made in U.S. dollars.

Under the Indentures, and any supplemental indenture to the Indentures, as applicable, each Co-Issuer Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by each Co-Issuer without rendering such Co-Issuer Guarantee, as it relates to each Co-Issuer, voidable under applicable law relating to fraudulent conveyance, fraudulent transfer, financial assistance, corporate benefit, capital maintenance or similar laws affecting the rights of creditors generally. By virtue of these limitations, the Co-Issuers' obligations under the Co-Issuer Guarantees could be significantly less than amounts payable with respect to the Notes, or the Co-Issuers may effectively have no obligation under the Co-Issuer Guarantees. If the Co-Issuer Guarantees were to be rendered voidable, it could be subordinated by a court to all other Indebtedness (including guarantees and other contingent liabilities) of the Co-Issuers, and, depending on the amount of such Indebtedness, the Co-Issuers' liability on the Co-Issuer Guarantees could be reduced to zero.

The obligations of the Co-Issuers may be limited, or possibly invalidated, under applicable law. See "*Risk Factors—Risks Relating to the Notes and the Guarantees—The Guarantees may be challenged under applicable bankruptcy, insolvency or fraudulent transfer, financial assistance, unfair preference or similar laws, impairing the enforceability of the Guarantees.*"

Release of the Co-Issuer Guarantees

The Co-Issuer Guarantees may be released in certain circumstances, including:

- upon repayment in full of the Notes; or
- upon a defeasance or satisfaction and discharge as described under "*—Defeasance—Defeasance and Discharge*" or "*—Satisfaction and Discharge*".

Subsidiary Guarantees

As of the Original Issue Date, the Parent Guarantor's only Subsidiaries are the Co-Issuers, SEGDI, DGI and PT Star Energy Geothermal Suoh Sekincau, and SEGSL's only Subsidiary is SEGSPL. As of the Original Issue Date, SEGDII has no Subsidiaries. On the Original Issue Date, each of SEGSPL and SEGDI will guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes and the Indentures. On the Original Issue Date, SEGSPL, SEGDI and DGI will be Restricted Subsidiaries. PT Star Energy Geothermal Suoh Sekincau will not provide a guarantee of any amounts payable under the Notes and the Indentures and will not be a Restricted Subsidiary. See "*Summary Corporate and Financing Structure*". In addition, any future Restricted Subsidiary of the Parent Guarantor or any Co-Issuer will be required to provide a Subsidiary Guarantee.

The Subsidiary Guarantee of each Subsidiary Guarantor will:

- be a general unsubordinated obligation of such Subsidiary Guarantor;
- be senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee;

- rank at least *pari passu* in right of payment with all other unsecured, unsubordinated obligations of such Subsidiary Guarantor (subject to any priority rights of such unsecured, unsubordinated obligations pursuant to applicable law); and

- be effectively subordinated to secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor.

Under the Indentures, and any supplemental indenture to the Indentures, as applicable, each of the Subsidiary Guarantors will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable and obligations under, the Notes and the Indentures, subject to the limitations set forth herein. Each Subsidiary Guarantor will (1) agree that its obligations under its Subsidiary Guarantee will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indentures and (2) waive its right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Co-Issuers prior to exercising its rights under the Subsidiary Guarantee. Moreover, if at any time any amount paid under a Note or a Indenture is rescinded or must otherwise be repaid, the rights of the Holders under the Subsidiary Guarantees will be reinstated with respect to such payments as though such payment had not been made. All payments under the Subsidiary Guarantees are required to be made in U.S. dollars.

Concurrently with the execution of a Subsidiary Guarantee, each Subsidiary Guarantor incorporated in Indonesia will enter into a deed of guarantee governed by the laws of Indonesia which will provide for such Subsidiary Guarantor's guarantee of the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes and the Indentures under the laws of Indonesia (each, a "**Deed of Guarantee**"). A guarantee by a Subsidiary Guarantor under a Deed of Guarantee may be released if its Subsidiary Guarantee is released in compliance with the terms of the Indentures.

Under the Indentures, and any supplemental indenture to the Indentures, as applicable, each Subsidiary Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance, fraudulent transfer, financial assistance, corporate benefit, capital maintenance or similar laws affecting the rights of creditors generally. By virtue of these limitations, a Subsidiary Guarantor's obligations under its Subsidiary Guarantee could be significantly less than amounts payable with respect to the Notes, or a Subsidiary Guarantor may effectively have no obligation under its Subsidiary Guarantee. If a Subsidiary Guarantee were to be rendered voidable, it could be subordinated by a court to all other Indebtedness (including guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor, and, depending on the amount of such Indebtedness, a Subsidiary Guarantor's liability on its Subsidiary Guarantee could be reduced to zero.

The obligations of each Subsidiary Guarantor under its respective Subsidiary Guarantee may be limited, or possibly invalidated, under applicable law. See "*Risk Factors—Risks Relating to the Notes and the Guarantees—The Guarantees may be challenged under applicable bankruptcy, insolvency or fraudulent transfer, financial assistance, unfair preference or similar laws, impairing the enforceability of the Guarantees*."

Release of the Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the Notes;

- upon a legal defeasance, defeasance of certain covenants or satisfaction and discharge as described under *"—Defeasance" or "—Satisfaction and Discharge*";

- upon the designation by the Parent Guarantor or any Co-Issuer of such Subsidiary Guarantor as an Unrestricted Subsidiary in compliance with the terms of the Indentures;

- upon the direct or indirect sale, transfer, conveyance or other disposition (including by merger, consolidation or otherwise) of such Subsidiary Guarantor in compliance with the terms of the Indentures (including the covenants described under the captions "*—Certain Covenants—Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries*," "*—Certain Covenants—Limitation on Asset Sales*" and "*—Consolidation, Merger and Sale of Assets*") resulting in such Subsidiary Guarantor no longer being a Restricted Subsidiary, so long as such Subsidiary Guarantor is simultaneously released from its obligations in respect of any of the Obligors' other Indebtedness or any Indebtedness of any other Subsidiary of such Obligors; or

- in the event that the continued obligations of such Subsidiary Guarantor under its Subsidiary Guarantee could reasonably be expected to give rise to or result in any conflict with or violation of applicable law (or risk of criminal liability for the officers, directors, commissioners, managers or shareholders of such Subsidiary Guarantor) and such conflict, violation or criminal liability cannot be avoided or otherwise prevented through measures reasonably available to the Parent Guarantor and the Co-Issuers).

No release of a Subsidiary Guarantor from its Subsidiary Guarantee shall be effective against the Trustee or the Holders until the Co-Issuers have delivered to the Trustee an Officers' Certificate stating that all requirements relating to such release have been complied with and that such release is authorized and permitted by the terms of the Indentures.

Under the circumstances described below under the caption "*—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries*," the Parent Guarantor and the Co-Issuers will be permitted to designate certain of its Subsidiaries as "Unrestricted Subsidiaries." On the Original Issue Date, PT Star Energy Geothermal Suoh Sekincau will be an Unrestricted Subsidiary. Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indentures and will not guarantee the Notes.

Further Issues

Subject to the covenants described below, the Co-Issuers may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the 2029 Notes or the 2038 Notes (including the benefit of the Guarantees and the Collateral), as the case may be, in all respects (or in all respects except for the issue date, issue price, the first payment date of interest on them, the first payment date of the 2029 Notes Amortization Amount or the 2038 Notes Amortization Amount, as the case may be, on them, the first date on which interest will accrue and the 2029 Notes Amortization Amounts or the 2038 Notes Amortization Amount, as the case may be, will be owing, and, to the extent necessary, certain temporary securities law transfer restrictions) so that such Additional Notes may be consolidated and form a single class with the previously outstanding 2029 Notes or 2038 Notes, as the case may be, and vote together as one class on all matters with respect to the 2029 Notes or the 2038 Notes, as the case may be; *provided* that such Additional Notes will not be issued under the same CUSIP, ISIN or Common Code as the 2029 Notes or the 2038 Notes unless such Additional Notes are fungible with the 2029 Notes or the 2038 Notes, as the case may be, for U.S. federal income tax purposes.

In addition, the issuance of any Additional Notes by the Co-Issuers will be subject to the following conditions:

(1) all obligations with respect to the Additional Notes shall be secured and guaranteed under the 2029 Notes Indenture or the 2038 Notes Indenture, as the case may be, the Guarantees and any other Security Documents to the same extent and on the same basis as the 2029 Notes or the 2038 Notes, as the case may be, outstanding on the date such Additional Notes are issued;

(2) if the Parent Guarantor, any Co-Issuer or any Security Provider proposes to secure such Additional Notes with Liens over any assets of the Obligors in addition to the Collateral ("**Additional Collateral**"), then the Parent Guarantor, such Co-Issuer or such Security Provider (as the case may be) must procure that such Additional Collateral is contemporaneously pledged to secure the 2029 Notes or the 2038 Notes, as the case may be, on an equal and ratable basis; and

(3) the Co-Issuers have delivered to the Trustee an Officers' Certificate, in form and substance satisfactory to the Trustee, confirming that the issuance of the Additional Notes complies with the 2029 Notes Indenture or the 2038 Notes Indenture, as the case may be.

Optional Redemption

Equity Clawback Option

At any time and from time to time prior to April 14, 2024, any Obligor may at its option redeem up to 35% of the aggregate principal amount of the 2029 Notes with the Net Cash Proceeds of one or more sales of Common Stock of either Co-Issuer in an Equity Offering or a contribution to the common equity capital of either Co-Issuer made with the Net Cash Proceeds of a concurrent Equity Offering by either of the Co-Issuers' direct or indirect parents at a redemption price of 101.6250% of the principal amount of the 2029 Notes, plus accrued and unpaid interest, if any, on the 2029 Notes redeemed, to (but not including) the redemption date; *provided that* at least 65% of the aggregate principal amount of the 2029 Notes issued on the Original Issue Date (excluding 2029 Notes held by any member of the Restricted Group) remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

At any time and from time to time prior to October 14, 2029, any Obligor may at its option redeem up to 35% of the aggregate principal amount of the 2038 Notes with the Net Cash Proceeds of one or more sales of Common Stock of either Co-Issuer in an Equity Offering or a contribution to the common equity capital of either Co-Issuer made with the Net Cash Proceeds of a concurrent Equity Offering by either of the Co-Issuers' direct or indirect parents at a redemption price of 102.4250% of the principal amount of the 2038 Notes, plus accrued and unpaid interest, if any, on the 2038 Notes redeemed, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the 2038 Notes issued on the Original Issue Date (excluding 2038 Notes held by any member of the Restricted Group) remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

Optional Redemption of Notes

At any time and from time to time on or after April 14, 2024, any Obligor may at its option redeem the 2029 Notes, in whole or in part, at a redemption price equal to the percentage of the principal amount of the 2029 Notes to be redeemed set forth below plus accrued and unpaid interest to the redemption date if redeemed during the twelve-month period beginning on April 14 of the years indicated below.

Year	Percentage
2024	101.6250%
2025	100.8125%
2026 and thereafter	100.0000%

At any time and from time to time on or after October 14, 2029, any Obligor may at its option redeem the 2038 Notes, in whole or in part, at a redemption price equal to the percentage of the principal amount of the 2038 Notes to be redeemed set forth below plus accrued and unpaid interest to the redemption date if redeemed during the twelve-month period beginning on October 14 of the years indicated below.

Year	Percentage
2029	102.4250%
2030	101.6167%
2031	100.8083%
2032 and thereafter	100.0000%

At any time and from time to time prior to April 14, 2024, any Obligor may at its option redeem the 2029 Notes, in whole or in part, at a redemption price equal to the greater of (i) 100% of the principal amount of such 2029 Notes to be redeemed as at the redemption date; and (ii) the sum of the present value of each remaining scheduled payment of principal and interest on the 2029 Notes to be redeemed (exclusive of interest accrued and unpaid to (but not including) the redemption date) (assuming the due payment of all 2029 Notes Amortization Amounts in accordance with the amortization profile set out in "*—Brief Description of the Notes—Amortization of Principal*" and no other subsequent redemptions) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 50 basis points (the "**2029 Notes Make-Whole Amount**"), plus in each case, accrued and unpaid interest on the principal amount of the 2029 Notes up to, but not including, the date of redemption (subject to the right of the holder of record on the relevant record date to receive interest due on the relevant interest payment date).

At any time and from time to time prior to October 14, 2029, any Obligor may at its option redeem the 2038 Notes, in whole or in part, at a redemption price equal to the greater of (i) 100% of the principal amount of such 2038 Notes to be redeemed as at the redemption date; and (ii) the sum of the present value of each remaining scheduled payment of principal and interest on the 2038 Notes to be redeemed (exclusive of interest accrued and unpaid to (but not including) the redemption date) (assuming the due payment of all 2038 Notes Amortization Amounts in accordance with the amortization profile set out in "*—Brief Description of the Notes—Amortization of Principal*" and no other subsequent redemptions) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 50 basis points (the "**2038 Notes Make-Whole Amount**"), plus in each case, accrued and unpaid interest on the principal amount of the 2038 Notes up to, but not including, the date of redemption (subject to the right of the holder of record on the relevant record date to receive interest due on the relevant interest payment date).

Selection and Notice

The Co-Issuers will give not less than 30 days' nor more than 60 days' notice of any redemption to the holders or the Trustee. If less than all of the Notes are to be redeemed at any time, the Notes for redemption will be selected as follows:

(1) if the Notes are listed on any securities exchange and/or held through any clearing system, in compliance with the requirements of the principal securities exchange on which the Notes are listed and/or in compliance with the requirements of the clearing system; or

(2) if the Notes are not listed on any securities exchange or held through any clearing system, on a *pro rata* basis, by lot basis, or by such other method as the Trustee in its sole and absolute discretion deems fair and appropriate, unless otherwise required by law.

A Note of U.S.$200,000 in principal amount or less will not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. In the case of certificated Notes, a new Note in original principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

Mandatory Redemption of Notes Without Premium

If (i) any Project is subject to an Expropriation Event or a Loss Event for which the Available Proceeds are in excess of U.S.$60.0 million and the conditions set forth in the immediately succeeding paragraph are not satisfied or if any Energy Sales Contract and/or Joint Operating Contract is terminated, and (ii) any Obligor or DGI receives any proceeds from indemnification, casualty or property damage insurance, condemnation or otherwise as a result of (i) above (the "**Available Proceeds**"), then the Obligors will use such Available Proceeds to redeem the maximum principal amount of the Notes and Permitted Pari Passu Secured Obligations that may be redeemed out of the Available Proceeds. The redemption price for the Notes will be equal to 100% of the outstanding principal amount of the Notes being redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date, plus Additional Amounts, if any (but without payment of any Make-Whole Amount), which will be payable in cash. If the aggregate principal amount of the Notes and Permitted Pari Passu Secured Obligations that may be redeemed exceeds the amount of Available Proceeds, the Notes and such Permitted Pari Passu Secured Obligations will be redeemed on a *pro rata* basis.

If any Project is subject to an Expropriation Event or a Loss Event for which the Available Proceeds are in excess of U.S.$60.0 million, the following conditions must be met in order to apply the Available Proceeds to the repair or restoration of such Project or for the Obligors to be permitted to apply funds from the Accounts to such repair or restoration, in which case the Available Proceeds will be applied to reimburse the Obligors for the cost of such repairs or restoration (in each case, instead of applying the Available Proceeds to the redemption of the Notes and Permitted Pari Passu Secured Obligations):

(1) such Expropriation Event or Loss Event, as the case may be, does not constitute the destruction of all or substantially all, or an actual or constructive total loss, of such Project;

(2) no Default has occurred and is continuing and, after giving effect to any proposed repair and restoration, such damage or destruction or proposed repair and restoration could not reasonably be expected to result in a Default;

(3) the Parent Guarantor certifies in good faith that repair or restoration of such Project is technically and economically feasible within a 24-month period (or such other longer period as is reasonable under the circumstances provided the Parent Guarantor or its Subsidiaries are diligently proceeding to effect such repairs) and that a sufficient amount of funds is or will be available to the Parent Guarantor or its Subsidiaries to make such repairs and restorations; and

(4) after repair and restoration, the Obligors will be able to repay the Notes and any Permitted Pari Passu Secured Obligations and other amounts due to the Holders as and when due.

If such conditions are not met, the Available Proceeds shall be used to redeem the maximum principal amount of Notes and Permitted Pari Passu Secured Obligations that may be redeemed out of the Available Proceeds as described above. If an Expropriation Event or a Loss Event occurs for which the Available Proceeds are less than U.S.$60.0 million, such Available Proceeds shall be applied to the payment of the cost of the repair or restoration of such damage or destruction or, if the cost of the repair or restoration of such damage or destruction has previously been paid by the Obligors from any Accounts, to the Obligors as reimbursement for the cost of such repair or restoration paid by the Obligors.

The good faith determination of the Parent Guarantor described above shall be evidenced by an Officers' Certificate of the Parent Guarantor filed with the Trustee.

If the Obligors are required to effect mandatory redemption of the Notes in accordance with the foregoing provisions, the Obligors shall upon prior written notice to the Trustee, the Paying Agent and the Holders set a date for the redemption of the Notes, and deposit the Available Proceeds into the Debt Service Accounts to be applied to redeem all or a portion of the Notes at a redemption price equal to 100% of the outstanding principal amount of the Notes being redeemed, plus accrued and unpaid interest to (but not including) the redemption date, plus Additional Amounts, if any (but without payment of any Make-Whole Amount) and prepay all Permitted Pari Passu Secured Obligations, on a *pro rata* basis.

The procedures described under "*—Optional Redemption—Selection and Notice*" will apply.

Neither the Trustee nor the Agents shall be required to take any steps to ascertain whether any of the events described in this section have occurred and shall not be liable to any person for any failure to do so. The Trustee and the Agents shall be entitled to assume that no such event has occurred until the Trustee has received an Officers' Certificate from the relevant Obligors. Neither the Trustee nor the Agents shall be under any duty to determine, calculate or verify the redemption amount (including, but not limited to, the Make-Whole Amount) payable hereunder and none of the Trustee or the Agents will be responsible to the Holders for any loss or liability arising from any failure by any of them to do so.

Open Market Purchases

The Obligors may at any time and from time to time purchase Notes in the open market or otherwise. Any Notes, while held by any Affiliate of any Co-Issuer, shall not entitle the Holder to vote the Notes and shall not be deemed outstanding for purposes of waivers and consents or other actions by Holders of Notes. Any Notes acquired by any Obligor must be cancelled.

Additional Amounts

All payments of principal of and premium, if any, and interest or any other payment made by or on behalf of the Co-Issuers under or with respect to the Notes and all payments under or with respect to the Guarantees will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, imposed or levied (collectively, "**Taxes**") by or within Bermuda, the Bahamas, the Cayman Islands, Indonesia, the Netherlands, or any other jurisdiction in which any Co-Issuer or a Surviving Person (as defined under the caption "*—Consolidation, Merger and Sale of Assets*") is organized or resident or doing business for tax purposes or any jurisdiction in which any Guarantor is organized or resident or doing business for tax purposes or from or through which payment is made (or, in each case, any political subdivision or taxing authority thereof or therein) (each, as applicable, a "**Relevant Jurisdiction**"), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Co-Issuers, a Surviving Person or the applicable Guarantor, as the case may be, will make such deduction or withholding, make payment of the amount so withheld to the appropriate governmental authority and will pay such additional amounts ("**Additional Amounts**") as will result in receipt by the holder of each Note of such amounts payable under the Notes or the Guarantees as would have been received by such holder had no such withholding or deduction been required, except that no Additional Amounts will be payable:

(a) for or on account of:

(i) any Taxes that would not have been imposed but for:

(A) the existence of any present or former connection between the holder or beneficial owner (or a fiduciary, settlor, beneficiary, member or shareholder of such holder, if such holder is an estate, trust, partnership, limited liability company or corporation) of such Note or Guarantee, as the case may be, and the Relevant Jurisdiction other than merely holding such Note or the receipt of payments thereunder or under a Guarantee, including such holder or beneficial owner being or having been a national, domiciliary or resident of or incorporated in such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;

(B) the presentation of such Note for payment (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, or interest on or with respect to, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on the last day such 30-day period;

(C) the failure of the holder or beneficial owner to comply with a timely request of the Co-Issuers, a Surviving Person or any 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 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; or

(D) the presentation of such Note (in cases in which presentation is required) for payment in the Relevant Jurisdiction, unless such Note could not have been presented for payment elsewhere;

(ii) any estate, inheritance, gift, value added, sales, use, transfer, personal property or similar Tax;

(iii) any Tax that is payable other than by deduction or withholding from payments made on or with respect to any Note or any Guarantee;

(iv) any withholding or deduction imposed on or in respect of any Note pursuant to Section 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended ("**FATCA**"), any current or future regulations or official interpretation thereof, the laws of any Relevant Jurisdiction (including any intergovernmental agreements and related legislation or official administrative guidance) implementing FATCA, or any agreement between the Co-Issuers or any Guarantor and the United States or any authority thereof entered into for FATCA purposes;

(v) any combination of Taxes referred to in the preceding clauses (i), (ii), (iii) and (iv); or

(b) to a holder or beneficial owner that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included for tax purposes in the income under the laws of a Relevant Jurisdiction, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner, or beneficial owner been the Holder thereof. As a result of these provisions, there are circumstances in which taxes could be withheld or deducted but Additional Amounts would not be payable to some or all beneficial owners of Notes.

In addition to the foregoing, the Co-Issuers and the Guarantors will jointly and severally pay and indemnify the holder or beneficial owner for any present or future stamp, issue, registration, transfer, court or documentary Taxes, or any other excise or property Taxes, charges or similar levies or Taxes levied by any jurisdiction on the execution, delivery, registration or enforcement of any of the Notes, any Guarantee or any other document or instrument referred to therein, or the receipt of any payments with respect thereto.

At least 30 days prior to each date on which any payment under or with respect to the Notes is due and payable (unless the obligation to pay Additional Amounts arises after the 30th day prior to such date), if the Co-Issuers, a Surviving Person or any Guarantor becomes aware that it will be obligated to pay Additional Amounts with respect to such payment, the Co-Issuers will deliver to the Trustee and Paying Agent an Officers' Certificate stating the fact that such Additional Amounts will be payable and the amounts so payable and will set forth such other information necessary to enable the Paying Agent to pay such Additional Amounts to the holders or beneficial owners on such payment date. The Trustee shall be entitled to conclusively rely solely on such Officers' Certificate as conclusive proof that such payments are necessary. The Co-Issuers, a Surviving Person or the relevant Guarantor will provide the Trustee and the Paying Agent with documentation satisfactory to the Trustee evidencing the payment of Additional Amounts.

The Co-Issuers, a Surviving Person or the relevant Guarantor will make all withholdings and deductions required by law and will remit the full amount deducted or withheld to the relevant Tax authority in accordance with applicable law. The Co-Issuers or the relevant Guarantor will use its reasonable efforts to obtain Tax receipts from each Tax authority evidencing the payment of any Taxes so deducted or withheld. The Co-Issuers or the relevant Guarantor will furnish to the Trustee, within 60 days after the date the payment of any Taxes so deducted or withheld is made, certified copies of Tax receipts evidencing payment by the Co-Issuers or a Guarantor, as the case may be, or if, notwithstanding such entity's efforts to obtain receipts, receipts are not obtained, other evidence of payments by such entity.

Notwithstanding the foregoing, the limitations on the obligations of the Co-Issuers, a Surviving Person or a Guarantor, as applicable, to pay Additional Amounts set forth in clause (a)(i)(C) above will not apply if the provision of any certification, identification, information, documentation or other reporting requirement described in such clause would be materially more onerous, in form, in procedure or in the substance of information disclosed, to a holder or beneficial owner of a Note than comparable information or other reporting requirements imposed under U.S. tax law, regulations and administrative practice (such as Internal Revenue Service Forms W-8BEN/W-8BEN-E and W-9). For the avoidance of doubt, no holder or beneficial owner of a Note shall have any obligation to establish eligibility for a reduced withholding tax rate under any income tax treaty.

In the event that Additional Amounts actually paid with respect to the Notes described above are based on rates of deduction or withholding of withholding Taxes in excess of the appropriate rate applicable to the holder or beneficial owner of such Notes, and, as a result thereof such holder or beneficial owner is entitled to make claim for a refund or credit of such excess from the authority imposing such withholding Tax, then such holder or beneficial owner shall, by accepting such Notes, be deemed to have assigned and transferred all right, title and interest to any such claim for a refund or credit of such excess to the Co-Issuers.

Whenever there is mentioned in any context the payment of principal, premium or interest in respect of any Note or under any Guarantee, such mention will be deemed to include payment of Additional Amounts provided for in the Indentures or this "*Description of the Notes*" to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The above obligation will survive any termination, defeasance or discharge of the Indentures, any transfer by a holder or beneficial owner of its notes, and will apply, *mutatis mutandis*, to any of the Relevant Jurisdictions.

Redemption for Taxation Reasons

The Notes may be redeemed, at the option of the Co-Issuers or a Surviving Person, as a whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the holders (which notice will be irrevocable), the Trustee and the Paying Agent, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to (but not including) the date fixed by the Co-Issuers or the Surviving Person, as the case may be, for redemption (the "**Tax Redemption Date**") and all Additional Amounts, if any, then due and that will become due on the Tax Redemption Date as a result of the redemption or otherwise (subject to the right of holders on the relevant record date to receive interest due on an interest payment date that is prior to the Tax Redemption Date and Additional Amounts, if any, in respect thereof), if, as a result of:

(1) any change in, or amendment to, the laws or any regulations or rulings promulgated thereunder of a Relevant Jurisdiction affecting taxation; or

(2) any change in, or amendment to, an official written position of a Relevant Jurisdiction regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment is publicly announced and becomes effective on or after the Original Issue Date (or, if such Relevant Jurisdiction was not a Relevant Jurisdiction on the Original Issue Date, the date on which such Relevant Jurisdiction became a Relevant Jurisdiction under the Indentures) with respect to any payment due or to become due under the Notes, the Indentures, or any Guarantee (or, in the case of a Surviving Person, the date such Person became a Surviving Person), the Obligors or the Surviving Person, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Co-Issuers or the Surviving Person, as the case may be; *provided* that changing the jurisdiction of the Obligors or the Surviving Person is not a reasonable measure for the purposes of this section; *provided further* that no such notice of redemption will be given earlier than 90 days prior to the earliest date on which the Co-Issuers or the Surviving Person, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the publication or mailing of any notice of redemption of the Notes pursuant to the foregoing, the Co-Issuers or Surviving Person, as the case may be, will deliver to the Trustee (with a copy to the Paying Agent) at least 30 days but not more than 60 days before the Tax Redemption Date:

(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 Co-Issuers or such Surviving Person, as the case may be, by taking reasonable measures available to it; and

(2) an Opinion of Counsel of recognized standing, or an opinion of a tax consultant of international recognized standing, with respect to tax matters of the Relevant Tax Jurisdiction, stating that the requirement to pay such Additional Amounts results from such change or amendment referred to in the prior paragraph.

The Trustee shall be entitled to conclusively rely on and accept such certificate and opinion as conclusive evidence of the satisfaction of the conditions precedent described above, in which event it will be conclusive and binding on the holders of the Notes.

Any Notes that are redeemed will be cancelled.

Change of Control Triggering Event

Following a Change of Control Triggering Event, the Co-Issuers shall make an offer to repurchase all outstanding Notes on the terms set forth in the Indentures (a "**Change of Control Offer**"). In the Change of Control Offer, the Co-Issuers will offer a payment in cash equal to 101% of the aggregate principal amount of Notes repurchased, plus accrued and unpaid interest, if any, on the Notes repurchased to (but not including) the date of purchase, subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date (the "**Change of Control Payment**"). Within 30 days following any Change of Control Triggering Event, the Co-Issuers will mail a notice to each Holder and the Trustee describing the transaction or transactions that constitute the Change of Control Triggering Event and offering to repurchase Notes on the date specified in the notice (the "**Change of Control Payment Date**"), which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed, pursuant to the procedures required by the Indentures and described in such notice. The Co-Issuers will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change of Control Triggering Event. To the extent that the provisions of any securities laws or regulations conflict with provisions of the covenant described hereunder, the Co-Issuers will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the covenant described hereunder by virtue of such compliance.

On the date one Business Day prior to the Change of Control Payment Date, the Co-Issuers will deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered. On the Change of Control Payment Date, the Co-Issuers will, to the extent lawful:

(1) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer; and

(2) deliver or cause to be delivered to the Trustee or the Paying Agent the Notes properly accepted together with an Officers' Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Co-Issuers.

The Paying Agent will as soon as reasonably practicable mail to each holder of Notes properly tendered the Change of Control Payment for such Notes, and the Registrar or the Trustee will as soon as reasonably practicable authenticate and mail (or cause to be transferred by book entry) to each holder a new Note equal in original principal amount to any unpurchased portion of the Notes surrendered, if any, *provided* that each new Note issued shall be in an original principal amount of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. The Co-Issuers will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

The provisions described above that require the Co-Issuers to make a Change of Control Offer following a Change of Control Triggering Event will be applicable whether or not any other provisions of the Indentures are applicable. Except as described above with respect to a Change of Control, the Indentures does not contain provisions that permit the holders of the Notes to require that the Co-Issuers repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

Notwithstanding the above, a Change of Control Offer may be made in advance of a Change of Control, and conditioned upon such Change of Control, if a definitive agreement is in place for the Change of Control at the time of making of the Change of Control Offer.

Notwithstanding the above, the Co-Issuers will not be required to make a Change of Control Offer following a Change of Control Triggering Event if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indentures applicable to a Change of Control Offer to be made by the Co-Issuers and such third party purchases all Notes validly tendered and not withdrawn under such Change of Control Offer or (2) notice of redemption for all outstanding Notes has been given pursuant to the Indentures as described above under the caption "*—Optional Redemption*," unless and until there is a default in payment of the applicable redemption price.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the properties or assets of the Obligors taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of Notes to require the Co-Issuers to repurchase its Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of the Obligors taken as a whole to another Person or group may be uncertain.

The Obligors' future agreements governing Indebtedness may contain provisions which may prohibit or restrict the Co-Issuers' ability to repurchase the Notes upon a Change of Control Triggering Event. In the event a Change of Control Triggering Event occurs at a time when the Co-Issuers are prohibited or restricted from purchasing the Notes, the Obligors could seek the consent of the relevant creditors to the purchase of Notes or could attempt to refinance the borrowings that contain such prohibition or restriction. If the Obligors do not obtain such a consent or repay such borrowings, the Co-Issuers will remain prohibited or restricted from purchasing Notes. In such case, the Co-Issuers' failure to purchase tendered Notes would constitute an Event of Default under the Indentures. In addition, the occurrence of a Change of Control could result in an event of default under other indebtedness of the Obligors, which could cause, among other things, all indebtedness outstanding thereunder to become due and payable. As a result, the Obligors would have to pay all such indebtedness which could limit the Obligors' ability to pay cash to the Holders upon a repurchase. See "*Risk Factors—Risks Relating to the Notes and the Guarantees—We may not be able to repurchase the Notes upon a Change of Control Triggering Event*".

The Trustee shall not be required to take any steps to ascertain whether a Change of Control Triggering Event or any event which could lead to the occurrence of a Change of Control Triggering Event has occurred or may occur and shall not be liable to any person for any failure to do so. The Trustee shall be entitled to assume that no such event has occurred until the Responsible Officer of the Trustee has received written notice to the contrary from the Co-Issuers. The Trustee shall not be under any duty to determine, calculate or verify the repurchase amount payable hereunder and will not be responsible to the Holders for any loss or liability arising from any failure by it to do so.

Certain Covenants

Set forth below are summaries of certain covenants contained in the Indentures.

Limitation on Indebtedness

(a) The Obligors will not, and will not permit any other member of the Restricted Group to, Incur Indebtedness (including Acquired Indebtedness); *provided* that any Obligor may Incur Indebtedness (including Acquired Indebtedness) if (i) the Co-Issuers have delivered an Officers' Certificate to the Trustee that after giving *pro forma* effect to the Incurrence of such Indebtedness and the receipt and the application of the proceeds therefrom, the projected Debt Service Coverage Ratio for the period from the date of such Incurrence through the Stated Maturity of the Notes would be at least 1.60 to 1.0 and (ii) in the case where the Notes are rated, the Parent Guarantor or any Co-Issuer, as the case may be, has obtained a confirmation from at least two Rating Agencies then rating the Notes that the then-current rating of the Notes will not be lowered or withdrawn immediately after giving effect to the proposed Incurrence of Indebtedness. The foregoing Officers' Certificate may be obtained at the time that the agreement for such Indebtedness is executed, even though the Incurrence of Indebtedness pursuant to such agreement occurs at a later time; *provided* that all calculations of the Debt Service Coverage Ratio made under the Indentures shall thereafter assume that such committed Indebtedness is fully drawn unless such commitment has been terminated. Notwithstanding any other provision of this covenant, the Obligors may not Incur any Indebtedness under this clause (a) unless such Indebtedness constitutes Permitted Pari Passu Secured Obligations or is expressly subordinated in right of payment to the Notes.

(b) Notwithstanding the foregoing, the Obligors may Incur each and all of the following ("**Permitted Indebtedness**"):

(1) until the date falling 10 Business Days after the Original Issue Date, Indebtedness of the Co-Issuers under the Existing Senior Debt Facilities;

(2) Indebtedness of the Co-Issuers under the Notes (excluding any Additional Notes) and of any Guarantor under its Guarantee thereof;

(3) Indebtedness of any Obligor owed to any other Obligor or Restricted Subsidiary; *provided* that (x) any event which results in any Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness (other than to any Obligor) will be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (b)(3), (y) if a Co-Issuer is the obligor on such Indebtedness, such Indebtedness must be unsecured and expressly be subordinated in right of payment to the Notes and (z) if a Guarantor is the obligor on such Indebtedness and a Restricted Subsidiary that is not a Guarantor is the obligee, such Indebtedness must be unsecured and expressly subordinated in right of payment to the Guarantee of such Guarantor;

(4) Indebtedness of any Obligor ("**Permitted Refinancing Indebtedness**") issued in exchange for, or the net proceeds of which are used to refinance or refund, replace, exchange, purchase, renew, repay, defease, discharge or extend (collectively, "refinance" and "refinances" and "refinanced" shall have a correlative meaning), then-outstanding Indebtedness Incurred under clause (a) or clause (b)(2), (b)(3) or (b)(6) of this covenant and any refinancings thereof in an amount not to exceed the amount so refinanced or refunded (plus premiums, accrued interest, defeasance costs, fees and expenses); *provided* that the Indebtedness to be refinanced is fully and irrevocably repaid no later than 30 days after the Incurrence of the Permitted Refinancing Indebtedness; and *provided* further that (A) Indebtedness the proceeds of which are used to refinance or refund the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or a Guarantee will only be permitted under this clause (b)(4) if (x) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes or a Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is outstanding, is expressly made *pari passu* with or subordinated to the remaining Notes or such Guarantee, or (y) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or a Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or such Guarantee at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or such Guarantee, (B) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced, (C) in no event may unsecured Indebtedness of any Obligor be refinanced pursuant to this clause with secured Indebtedness and (D) none of the conditions in (A), (B) and (C) above shall apply to any Permitted Refinancing Indebtedness Incurred to fully refinance the Notes;

(5) guarantees by any Guarantor of Indebtedness of any Obligor, in each case, which Indebtedness was permitted to be Incurred by another provision of this covenant;

(6) any Shareholder Subordinated Loan;

(7) Indebtedness Incurred by any Obligor in an aggregate principal amount not to exceed U.S.$25.0 million (or the Dollar Equivalent thereof) at any time outstanding ("**Permitted Financing Indebtedness**");

(8) Indebtedness arising under guarantees entered into pursuant to Section 2:403 of the Dutch Civil Code in respect of a Subsidiary incorporated in the Netherlands and any residual liability with respect to such guarantees arising under Section 2:404 of the Dutch Civil Code; and

(9) Indebtedness arising under any joint and several liability arising as a result of a fiscal unity (*fiscale eenheid*) for Dutch tax purposes.

(c) For purposes of determining compliance with this "*—Limitation on Indebtedness*" covenant, in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, including under the proviso in the first paragraph of this covenant, the Parent Guarantor, in its sole discretion, will classify, and from time to time may reclassify, such item of Indebtedness and only be required to include the amount of such Indebtedness as one of such types and may apportion an item of Indebtedness among several such types.

(d) The accrual of interest, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, the reclassification of Preferred Stock as Indebtedness due to a change in accounting principles, and the payment of dividends on Preferred Stock or Disqualified Stock in the form of additional shares of the same class of Preferred Stock or Disqualified Stock will not be deemed to be an incurrence of Indebtedness.

(e) For purposes of determining compliance with any U.S. dollar-denominated restriction on the Incurrence of Indebtedness, the Dollar Equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred (or first committed, in the case of revolving credit debt); *provided*, that if such Indebtedness is Incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable U.S. dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced. The principal amount of any Indebtedness incurred to refinance other Indebtedness, if incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such respective Indebtedness is denominated that is in effect on the date of such refinancing. Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Obligors may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values.

Anti-Layering

The Obligors will not, and will not permit any other Obligor to, Incur any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of any Obligor, unless such Indebtedness is also contractually subordinated in right of payment to the Notes or the applicable Guarantee, on substantially identical terms. This covenant does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or guarantees securing or in favor of some but not all of such Indebtedness.

Limitation on Equity Distributions

The Obligors will not, and will not permit any member of the Restricted Group to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as "**Equity Distributions**"):

(1) declare or pay any dividend or make any distribution on or with respect to the Parent Guarantor's, any Co-Issuer's or any Restricted Subsidiary's Capital Stock (other than dividends or distributions payable solely in shares of the Parent Guarantor's, any Co-Issuer's or any Restricted Subsidiary's Capital Stock (other than Disqualified Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Parent Guarantor, any Co-Issuer or any Restricted Subsidiary;

(2) purchase, call for redemption or redeem, retire or otherwise acquire for value any Equity Interests of the Parent Guarantor, any Co-Issuer or any Restricted Subsidiary or any direct or indirect parent of the Parent Guarantor, any Co-Issuer or any Restricted Subsidiary held by any Persons other than the Parent Guarantor, any Co-Issuer or any Restricted Subsidiary;

(3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness that is subordinated in right of payment to the Notes or any Guarantee (excluding any intercompany Indebtedness between or among the Parent Guarantor, any Co-Issuer or any Restricted Subsidiary) or make any payment in respect of any Shareholder Subordinated Loan or any other Subordinated Indebtedness; or

(4) make any loans to any holder of shares of the Parent Guarantor's, any Co-Issuer's or any Restricted Subsidiary's Capital Stock;

unless, at the time of, and after giving effect to, the proposed Equity Distribution:

(A) no Default or Event of Default has occurred and is continuing or would occur as a result of such Equity Distribution;

(B) each Account holds all funds required to be held therein in accordance with the Indentures and the Intercreditor Deed;

(C) for the most recent four consecutive quarterly periods (for which consolidated financial statements of the Parent Guarantor are available), taken as one annual period, the Debt Service Coverage Ratio is at least 1.15 to 1; and

(D) the aggregate balance on deposit in the Distribution Accounts is at least U.S.$30.0 million.

The foregoing provision will not be violated by reason of:

(1) the payment of any dividend or redemption of any Equity Interest within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;

(2) the redemption, repurchase, defeasance or other acquisition or retirement for value of any Shareholder Subordinated Loan or other Subordinated Indebtedness with the proceeds of, or in exchange for, Permitted Refinancing Indebtedness;

(3) the redemption, repurchase, defeasance or other acquisition or retirement for value of any Shareholder Subordinated Loan or other Subordinated Indebtedness or Equity Interests of the Parent Guarantor, any Co-Issuer or any Restricted Subsidiary in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or sale (other than a capital contribution by or sale to a Subsidiary of the Parent Guarantor) of, Equity Interests (other than Disqualified Stock) of the Parent Guarantor, any Co-Issuer or any Restricted Subsidiary; *provided* that any such options, warrants or other rights are not redeemable at the option of the holder, or required to be redeemed, prior to the Stated Maturity of the Notes;

(4) the repurchase of Equity Interests of the Parent Guarantor, any Co-Issuer or any Restricted Subsidiary deemed to occur upon (a) the exercise or conversion of warrants, options or other rights to acquire Equity Interests to the extent such Equity Interests represent a portion of the exercise price of those warrants, options or other rights or (b) the withholding of a portion of the Equity Interests granted or awarded to a current or former commissioner, director, officer or employee of the Parent Guarantor, any Co-Issuer or any Restricted Subsidiary to pay for the taxes payable by such person upon such grant or award;

(5) cash payments in lieu of the issuance of fractional shares in connection with the exercise or conversion of any warrants, options or rights to acquire Capital Stock of any Obligor;

(6) dividends or distributions paid on, and the purchase, call for redemption, retirement, or acquisition for value of, Disqualified Stock of any Obligor, in each case, in accordance with the terms of such Disqualified Stock, *provided* such Disqualified Stock was issued after the Original Issue Date in accordance with the covenant under the caption "*—Limitation on Indebtedness*"; or

(7) during the period from (and including) the Original Issue Date to (but excluding) the date falling 30 days following the Original Issue Date, the payment of an Equity Distribution in an aggregate amount not to exceed U.S.$150.0 million,

provided that in the case of clause (2) or (3) above, no Default will have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

The amount of any Equity Distribution (other than cash) will be the Fair Market Value on the date of the Equity Distribution of the assets or securities proposed to be transferred or issued by the Parent Guarantor, Co-Issuers or Restricted Subsidiaries pursuant to the Equity Distribution. The value of any assets or securities that are required to be valued by this covenant will be the Fair Market Value.

The Board of Directors' determination of the Fair Market Value of an Equity Distribution or any such assets or securities must be based upon an opinion or appraisal issued by an accounting, appraisal or investment banking firm of recognized international standing if the Fair Market Value exceeds U.S.$25.0 million (or the Dollar Equivalent thereof).

Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries

The Parent Guarantor and the Co-Issuers will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell, any shares of Capital Stock of any Restricted Subsidiary (or options, warrants or other rights to purchase shares of such Capital Stock) except:

(1) to any Obligor;

(2) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than an Obligor;

(3) the issuance or sale of the shares of Capital Stock of any Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary; and

(4) 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 Obligors apply the Net Cash Proceeds of such issuance or sale in accordance with the "*—Certain Covenants—Limitation on Asset Sales*" covenant.

Notwithstanding the foregoing, a Restricted Subsidiary may issue Common Stock to its shareholders on a *pro rata* basis or on a basis more favorable to any Obligor.

Limitation on Issuances of Guarantees by Restricted Subsidiaries

The Parent Guarantor and the Co-Issuers will not permit any Restricted Subsidiary which is not a Subsidiary Guarantor, directly or indirectly, to provide any guarantee for any Indebtedness ("**Guaranteed Indebtedness**") of any Obligor unless (a) such Restricted Subsidiary simultaneously executes and delivers supplemental indentures to the Indentures providing for an unsubordinated Subsidiary Guarantee of payment of the Notes by such Restricted Subsidiary and (b) 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 any Obligor 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 (A) ranks *pari passu* in right of payment with the Notes or any Guarantee, then the guarantee of such Guaranteed Indebtedness shall rank *pari passu* in right of payment with, or subordinated to, the Guarantee or (B) is subordinated in right of payment to the Notes or any Guarantee, then the guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Guarantee at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes or the Guarantee.

Additional Subsidiary Guarantors

The Parent Guarantor and the Co-Issuers will cause each of their future Restricted Subsidiaries (other than any such Restricted Subsidiary if the guarantee by such Restricted Subsidiary of the payment of the Notes could reasonably be expected to give rise to or result in any conflict with or violation of applicable law (or risk of criminal liability for the officers, directors, commissioners, managers or shareholders of such Restricted Subsidiary) and such conflict, violation or criminal liability cannot be avoided or otherwise prevented through measures reasonably available to the Parent Guarantor and the Co-Issuers, within 60 days of it becoming a Restricted Subsidiary), to execute and deliver to the Trustee supplemental indentures to the Indentures providing for an unsubordinated Subsidiary Guarantee of payment of the Notes by such Restricted Subsidiary.

DGI will provide certain security in respect of the Notes but will not provide a Subsidiary Guarantee or any Indonesian law guarantee in connection with the Notes.

Limitation on Transactions with Affiliates

The Obligors will not, and will not permit any other member of the Restricted Group to, directly or indirectly, enter into, renew or extend any transaction (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with any Affiliate of any Obligor (each an "**Affiliate Transaction**"), unless:

(1) the Affiliate Transaction is on terms that are no less favorable to such Obligor than those that could be obtained, at the time of such transaction or, if such transaction is pursuant to a binding agreement, at the time such agreement was made, in a comparable arm's-length transaction by such Obligor with a Person that is not an Affiliate of any Obligor; and

(2) the Parent Guarantor or the Co-Issuers deliver to the Trustee:

(a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of U.S.$10.0 million (or the Dollar Equivalent thereof), a Board Resolution attached to an Officers' Certificate certifying that such Affiliate Transaction complies with clause (1) above and such Affiliate Transaction has been approved by the Board of Directors; and

(b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of U.S.$25.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause (2)(a) above, an opinion as to the fairness to such Obligor of such Affiliate Transaction from a financial point of view, or that such Affiliate Transaction is not less favorable to such Obligor than could reasonably be expected to be obtained at the time in an arm's-length transaction with a Person who was not an Affiliate, issued by an accounting, appraisal or investment banking firm of recognized international standing.

The foregoing limitation does not limit, and will not apply to:

(1) the payment of reasonable and customary regular fees to and reimbursements of expenses of (pursuant to indemnity arrangements or otherwise) officers, directors, commissioners, employees or consultants of the Parent Guarantor, any Co-Issuer or any Restricted Subsidiary;

(2) transactions otherwise permitted by the Indentures between or among the Obligors and any Restricted Subsidiaries or between or among Restricted Subsidiaries;

(3) transactions with a Person (other than an Unrestricted Subsidiary of any Obligor) that is an Affiliate of the Parent Guarantor or any Co-Issuer, as applicable, solely on account of the fact that the Parent Guarantor or any Co-Issuer or any of their respective Subsidiaries owns Capital Stock in, or controls, such Person or appoints directors, commissioners or officers to such Person;

(4) any Equity Distribution not prohibited by the covenant described under the caption "*—Limitation on Equity Distributions*;"

(5) any issuance of securities or other payments, awards or grants in cash, securities or otherwise pursuant to, or as the funding of, employment agreements and other compensation arrangements, options to purchase Capital Stock of the Parent Guarantor, any Co-Issuer or any Restricted Subsidiary, restricted stock plans, long-term incentive plans, stock appreciation rights

plans, participation plans or similar benefits or plans and/or indemnities provided on behalf of commissioners, directors, officers and employees and approved by the Board of Directors; transactions or payments pursuant to any employee, commissioner, officer or director compensation or benefit plans, director or commissioner indemnification agreements, or similar arrangements entered into in the ordinary course of business and any payments pursuant thereto;

(6) transactions that would otherwise be restricted by operation of this covenant, to the extent that the same are undertaken pursuant to any contract or agreement as in effect on the Original Issue Date (including the Project Documents), as amended, modified, renewed or replaced from time to time so long as such amendment, modification, extension or replacement, taken as a whole, as certified in good faith by the Co-Issuers in an Officers' Certificate, is not materially more disadvantageous to the Holders of the Notes than the original agreement as in effect on the Original Issue Date;

(7) any agreement entered into in the ordinary course of business (and any transactions pursuant to such agreements) on terms that are fair to the Parent Guarantor, such Co-Issuer or such Restricted Subsidiary or on terms at least as favorable to the Parent Guarantor, such Co-Issuer or such Restricted Subsidiary as arm's length, in each case, at the time such agreement is entered into, as determined in good faith by the Board of Directors, including (i) technical services or support agreements, (ii) secondment agreements, (iii) consultancy agreements, (iv) guarantee fee charge agreements for guarantees of obligations of the Parent Guarantor, any Co-Issuer or any Restricted Subsidiary, (v) reimbursement agreements, (vi) leases and (viii) agency agreements for the procurement of goods or services;

(8) loans or advances to employees of the Parent Guarantor, any Co-Issuer or any Restricted Subsidiary in the ordinary course of business in an aggregate principal amount not to exceed U.S.$5.0 million (or the Dollar Equivalent thereof) at any time outstanding;

(9) the issuance or sale of any Equity Interests (other than Disqualified Stock) or contributions to common equity capital of the Parent Guarantor, any Co-Issuer or any Restricted Subsidiary; and

(10) any Shareholder Subordinated Loan Incurred in compliance with the Indentures.

Limitation on Liens

The Obligors will not, and will not permit any other member of the Restricted Group to, directly or indirectly, incur, assume or permit to exist any Lien on the Collateral (other than Permitted Liens).

The Obligors will not, and will not permit any other member of the Restricted Group to, directly or indirectly, incur, assume or permit to exist any Lien securing Indebtedness on any of its assets or properties of any kind (other than the Collateral), whether owned at the Original Issue Date or thereafter acquired, except (a) Permitted Liens, and (b) Liens which are not Permitted Liens ("**Initial Liens**") as long as the Notes are secured equally and ratably with or prior to (or, if the obligation to be secured by such Lien is subordinated in right of payment to the Notes or any Guarantee, prior to) the obligations so secured.

Any Lien created for the benefit of the Holders pursuant to this covenant will provide by its terms that such Lien will be automatically and unconditionally released and discharged (a) upon the release and discharge of the Initial Lien other than as a consequence of an enforcement action with respect to the assets subject to such Lien or (b) as set forth under "*Security—Release of Collateral*."

Permitted Pari Passu Secured Obligations

On or after the creation of the Liens over the Collateral, the Obligors and the Security Providers may, without the consent of any Holder or persons holding the benefit of the Collateral, offer the Liens created under the Collateral as security on a *pari passu* basis with the Holders, to secure either (1) other Indebtedness of any Obligor ("**Permitted Pari Passu Indebtedness**") or (2) Hedging Obligations of any Obligor under any Currency Agreement or Interest Rate Agreement entered into by any Obligor for the purpose of hedging any currency or interest rate exposures of any Obligor in relation to the Notes or any Permitted Pari Passu Indebtedness (such Hedging Obligations, together with any Permitted Pari Passu Indebtedness, being "**Permitted Pari Passu Secured Obligations**"); *provided* that (A) in the case of any Permitted Pari Passu Indebtedness, the Obligor was permitted to Incur such Indebtedness under either clause (a) or clauses (b)(2), (b)(4) or (b)(7) of the covenant under the caption "*—Limitation on Indebtedness*"; (B) the holders of such Indebtedness (or their representative(s)) become party to the Intercreditor Deed referred to below and, for the avoidance of doubt, the holders of such Indebtedness shall be entitled to accede to the Intercreditor Deed; (C) the agreement in respect of such Indebtedness contains provisions with respect to release of the Collateral that are substantially similar to and no more restrictive on the Obligors than the relevant provisions of the Indentures, the Intercreditor Deed and the Security Documents; and (D) in the case of any Permitted Pari Passu Secured Obligations, the Co-Issuers deliver to the Trustee and the Collateral Agents an Opinion of Counsel and an Officers' Certificate with respect to compliance with the conditions stated in (A), (B), and (C) above (as relevant) with respect to corporate and collateral matters in connection with the Security Documents.

The Trustee and the Collateral Agents will be permitted and authorized, without the consent of any Holder, to enter into any amendments to the Security Documents relating to the Collateral, the Intercreditor Deed or the Indentures and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Obligations in accordance with this paragraph.

Except for certain Permitted Liens and the Permitted Pari Passu Secured Obligations, the Obligors and DGI will not be permitted to incur any other Indebtedness secured by all or any portion of the Collateral without the consent of each Holder of the Notes then outstanding.

Limitation on Asset Sales

The Obligors will not, and will not permit any other member of the Restricted Group to, sell, transfer, dispose or lease any property or assets used in the operation of, and material to, any Project, except:

(1) inventory, receivables and other current assets in the ordinary course of business;

(2) to the extent that such property or assets has become damaged, obsolete, worn out or no longer useful in connection with any Project or a Permitted Business, or trade-ins or exchanges of equipment or other fixed assets for other assets of equivalent value;

(3) cash and cash equivalents;

(4) any sale, transfer or other disposition constituting an Equity Distribution that does not violate the covenant described under the caption "*—Limitation on Equity Distributions*";

(5) any transfer or other disposition deemed to occur in connection with creating or granting any Lien permitted to be created or granted under the Indentures;

(6) a transaction covered by the covenant under the caption "*—Consolidation, Merger and Sale of Assets*";

(7) any sale, transfer or other disposition by the Parent Guarantor, any Co-Issuer or any Restricted Subsidiary, including the sale or issuance by the Parent Guarantor, any Co-Issuer or any Restricted Subsidiary, of any Capital Stock of the Parent Guarantor, any Co-Issuer or any Restricted Subsidiary to the Parent Guarantor, any Co-Issuer or any Restricted Subsidiary;

(8) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind, or any disposition arising from foreclosure, condemnation or similar action with respect to any property or other assets, or exercise or termination rights under any lease, license, concession or other agreement;

(9) property or assets with a Fair Market Value not in excess of U.S.$25.0 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;

(10) the licensing or sublicensing of intellectual property or other general intangibles and licenses, leases or subleases of other property in the ordinary course of business;

(11) any sale, transfer or other disposition by the Parent Guarantor, any Co-Issuer or any Restricted Subsidiary of any Capital Stock of any Unrestricted Subsidiary; or

(12) if the Net Cash Proceeds from such sale, transfer, disposal or lease are applied within 365 days of the receipt of such Net Cash Proceeds to (i) permanently repay any Permitted Pari Passu Secured Obligations of the Obligors; (ii) to acquire all or substantially all of the assets of, or any Capital Stock of, another Person engaged in a Permitted Business, if, after giving effect to any such acquisition of Capital Stock, such Person becomes a Subsidiary of the Parent Guarantor and enters into a Subsidiary Guarantee of the Notes; (iii) to make a capital expenditure (including by way of a repair or replacement of the assets or property that were the subject of such transfer, disposal or lease), or to enter into a binding agreement to make such a capital expenditure within 365 days of the receipt of such Net Cash Proceeds; *provided* that such binding agreement shall be treated as a permitted application of the Net Cash Proceeds from the date of such commitment until the earlier of (x) the date on which such capital expenditure is made in accordance with the provisions of such binding agreement and (y) the 180th day following the end of the 365-day time period, and *provided, further*, that any such replaced assets or property shall immediately become subject to the Liens of the Security Documents; (iv) to redeem the Notes or to make an offer to purchase the Notes at a purchase price at least equivalent to 100% of the principal amount thereof or make open market purchases of the Notes; or (v) in any combination of applications specified in clauses (i) through (iv) above.

Limitation on Business Activities of the Obligors

The Obligors will not, and will not permit any member of the Restricted Group to, directly or indirectly, engage in any business other than Permitted Businesses. The Obligors will not take any action which would cause them to no longer satisfy the requirements of an available exemption from the provisions of the U.S. Investment Company Act of 1940, as amended.

The Obligors will not, and will not permit any member of the Restricted Group to, effect any capital expenditures in respect of the construction of any new Geothermal Unit unless the Co-Issuers have first delivered to the Trustee a certification from a third party geothermal consultant of international standing, confirming the existence of sufficient geothermal resources in the Salak or Darajat contract area (as the case may be) to support the proposed generation capacity of such additional Geothermal Unit for a period of no less than 20 years.

Maintenance of Insurance

The Obligors will, and will cause each other member of the Restricted Group to, at all times maintain, with reputable and financially sound carriers, (i) insurance which they are required to obtain by applicable legal requirements or by the terms of any Energy Sales Contract and/or Joint Operating Contract, and (ii) insurance of substantially the same scope, type and amounts as are in force as at the Original Issue Date (increased as necessary to take into account prudent operating practice), except to the extent such insurance is not available on commercially reasonable terms (including, without limitation, as to the cost of premiums payable), such unavailability to be certified by the Co-Issuers and confirmed as reasonable by an independent insurance expert from a nationally-recognized insurance brokerage firm.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors may designate any Restricted Subsidiary (other than SEGSPL, SEGDI and DGI) to be an Unrestricted Subsidiary; *provided* that (a) no Default shall have occurred and be continuing after giving effect to such designation; (b) none of the Parent Guarantor, any Co-Issuer or any Restricted Subsidiary guarantees the Indebtedness or other liabilities of such Restricted Subsidiary; (c) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Parent Guarantor, any Co-Issuer or any Restricted Subsidiary; (d) such Restricted Subsidiary does not own any Disqualified Stock of the Parent Guarantor or any Co-Issuer or Disqualified Stock or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness of, or any Lien on any property of, the Parent Guarantor, any Co-Issuer or any Restricted Subsidiary, if such Disqualified Stock or Preferred Stock or Indebtedness could not be Incurred under the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" or such Lien would violate the covenant described under "*—Certain Covenants—Limitation of Liens*"; (e) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated as Unrestricted Subsidiaries in accordance with this paragraph and (f) in no event will any license, authorization or concession that is material to the operation of the Permitted Business of the Parent Guarantor, any Co-Issuer or any Restricted Subsidiary be transferred to or held by an Unrestricted Subsidiary.

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that (a) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (b) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under the caption "*—Certain Covenants—Limitation on Indebtedness*"; (c) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been Incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under the caption "*—Certain Covenants—Limitation on Liens*"; and (d) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary). All designations must be evidenced by a Board Resolution and an Officers' Certificate of the Co-Issuers delivered to the Trustee certifying compliance with the preceding provisions.

Limitation on Amendments to Key Project Documents

The Obligors shall not, and shall not permit any other member of the Restricted Group to, directly or indirectly, amend, modify, terminate, supplement or waive a right or permit or consent to the amendment, modification, termination, supplement or waiver of a right with respect to any Energy Sales Contract, Joint Operating Contract or other material agreement relating to any Project, the effect of which could reasonably be expected to have (a) a material adverse effect on the Obligors' ability to make payment of the principal of, or interest on, the Notes or (b) a Material Adverse Effect. The Co-Issuers shall deliver or cause to be delivered an Officers' Certificate in the case of any amendment to any Energy Sales Contract, Joint Operating Contract or other material agreement relating to any Project (i) if pursuant to the foregoing clause (a), stating that the effect of such amendment could not reasonably be expected to have a material adverse effect on the Obligors' ability to make payment of the principal of, or interest on, the Notes, and (ii) if pursuant to clause (b), stating that the effect of such amendment could not reasonably be expected to have a Material Adverse Effect.

Creation, Perfection and Maintenance of Security Interest

Within 120 days after the Original Issue Date, and from time to time as required thereafter, the Obligors and the Security Providers shall, and the Obligors shall cause each other member of the Restricted Group that is providing Collateral to, at their expense, prepare, give, execute, deliver, file and/or record any notice, financing statement, continuation statement, public deed, instrument or agreement necessary to create, maintain, preserve, continue, perfect or validate a first priority security interest (subject to Permitted Liens) granted under the Security Documents or pursuant to the Security Documents for the benefit of the Holders, the Trustee and holders of Permitted Pari Passu Secured Obligations and to protect the Collateral as set forth in the Security Documents; *provided*, that with regard to the insurance receivables and the Onshore Corporate and Tax Accounts, the Obligors will only be obligated to provide notice of the security interests in such insurance receivables and the Onshore Corporate and Tax Accounts to the corresponding insurance provider and account bank, respectively, and to use commercially reasonable efforts to obtain acknowledgements of such notices from the insurance provider and the account bank (as applicable). The Co-Issuers shall, at their expense, furnish the Trustee and the Collateral Agents, no later than 120 days following each anniversary of the date of the Indentures, with an Officers' Certificate specifying the action taken or required to be taken by the Obligors and the Security Providers to comply with the requirements of this paragraph since the date of the Indentures or the last such Officers' Certificate, or stating that no such action is necessary.

Maintenance of Existence

Except to the extent permitted by the covenant "*—Consolidation, Merger and Sale of Assets*" below, the Obligors will, and will cause each other member of the Restricted Group to, maintain its existence and obtain and maintain, or cause to be obtained or maintained, as the case may be, as and when needed, all material franchises, permits, rights, privileges, licenses or government permissions necessary for the operation of each Project and conduct of its business, except where any failure to do so would not reasonably be expected to have a Material Adverse Effect.

Maintenance of Books and Records, Inspection

The Obligors will, and will cause each other member of the Restricted Group to, maintain its books, accounts and records in accordance with IFRS. Each Obligor shall, and shall cause each other member of the Restricted Group to, keep books of accounts or records concerning its accounts, contract rights and proceeds at its offices identified in the address for notices in the Indentures (as the address may be changed from time to time in accordance with the Indentures).

Compliance with Laws and Agreements; Maintenance of Permits

The Obligors will, and will cause each other member of the Restricted Group to, (i) comply with all applicable laws and regulations, including any environmental laws) of any Governmental Instrumentality having jurisdiction over the Obligors or their respective business and the operation of any Project and (ii) obtain and maintain in full force and effect all material permits and rights reasonably required for their respective business, except, in any such case, where the failure to comply would not reasonably be expected to result in a Material Adverse Effect.

Credit Rating Agencies

The Co-Issuers will use reasonable efforts to take all actions as may be necessary or appropriate from time to time to cause the Notes to be rated by at least two Rating Agencies. If one of the two Rating Agencies ceases to be a "nationally recognized statistical rating organization" within the meaning of Section 3(a)(62) under the Exchange Act or ceases to be in the business of rating securities of the type and nature of the Notes, the Co-Issuers may replace the rating received from it with a rating from any other "nationally recognized statistical rating organization" in the business of rating securities of the type and nature of the Notes.

Taxes

The Obligors will pay, and will cause each other member of the Restricted Group to pay, prior to delinquency, all material Taxes, assessments and governmental charges except such as are contested in good faith and by appropriate proceedings or where the failure to effect such payment is not adverse in any material respect to the Holders of the Notes.

Provision of Financial Statements and Reports

So long as any of the Notes remain outstanding, the Parent Guarantor and the Co-Issuers will file with the Trustee and furnish to the Holders upon request:

(1) as soon as they are available, but in any event within 120 calendar days after the end of the fiscal year of the Parent Guarantor, copies of its financial statements (on a consolidated basis, if applicable, and in the English language) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) prepared in accordance with IFRS and audited by a member firm of an internationally recognized firm of independent accountants;

(2) as soon as they are available, but in any event within 90 calendar days after the end of each of the first, second and third fiscal quarters of the Parent Guarantor, copies of its unaudited financial statements (on a consolidated basis, if applicable, and in the English language) in respect of such quarterly period (including a statement of income, balance sheet and cash flow statement) prepared on a basis consistent with the audited financial statements of the Parent Guarantor, together with a certificate signed by the Person then authorized to sign financial statements on behalf of the Parent Guarantor, to the effect that such financial statements have been prepared on a basis consistent with the audited financial statements (except that such financial statements may exclude usual year-end adjustments and exclude certain notes); and

(3) as soon as possible and in any event within 30 days after the Co-Issuers become aware of the occurrence thereof, written notice of the occurrence of any event or condition which constitutes a Default and/or an Event of Default and an Officers' Certificate of the Co-Issuers setting forth the details thereof and the action the Co-Issuers are taking or propose to take with respect thereto,

provided that if at any time the Common Stock of the Parent Guarantor is listed for trading on a recognized stock exchange, the Parent Guarantor and the Co-Issuers need not comply with clause (1) and (2) above, but shall instead file with the Trustee, as soon as they are available but in any event not more than 10 calendar days after any financial or other reports of the Parent Guarantor are filed with any recognized exchange on which the Parent Guarantor's Common Stock is at any time listed for trading, true and correct copies of any financial or other report filed (in the English language) with such exchange.

If at any time that any of the Parent Guarantor's Subsidiaries are Unrestricted Subsidiaries (including, without limitation, PT Star Energy Geothermal Suoh Sekincau) and any such Unrestricted Subsidiary or group of Unrestricted Subsidiaries, if taken together as one Subsidiary, constitutes a Significant Subsidiary of the Parent Guarantor, then the annual and quarterly financial information required by clauses (1) and (2) above shall include either (i) a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Restricted Group separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Parent Guarantor or (ii) standalone audited or unaudited financial statements, as the case may be, of such Unrestricted Subsidiary or Unrestricted Subsidiaries (as a group or otherwise) together with an unaudited reconciliation to the financial information of the Parent Guarantor and its Subsidiaries. For the purposes of this covenant, "**Significant Subsidiary**" means any Subsidiary of the Parent Guarantor that meets any of the following conditions:

(1) the Parent Guarantor's and its Restricted Subsidiaries' investments in and advances to the Subsidiary exceed 10% of the total assets of the Parent Guarantor and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year;

(2) the Parent Guarantor's and its Restricted Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of the Restricted Subsidiary exceeds 10% of the total assets of the Parent Guarantor and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year; or

(3) the Parent Guarantor's and its Restricted Subsidiaries' equity in the income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principle of the Restricted Subsidiary exceeds 10% of such income of the Parent Guarantor and its Restricted Subsidiaries on a consolidated basis for the most recently completed fiscal year.

In addition, so long as any of the Notes remain outstanding, the Parent Guarantor will provide to the Trustee within 120 days after the end of each fiscal year, an Officers' Certificate stating (1) the Debt Service Coverage Ratio with respect to the four most recent fiscal quarters and showing in reasonable detail the calculations thereof and (2) that a review has been conducted of the activities of the Parent Guarantor and its Subsidiaries and their performance under the Indentures, the Intercreditor Deed, the Security Documents, the Notes and the Guarantees, and that the Parent Guarantor has fulfilled all obligations thereunder or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof.

Further, the Co-Issuers have agreed that, during any period in which the Co-Issuers are neither subject to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, the Co-Issuers will supply to (i) any Holder or beneficial owner of a Note or (ii) a prospective purchaser of a Note or a beneficial interest therein designated by such Holder or beneficial owner, the information specified in, and meeting the requirements of Rule 144A(d)(4) under the Securities Act upon the request of any Holder or beneficial owner of a Note.

Events of Default

The following events will be defined as "**Events of Default**" in the Indentures with respect to the Notes:

(a) default in the payment of interest or any Additional Amounts on any Note when the same becomes due and payable, and such default continues for a period of 30 days, from and including such payment due date;

(b) default in the payment of principal of (or premium, if any, on) or other amount with respect to the Notes when the same becomes due and payable under the Indentures as described under "*—Brief Description of the Notes—Amortization of Principal*" or at maturity, upon acceleration, redemption or otherwise; *provided*, *however*, that a failure to pay will not constitute an Event of Default if the failure to pay was caused by an administrative or technical error and full payment is made within five Business Days following the date such payment is due;

(c) (x) the Obligors default in the performance of or breach the covenant described under "*—Consolidation, Merger and Sale of Assets*" or under "*—Mandatory Redemption of Notes Without Premium*," or (y) the Obligors fail to make or consummate a Change of Control Offer in the manner described under the caption "*—Change of Control*";

(d) any Obligor or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indentures or under the Notes (other than a default specified in clause (a), (b) or (c) above) and such default or breach continues for a period of 60 Business Days after written notice by the Trustee (acting on the instructions of the Holders of at least 25% in principal amount of the outstanding Notes) or the Holders of 25% or more in aggregate principal amount of the Notes; *provided*, *however*, that without prejudice to the requirements of the covenant described under "*—Certain Covenants—Limitation on Equity Distributions*," any default in the performance or breach of any covenant or other requirement under the Indentures relating to the required balance in the Debt Service Accounts or any other Offshore Account (other than a failure by the Co-Issuers to ensure that the payments described in subparagraphs (1) through (4) of the section titled "*Accounts*" have been made in full prior to the making of any payments into the Distribution Accounts), shall in any such case not constitute a Default or an Event of Default;

(e) there occurs a default in the payment of the principal of, or interest on, any Indebtedness (other than Subordinated Indebtedness) of any Obligor or any Restricted Subsidiary (whether such Indebtedness now exists or will hereafter be created) having an aggregate principal amount of exceeding U.S.$50.0 million (or the Dollar Equivalent thereof) when and as that Indebtedness becomes due and payable, after the expiration of any applicable grace period or any other default relating thereto, if the effect of such default is to cause such Indebtedness to become due and payable prior to its Stated Maturity, unless such Indebtedness is discharged or such acceleration is rescinded;

(f) a distress, attachment, execution or other legal process for any amount exceeding U.S.$50.0 million (or its Dollar Equivalent), (net of any amounts which the insurance carriers of any Obligor or any Restricted Subsidiary have paid or are liable to pay under applicable policies) is issued, levied, enforced or sued upon or against any material part of the property of any Obligor or any Restricted Subsidiary pursuant to a final and non-appealable order from a relevant court, and such distress, attachment, execution or other process is not paid out, satisfied, bonded, withdrawn or stayed within 60 days of the date of issue, levy or enforcement;

(g) the Guarantee of any Guarantor is held to be unenforceable or invalid in a judicial proceeding, or is claimed in writing by any Obligor not to be valid and enforceable, or the Guarantee of any Guarantor is denied or disaffirmed in writing by such Guarantor except, in each case, as permitted in accordance with the terms of the Indentures;

(h) any Obligor or any Restricted Subsidiary shall: institute a voluntary case or undertake actions to form an arrangement with creditors for the purpose of paying past due debts or seeking liquidation, reorganization or moratorium of payments under any Bankruptcy Law (or any successor statute or similar statute in any relevant jurisdiction) or any similar proceeding, or shall consent to the institution of an involuntary case thereunder against it; or any Obligor or any Restricted Subsidiary shall file a petition, answer or consent or shall otherwise institute any similar proceeding under any other Legal Requirements, or shall consent thereto; or any Obligor or any Restricted Subsidiary shall apply for, or by consent or acquiescence there shall be an appointment of, a receiver, liquidator, sequestrator, trustee or other officer with similar powers, over any of them or material property or assets of any of them, or any Obligor or any Restricted Subsidiary shall make an assignment for the benefit of creditors; or any Obligor or any Restricted Subsidiary shall admit in writing its inability to pay its debts generally as they become due; or if an involuntary case shall be commenced seeking the liquidation or reorganization of any Obligor or any Restricted Subsidiary under any Bankruptcy Law (or any successor statute or similar statute under any relevant jurisdiction) or any similar proceeding shall be commenced against any Obligor or any Restricted Subsidiary under any other Legal Requirements and (a) the petition commencing the involuntary case is not timely controverted, (b) the petition commencing the involuntary case is not dismissed within 60 days of its filing, (c) an interim trustee is appointed to take possession of all or a material portion of their property, and/or to operate all or any material part of the business of any Obligor or any Restricted Subsidiary and such appointment is not vacated within 60 days or (d) an order for relief shall have been issued or entered therein; or a decree or order of a court having jurisdiction in the premises for the appointment of a receiver, liquidator, sequestrator, trustee or other officer having similar powers of any Obligor or any Restricted Subsidiary or of all or a material part of their property, shall have been entered; or any other similar relief shall be granted against any Obligor or any Restricted Subsidiary under any Legal Requirements;

(i) (i) any Obligor or any Security Provider fails to create a first priority security interest (subject to any Permitted Liens) on any Collateral having an aggregate Fair Market Value in excess of U.S.$50.0 million (or the Dollar Equivalent thereof) in accordance with the provisions described under the caption "*—Security*" and any such default continues unremedied for a period of 60 days after such Obligor or such Security Provider, as the case may be, receives written notice thereof specifying such occurrence from the Trustee (acting on the instructions of the Holders of at least 25% in principal amount of the outstanding Notes) or the Holders of at least 25% in aggregate principal amount of the Notes, then outstanding, and demanding that such default be remedied; (ii) any security interest created by any Security Document ceases to be in full force and effect (except as permitted by the Indentures or any Security Document) with respect to Collateral having an aggregate Fair Market Value in excess of U.S.$50.0 million (or the Dollar Equivalent thereof), or an assertion by any Obligor or any Security Provider that any Collateral having an aggregate Fair Market Value in excess of U.S.$50.0 million (or the Dollar Equivalent thereof) is not subject to a valid, perfected security interest (in each jurisdiction where applicable and except as permitted by the Indentures or the Security Documents) and any such default continues unremedied for a period of 60 days after any Obligor or any Security Provider, as the case may be, receives written notice thereof specifying such occurrence from the Trustee (acting on the instructions of the Holders of at least 25% in principal amount of the outstanding Notes and having received indemnity, security and/or prefunding to its satisfaction) or the Holders of at least 25% in aggregate principal amount of the Notes, then outstanding, and demanding that such default be remedied; or (iii) the repudiation by any Obligor or any Security Provider of any of its material obligations under any Security Document;

(j) there occurs any Expropriation Event and the Co-Issuers fail to comply with the conditions to remedy such Expropriation Event set forth in the Indentures;

(k) any Energy Sales Contract or Joint Operating Contract is terminated, becomes invalid or otherwise ceases to be in full force and effect for any reason other than an expiration in accordance with its terms;

(l) there occurs any Loss Event and the Co-Issuers fail to comply with the conditions to remedy such Loss Event set forth in the Indentures;

(m) there occurs any abandonment of any Project; or

(n) any default in the performance of or breach of any covenant or agreement in the Intercreditor Deed that materially adversely affects the rights of any holder of Notes and such default or breach continues for a period of 30 consecutive days from the receipt by any Co-Issuer of notice thereof from the Trustee (acting on the instructions of the Holders of at least 25% in principal amount of the outstanding Notes and having received indemnity, security and/or prefunding to its satisfaction) or the Holders of at least 25% in aggregate principal amount of the Notes, then outstanding, or any amendment of any provision of the Intercreditor Deed that materially adversely affects any holder of Notes and is not authorized by the holders of at least a majority in aggregate principal amount of the Notes.

If an Event of Default (other than an Event of Default specified in clause (h) above) occurs and is continuing under the Indentures, the Trustee (acting on the instructions of the Holders of at least 25% in principal amount of the outstanding Notes) or the Holders of at least 25% in aggregate principal amount of the Notes, then outstanding, by written notice (an "**Acceleration Notice**") to the Co-Issuers (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the written request of such Holders will, and subject to receipt of indemnity, security and/or prefunding to its satisfaction, declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable or exercise other remedies. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest will be immediately due and payable. If an Event of Default specified in clause (h) above occurs, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding will automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

In addition, subject to the provisions of the Intercreditor Deed, if an Event of Default occurs and is continuing, the Trustee shall (subject to receipt of indemnity, security and/or prefunding to its satisfaction) upon the written direction of Holders of at least 25% in aggregate principal amount of outstanding Notes, (i) give the Collateral Agents a written notice of the occurrence of such continuing Event of Default and (ii) instruct the Collateral Agents to foreclose on the Collateral in accordance with the terms of the Indentures and the Security Documents and take such further action on behalf of the Holders with respect to the Collateral as set out in such instruction. See "*—Security*."

The Holders of at least a majority in aggregate principal amount of the outstanding Notes by written notice to the Co-Issuers and to the Trustee, may on behalf of all of the Holders waive all past defaults and rescind and annul a declaration of acceleration and its consequences with respect to the Notes if:

(x) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived, and

(y) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee with respect to the Notes or exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or the Indentures, that may involve the Trustee in personal liability or cause it to expend or risk its own funds or otherwise incur any financial liability in following such direction, and may take any other action it deems proper that is not inconsistent with any such direction received from Holders. Notwithstanding anything to the contrary in the Indentures, the Guarantees, the Deed of Guarantee, the Intercreditor Deed or any other document relating to the Notes or the Security Documents, in the event the Trustee shall receive instructions and/or indemnity and/or prefunding from two or more groups of Holders, each holding at least 25% in aggregate principal amount of the then outstanding Notes, and the Trustee believes (in its sole discretion and subject to such legal or other advice as it may deem appropriate) that such instructions are conflicting, the Trustee may, in its sole discretion, exercise any one or more of the following options:

(1) refrain from acting on any such conflicting instructions;

(2) take the action requested by the Holders of the highest percentage of the aggregate principal amount of the then outstanding Notes, notwithstanding any other provisions of the Indentures (and always subject to such indemnification, security and/or prefunding as is satisfactory to the Trustee); and

(3) petition a court of competent jurisdiction for further instructions.

In all such instances where the Trustee has acted or refrained from acting as outlined above, the Trustee shall not be responsible or liable for any losses or liability of any nature whatsoever to any party.

Subject to the provisions of the Indentures relating to the duties of the Trustee, the Trustee will be under no obligation to exercise any of the rights or powers under the Indentures at the request or direction of any Holders unless such Holders have instructed the Trustee in writing and have offered to the Trustee security and/or indemnity (including by way of pre-funding) to its satisfaction (which, in the case of a direction to enforce the Guarantees, the Deed of Guarantee, the Security Documents or any other document governed under the laws of the Republic of Indonesia against the Obligors or any other Person, shall be subject to provisions of the Indentures) against any loss, liability or expense. Except to enforce the right to receive payment of principal, premium, if any, or interest or Additional Amounts when due, a

Holder may not pursue or institute any proceeding, judicial or otherwise, with respect to the Indentures or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indentures or the Notes, unless:

(1) the Holder has previously given the Trustee written notice of a continuing Event of Default;

(2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer the Trustee security, prefunding and/or indemnity satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such request;

(4) the Trustee does not comply with the request within 60 days after receipt of the written request and the offer of security and/or indemnity and/or prefunding satisfactory to it; and

(5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a written direction that is inconsistent with the request.

See "*—Security—Intercreditor Deed*" and "*Security—Enforcement of Security.*"

However, such limitations do not apply to the right of any Holder of a Note to receive payment of the principal of, premium, if any, or interest, and Additional Amounts, if any, on, such Note or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right will not be impaired or affected without the consent of the Holder.

An Officer of the Parent Guarantor must certify to the Trustee, on or before a date not more than 120 days after the end of each fiscal year, that a review has been conducted of the activities of the Parent Guarantor and its Subsidiaries and the Parent Guarantor's and its Subsidiaries' performance under the Indentures and the Notes and that the Parent Guarantor and its Subsidiaries have fulfilled all obligations thereunder, or, if there has been a default in the fulfilment of any such obligation, specifying each such default and the nature and status thereof. The Obligors will also be obligated to notify the Trustee of any default or defaults in the performance of any covenants or agreements under the Indentures. See "*—Provision of Financial Statements and Reports*."

The Trustee and the Agents need not do anything to ascertain whether any Default or Event of Default has occurred or is continuing and may assume that no such Default or Event of Default has occurred and that the Obligors are performing all of their respective obligations under the Indentures and the Notes unless a Responsible Officer of the Trustee has received written notice of the occurrence of such Default or an Event of Default has occurred.

Consolidation, Merger and Sale of Assets

No Co-Issuer shall consolidate with, merge with or into another Person (other than the Parent Guarantor or the other Co-Issuer), permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to any Person (other than the Parent Guarantor or the other Co-Issuer); *provided* that, in the event any Co-Issuer so consolidates with, or merges with or into, the Parent Guarantor or the other Co-Issuer or sells, conveys, transfers, leases or otherwise disposes of all or substantially all of its properties and assets to the Parent Guarantor or the other Co-Issuer, the Parent Guarantor or the other Co-Issuer, as the case may be, immediately after such transaction, will (a) assume, by supplemental indentures to the Indentures, executed and delivered to the Trustee, all the obligations of such Co-Issuer under the Indentures and the Notes, which shall remain in full force and effect (other than the covenant described under the caption "*—Limitation on Business Activities of the Obligors*") and (b) deliver to the Trustee an Officers' Certificate and an Opinion of Counsel, in each case stating that such transaction and such supplemental indentures comply with this provision and that all conditions precedent provided for herein relating to such transaction have been complied with.

The Parent Guarantor will not consolidate with, merge with or into another Person, permit any Person to merge with or into it or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions), unless:

(1) the Parent Guarantor will be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets (the "**Surviving Person**") will be a corporation organized and validly existing under the laws of Bermuda and will expressly assume, by supplemental indentures to the Indentures, executed and delivered to the Trustee, all the obligations of the Parent Guarantor under the Indentures, the Notes, the Parent Guarantee and the Security Documents, as the case may be, and the Indentures, the Notes, the Parent Guarantee and the Security Documents, as the case may be, will remain in full force and effect;

(2) immediately after giving effect to such transaction on a *pro forma* basis, no Default will have occurred and be continuing;

(3) immediately after giving effect to such transaction on a *pro forma* basis, the Parent Guarantor or the Surviving Person, as the case may be, could Incur at least U.S.$1.00 of Indebtedness under the proviso in clause (a) of the covenant under the caption "*—Certain Covenants—Limitation on Indebtedness*";

(4) the Co-Issuers deliver to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clause (3) of this paragraph) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indentures comply with this provision and that all conditions precedent provided for in the Indentures relating to such transaction have been complied with and that the relevant supplemental indentures are enforceable; and

(5) no Rating Decline will have occurred.

No Subsidiary Guarantor will consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than another Obligor), unless:

(1) such Subsidiary Guarantor will be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets will be another Obligor or will become a Subsidiary Guarantor substantially concurrently with the transaction, and such Person shall expressly assume, by supplemental indentures to the Indentures, executed and delivered to the Trustee, all the obligations of such Subsidiary

Guarantor under the Indentures, the Notes and the Subsidiary Guarantee, as the case may be, including the obligation to pay Additional Amounts, and the Indentures, the Notes and the Subsidiary Guarantee, as the case may be, shall remain in full force and effect;

(2) immediately after giving effect to such transaction on a *pro forma* basis, no Default will have occurred and be continuing;

(3) immediately after giving *pro forma* effect to such transaction on a *pro forma* basis, the Parent Guarantor could Incur at least U.S.$1.00 of Indebtedness under the proviso in clause (a) of the covenant under the caption "*—Certain Covenants—Limitation on Indebtedness*";

(4) the Co-Issuers deliver to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clause (3) of this paragraph) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indentures comply with this provision and that all conditions precedent provided for in the Indentures relating to such transaction have been complied with and that the relevant supplemental indentures are enforceable; and

(5) no Rating Decline will have occurred;

provided that this paragraph will not apply to (a) any Subsidiary Guarantor whose Subsidiary Guarantee is unconditionally released in accordance with the provisions described under "*—Subsidiary Guarantees—Release of the Subsidiary Guarantees*," (b) a consolidation or merger of any Subsidiary Guarantor with and into, or sale of all or substantially all of the properties and assets of a Subsidiary Guarantor and its Subsidiaries (computed on a consolidated basis) to, any Obligor, so long as such Obligor survives such consolidation or merger or sale, and (c) any merger, consolidation, sale, assignment, transfer, conveyance, lease or other disposition of assets which complies with the covenant "*Certain Covenants—Limitation on Asset Sales*."

Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

Upon any consolidation or merger, or any sale, conveyance, transfer, lease or other disposition of all or substantially all of the properties and assets of any Obligor in a transaction that is subject to, and that complies with the provisions of, this "*Consolidation, Merger and Sale of Assets*" covenant, the successor Person (to the relevant Obligor) shall, except as provided above, succeed to, and be substituted for (so that from and after the date of such consolidation, merger, sale, conveyance, transfer, lease, assignment or other disposition, the provisions of the Indentures referring to "**Obligor**," "**Parent Guarantor**" "**Co-Issuer**" or "**Subsidiary Guarantor**" (as the case may be) shall refer instead to the successor Person and not to the relevant predecessor Obligor (and the relevant predecessor Obligor shall be relieved from the obligation to pay the principal of, premium on, if any, and interest on, the Notes and all other obligations under the Indentures, the Notes or the applicable Guarantee), and may exercise every right and power of the relevant Obligor under the Indentures with the same effect as if such successor Person had been named as an Obligor in the Indentures; *provided*, *however*, that the predecessor Obligor shall not be relieved from the obligation to pay the principal of, premium on, if any, and interest on, the Notes under the Indentures, the Notes or the applicable Guarantee in the case of a lease of all or substantially all of its properties and assets.

The foregoing provisions would not necessarily afford Holders protection in the event of highly-leveraged or other transactions involving the Co-Issuers that may adversely affect Holders.

Payments for Consents

The Obligors will not, and will not permit any other member of the Restricted Group 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 Indentures, the Notes, the Security Documents, the Intercreditor Deed or any Guarantee, unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

Notwithstanding the foregoing, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indentures or the Notes, the Parent Guarantor, any Co-Issuer or any Restricted Subsidiary may exclude (a) in connection with an exchange offer, holders or beneficial owners of the Notes that are not "qualified institutional buyers" as defined in Rule 144A under the Securities Act, and (b) in connection with any consent, waiver or amendment, holders or beneficial owners of the Notes in any jurisdiction where the inclusion of such holders or beneficial owners would require the Parent Guarantor, any Co-Issuer or any Restricted Subsidiary to (i) file a registration statement, prospectus or similar document or subject the Obligors to ongoing periodic reporting or similar requirements under any securities laws (including but not limited to, the United States federal securities laws and the laws of the European Union or its member states or the United Kingdom), (ii) qualify as a foreign corporation or other entity as a dealer in securities in such jurisdiction if it is not otherwise required to so qualify, (iii) generally consent to service of process in any such jurisdiction or (iv) subject the Parent Guarantor, any Co-Issuer or any Restricted Subsidiary to taxation in any such jurisdiction if it is not otherwise so subject, or the solicitation of such consent, waiver or amendment from, or the granting of such consent or waiver, or the approval of such amendment by, holders or beneficial owners in such jurisdiction would be unlawful, in each case as determined by the Co-Issuers in their sole discretion.

Defeasance

Defeasance and Discharge

The Indentures will provide that the Co-Issuers will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below and payments of all amounts due to the Trustee, and the provisions of the Indentures and the Security Documents will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies and to hold monies for payment in trust) if, among other things:

(A) the Co-Issuers have (1) deposited with the Trustee (or its agents), in trust, cash in U.S. dollars, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indentures and the Notes and (2) delivered to the Trustee a certificate of an internationally recognized firm of independent accountants to the effect that the amount deposited by the Co-Issuers is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity of such payment in accordance with the terms of the Indentures and the Notes;

(B) the Co-Issuers have delivered to the Trustee (1) either (x) an Opinion of Counsel of recognized international standing with respect to U.S. federal income tax matters which is based on a change in applicable U.S. federal income tax law occurring after the Original Issue Date to the effect that beneficial owners will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the Co-Issuers' exercise of their option under this "*—Defeasance*" provision and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same time as would have been the case if such deposit, defeasance and discharge had not occurred or (y) a ruling directed to the Trustee received from the U.S. Internal Revenue Service to the same effect as the aforementioned Opinion of Counsel and (2) an Opinion of Counsel to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 183 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law; and

(C) immediately after giving effect to such deposit on a *pro forma* basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, will have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance will not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Parent Guarantor, any Co-Issuer or any Restricted Subsidiary is a party or by which the Parent Guarantor, any Co-Issuer or any Restricted Subsidiary is bound.

In the case of either discharge or defeasance of the Notes, the Guarantees with respect to the Notes will terminate.

Defeasance of Certain Covenants

The Indentures further will provide that the provisions of the Indentures applicable to the Notes will no longer be in effect with respect to the covenants described under the caption "*—Change of Control Triggering Event*," clauses (3), (4)(x) and (6) under the second paragraph and clauses (3), (4)(x) and (5) under the third paragraph under "*—Consolidation, Merger and Sale of Assets*" and all the covenants described herein under "*—Certain Covenants*" other than as described under "*—Certain Covenants—Anti-Layering*," clause (c) under "*—Events of Default*" with respect to such clauses (3), (4)(x) and (6) under the second paragraph and clauses (3), (4)(x) and (5) under the third paragraph under "*—Consolidation, Merger and Sale of Assets*" and with respect to the other events set forth in such clause, clause (d) under "*—Events of Default*" with respect to such other covenants and clauses (e), (f), (g) and (h) under "*—Events of Default*" will be deemed not to be Events of Default upon, among other things, the deposit with the Trustee (or its agent), in trust, of U.S. dollars, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, Additional Amounts, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indentures and the Notes, the satisfaction of the provisions described in clause (B)(2) of the preceding paragraph and the delivery by the Co-Issuers to the Trustee of an Opinion of Counsel of recognized international standing with respect to U.S. federal income tax matters to the effect that the beneficial owners of the Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance of certain covenants and Events of Default and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same time as would have been the case if such deposit and defeasance had not occurred.

Defeasance and Certain Other Events of Default

If in the event the Co-Issuers exercise their option to omit compliance with certain covenants and provisions of the Indentures as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of U.S. dollars and/or U.S. Government Obligations on deposit with the Trustee (or its agent) will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Obligors will remain liable for such payments.

Satisfaction and Discharge

The Indentures will be discharged and will cease to be of further effect (except as to surviving rights of registration of transfer or exchange of the Notes, as expressly provided for in the Indentures) as to all outstanding Notes when:

(1) either:

  (a) all of the Notes theretofore authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust by the Co-Issuers and thereafter repaid to the Co-Issuers) have been delivered to the Registrar for cancellation; or

  (b) all Notes not theretofore delivered to the Registrar for cancellation have become due and payable pursuant to an optional redemption notice or otherwise or will become due and payable within one year, and the Co-Issuers have irrevocably deposited or caused to be deposited with the Trustee funds, in cash in U.S. dollars, non-callable U.S. Government Obligations or a combination thereof, in an amount sufficient to pay and discharge the entire indebtedness on the Notes not theretofore delivered to the Registrar for cancellation, for principal of, premium, if any, and interest on the Notes to the date of deposit together with irrevocable instructions from the Co-Issuers directing the Trustee to apply such funds to the payment thereof at maturity or redemption, as the case may be;

(2) any Obligor has paid all other sums payable under the Indentures; and

(3) no Default or Event of Default will have occurred and is continuing on the date of such deposit or will occur as a result of such deposit and such deposit will not result in a breach or violation of, or constitute a default under, any other instruments to which any Obligor is a party or by which any Obligor is bound.

In addition, the Co-Issuers must deliver to the Trustee an Officers' Certificate and an Opinion of Counsel stating that all conditions precedent to satisfaction and discharge have been satisfied.

Amendments and Waivers

Amendments Without Consent of Holders

The Indentures, the Notes, the Guarantees, the Deeds of Guarantee, any Security Document or the Intercreditor Deed may be amended, without the consent of any Holder of Notes, to:

(1) cure any ambiguity, defect or inconsistency in the Indentures, the Notes, the Guarantees, the Deeds of Guarantee, any Security Document or the Intercreditor Deed;

(2) comply with the provisions described under "*—Consolidation, Merger and Sale of Assets*";

(3) evidence and provide for the acceptance of appointment by a successor Trustee and the Collateral Agents;

(4) provide for the assumption by a successor of the obligations of any Obligor under the Indentures, the Notes, the Guarantees, any Security Document and the Intercreditor Deed;

(5) release any Guarantor from any Guarantee as provided or permitted by the terms of the Indentures and the Security Documents or add any Guarantor or any Guarantee;

(6) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indentures;

(7) in any other case where supplemental indentures to the Indentures is required or permitted to be entered into pursuant to the provisions of the Indentures without the consent of any Holder;

(8) effect any changes to the Indentures in a manner necessary to comply with the procedures of DTC or any other depository or clearing system for the Notes;

(9) add additional Collateral to secure the Notes or the Guarantees;

(10) permit Permitted Pari Passu Secured Obligations in accordance with the terms of the Indentures (including permitting the Trustee to enter into any amendments to the Security Documents relating to the Collateral, the Intercreditor Deed or the Indentures, the appointment of any collateral agent under any Intercreditor Deed to hold the Collateral on behalf of the Holders and the holders of Permitted Pari Passu Secured Obligations and taking any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Obligations, in accordance with the Indentures and the Intercreditor Deed);

(11) add any Guarantor or release any Guarantor from any Guarantee as provided or permitted by the terms of the Indentures and the Security Documents;

(12) enter into additional or supplemental Security Documents and to release Collateral in accordance with the Indentures, the Intercreditor Deed and the Security Documents;

(13) make any amendment to the provisions of the Indentures relating to the transfer and legending of Notes as permitted by the Indentures, including, without limitation, to facilitate the issuance and administration of the Notes or, if Incurred in compliance with the Indentures, Additional Notes; *provided*, however, that (A) compliance with the Indentures as so amended would not result in Notes being transferred in violation of applicable securities laws and regulations and (B) such amendment, as certified in good faith by the Co-Issuers in an Officers' Certificate, does not materially and adversely affect the rights of Holders to transfer Notes;

(14) provide for the succession of parties (other than any Obligor) to any Security Documents, the Intercreditor Deed and other changes that are ministerial and administrative in nature, in connection with any refinancing, amendment, renewal, extension, substitution, restructuring, replacement, supplement or other modification of any agreement governing Pari Passu Secured Obligations and to which such parties are bound, in each case solely to the extent not prohibited by the Indentures;

(15) conform the text of the Indentures, the Notes, the Guarantees, the Deeds of Guarantee, any Security Document or the Intercreditor Deed to any provision of this "*Description of the Notes*" to the extent that such provision in this "*Description of the Notes*" was intended to be a verbatim recitation of a provision of the Indentures, the Notes, such Security Document, the Intercreditor Deed or the Guarantees;

(16) evidence and provide for the acceptance of appointment by a successor Account Bank and transfer of Accounts to such successor Account Bank in accordance with the Intercreditor Deed; or

(17) make any other change that, as certified in good faith by the Co-Issuers in an Officers' Certificate, does not materially and adversely affect the rights of any Holder of Notes.

Amendments With Consent of Holders

Except as provided above or below, amendments of the Indentures, the Notes, the Guarantees, the Deeds of Guarantee, any Security Document or the Intercreditor Deed may be made by the Obligors, the Trustee and the Collateral Agents with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes, and the holders of a majority in principal amount of the outstanding Notes may waive future compliance by the Obligors with any provision of the Indentures, the Notes, the Guarantees, the Deeds of Guarantee, any Security Document or the Intercreditor Deed. Notwithstanding provisions in the Indentures or the Security Documents that permit amendments without consent of Holders, no amendments to the Indentures or the Security Documents shall be made without the consent of the Holders of not less than a majority of the outstanding Notes if such amendments would modify any of the Intercreditor Rights. In addition, without the consent of the holders of at least 75% in principal amount of Notes then outstanding, no amendment, supplement or waiver may (i) release any Collateral from the Liens of the Security Documents (except as permitted by the terms of the Indentures, the Intercreditor Deed and the Security Documents) or (ii) make any change in the Indentures, the Intercreditor Deed or any other Security Document that has the effect of altering the priority of the Liens or the application of proceeds of the Collateral in a manner that would adversely affect the Holders in any material respect. However, without the consent of each Holder of an outstanding Note affected thereby, no modification, amendment or waiver may:

(1) change the Stated Maturity of the principal of, or any instalment of interest on, any Note;

(2) reduce the principal amount of, or premium, if any, or interest on, any Note;

(3) change the currency or place of payment of principal of, or premium, if any, or interest on, any Note;

(4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note;

(5) reduce the above stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indentures;

(6) waive a default in the payment of principal of, premium, if any, or interest on the Notes (except a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of the then outstanding Notes with respect to a non-payment default and a waiver of the payment default that resulted from such acceleration);

(7) release any Guarantor from its Guarantee, except as provided in the Indentures;

(8) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indentures or for waiver of certain defaults;

(9) amend, change or modify any Guarantee or Deed of Guarantee in a manner that materially adversely affects the Holders, except in accordance with the Indentures;

(10) change the redemption date or the redemption price of the Notes from that stated under the captions "*—Optional Redemption*" or "*—Redemption for Taxation Reasons*" or "*—Mandatory Redemption of Notes Without Premium*";

(11) reduce the amount payable upon a Change of Control Offer or change the time or manner by which a Change of Control Offer may be made or by which the Notes must be repurchased pursuant to a Change of Control Offer with respect to a Change of Control Triggering Event in each case after such Change of Control Triggering Event has occurred;

(12) amend, change or modify the obligation of any Obligor to pay Additional Amounts; or

(13) amend, change or modify any provision of the Indentures or the related definition affecting the ranking of the Notes or any Guarantee in a manner which adversely affects the Holders; *provided* that, for the avoidance of doubt, any amendment, change or modification of the covenant described under "*—Certain Covenants-Limitation on Liens*" or related definitions would not be deemed to affect the ranking of the Notes or any Guarantee.

No Personal Liability of Incorporators, Shareholders, Officers, Directors or Employees

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or any Guarantee or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of any Obligor or any Subsidiary of an Obligor in the Indentures, or in any of the Notes or the Guarantees or because of the creation of any Indebtedness represented thereby, will be had against any incorporator, shareholder, sponsor, officer, commissioner, director, employee or controlling person of any Obligor or any Subsidiary of any Obligor or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes and the Guarantees. Such waiver may not be effective to waive liabilities under the applicable securities laws.

Concerning the Trustee, the Collateral Agents and Agents

The Bank of New York Mellon is to be appointed as Trustee under the Indentures, and The Bank of New York Mellon is to be appointed as registrar (the "**Registrar**"), transfer agent (the "**Transfer Agent**") and Paying Agent and, together with the Registrar and the Transfer Agent, the "**Agents**") with regard to the Notes. Except during the continuance of a Default, the Trustee will not be liable for any other duties, except for the performance of such duties as are specifically set forth in the Indentures. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indentures as a prudent person would exercise under the circumstances in the conduct of such person's own affairs.

The Bank of New York Mellon will initially act as the Collateral Agent 1 under the Security Documents in respect of the Security over the Collateral governed by the laws of New York, Bermuda, the Cayman Islands, the Netherlands and England and Wales and The Bank of New York Mellon, Singapore Branch will initially act as the Collateral Agent 2 under the Security Documents in respect of the Security over the Collateral governed by Indonesian and Singapore law. The Collateral Agents, acting in their respective capacities as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Security Documents as are set forth in the Intercreditor Deed and the applicable Security Documents. Under certain circumstances, the Collateral Agents may have obligations under the relevant Security Documents that are in conflict with the interests of the Holders. The Collateral Agents will be under no obligation to exercise any rights or powers conferred under the Security Documents and the Intercreditor Deed for the benefit of the Holders unless the Collateral Agents have received indemnity, prefunding and/or security satisfactory to the Collateral Agents against any loss, liability or expense. Furthermore, each Holder, by accepting the Notes will agree, for the benefit of the Trustee and the Collateral Agents, that it is solely responsible for its own independent appraisal of, and investigation into, all risks arising under or in connection with the Indentures, the Security Documents and the Intercreditor Deed and has not relied on and will not at any time rely on the Trustee or the Collateral Agents in respect of such risks.

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, if a Global Note is exchanged for certificated Notes, the Co-Issuers will appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, and make an announcement of such exchange through the SGX-ST that will include all material information with respect to the delivery of the certificated Notes, including details of the paying agent in Singapore.

The Indentures contain limitations on the rights of the Trustee, should it become a creditor of any Obligor, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise.

The Trustee will be under no obligation to exercise any rights or powers conferred under the Indentures for the benefit of the Holders unless such Holders have offered to the Trustee indemnity, prefunding and/or security satisfactory to the Trustee against any loss, liability or expense that might be incurred by it in compliance with such request or direction, provided that, with respect to a request or direction from Holders to enforce the Guarantees, Deed of Guarantee, the Security Documents or any other document governed under the laws of the Republic of Indonesia against the Obligors or any other Person, such security and indemnity shall include, without limitation (and without limiting the Trustee's ability to accept other forms of security and/or indemnity), prefunding by the requesting Holders of an account in the name of the Trustee in such amounts as the Trustee determines in its sole discretion. The foregoing prefunding requirements shall be in addition, and subject in all respects, to any other requirements of the Trustee regarding the indemnity or security to be provided to it in connection with any such enforcement request, including requirements regarding the creditworthiness of the requesting

Holders. In the exercise of its duties, the Trustee shall not be responsible for the verification of the accuracy or completeness of any certification, opinion or other documents submitted to it by any Obligor and is entitled to rely conclusively on the information contained therein. Notwithstanding anything described herein, the Trustee has no duty to monitor the performance or compliance of the Obligors in the fulfilment of their respective obligations under the Indentures, the Notes, the Guarantees, the Security Documents and the Intercreditor Deed.

No amendment, waiver or consent shall amend, modify or otherwise affect the rights or duties of any Agent without the prior written consent of such Agent.

Notwithstanding anything to the contrary herein, whenever the Trustee is required or entitled by the terms of the Indentures to exercise any discretion or power, take any action of any nature, make any decision or give any direction or certification, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction or certification, to solicit Holders for direction, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction or certification where the Trustee is seeking such directions or the non-exercise of such discretion or power, or not taking any such action or making any such decision or giving any such direction or certification in the absence of any such directions from Holders. In any event, and as provided elsewhere herein, even where the Trustee has been directed by the Holders, the Trustee shall not be required to exercise any such discretion, power or take any such action as aforesaid unless it has been indemnified and/or secured and/or prefunded to its satisfaction.

Book-Entry; Delivery and Form

The certificates representing the Notes will be issued in fully registered form without interest coupons, Notes sold in offshore transactions in reliance on Regulation S under the Securities Act will initially be represented by one or more permanent global notes in definitive, fully registered form without interest coupons (each a "**Regulation S Global Note**") and will be deposited with The Bank of New York Mellon, as custodian for, and registered in the name of a nominee of, DTC for the accounts of Euroclear and Clearstream.

Notes sold in reliance on Rule 144A will be represented by one or more permanent global notes in definitive, fully registered form without interest coupons (each a "**Rule 144A Global Note**"; and together with the Regulation S Global Notes, the "**Global Notes**") and will be deposited with The Bank of New York Mellon, as custodian for, and registered in the name of a nominee of, DTC.

Each Global Note (and any Notes issued for exchange therefor) will be subject to certain restrictions on transfer set forth therein as described under "*Transfer Restrictions*."

Ownership of beneficial interests in a Global Note will be limited to persons who have accounts with DTC ("**participants**") or persons who hold interests through participants. Ownership of beneficial interests in a Global Note will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants). Beneficial owners may hold their interests in a Global Note directly through DTC if they are participants in such system, or indirectly through organizations which are participants in such system.

Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through DTC.

So long as DTC, or its nominee, is the registered owner or holder of a Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Note for all purposes under the Indentures and the Notes. No beneficial owner of an interest in a Global Note will be able to transfer that interest except in accordance with DTC's applicable procedures, in addition to those provided for under the Indentures and, if applicable, those of Euroclear and Clearstream.

Payments of the principal of, and interest on, a Global Note will be made to DTC or its nominee, as the case may be, as the registered owner thereof. None of the Obligors, the Trustee or the Agents will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a Global Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Co-Issuers expect that DTC or its nominee, upon receipt of any payment of principal or interest in respect of a Global Note, will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Note as shown on the records of DTC or its nominee. The Co-Issuers also expect that payments by participants to owners of beneficial interests in such Global Note held through such 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 participants.

The Co-Issuers expect that DTC will take any action permitted to be taken by a holder of Notes (including the presentation of Notes for exchange as described below) only at the direction of one or more participants to whose account the DTC interests in a Global Note is credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. However, if there is an Event of Default under the Notes, DTC will exchange the applicable Global Note for certificated Notes, which it will distribute to its participants and which may be legended as set forth under the heading "*Transfer Restrictions*."

Although DTC, Euroclear and Clearstream are expected to follow the foregoing procedures in order to facilitate transfers of interests in a Global Note among participants of DTC, Euroclear and Clearstream, 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 Obligors, the Trustee or the Agents will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

If DTC is at any time unwilling or unable to continue as a depositary for the Global Notes and a successor depositary is not appointed within 90 days, the Co-Issuers will issue certificated Notes in registered form, which may bear the legend referred to under "*Transfer Restrictions*," in exchange for the Global Notes. Holders of an interest in a Global Note may receive Certificated Notes, which may bear the legend referred to under "*Transfer Restrictions*," in accordance with the DTC's rules and procedures in addition to those provided for under the Indentures.

The Clearing Systems

General

DTC, Euroclear and Clearstream have advised the Co-Issuers as follows:

DTC. DTC is a limited-purpose trust company organized under the laws of the State of New York, a "banking organization" within the meaning of New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities of its participants and to facilitate the clearance and settlement of securities transactions among its participants in such securities through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of securities certificates. DTC's participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, some of whom own DTC, and may include the initial purchaser. Indirect access to the DTC system is also available to others that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly ("**indirect participants**"). Transfers of ownership or other interests in Notes in DTC may be made only through DTC participants. In addition, beneficial owners of Notes in DTC will receive all distributions of principal of and interest on the Notes from the Trustee through such DTC participant.

Euroclear and Clearstream. Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Initial Settlement

Initial settlement for the Notes will be made in immediately available funds. All Notes issued in the form of global notes will be deposited with the Trustee, as custodian for DTC. Investors' interests in Notes held in book-entry form by DTC will be represented through financial institutions acting on their behalf as direct and indirect participants in DTC. As a result, Euroclear and Clearstream will hold positions on behalf of their participants through DTC.

Investors electing to hold their Notes through DTC (other than through accounts at Euroclear or Clearstream) must follow the settlement practices applicable to United States corporate debt obligations. The securities custody accounts of investors will be credited with their holdings against payment in same day funds on the settlement date.

Investors electing to hold their Notes through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds in registered form. Notes will be credited to the securities custody accounts of Euroclear Holders and of Clearstream Holders on the Business Day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

Secondary market trading between DTC participants will occur in the ordinary way in accordance with DTC rules. Secondary market trading between Clearstream participants and/or Euroclear participants will occur in the ordinary way in accordance with the applicable rules and operating procedures of Clearstream and Euroclear and will be settled using the procedures applicable to conventional eurobonds.

Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream participants or Euroclear participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of the relevant European international clearing system by its U.S. depositary; however, such cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if a transaction meets its settlement requirements, deliver instructions to its U.S. depositary to take action to effect final settlement on its behalf by delivering or receiving Notes in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream participants and Euroclear participants may not deliver instructions directly to the U.S. depositaries.

Because of time zone differences, credits of Notes received in Clearstream or Euroclear as a result of a transaction with a DTC participant will be made during subsequent securities settlement processing and dated the Business Day following the DTC settlement date. Such credits or any transactions in such Notes settled during such processing will be reported to the relevant Clearstream participants or Euroclear participants on such Business Day. Cash received in Clearstream or Euroclear as a result of sales of Notes by or through a Clearstream participant or a Euroclear participant to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Clearstream or Euroclear cash account only as of the Business Day following settlement in DTC.

Notices

All notices or demands required or permitted by the terms of the Notes or the Indentures to be given to or by the Holders are required to be in writing (in English) and may be given or served by being sent by prepaid courier or by being deposited, first-class postage prepaid, in the United States mails or by electronic means (if intended for any Obligor) addressed to the relevant Obligors at the registered/principal office of the Parent Guarantor or the Co-Issuers; (if intended for the Trustee) addressed to the Trustee at the Corporate Trust Office of the Trustee; and (if intended for any Holder) addressed to such Holder at such Holder's last address as it appears in the Note register.

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of DTC. Any such notice will be deemed to have been delivered on the day such notice is delivered to DTC or if by mail, when so sent or deposited.

Consent to Jurisdiction; Service of Process

Each Obligor will irrevocably (i) submit 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 in connection with any suit, action or proceeding arising out of, or relating to, the Notes, any Guarantee or the Indentures or any transaction contemplated thereby and (ii) designate and appoint Law Debenture Corporate Services Inc. for receipt of service of process in any such suit, action or proceeding.

Governing Law

Each of the Notes and the Indentures (including the Guarantees) provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York. The Security Documents will be governed by, and construed in accordance with, the laws of Bermuda, the Cayman Islands, Indonesia, the Netherlands, England and Wales, Singapore and the State of New York. The Intercreditor Deed will be governed by, and construed in accordance with, the laws of England and Wales.

Accounts

The Co-Issuers shall establish or redesignate in Singapore the following accounts (together with any other offshore accounts but excluding specified equity proceeds and other accounts existing on the Original Issue Date, the "**Offshore Accounts**") denominated in U.S. dollars with an account bank or banks to be specified in the Intercreditor Deed (including any replacement, the "**Offshore Account Bank**"):

- the Revenue and Operating Accounts;
- the Debt Service Accounts;
- the Major Maintenance Reserve Accounts; and
- the Distribution Accounts.

The Co-Issuers may only apply the amounts on deposit in the Debt Service Accounts to fund its payment obligations in respect of the Notes, any Indebtedness that may be incurred under clause (a) of the covenant under the caption "*—Certain Covenants—Limitation on Indebtedness*" and any Permitted Pari Passu Secured Obligations. The Co-Issuers may apply the amounts on deposit in the Major Maintenance Reserve Accounts only to fund Major Drilling Costs, Major Maintenance Costs and Binary Costs.

In addition, the Co-Issuers shall establish or redesignate in Jakarta, Indonesia the Onshore Corporate and Tax Accounts. The Obligors and DGI may also establish or redesignate and maintain certain other local accounts in Indonesia (the "**Onshore Accounts**"), which may be denominated in either U.S. dollars or Indonesian rupiah.

The Offshore Accounts and the Onshore Corporate and Tax Accounts will be pledged (within 120 days following the date of the issuance of the Notes as described in "*—Security*" below (in respect of any account which has been established on or prior to the date hereof) and as otherwise permitted under the Security Documents for any other accounts) in favor of the Collateral Agent 2 under the Security Documents for the benefit of the Secured Parties (as defined below). The Onshore Accounts (excluding specified administrative Onshore Accounts that any Obligor or DGI may establish or redesignate from time to time) will be pledged (within 120 days following the date of the issuance of the Notes as described in "*—Security*" below (in respect of any account which has been established on or prior to the date hereof) and as otherwise permitted under the Security Documents for any other accounts)) in favor of Collateral Agent 2 under the Security Documents for the benefit of the Secured Parties. The Obligors and DGI may use the amounts on deposit in the Onshore Accounts only to fund its operating costs and value added tax payment obligations.

The Co-Issuers may apply amounts standing to the credit of (i) the Revenue and Operating Accounts and (ii) the Onshore Corporate and Tax Accounts towards the payment of operating costs, expenses and taxes.

On and after the date the security interests granted under the Existing Senior Debt Facilities are released, the Parent Guarantor and the Co-Issuers will procure that all revenues received from any Project by any Obligor or DGI from time to time (which shall not include Available Proceeds (as defined under "*—Mandatory Redemption of Notes Without Premium*"), equity capital contributions and proceeds from Permitted Indebtedness) will be paid into the Revenue and Operating Accounts.

The Co-Issuers may make transfers from time to time from the Revenue and Operating Accounts, *provided* that any amounts so transferred shall be applied in the following order of priority:

(1) *first*, to the Onshore Corporate and Tax Accounts and to one or more Onshore Accounts of the Co-Issuers, such amounts as may be required to ensure that the aggregate amounts on deposit in the Onshore Corporate and Tax Accounts and the Onshore Accounts are equal to the operating costs and taxes which are due and unpaid or estimated by the Co-Issuers to become due and payable to the succeeding month (including in respect of any Hedging Obligations other than Hedging Obligations entered into in connection with the Notes or any Permitted Indebtedness);

(2) *second*, to the Debt Service Accounts such amounts as are necessary to ensure that the aggregate balance on deposit in the Debt Service Accounts is at least equal to the then-prevailing Target DSA Balance;

(3) *third*, to the Major Maintenance Reserve Accounts such amounts as are necessary to ensure that the aggregate balance on deposit in the Major Maintenance Reserve Accounts equals the then-prevailing Major Maintenance Reserve Amount;

(4) *fourth*, any amounts required from time to time by the Co-Issuers to fund any optional redemption of Notes that it may have initiated in accordance with "*—Optional Redemption*", and any amounts required from time to time by the Co-Issuers to fund any other optional redemptions or prepayments that may be required in relation to any Indebtedness that may be incurred under clause (a) of the covenant under the caption "*—Certain Covenants—Limitation on Indebtedness*" or any Permitted Indebtedness other than to the extent funded by amounts standing to the credit of the Debt Service Accounts; and

(5) *fifth*, to the Distribution Accounts, for making of Equity Distributions and/or repayment of the Notes in accordance with the Mandatory Cash Sweep upon satisfaction of the conditions to making such Equity Distributions or repayment of the Notes in accordance with the covenants described under "*Certain Covenants—Limitation on Equity Distributions*" and "*Certain Covenants—Mandatory Cash Sweep*".

The Intercreditor Deed will govern the application and use of funds on deposit in the Accounts belonging to the Co-Issuers. The Obligors will not have any right to withdraw funds from any Account except in accordance with the Intercreditor Deed and the Security Documents.

Neither the Trustee nor the Collateral Agents will be responsible for monitoring whether the Co-Issuers maintain the minimum balance required to be maintained in the Offshore Accounts, the Onshore Corporate and Tax Accounts or the Onshore Accounts or whether the amounts on deposit in such accounts are used or applied by the Co-Issuers in accordance with the terms and provisions of the Indentures, the Security Documents and the Intercreditor Deed.

Mandatory Cash Sweep

Following the earlier of (i) the second anniversary of the Original Issue Date and (ii) the day on which the aggregate amount of Equity Distributions made after the Original Issue Date by the Parent Guarantor is at least U.S.$100.0 million (which for the purposes of this covenant shall not include the payment of the U.S.$150.0 million Equity Distribution permitted by clause (7) of the second paragraph of the covenant described under the caption "*—Certain Covenants—Limitation on Equity Distributions*") (the "**Cash Sweep Commencement Date**"), and provided that the conditions to making Equity Distributions in accordance with the covenant described under the caption "*—Certain Covenants—Limitation on Equity*

Distributions" are not met as on the relevant date, then on the date falling 45 days after the last day of each financial quarter ending on June 30 or December 31 following the Cash Sweep Commencement Date (each, a "**Cash Sweep Date**"), the Notes shall be redeemed at a redemption price of 100% plus accrued and unpaid interest, if any, to (but not including) the redemption date. The Co-Issuers shall deduct from the Distribution Accounts an amount equal to the Cash Sweep Amount and transfer such amount to the Paying Agent at least one Business Day prior to the Cash Sweep Date to be used to redeem the Notes.

Security

Following the release of the security interests granted to the creditors under the Existing Senior Debt Facilities, the obligations of the Co-Issuers under the Notes and the obligations of the Guarantors under the Guarantees will be secured by a first priority security interest (subject to Permitted Liens and the Intercreditor Deed) over the Collateral pursuant to the Security Documents for the benefit of the Secured Parties (as defined below) (including the Holders of the Notes and the creditors of Permitted Pari Passu Secured Obligations which are permitted to be incurred under the Indentures) over the following (collectively, the "**Collateral**"):

(1) share charges to be executed by the Parent Guarantor over its entire present and future shares in each Co-Issuer, SEGDI and DGI;

(2) a share charge to be executed by SEGSL over its entire present and future shares in SEGSPL;

(3) share charges to be executed by each of SEGH and ACEHI over its entire present and future shares in the Parent Guarantor;

(4) an assignment of all Shareholder Subordinated Loans;

(5) a charge over each of the Offshore Accounts and each of the Onshore Accounts (but excluding specified administrative Onshore Accounts that any Obligor or DGI may open from time to time);

(6) fiduciary security over insurance proceeds of the Obligors (other than the Parent Guarantor) and DGI related to any Electricity Generation Facilities (as defined in the Joint Operating Contracts) in relation to Unit(s) (as defined in the Joint Operating Contracts) operated by that Obligor or DGI (as the case may be); and

(7) following the entry by either Co-Issuer into any Hedging Agreements for the purpose of hedging any currency or interest rate exposures of any Co-Issuer in relation to the Notes or any Permitted Pari Passu Indebtedness, an assignment of such Hedging Agreements.

The Collateral is currently pledged to secure the Co-Issuers' obligations with respect to the Existing Senior Debt Facilities. The net proceeds from this offering, together with cash in hand, will be used to fund the repurchase and/or redemption and cancellation of the Existing Senior Debt Facilities in full, following which the existing Liens over the Collateral will be released. The Obligors shall execute the Security Documents as soon as practically possible following repayment of the Existing Senior Debt Facilities. As of the Original Issue Date, there are no outstanding Shareholder Subordinated Loans.

None of the security interests over any of the Collateral will be granted, created or perfected on the date of issuance of the Notes and rights of Holders of the Notes in such Collateral may be adversely affected by the failure to grant, create or perfect security interests in such Collateral. The Obligors and the Security Providers have agreed, for the benefit of the holders of the Notes, to create a first priority security interest over the Collateral within 120 days after the Original Issue Date in order to secure the obligations of the Co-Issuers and the Guarantors under the Notes, the Guarantees and the Indentures.

The shares of the Parent Guarantor will be pledged by SEGH and ACEHI pursuant to a Dutch law share pledge. The shares of SEGDII will be pledged by the Parent Guarantor pursuant to a Bermudan law share pledge. The shares of SEGDI will be pledged by the Parent Guarantor pursuant to a New York law share pledge. The shares of SEGSL will be pledged by the Parent Guarantor pursuant to a Bermudan law share pledge. The shares of SEGSPL will be pledged by SEGSL pursuant to a Cayman law share pledge. The shares of DGI will be pledged by the Parent Guarantor pursuant to a Indonesian law deed of pledge of shares.

For further details related to the Collateral, see "*Description of the Security Documents and the Collateral*".

The Collateral may only be shared with future creditors as described in the section "*—Certain Covenants—Permitted Pari Passu Secured Obligations*".

The value of the Collateral securing the Notes may not be sufficient to satisfy the Obligors' obligations under the Notes, the Guarantees and any Permitted Pari Passu Secured Obligations, and the Collateral securing the Notes, the Guarantees and/or any Permitted Pari Passu Secured Obligations may be reduced or diluted under certain circumstances, including the disposition of assets comprising the Collateral, subject to the terms of the Indentures. See "*—Release of Collateral*" and "*Risk Factors—Risks Relating to the Collateral and the Subsidiary Guarantees—The proceeds realized from a sale of the Collateral may not be sufficient for the holders of the Notes to recover all amounts due on the Notes*".

No appraisals of the Collateral have been prepared in connection with this offering of the Notes. There can be no assurance that the proceeds of any sale of the Collateral, in whole or in part, pursuant to the Indentures and the Security Documents following an Event of Default, would be sufficient to satisfy amounts due on the Notes or the Guarantees. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral would be sold in a timely manner or at all.

So long as no Event of Default under the Indentures or event of default pursuant to any credit documents pursuant to which any Obligor has incurred Permitted Pari Passu Secured Obligations has occurred and is continuing, and subject to the terms of the Security Documents and the Indentures, each of SEGH and ACEHI will be entitled to exercise any and all voting rights and to receive, retain and use any and all cash dividends, stock dividends, liquidating dividends, non-cash dividends, shares or stock resulting from stock splits or reclassifications, rights issues, warrants, options and other distributions (whether similar or dissimilar to the foregoing) in respect of Capital Stock constituting Collateral.

No release of Collateral shall be effective against the Trustee, the Collateral Agents or the Holders until the Co-Issuers have delivered to the Trustee and the Collateral Agents an Officers' Certificate and an Opinion of Counsel stating that all requirements relating to such release have been complied with and that such release has been authorized by, permitted by and made in accordance with the provisions of the Indentures, the Security Documents and the Intercreditor Deed.

Intercreditor Deed

As soon as practically possible following repayment of the Existing Senior Debt Facilities, the Trustee on behalf of the Holders will enter into an intercreditor deed (the "**Intercreditor Deed**") that governs the relationship between, among others, the Holders and holders of Permitted Pari Passu Secured Obligations (or their representative(s)).

Under the Intercreditor Deed, the Co-Issuers will appoint the Collateral Agents as collateral agents with respect to the Collateral and any Additional Collateral from time to time securing the obligations of the Obligors under the Indentures, the Guarantees and any Permitted Pari Passu Secured Obligations, to exercise remedies in respect thereof upon the occurrence of an Event of Default under the Notes and the Indentures that has caused the holders of the Notes to declare the Notes to be due and payable prior to their Stated Maturity or upon an event of default under any Permitted Pari Passu Secured Obligations that has caused the holder thereof to declare any such Permitted Pari Passu Obligations to be due and payable prior to the Stated Maturity thereof, and to act as otherwise specified in the Intercreditor Deed.

The Intercreditor Deed will provide, among other things (i) that the Secured Parties shall share equal priority and *pro rata* entitlement in and to the Collateral and any Additional Collateral, except for certain fees, costs and expenses of the Collateral Agents, the Trustee and any financing agent acting on behalf of the holders of Permitted Pari Passu Secured Obligations, (ii) the conditions under which the Secured Parties will consent to the release or granting of any Lien on the Collateral and any Additional Collateral, and (iii) the conditions under which the Secured Parties will be entitled to enforce their rights with respect to such Collateral and any Additional Collateral under the obligations secured thereby (collectively, the "**Intercreditor Rights**"). The Intercreditor Deed will also govern the application and use of funds on deposit in the Accounts. The Indentures, the Intercreditor Deed and the Security Documents will provide that if there is any discrepancy or inconsistency between (1) the Intercreditor Deed and (2) the Indentures or the Security Documents with respect to terms governing the Intercreditor Rights, the Intercreditor Deed shall prevail.

In connection with the Incurrence of any subsequent Permitted Pari Passu Secured Obligations, the holders of such Permitted Pari Passu Secured Obligations (or their representative(s)) will accede to the Intercreditor Deed and become parties to it.

By accepting the Notes, each Holder shall be deemed to have consented to the appointment of the Collateral Agents and to the execution of the Intercreditor Deed and the Indentures by the Trustee, the Collateral Agents and the Offshore Account Bank and any supplements, amendments or modifications thereto.

Enforcement of Security

Collateral

The first priority Lien over the Collateral securing the Notes and the Guarantees will be granted to the Collateral Agent 1, with respect to the Security Documents governed by non-Indonesian law, and the Collateral Agent 2, with respect to the Security Documents governed by Indonesian law. The Collateral Agents will hold such Liens and security interests in the Collateral granted pursuant to the Security Documents with sole authority to exercise remedies under the Security Documents in accordance with the terms of the Indentures, the Intercreditor Deed and the applicable Security Document. Each of the Collateral Agents has agreed to act on behalf of the holders of the Notes and the Trustee and to follow the instructions provided to it under the Indentures, the Intercreditor Deed and the Security Documents and to carry out certain other duties.

The Indentures, the Intercreditor Deed and/or the Security Documents principally provide that, (i) at any time while the Notes are outstanding, the Collateral Agents have the exclusive right to manage and perform the terms of the Security Documents relating to the Collateral and (ii) upon the occurrence of an Event of Default under the Indentures or any other credit document pursuant to which any Obligor incurs Permitted Pari Passu Secured Obligations, the Collateral Agents have the exclusive right to exercise and enforce all privileges, rights and remedies thereunder as directed by the written instructions of the applicable majority of Secured Parties, including to take or retake control or possession of the Collateral and to hold, prepare for sale, process, lease, dispose of or liquidate such Collateral, subject in each case, to the terms and conditions of the Indentures, the Intercreditor Deed and the applicable Security Document.

All payments received and all amounts held by the Collateral Agents in respect of the Collateral under the Security Documents will be applied as follows:

- *first*, in payment of any taxes, filing fees and registration fees and any other expenses owed to any governmental entity and properly incurred in connection with any enforcement of the Collateral;

- *second*, in payment of fees and properly incurred costs and expenses incurred by or on behalf of the Collateral Agents, the Trustee, the Agents and any creditor representative acting on behalf of the holders of Permitted Pari Passu Secured Obligations (and any receiver, adviser, legal counsel or agent appointed by any of them), in connection with the collection or distribution of such payments and amounts held or realized, in connection with the administration and acceptance of and the performance of their respective duties under the Intercreditor Deed, the Security Documents, the Indentures governing the Notes and the documents governing any Permitted Pari Passu Secured Obligations, in connection with enforcing remedies under the Intercreditor Deed, the Security Documents, the Indentures and the documents governing any Permitted Pari Passu Secured Obligations and preserving the Collateral and all amounts for which the Trustee, the Collateral Agents, the Agents and any creditor representative acting on behalf of the holders of Permitted Pari Passu Secured Obligations and their respective advisers, legal counsel and agents are entitled to indemnification in each case, under the Intercreditor Deed, the Security Documents, the Indentures governing the Notes and the documents governing any Permitted Pari Passu Secured Obligations;

- *third*, in payment on a *pro rata* basis to:

  (i) the Trustee for application in or towards the discharge of the accrued but unpaid interest in relation to the Notes; and

  (ii) the representative(s) of the holders of Permitted Pari Passu Secured Obligations, in or towards the discharge of the accrued but unpaid interest in relation to any Permitted Pari Passu Secured Obligations;

- *fourth*, in payment on a *pro rata* basis to:

  (i) the Trustee for application in or towards the discharge of the outstanding principal under the Notes; and

  (ii) the representative(s) of the holders of Permitted Pari Passu Secured Obligations, in or towards the discharge of the outstanding principal (and in the case of any Hedging Obligations entered into by any Obligor for the purpose of hedging any currency or interest rate exposures of the Obligors in relation to the Notes or any Permitted Pari Passu Indebtedness, the hedging liabilities owed by the Obligors to the hedge counterparties thereunder) under any Permitted Pari Passu Secured Obligations;

- *fifth*, in payment on a *pro rata* basis of any other amounts outstanding to the Secured Parties provided for under the Notes, the Indentures and any document evidencing or creating any Permitted Pari Passu Secured Obligations;

- *sixth*, in payment of the surplus, if any, to the Obligors or any other person entitled thereto.

The Collateral Agents may decline to foreclose on the Collateral or exercise remedies available if they do not receive indemnification, prefunding and/or security to its satisfaction. In addition, the ability of the Collateral Agents to foreclose on the Collateral may be subject to lack of perfection, the consent of third parties, prior Liens and practical problems associated with the realization of the Collateral Agents' Liens on the Collateral. None of the Collateral Agents, the Trustee nor any of their respective officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value, title, adequacy or protection of any Collateral securing the Notes, for the legality, enforceability, effectiveness, validity or sufficiency of the Security Documents, for the creation, perfection, priority, sufficiency or protection of any of the Liens, or for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any of the Liens or Security Documents or any delay in doing so.

The Intercreditor Deed provides that the Obligors will indemnify the Collateral Agents for all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind (including legal fees and properly incurred expenses) imposed against the Collateral Agents arising out of the Security Documents and the Intercreditor Deed except to the extent that any of the foregoing are finally judicially determined to have resulted from the gross negligence or willful misconduct of the Collateral Agents.

This section, "*—Enforcement of Security*", shall be subject to any amendments to the Security Documents or the Indentures to permit the creation of Liens on the Collateral to secure Permitted Pari Passu Secured Obligations in accordance with "*—Certain Covenants—Permitted Pari Passu Secured Obligations*" above.

Release of Collateral

Subject to the provisions of the Intercreditor Deed with respect to the Collateral, the security created in respect of the Collateral granted under the Security Documents may be released in certain circumstances, including:

- upon repayment in full of the Notes;

- upon a defeasance or satisfaction and discharge as described under "*—Defeasance-Defeasance and Discharge*" or "*—Satisfaction and Discharge*;"

- in connection with any sale, transfer, conveyance or other disposition of assets constituting Collateral which are subject to such Liens to a Person that is not (either before or after giving effect to such transaction) an Obligor, if the sale, transfer, conveyance or other disposition does not violate the provisions of the Indentures described under "*—Certain Covenants—Limitation on Asset Sales*" or "*Consolidation, Merger and Sale of Assets*;"

- in connection with an enforcement sale pursuant to the Intercreditor Deed; and

- as otherwise not prohibited by the Indentures or the Security Documents or the Intercreditor Deed; or as described under "*—Amendments and Waivers*."

Definitions

Set forth below are defined terms used in the Indentures. Reference is made to the Indentures for other capitalized terms used in this "*Description of the Notes*" for which no definition is provided.

"**2029 Notes Indenture**" means the indenture to be dated on or about October 14, 2020 governing the 2029 Notes, as amended and supplemented.

"**2029 Notes**" means senior secured notes due 2029 issued by the Co-Issuers on or about October 14, 2020 pursuant to the 2029 Notes Indenture.

"**2029 Notes Trustee**" means the trustee under the 2029 Notes Indenture.

"**2038 Notes Indenture**" means the indenture to be dated on or about October 14, 2020 governing the 2038 Notes, as amended and supplemented.

"**2038 Notes**" means senior secured notes due 2038 issued by the Co-Issuers on or about October 14, 2020 pursuant to the 2038 Notes Indenture.

"**2038 Notes Trustee**" means the trustee under the 2038 Notes Indenture.

"**Accounts**" means the Offshore Accounts and the Onshore Corporate and Tax Accounts.

"**ACEHI**" means ACEHI Netherland B.V.

"**Acquired Indebtedness**" means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary, whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

"**Additional Project Documents**" means any contracts or agreements related to any Project entered into subsequent to the date of the Indentures and as may be amended from time to time in accordance with the Indentures.

"**Affiliate**" means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; or (2) who is a director, commissioner or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) who is a spouse or any person cohabiting as a spouse, child, parent, brother or sister, of a Person described in clause (1) or (2). For purposes of this definition, "**control**" (including, with correlative meanings, the terms "**controlling**," "**controlled by**" and "**under common control with**"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"**Asset Acquisition**" means (1) an investment by any Obligor in any other Person pursuant to which such Person will become a Restricted Subsidiary or will be merged into or consolidated with any Obligor, or (2) an acquisition by any Obligor of the property and assets of any Person other than any other Obligor that constitute substantially all of a division or line of business of such Person.

"**Asset Disposition**" means the sale or other disposition by any Obligor (other than to any other Obligor) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary or (2) all or substantially all of the assets that constitute a division or line of business of any Obligor.

"**Attributable Indebtedness**" means, in respect of a Sale and Leaseback Transaction, at the time of determination, the present value, discounted at the interest rate implicit in such Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in such Sale and Leaseback Transaction, including any period for which such lease has been extended or may, at the option of the lessor, be extended, determined in accordance with IFRS.

"**Average Life**" means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

"**Bankruptcy Law**" means any bankruptcy, insolvency, reorganization, suspension of payment, moratorium or similar law for the general relief of debtors in any relevant jurisdiction.

"**Binary Costs**" means any capital expenditure costs associated with the development of the Salak binary power plant.

"**Board of Directors**" means the board of directors of the Parent Guarantor or any Co-Issuer, as the case may be, elected or appointed by the stockholders of the Parent Guarantor or any Co-Issuer, as the case may be, to manage the business of the Parent Guarantor or any Co-Issuer, as the case may be, or any committee of such board duly authorized to take the action purported to be taken by such committee.

"**Board Resolution**" means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by a majority of the Board of Directors.

"**Business Day**" means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, Hong Kong, Singapore or Indonesia (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

"**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, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock.

"**Capitalized Lease**" means, with respect to any Person, any lease of any property (whether real, personal or mixed) of which the discounted present value of rental obligations of such Person as lessee, in conformity with IFRS, is required to be capitalized on the balance sheet of such Person.

"**Capitalized Lease Obligations**" means, at the time any determination is to be made, the amount of the liability in respect of a Capitalized Lease that would at that time be required to be capitalized on a balance sheet prepared in accordance with IFRS, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

"**Cash Flow Available for Debt Service**" means, for any period, net cash provided by operating activities of the Obligors, interest received by the Obligors and DGI, cash proceeds received from sale of property and equipment and major maintenance and construction expenses funded from the Major Maintenance Reserve Accounts, minus cash paid for acquisition of property and equipment by the Obligors and DGI and amounts contributed into the Major Maintenance Reserve Accounts, in each case, for such period.

"**Cash Sweep Amount**" means the amount equal to the aggregate amount on deposit in the Distribution Accounts less U.S.$75.0 million, provided that:

(1) if such amount is less than U.S.$5.0 million, then it shall be changed to nil; and

(2) if such amount is more than or equal to U.S.$5.0 million, then it shall be rounded down to the nearest integral multiple of U.S.$5.0 million.

"**CDL**" means Chevron Darajat Limited (now known as SEGDI), a company incorporated under the laws of The Bahamas.

"**CGI**" means Chevron Geothermal Indonesia, Ltd (now known as SEGDII), a company incorporated under the laws of Bermuda.

"**CGS**" means Chevron Geothermal Salak, Ltd (now known as Star Energy Geothermal Salak, Ltd.), a company incorporated under the laws of Bermuda.

"**Change of Control**" means the occurrence of one or more of the following events:

(1) the Parent Guarantor or any Co-Issuer consolidates with, or merges with or into, any Person (other than one or more Permitted Holders), any Person (other than one or more Permitted Holders) consolidates with, or merges with or into, the Parent Guarantor or any Co-Issuer, or the sale of all or substantially all of the assets of the Parent Guarantor or any Co-Issuer and their respective Subsidiaries taken as a whole to any Person (other than one or more Permitted Holders) in any such event pursuant to a transaction in which any of the outstanding Voting Stock of the Parent Guarantor or any Co-Issuer or such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where the Voting Stock of the Parent Guarantor or any Co-Issuer outstanding immediately prior to such transaction is converted into or exchanged for (or continues as) Voting Stock (other than Disqualified Stock) of the surviving or transferee Person constituting a majority of the outstanding shares of Voting Stock of such surviving or transferee Person (immediately after giving effect to such issuance);

(2) the Permitted Holders, on a collective basis, cease to be the beneficial owners of a majority of the total voting power of the Voting Stock of each Obligor and DGI; or

(3) the adoption of a plan relating to the liquidation or dissolution of the Parent Guarantor or any Co-Issuer.

"**Change of Control Triggering Event**" means the occurrence of both a Change of Control and Rating Decline.

"**Clearstream**" means Clearstream Banking S.A.

"**Co-Issuer**" means each of SEGSL and SEGDII.

"**Co-Issuer Guarantee**" means any guarantee of the obligations of a Co-Issuer under the Indentures and the Notes by any other Co-Issuer.

"**Collateral**" has the definition given to such term under "*—Security*".

"**Collateral Agent 1**" means The Bank of New York Mellon.

"**Collateral Agent 2**" means The Bank of New York Mellon, Singapore Branch.

"**Collateral Agents**" means the Collateral Agent 1 and the Collateral Agent 2.

"**Commodity Agreement**" means any forward contract, commodity swap agreement, commodity option agreement or other similar agreement or arrangement designed to protect against fluctuations in commodity prices.

"**Common Stock**" means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common stock or ordinary shares, whether or not outstanding on the Original Issue Date, and include, without limitation, all series and classes of such common stock or ordinary shares.

"**Comparable Treasury Issue**" means the U.S. Treasury security having a maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes.

"**Comparable Treasury Price**" means, with respect to any redemption date, if clause (ii) of the Treasury Rate is applicable, the average of three (or such lesser number as is obtained by the Co-Issuers) Reference Treasury Dealer Quotations for such redemption date.

"**Corporate Trust Office**" means the office of the Trustee at which the corporate trust business of the Trustee is principally administered, which shall initially be located at 240 Greenwich Street, New York, NY 10286, United States of America; Attention: Global Corporate Trust—Star Energy Geothermal Darajat II Limited and Star Energy Geothermal Salak, Limited; Facsimile: +1 212 815 5915, and shall include a reference to the Specified Corporate Trust Office.

"**Currency Agreement**" means any foreign exchange forward contract, currency swap agreement or other similar agreement or arrangement designed to protect against fluctuations in foreign exchange rates and not for speculation.

"**Darajat Unit 1**" means the 55 MW geothermal turbine-generator unit of the Darajat Project and related equipment and facilities.

"**Darajat Unit 2**" means the 95 MW geothermal turbine-generator unit of the Darajat Project and related equipment and facilities.

"**Darajat Unit 3**" means the 121 MW geothermal turbine-generator unit of the Darajat Project and related equipment and facilities.

"**Debt Service**" means, for any period, the sum of all principal, interest payments, settlement payments made net of settlement payments received under any interest rate hedging agreements and any currency hedging agreements relating to indebtedness, fees, expenses and other charges due in respect of all Indebtedness of the Obligors and DGI (other than Shareholder Subordinated Loans and other Indebtedness owed to the Obligors and DGI), calculated without duplication for Guarantees and keep well agreements with respect to Indebtedness already included in such calculation. For the avoidance of doubt, settlement payments made net of settlement payments received under Hedging Obligations for such period shall be included under Debt Service for Hedging Obligations entered into for the purpose of protecting the Obligors and DGI from fluctuations in interest rates or currencies.

"**Debt Service Accounts**" means interest bearing U.S. dollar-denominated accounts to be opened or redesignated by the Co-Issuers with the Offshore Account Bank, which shall initially be the following:

(1) DBS Bank Ltd. Account #0003-036834-01-0 in the name of SEGSL;

(2) DBS Bank Ltd. Account #0003-036835-01-1 in the name of SEGSL;

(3) DBS Bank Ltd. Account #0003-036843-01-1 in the name of SEGDII; and

(4) DBS Bank Ltd. Account #0003-036844-01-3 in the name of SEGDII.

"**Debt Service Coverage Ratio**" means, for any period, the ratio of Cash Flow Available for Debt Service for such period to Debt Service for such period. In making the foregoing calculation:

(A) *pro forma* effect will be given to any Indebtedness Incurred, repaid, repurchased, defeased or redeemed since the beginning of such period in each case as if such Indebtedness had been Incurred, repaid, repurchased, defeased or redeemed on the first day of such period (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement or any predecessor revolving credit or similar arrangement); *provided* that, in the event of any such repayment, repurchase, defeasance or redemption, Cash Flow Available for Debt Service for such period will be calculated as if the Obligors had not earned any interest income actually earned during such period in respect of the funds used to repay, repurchased, defeased or redeem such Indebtedness;

(B) interest expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a *pro forma* basis and bearing a floating interest rate will be computed as if the rate in effect on the date of determination (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;

(C) *pro forma* effect will be given to the creation, designation or redesignation of Restricted and Unrestricted Subsidiaries during such period as if such creation, designation or redesignation had occurred on the first day of such period;

(D) *pro forma* effect will be given to Asset Dispositions and Asset Acquisitions (including giving *pro forma* effect to the application of proceeds of any Asset Disposition) that occur during such period as if they had occurred and such proceeds had been applied on the first day of such period; and

(E) *pro forma* effect will be given to asset dispositions and asset acquisitions (including giving *pro forma* effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into any Obligor during such period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such period,

provided that to the extent that clause (D) or (E) of this sentence requires that *pro forma* effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such *pro forma* calculation will be based upon the then most recent four fiscal quarterly periods immediately preceding the date of determination of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

"**Default**" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"**DGI**" means PT Darajat Geothermal Indonesia, a company incorporated under the laws of Indonesia.

"**Disqualified Stock**" means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed on or prior to the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any on or prior to the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity on or prior to the Stated Maturity of the Notes. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require such Person to repurchase such Capital Stock upon the occurrence of a change of control or in certain circumstances in connection with an asset sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that such Person may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described above under the caption "*—Certain Covenants—Limitation on Equity Distributions*." The term "Disqualified Stock" will also include any options, warrants or other rights that are convertible at the option of the holder into Disqualified Stock or that are redeemable at the option of the holder, or required to be redeemed, on or prior to the Stated Maturity of the Notes.

"**Distribution Accounts**" means interest bearing U.S. dollar-denominated accounts to be opened or redesignated by the Co-Issuers with the Offshore Account Bank, which shall initially be the following:

(1) DBS Bank Ltd. Account #0003-036837-01-5 in the name of SEGSL;

(2) DBS Bank Ltd. Account #0003-036839-01-9 in the name of SEGSL;

(3) DBS Bank Ltd. Account #0003-036846-01-7 in the name of SEGDII; and

(4) DBS Bank Ltd. Account #0003-036848-01-0 in the name of SEGDII.

"**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 Bank Indonesia or its successor on the date of determination.

"**DTC**" means The Depository Trust Company.

"**Energy Sales Contract**" means the Salak ESC and the Darajat ESC.

"**Equity Interests**" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"**Equity Offering**" means (a) any underwritten primary public offering or private placement of Common Stock of either or both of the Co-Issuers or any of their direct or indirect parent companies (excluding Disqualified Stock) after the Original Issue Date or; (b) any underwritten secondary public offering or secondary private placement of Common Stock of either of the Co-Issuers or any of its direct or indirect parent companies beneficially owned by a Permitted Holder, after the Original Issue Date, to the extent that a Permitted Holder or a company controlled by a Permitted Holder concurrently with such public offering or private placement purchases in cash an equal amount of Common Stock from the Issuer at the same price as the public offering or private placing price, in each case under paragraph (a) or (b) of this definition provided such public offering or private placement is to a person other than a Restricted Subsidiary or Permitted Holder.

"**Euroclear**" means Euroclear Bank SA/NV.

"**Existing Senior Debt Facilities**" means the secured term loan facility agreement among the Parent Guarantor and Bangkok Bank Public Company Limited, Bank of China Ltd., BPI Capital Corporation, BDO Unibank, Inc., DBS Bank Ltd., RCBC Capital Corporation, Sumitomo Mitsui Banking Corporation, Singapore Branch and The Bank of Tokyo-Mitsubishi UFJ, Ltd. (subsequently, MUFG Bank, Ltd.) for facilities commitments of Tranche A and Tranche B amounting to U.S.$1,250,000,000 and U.S.$700,000,000 respectively, as amended and restated from time to time.

"**Expropriation Event**" means any Governmental Instrumentality shall have condemned, nationalized, seized, or expropriated all or a substantial portion of (i) any Project, (ii) any Geothermal Unit or (iii) the property or assets of any Obligor or of its share capital, or shall have assumed custody or control of such property or other assets or business operations of any Obligor or its share capital, or shall have taken any action for the dissolution or disestablishment of any Obligor or any action that would prevent any Obligor or its officers from carrying on its business or operations or a substantial part thereof.

"**Fair Market Value**" means the price that would be paid in an arm's-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination will be conclusive if evidenced by a Board Resolution (unless otherwise provided in the Indentures).

"**Fitch**" means Fitch Ratings Ltd. or any successor to the rating agency business thereof.

"**Geothermal Unit**" means each of:

(a) Salak Unit 1;

(b) Salak Unit 2;

(c) Salak Unit 3;

(d) Salak Unit 4;

(e) Salak Unit 5;

(f) Salak Unit 6;

(g) Darajat Unit 1;

(h) Darajat Unit 2;

(i) Darajat Unit 3; and

(j) any additional geothermal turbine-generator unit in the Salak contract area or the Dajarat contract area (if developed), forming part of any Project in accordance with and pursuant to the terms of the relevant Project Documents, together with any related equipment and facilities.

"**Governmental Instrumentality**" means of any country means such country and its government and any ministry, department, political subdivision, region, instrumentality, agency, corporation or commission under the direct or indirect control of such country.

"**guarantee**" means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, without limitation, of all or any part of any Indebtedness (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). The term "guarantee" used as a verb has a corresponding meaning.

"**Guarantee**" means the Parent Guarantee, a Co-Issuer Guarantee or a Subsidiary Guarantee, as the context requires.

"**Guarantor**" means the Parent Guarantor, a Co-Issuer or a Subsidiary Guarantor, as the context requires.

"**Hedging Agreement**" means any Currency Agreement, Commodity Agreement or Interest Rate Agreement.

"**Hedging Obligation**" of any Person means the obligations of such Person pursuant to any Hedging Agreement.

"**Holder**" means the Person in whose name a Note is registered in the Note register.

"**IFRS**" means, at any time, the current version of accounting standards set out by the International Accounting Standards Board in London, England. All ratios and computations contained or referred to in the Indentures shall be computed in conformity with IFRS applied on a consistent basis.

"**Incur**" means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; *provided* that (1) any Indebtedness of a

Person existing at the time such Person becomes a Restricted Subsidiary will be deemed to be Incurred by such Person at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount will not be considered an Incurrence of Indebtedness. The terms "Incurrence," "Incurred" and "Incurring" have meanings correlative with the foregoing.

"**Indebtedness**" means, with respect to any Person at any date of determination (without duplication):

(1) all indebtedness of such Person for borrowed money;

(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, bankers' acceptances 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 due more than six months after such property is acquired or such services are completed (excluding accrued expenses and trade payables in the ordinary course of business);

(5) all Capitalized Lease Obligations and Attributable Indebtedness;

(6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided* that the amount of such Indebtedness will be the lesser of (A) the Fair Market Value of such asset at such date of determination and (B) the amount of such Indebtedness;

(7) all Indebtedness of other Persons guaranteed by such Person to the extent such Indebtedness is guaranteed by such Person;

(8) to the extent not otherwise included in this definition, Hedging Obligations;

(9) all Disqualified Stock issued by such Person and all Disqualified Stock and Preferred Stock issued by any Subsidiary of such Person with the amount of Indebtedness represented by such Disqualified Stock being equal to the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price; and

(10) 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 will be the outstanding balance at such date of all unconditional obligations as described above (as determined in conformity with IFRS to the extent applicable) and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligations; *provided*:

(A) that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with IFRS;

(B) that money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of principal, premium or interest on such Indebtedness will not be deemed to be "Indebtedness" so long as such money is held to secure the payment of such interest;

(C) that the amount of Indebtedness with respect to any Hedging Agreement will be equal to the net amount payable if such Hedging Agreement terminated at that time due to default by such Person.

Notwithstanding the foregoing, "Indebtedness" shall not include:

(a) (i) accrued expenses and royalties arising in the ordinary course of business, (ii) asset retirement obligations, (iii) obligations in respect of reclamation or rehabilitation of any facility (including any Project) and any obligation accounted for as an operating lease in accordance with IFRS (other than Attributable Indebtedness), (iv) any obligations in respect of early retirement or termination obligations, trade payables, pension fund obligations or contribution or similar claims, obligations or contributions or wage taxes (including superannuation, pensions and retiree medical care), and (v) any obligations under any license, permit or approval or guarantees thereof incurred prior to the Original Issue Date in the ordinary course of business;

(b) indebtedness or obligations Incurred by any Person pursuant to Hedging Obligations for the purpose of protecting any Person from fluctuations in interest rates, commodity prices or currencies and not for speculative purposes;

(c) indebtedness or obligations arising from agreements providing for indemnification, adjustment of purchase price, earn-out payments or similar obligations, or from guarantees or letters of credit, surety bonds or performance bonds securing any obligation of any Person, in any case, incurred in connection with the disposition of any business, assets or Equity Interests of any Person, other than guarantees of Indebtedness incurred by any Person acquiring all or any portion of such business, assets or Equity Interests of any Person for the purpose of financing such acquisition; *provided* that the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds actually received or receivable by any Person in connection with such disposition;

(d) indebtedness or obligations Incurred by any Person 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 repaid in full or otherwise extinguished within five Business Days of Incurrence;

(e) indebtedness or obligations Incurred by any Person in respect of (x) workers' compensation claims, self-insurance obligations, bankers' acceptances, performance and surety bonds (in each case other than for an obligation for borrowed money) or similar instruments in the ordinary course of business or (y) the financing of insurance premiums in the ordinary course of business;

(f) indebtedness or obligations in respect of performance bonds, completion guarantees, construction bonds and sureties and similar instruments Incurred in the ordinary course of business; or

(g) indebtedness or obligations Incurred by any Person constituting reimbursement obligations with respect to letters of credit or trade guarantees, bank guarantees or similar instruments issued in the ordinary course of business to the extent that such letters of credit, trade guarantees, bank guarantees or similar instruments are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than 30 days following receipt by such Person of a demand for reimbursement.

"**Indentures**" means the 2029 Notes Indenture and the 2038 Notes Indenture.

"**Interest Rate Agreement**" means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to protect against fluctuations in interest rates and not for speculation.

"**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 Fitch or any of their respective successors or assigns or a rating of "Aaa," "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 the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which will have been designated by the Co-Issuers as having been substituted for S&P, Fitch or Moody's or any of them, as the case may be.

"**Joint Operating Contract**" means the Salak JOC and the Darajat JOC.

"**Legal Requirements**" means all laws, statutes, orders, decrees, injunctions, licenses, permits, approvals, decisions, agreements and regulations or any requirement or administrative guidance that has similar effect of any Governmental Instrumentality having jurisdiction over the matter in question, and all court orders, judgments or similar requirements.

"**Lien**" means any mortgage, pledge, fiduciary security, 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).

"**Loss Event**" means any event which causes all or a portion of any Project to be damaged, destroyed or rendered unfit for normal operation whatsoever.

"**Major Drilling Costs**" means capital expenditure and maintenance costs associated with make-up drilling activities conducted from time to time by the Obligors and DGI pursuant to any major drilling program.

"**Major Maintenance Costs**" means capital expenditure and maintenance costs associated with make-up drilling activities conducted from time to time by the Obligors and DGI in relation to the Projects other than (i) any such costs incurred pursuant to a major drilling program and (ii) any costs associated with the development of the Salak binary power plant.

"**Major Maintenance Reserve Accounts**" means interest bearing U.S. dollar-denominated accounts to be opened or redesignated by the Co-Issuers with the Offshore Account Bank, which shall initially be the following:

(1) DBS Bank Ltd. Account #0003-036833-01-8 in the name of SEGSL; and

(2) DBS Bank Ltd. Account #0003-036842-01-0 in the name of SEGDII.

"**Major Maintenance Reserve Amount**" means, in relation to any given consecutive 12-month period, an amount equal to 33.33% of the estimated sum of the Major Drilling Costs, the Major Maintenance Costs and the Binary Costs (each as determined by the Co-Issuers, acting reasonably and in good faith) due and payable during the immediately following three consecutive 12-month periods.

"**Make-Whole Amount**" means the 2029 Notes Make-Whole Amount or the 2038 Notes Make-Whole Amount, as the case may be.

"**Material Adverse Effect**" means a material adverse effect on (a) the performance, operations, business, property, assets, liabilities or financial condition of the Obligors and DGI or (b) the rights or interests of the Holders under the Indentures or Security Documents or on any security interest granted pursuant thereto.

"**Moody's**" means Moody's Investors Service, Inc. and its affiliates.

"**Net Cash Proceeds**" means:

(1) with respect to any sale, transfer, disposition or lease of property or assets material to any Project the proceeds of which are to be applied under clause (11) under the covenant under the caption "*—Certain Covenants—Limitation on Asset Sales*," (an "**Asset Sale**"), the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:

(A) brokerage commissions and other fees and expenses (including fees and expenses of counsel, accountants and investment bankers) related to such Asset Sale;

(B) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Obligors, taken as a whole;

(C) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale;

(D) appropriate amounts to be provided by any Obligor as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with IFRS;

(E) any portion of the purchase price in respect of such Asset Sale placed in escrow (excluding amounts as and when released from escrow and received by any Obligor); and

(2) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"**Notes**" means the 2029 Notes and the 2038 Notes.

"**Notes Amortization Amount**" means the 2029 Notes Amortization Amount and the 2038 Notes Amortization Amount.

"**Obligors**" means the Co-Issuers and the Guarantors.

"**Officer**" of any Person means one of the managing directors, executive officers or directors or the equivalent of such Person.

"**Officers' Certificate**" means a certificate signed by two Officers.

"**Onshore Corporate and Tax Accounts**" means interest bearing Indonesian rupiah-or U.S. dollar-denominated onshore corporate and tax payment accounts to be opened or redesignated by the Co-Issuers with an onshore account bank or banks to be specified in the Intercreditor Deed (including any replacement account banks), which shall initially be the following:

(1) PT Bank DBS Indonesia Account #3320061898 in the name of SEGSL;

(2) PT Bank DBS Indonesia Account #3320061913 in the name of SEGSL;

(3) PT Bank DBS Indonesia Account #3320061904 in the name of SEGDII; and

(4) PT Bank DBS Indonesia Account #3320061922 in the name of SEGDII.

"**Opinion of Counsel**" means a written opinion from legal counsel which opinion is reasonably acceptable to the Trustee that meets the requirements of the Indentures; *provided* that legal counsel shall be entitled to rely on a certificate of any Obligor as to matters of fact. The legal counsel may be counsel to any Obligor.

"**Original Issue Date**" means the date on which the Notes are originally issued under the Indentures.

"**Parent Guarantee**" means the guarantee of the obligations of the Co-Issuers under the Indentures and the Notes by the Parent Guarantor.

"**Parent Guarantor**" means Star Energy Geothermal (Salak – Darajat) B.V.

"**Permitted Business**" means the development, operation, maintenance and expansion of any Project.

"**Permitted Holders**" means:

(1) each of PT Barito Pacific, Tbk., BCPG Public Company Limited, Mitsubishi Corporation, Electricity Generating Public Company Limited and Ayala Corporation; and

(2) any Affiliate (other than an Affiliate as defined in clause (2) or (3) of the definition of Affiliate) of the Persons specified in clause (1).

"**Permitted Liens**" means:

(1) Liens on assets of the Obligors and DGI created by the Security Documents in each case as amended or supplemented from time to time, including for the issuance of Additional Notes;

(2) Liens for taxes, assessments, governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as is required in conformity with IFRS will have been made;

(3) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers or repairmen, or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as required in conformity with IFRS will have been made;

(4) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers' acceptances, surety and appeal bonds, workers compensation claims, government contracts (or, in case of deposits only, any other contracts), indemnity, performance and return-of-money bonds and other obligations of a similar nature or letters of credit issued pursuant to the request of and for the account of such Persons in the ordinary course of its business; *provided*, *however*, that such letters of credit do not constitute Indebtedness;

(5) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Obligors and the other members of the Restricted Group, taken as a whole;

(6) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of any Obligor or any member of the Restricted Group relating to such property or assets;

(7) Liens on property of, or on Equity Interests or Indebtedness of, any Person existing at the time such Person becomes a Restricted Subsidiary, or becomes a part of, or is merged with or into or consolidated with, any Obligor or Restricted Subsidiary; *provided* that such Liens do not extend to or cover any property or assets of any Obligor or any member of the Restricted Group other than the property or assets acquired or affixed or appurtenant thereto (including Equity Interests acquired and any property or assets of any Subsidiary of any Person so acquired); *provided further* that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;

(8) Liens in favor of any Obligor;

(9) bankers' Liens, rights of setoff, Liens arising from attachment or the rendering of any judgment or order against any Obligor or any member of the Restricted Group that does not give rise to an Event of Default and notices of pending actions and associated rights related to litigation being contested in good faith by appropriate proceedings and for which adequate reserves have been made if required in accordance with IFRS;

(10) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;

(11) Liens existing on the Original Issue Date;

(12) Liens on the Capital Stock of Unrestricted Subsidiaries or any Person that is not a Subsidiary of the Parent Guarantor solely to secure Indebtedness of such Unrestricted Subsidiaries or such Person, in each case that is non-recourse to any Obligor, unless any Obligor could have incurred such Indebtedness under the Indentures on the date of incurrence of such Lien;

(13) survey exceptions, easements, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar restrictions, municipal and zoning ordinances or other restrictions as to the use of properties or minor survey exceptions or encumbrances in favor of governmental agencies or utility, telephone or similar companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by any Obligor or any member of the Restricted Group;

(14) Liens securing Indebtedness Incurred by any Obligor or any member of the Restricted Group relating to bid, performance or surety bonds or letters of credit or bank guarantees issued in the ordinary course of business to finance the purchase of fuel or other materials or equipment to be used in the Permitted Business;

(15) Liens to secure Hedging Obligations Incurred for the purpose of protecting any Obligor from fluctuations in interest rates, commodity prices or currencies and not for speculative purposes;

(16) any interest or title of a licensor, lessor or sublessor of any of its property, including intellectual property, subject to any licenses, leases or subleases in the ordinary course of business;

(17) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers' compensation claims and other purposes specified by statute made in the ordinary course of business and not securing Indebtedness of any Obligor or any member of the Restricted Group;

(18) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (b)(4) of the covenant described under the caption entitled "*—Certain Covenants—Limitation on Indebtedness*"; *provided* that such Liens do not extend to or cover any property or assets of any Obligor other than the property or assets securing the Indebtedness being refinanced (plus improvements and accessions to, such property or proceeds or distributions thereof);

(19) Liens securing Permitted Pari Passu Secured Obligations that have been Incurred in accordance with the provisions of "*—Certain Covenants—Permitted Pari Passu Secured Obligations*";

(20) Liens on cash, cash equivalents or other property arising in connection with the defeasance (including covenant defeasance), discharge or redemption of Indebtedness;

(21) Liens arising out of the conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;

(22) Liens on specific items of inventory or other goods (and the proceeds thereof) of any Person securing such Person's obligations in respect of bankers' acceptances issued or created in the ordinary course of business for the account of such Person to facilitate the purchase, shipment or storage of such inventory of other goods;

(23) Liens granted to the Trustee to secure its compensation and indemnities pursuant to the Indentures;

(24) Liens encumbering customary initial deposits in the ordinary course of business;

(25) Liens created for the benefit of (or to secure) the Notes or the Guarantees;

(26) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation and exportation of goods in the ordinary course of business;

(27) Liens that are contractual rights of netting or set-off relating to purchase orders and other agreements entered into with customers in the ordinary course of business;

(28) Liens on insurance policies and proceeds thereof, or other deposits, to secure insurance premium financings;

(29) other Liens securing obligations in an aggregate amount not exceeding U.S.$20.0 million; and

(30) until the date falling 120 days after the Original Issue Date, Liens granted to the creditors under the Existing Senior Debt Facilities.

"**Person**" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

"**Pertamina**" means Perusahaan Pertambangan Minyak dan Gas Bumi Negara, an Indonesian state-owned oil company which became PT Pertamina (Persero).

"**PGE**" means PT Pertamina Geothermal Energy.

"**PLN**" means PT Perusahaan Listrik Negara (Persero).

"**Preferred Stock**" as applied to the Capital Stock of any Person means Capital Stock of any class or classes 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 shares of Capital Stock of any other class of such Person.

"**Project**" means each of the Salak Project and the Darajat Project.

"**Project Document**" means any Energy Sales Contract, any Joint Operating Contract, any Additional Project Document and any other agreement or document entered into relating to the maintenance or operation of any Project, in each case, as the same may be amended from time to time in accordance with the terms and conditions of the Indentures and thereof.

"**Rating Agencies**" means (i) S&P, (ii) Moody's and (iii) Fitch; *provided* that if S&P, Moody's or Fitch shall not make a rating of the Notes publicly available, one or more "nationally recognized statistical rating organizations," as the case may be, within the meaning of Section 3(a)(62) under the Exchange Act, as the Co-Issuers may select, which will be substituted for any of S&P, Moody's or Fitch, as the case may be.

"**Rating Category**" means (i) with respect to S&P and Fitch, 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); and (iii) the equivalent of any such category of S&P, Fitch or Moody's 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 and Fitch; "1," "2" and "3" for Moody's; or the equivalent gradations for another Rating Agency) will 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 (i) in connection with a Change of Control Triggering Event, that date which is 60 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of a Change of Control or of the intention by the Parent Guarantor, any Co-Issuer or any other Person or Persons to effect a Change of Control or (ii) in connection with actions contemplated under the caption "*—Consolidation, Merger and Sale of Assets*," 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 (i) in connection with a Change of Control Triggering Event, the occurrence on, or within 90 days after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Parent Guarantor, any Co-Issuer or any other Person or Persons to effect a Change of Control (which period will be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below, or (ii) in connection with actions contemplated under the caption "*—Consolidation, Merger and Sale of Assets*," the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

(a) in the event the Notes are rated by two Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by both Rating Agencies will be below Investment Grade;

(b) in the event the Notes are rated by either, but not both, of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency will be below Investment Grade; or

(c) in the event the Notes are rated below Investment Grade by both Rating Agencies on the Rating Date, the rating of the Notes by either Rating Agency will be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories);

provided that a Rating Agency will be deemed to have not changed its rating of the Notes to below Investment Grade or to have decreased its rating of the Notes if such Rating Agency states publicly in writing that (i) its change in rating of the Notes is the result of a rating downgrade applicable to the Government of Indonesia or generally applicable to companies in the Co-Issuers' industry or companies located or operating in Indonesia and (ii) is not as a result of such Change of Control or proposed action contemplated under the caption "*—Consolidation, Merger and Sale of Assets*."

"**Reference Treasury Dealer**" means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Co-Issuers in good faith.

"**Reference Treasury Dealer Quotations**" means, with respect to each Reference Treasury Dealer and any redemption date, the average as determined by the Co-Issuers, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Co-Issuers by such Reference Treasury Dealer at 5:00 p.m. New York City time on the third Business Day preceding such redemption date.

"**Responsible Officer**" means, when used with respect to the Trustee, any managing director, vice president, trust associate, relationship manager, transaction manager, client service manager, any trust officer or any other officer located at the Specified Corporate Trust Office who customarily performs functions similar to those performed by any persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such person's knowledge of and familiarity with the particular subject and in each such case, who shall have direct responsibility for the day to day administration of the Indentures.

"**Restricted Group**" means the Parent Guarantor, the Co-Issuers and the Restricted Subsidiaries.

"**Restricted Subsidiary**" means any Subsidiary of the Parent Guarantor or any Co-Issuer, other than an Unrestricted Subsidiary.

"**Revenue and Operating Accounts**" means interest bearing U.S. dollar-denominated accounts to be opened or redesignated by the Obligors with the Offshore Account Bank, which shall initially be the following:

(1) DBS Bank Ltd. Account #0003-036832-01-6 in the name of SEGSL;

(2) DBS Bank Ltd. Account #0003-036841-01-8 in the name of SEGDII;

(3) DBS Bank Ltd. Account #0003-036849-01-2 in the name of SEGDI; and

(4) DBS Bank Ltd. Account #0003-036840-01-6 in the name of SEGSPL.

"**S&P**" means Standard & Poor's Ratings Services and its affiliates.

"**Salak Unit 1**" means the 60 MW geothermal turbine-generator unit of the Salak Project and related equipment and facilities.

"**Salak Unit 2**" means the 60 MW geothermal turbine-generator unit of the Salak Project and related equipment and facilities.

"**Salak Unit 3**" means the 60 MW geothermal turbine-generator unit of the Salak Project and related equipment and facilities.

"**Salak Unit 4**" means the 65.6 MW geothermal turbine-generator unit of the Salak Project and related equipment and facilities.

"**Salak Unit 5**" means the 65.6 MW geothermal turbine-generator unit of the Salak Project and related equipment and facilities.

"**Salak Unit 6**" means the 65.6 MW geothermal turbine-generator unit of the Salak Project and related equipment and facilities.

"**Sale and Leaseback Transaction**" means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby any Obligor transfers such property to another Person and any Obligor leases it from such Person.

"**Secured Parties**" means the Trustee, the Holders and any future holders (or their representative(s)) of any Permitted Pari Passu Secured Obligations.

"**Security Documents**" means (a) each of the security agreements, whether existing on the Original Issue Date or thereafter, creating or expressing to create security interests or a charge over all or any part of the Collateral in favor of the Collateral Agents that secures the Notes, any Guarantee of the Notes or any Permitted Pari Passu Secured Obligations as contemplated by the Intercreditor Deed and (b) any other security agreements which define the terms of the security interests that secure the Notes or any Guarantee of the Notes from time to time, in each case as amended, restated, modified, renewed or replaced from time to time.

"**SEGDI**" means Star Energy Geothermal Darajat I, Limited.

"**SEGDII**" means Star Energy Geothermal Darajat II Limited.

"**SEGSL**" means Star Energy Geothermal Salak, Ltd.

"**SEGSPL**" means Star Energy Geothermal Salak Pratama, Ltd.

"**Shareholder Subordinated Loan**" means unsecured Indebtedness for borrowed money Incurred by any Obligor or DGI from any direct or indirect shareholder of such Obligor or DGI or any of its Affiliates as to which the payment of principal of (and premium, if any) and interest and other payment obligations in respect of such Indebtedness is, by its terms or by the terms of any agreement or instrument pursuant to which such Indebtedness is issued or remains outstanding and by the terms of the Intercreditor Deed, is expressly made subordinate to the prior payment in full of any Guarantee, to at least the following extent: (i) no payments of principal of (or premium, if any) or interest on or otherwise due in respect of such Indebtedness may be permitted for so long as any Default exists; (ii) such Indebtedness may not provide for payments of principal of such Indebtedness, premium or interest prior to 366 days after the final Stated Maturity of the Notes; (iii) the Intercreditor Deed will prevent the holders of such Indebtedness (or trustees or agents therefor) from pursuing remedies against the Obligors and DGI or their respective assets or properties in an insolvency proceeding or in respect of a default under such Indebtedness until the Notes and all Permitted Pari Passu Secured Obligations have been repaid in full and (iv) the Intercreditor Deed will provide in the event that any payment is received by the holders of such Indebtedness (or any trustee or agent therefor) in respect of such Indebtedness when such payment is prohibited by one or more of the subordination provisions described in this paragraph, such payment shall be held in trust for the benefit of, and shall be paid over or delivered to, the Collateral Agents on behalf of the Holders and holders of Permitted Pari Passu Secured Obligations. Notwithstanding the foregoing, the foregoing limitations shall not be violated by provisions that permit payments not otherwise permitted under this definition if the Obligors and DGI would be permitted to make such payment under the covenant described under the caption "*—Certain Covenants—Limitation on Equity Distributions*."

"**Specified Corporate Trust Office**" means The Bank of New York Mellon, Singapore Branch located at One Temasek Avenue, #03-01 Millenia Tower, Singapore 039192; Attention: Corporate Trust—Star Energy Geothermal Darajat II Limited and Star Energy Geothermal Salak, Limited; Facsimile: +65 6883 0338.

"**Stated Maturity**" means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final instalment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled instalment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such instalment is due and payable as set forth in the documentation governing such Indebtedness.

"**Subordinated Indebtedness**" means any Indebtedness of any Obligor which is contractually subordinated or junior in right of payment to the Notes or any Guarantee, as applicable, pursuant to a written agreement to such effect.

"**Subsidiary**" means, with respect to any Person, any corporation, association or other business entity of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person.

"**Subsidiary Guarantee**" means any guarantee of the obligations of the Co-Issuers under the Indentures and the Notes by any Subsidiary Guarantor.

"**Subsidiary Guarantor**" means any Subsidiary of the Parent Guarantor which guarantees the payment of the Notes pursuant to the Indentures and the Notes; *provided* that Subsidiary Guarantor will not include any Person whose Subsidiary Guarantee has been released in accordance with the Indentures and the Notes.

"**Target DSA Balance**" means, as of any given determination date, the aggregate of:

(a) in relation to the Notes, the amount of principal and interest payable in the immediately following 12-month period; *plus*

(b) in relation to any other Indebtedness that may be incurred under clause (a) of the covenant under the caption "*—Certain Covenants—Limitation on Indebtedness*" and any Permitted Pari Passu Indebtedness, the amount of principal and interest payable on all such Indebtedness (including for the avoidance of doubt any such amounts in connection with any mandatory redemptions or prepayments of such Indebtedness) on the immediately following date on which any payments in respect of such Indebtedness will be due; *plus*

(c) in relation to any Hedging Agreements entered into for the purpose of hedging any currency or interest rate exposures of any Obligor or DGI in relation to the Notes, any Indebtedness that may be incurred under clause (a) of the covenant under the caption "*—Certain Covenants—Limitation on Indebtedness*" or any Permitted Pari Passu Indebtedness, any cash amounts due or estimated to be due in respect of such Hedging Agreements on the payment dates referenced in paragraph (b) above; *plus*

(d) if any Co-Issuer has received any Available Proceeds pursuant to the provisions of "*—Mandatory Redemption of Notes Without Premium*", the Available Proceeds, after deducting any mandatory redemptions of the Notes and Permitted Pari Passu Secured Obligations that have been funded from such Available Proceeds.

"**Texaco**" means Texaco Darajat Limited (now known as SEGDII), a company incorporated under the laws of Bermuda.

"**Treasury Rate**" means, with respect to the Notes, with respect to any redemption date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities," for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after Stated Maturity of the Notes, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding such redemption date.

"**Trustee**" means the 2029 Notes Trustee and the 2038 Notes Trustee.

"**UGI**" means UNOCAL Geothermal of Indonesia, Ltd. (former name of SEGSL).

"**Unrestricted Subsidiary**" means (1) any Subsidiary of the Parent Guarantor that at the time of determination will be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indentures; and (2) any Subsidiary of an Unrestricted Subsidiary.

"**U.S. Government Obligations**" means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof at any time prior to the Stated Maturity of the Notes, and will also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

"**Voting Stock**" means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

DESCRIPTION OF THE SECURITY DOCUMENTS AND THE COLLATERAL

As of June 30, 2020, our outstanding indebtedness under the Existing Senior Debt Facilities was US$925.1 million, gross of unamortized deferred financing costs. The net proceeds from the issue of the Notes, together with cash in hand, will be used by our Company to repay the Existing Senior Debt Facilities in full.

Promptly after the full repayment of the Existing Senior Debt Facilities, the liens on the existing collateral securing the Existing Senior Debt Facilities will be released. Accordingly, the Notes will be issued prior to the creation and perfection of the security over the Collateral.

The Collateral securing the Notes will comprise of:

Security Document	Governing Law	Collateral
Share Pledge.	New York	a share pledge executed by the Parent Guarantor over its entire present and future shares in SEGDI
Share Charge	Bermudan	a share charge executed by the Parent Guarantor over its entire present and future shares in SEGDII
Share Charge	Bermudan	a share charge executed by the Parent Guarantor over its entire present and future shares in SEGS
Share Mortgage.	Cayman	a share mortgage executed by SEGS over its entire present and future shares in SEGSP
Share Pledge.	Dutch	a share pledge executed by SEGH and ACEHI over their entire present and future shares in the Parent Guarantor
Deed of Pledge of Shares	Indonesian	a share pledge executed by the Parent Guarantor over its entire present and future shares in DGI
Deeds of Fiduciary Security of Insurance Claims.	Indonesian	fiduciary security over insurance claims of each of SEGDII, SEGDI, SEGS, SEGSP and DGI related to any Electricity Generation Facilities (as defined in the Joint Operating Contracts) in relation to the Unit(s) (as defined in the Joint Operating Contracts) in relation to the Unit(s) (as defined in the Joint Operating Contracts) operated by it
Deeds of Pledge with respect to Bank Accounts	Indonesian	pledges over the Onshore Corporate and Tax Account of each of SEGDII and SEGS
Charges over Accounts	Singapore	charges over the Offshore Accounts from SEGDII, SEGS, SEGSPL, SEGDI and DGI
Assignment of Intercompany Loans	English	an assignment of intercompany loans executed by ACEHI over all present and future debts owing to it by the Parent Guarantor
Assignment of Intercompany Loans	English	an assignment of intercompany loans executed by SEGH over all present and future debts owing to it by the Parent Guarantor

Security Document	Governing Law	Collateral
Assignment of Contractual Rights	English	an assignment of contractual rights executed by SEGDII over its rights, title and interest in the Hedging Agreements
Assignment of Contractual Rights	English	an assignment of contractual rights executed by SEGS over its rights, title and interest in the Hedging Agreements

Indonesian law fiduciary security can be effected in respect of tangible or intangible movable goods and over immovable goods which cannot be the subject of *hak tanggungan*, the Indonesian law equivalent of a registered mortgage. Priority rights to exercise fiduciary security are established upon registration with the Fiduciary Registration Office.

Under Indonesian Fiduciary Law, fiduciary security shall be registered in the Fiduciary Registration Office having jurisdiction over the domicile of the fiduciary grantor. Since we are a foreign entity not incorporated in Indonesia, this may raise an issue with the Fiduciary Registration Office where the fiduciary security granted by us should be registered, thus registration of the fiduciary security in Indonesia may not be possible and accordingly, the holders of the Notes may not have priority security against other secured financiers.

However, from our previous experience in granting fiduciary security for our Existing Senior Secured Facilities and, prior to that, our prior notes issuances, we understand that the fiduciary security granted by us can be registered with the Fiduciary Registration Office in Jakarta, Indonesia, *provided* that we can provide the Fiduciary Registration Office with our domicile letter and tax registration number issued by the relevant Indonesian authority.

CERTAIN TAX CONSIDERATIONS

The following summary is based on tax laws of the Netherlands, Indonesia, Singapore, the United States, The Bahamas and Bermuda on the date of this Offering Memorandum, and is subject to changes in Dutch, Indonesian, Singapore, United States, Bahamian or Bermuda law, including changes that could have retroactive effects. Prospective purchasers in all jurisdictions are urged to consult their own tax advisors about the tax consequences of an investment in the Notes under the laws of the Netherlands, Indonesia, Singapore, the United States, The Bahamas and Bermuda and their constituent jurisdictions, and any other jurisdictions where the purchasers of the Notes may be subject to taxation.

The below discussion is a general summary. It does not cover all tax matters that may be of importance to a particular purchaser. Each prospective investor is strongly urged to consult its tax advisor about the tax consequences as a result of an investment in the Notes.

The Netherlands

The following summary of certain Dutch taxation matters is based on the laws and practice in force as of the date of this Offering Memorandum and is subject to any changes in law and the interpretation and application thereof, which changes could be made with retroactive effect. The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of a Note, and does not purport to deal with the tax consequences applicable to all categories of investors, some of which may be subject to special rules.

For the purpose of the paragraph "*Taxes on Income and Capital Gains*" below it is assumed that a holder of a Note, being an individual or a non-resident entity, neither has nor will have a substantial interest (*aanmerkelijk belang*), or—in the case of a holder of a Note being an entity—a deemed substantial interest, in a Co-Issuer or a Guarantor and that a connected person (*verbonden persoon*) to the holder of a Note neither has nor will have a substantial interest in a Co-Issuer or a Guarantor.

Generally speaking, an individual has a substantial interest in a company if (a) such individual, either alone or together with his partner, directly or indirectly has, or is deemed to have or (b) certain relatives of such individual or his partner directly or indirectly have or are deemed to have (i) the ownership of, a right to acquire the ownership of, or certain rights over, shares representing 5% or more of either the total issued and outstanding capital of such company or the issued and outstanding capital of any class of shares of such company, or (ii) the ownership of, or certain rights over, profit participating certificates (winstbewijzen) that relate to 5% or more of either the annual profit or the liquidation proceeds of such company. Generally, an individual has a deemed substantial interest in a company if (i) he or his predecessor has disposed of or is deemed to have disposed of all or part of a substantial interest or (ii) he has transferred an enterprise in exchange for shares in such company, in each case, on a non-recognition basis.

Generally, a non-resident entity has a substantial interest in a company if such entity, directly or indirectly has (I) the ownership of, a right to acquire the ownership of, or certain rights over, shares representing 5% or more of either the total issued and outstanding capital of such company or the issued and outstanding capital of any class of shares of such company, or (II) the ownership of, or certain rights over, profit participating certificates (*winstbewijzen*) that relate to 5% or more of either the annual profit or the liquidation proceeds of such company. Generally, an entity has a deemed substantial interest in a company if such entity has disposed of or is deemed to have disposed of all or part of a substantial interest on a non-recognition basis.

For the purpose of this summary, the term "**entity**" means a corporation as well as any other person that is taxable as a corporation for Dutch corporate tax purposes.

Where this summary refers to a holder of a Note, an individual holding a Note or an entity holding a Note, such reference is restricted to an individual or entity holding legal title to as well as an economic interest in such Note or otherwise being regarded as owning a Note for Dutch tax purposes. It is noted that for purposes of Dutch income, corporate, gift and inheritance tax, assets legally owned by a third party such as a trustee, foundation or similar entity, may be treated as assets owned by the (deemed) settlor, grantor or similar originator or the beneficiaries in proportion to their interest in such arrangement.

Where the summary refers to "**The Netherlands**" or "**Dutch**" it refers only to the European part of the Kingdom of the Netherlands.

Investors should consult their professional advisers on the tax consequences of their acquiring, holding and disposing of a Note.

Withholding tax

All payments of principal and interest by the Co-Issuers or the Guarantors under the Notes and the Indentures can be made without withholding or deduction of any taxes of whatever nature imposed, levied, withheld or assessed by The Netherlands or any political subdivision or taxing authority thereof or therein.

However, as of January 1, 2021 Dutch withholding tax may apply on certain (deemed) payments (with respect to payments by the Co-Issuers and Subsidiary Guarantors to the extent such payments are attributable to a permanent establishment of it in the Netherlands) made to an affiliated (*gelieerde*) entity to the relevant Co-Issuer or Guarantor making the payment, as the case may be, if such entity (i) is considered to be resident (*gevestigd*) in a jurisdiction that is listed in the yearly updated Dutch Regulation on low-taxing states and non-cooperative jurisdictions for tax purposes (*Regeling laagbelastende staten en niet-coöperatieve rechtsgebieden voor belastingdoeleinden*), or (ii) has a permanent establishment located in such jurisdiction to which the interest is attributable, or (iii) is entitled to the interest payable for the main purpose or one of the main purposes to avoid taxation for another person, or (iv) is not considered to be the recipient of the interest in its jurisdiction of residence because such jurisdiction treats another (lower-tier) entity as the recipient of the interest (a hybrid mismatch), or (v) is not treated as resident anywhere (also a hybrid mismatch), all within the meaning of the Withholding Tax Act 2021 (*Wet bronbelasting 2021*).

Taxes on income and capital gains

Residents

Resident entities

An entity holding a Note which is or is deemed to be resident in The Netherlands for Dutch corporate tax purposes and which is not tax exempt, will generally be subject to Dutch corporate tax in respect of income or a capital gain derived from a Note at the prevailing statutory rates (up to 25% in 2020).

Resident individuals

An individual holding a Note who is or is deemed to be resident in The Netherlands for Dutch income tax purposes will be subject to Dutch income tax in respect of income or a capital gain derived from a Note at the prevailing statutory rates (up to 49.50% in 2020) if:

(i) the income or capital gain is attributable to an enterprise from which the holder derives profits (other than as a shareholder); or

(ii) the income or capital gain qualifies as income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) as defined in the Income Tax Act 2001 (*Wet inkomstenbelasting 2001*), including, without limitation, activities that exceed normal, active asset management (*normaal, actief vermogensbeheer*).

If neither condition (i) nor (ii) applies, the individual will generally be subject to Dutch income tax on the basis of a deemed return, regardless of any actual income or capital gain derived from a Note. For 2020, the deemed return ranges from 1.79% to 5.28% of the value of the individual's net assets as at the beginning of the relevant fiscal year (including the Note). The applicable percentages will be updated annually on the basis of historic market yields. Subject to application of certain allowances, the deemed return will be taxed at the prevailing statutory rate (30% in 2020).

Non-residents

A holder of a Note which is not and is not deemed to be resident in The Netherlands for the relevant tax purposes will not be subject to Dutch taxation on income or a capital gain derived from a Note unless:

(i) the income or capital gain is attributable to an enterprise or part thereof which is either effectively managed in The Netherlands or carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) taxable in The Netherlands and the holder derives profits from such enterprise (other than by way of the holding of securities); or

(ii) the holder is an individual and the income or capital gain qualifies as income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) in The Netherlands as defined in the Income Tax Act 2001 (*Wet inkomstenbelasting 2001*), including, without limitation, activities that exceed normal, active asset management (*normaal, actief vermogensbeheer*).

Gift and inheritance taxes

Dutch gift or inheritance taxes will not be levied on the occasion of the transfer of a Note by way of gift by, or on the death of, a holder of a Note, unless:

(i) the holder is or is deemed to be resident in The Netherlands for the purpose of the relevant provisions; or

(ii) the transfer is construed as an inheritance or gift made by, or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident in The Netherlands for the purpose of the relevant provisions.

Value added tax

There is no Dutch value added tax payable by a holder of a Note in respect of payments in consideration for the issue or acquisition of a Note, payments of principal or interest under a Note, or payments in consideration for a disposal of a Note.

Other taxes and duties

There is no Dutch registration tax, stamp duty or any other similar tax or duty payable in The Netherlands by a holder of a Note in respect of or in connection with the acquisition, holding or disposal of a Note, the execution, delivery and/or enforcement by legal proceedings (including any foreign judgment in the courts of The Netherlands) of a Note or the performance of the Co-Issuers' or the Guarantors' obligations under the Notes and the Indentures.

Residence

A holder of a Note will not be and will not be deemed to be resident in The Netherlands for Dutch tax purposes and, subject to the exceptions set out above, will not otherwise become subject to Dutch taxation, by reason only of acquiring, holding or disposing of a Note or the execution, performance, delivery and/or enforcement of a Note.

The Bahamas

As of the date of this Offering Memorandum, there is no income, capital gains or profits tax, withholding or capital transfer tax, estate duty or inheritance tax in The Bahamas payable by prospective investors on the issue or transfer of Notes.

Bermuda

At the date of this Offering Memorandum, there is no Bermuda income, corporation or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by the Co-Issuers.

The Co-Issuers have obtained an undertaking from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act 1966, as amended, that, in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, such tax shall not until March 31, 2035, be applicable to the Co-Issuers or to any of their operations, or to the shares, debentures or other obligations of the Co-Issuers except insofar as such tax applies to persons ordinarily resident in Bermuda and holding such shares, debentures or other obligations of the Co-Issuers, which includes any land in Bermuda leased or let to the Co-Issuers.

The Co-Issuers are liable to pay the Bermuda Government an annual government fee based on their individual authorised share capital.

Cayman Islands

Under the laws of the Cayman Islands, payments of interest, principal or premium on the Notes will not be subject to taxation and no withholding will be required on the payment of interest, principal or premium to any holder of the Notes, as the case may be, nor will gains derived from the disposal of the Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax. The Cayman Islands are not party to any double taxation treaties.

No stamp duty is payable in respect of the issue of the Notes. The holder of any Notes (or a legal personal representative of such holder) whose Notes are brought into the Cayman Islands may in certain circumstances be liable to pay stamp duty imposed under the laws of the Cayman Islands in respect of such Notes. Certificates evidencing registered Notes, to which title is not transferable by delivery, will not attract Cayman Islands stamp duty. However, an instrument transferring title to a registered Note, if brought to or executed in the Cayman Islands, would be subject to nominal Cayman Islands stamp duty. Stamp duty will be payable on any documents executed by the Company if any such documents are executed in or brought into the Cayman Islands or produced before the Cayman Islands Courts.

Indonesia

Withholding Tax

Interest on the Notes paid by the Co-Issuers (each, a limited liability company incorporated under the laws of the Bermuda) to the holders of the Notes will not be subject to withholding tax in Indonesia.

Taxation of a Disposal of Notes

Non-resident individuals and non-resident companies without a permanent establishment in Indonesia deriving capital gains from disposal of the Notes to non-resident taxpayers without a permanent establishment in Indonesia are not subject to Indonesian individual or corporate income tax. However, gain from disposal of the Notes derived by an Indonesian tax resident, whether an individual or a company, or by a permanent establishment in Indonesia should be included in their annual income tax returns and the taxable income are subject to income tax in Indonesia, up to a maximum rate of 30% for individuals or at a flat rate of 22% for the fiscal years 2020-2021 and at a flat rate of 20% starting the fiscal year 2022 for entities and permanent establishments in Indonesia.

Furthermore, the after-income tax profits of a permanent establishment in Indonesia is subject to a branch profit tax of 20% which may be reduced under an applicable tax treaty or may be exempted if such after income tax profits are reinvested in Indonesia.

Other Indonesian Taxes

There are no other Indonesian taxes or duties (for example, estate, inheritance taxes, succession, gift duties, stamp duty or similar taxes) that would be required to be paid by a holder of Notes in relation to their acquisition, ownership or disposition of the Notes.

United States

The following is a general discussion based upon present laws of certain U.S. federal income tax considerations for prospective purchasers of the Notes. The discussion addresses only persons that purchase Notes in the original offering of the Notes that are U.S. Holders (as defined below), hold the Notes as capital assets for U.S. federal income tax purposes (generally, property held for investment), purchase the Notes at their "issue price," which will be the first price at which a substantial amount of the Notes is sold to the public (not including bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) for money, and use the US dollar as their functional currency. The discussion does not consider the circumstances of particular purchasers, subject to special rules, such as financial institutions, insurance companies, regulated investment companies, tax exempt organizations, dealers, traders who elect to mark their investment to market, persons holding the Notes as part of a hedge, straddle, conversion, constructive sale or integrated transaction, and persons required to accelerate the recognition of any item of gross income for U.S. federal income tax purposes with respect to the Notes as a result of such item being taken into account in an applicable financial statement. The discussion does not address any state, local or non-U.S. taxes, the Medicare tax on net investment income or the federal alternative minimum tax. The discussion is not a complete description of all the tax considerations that may be relevant to a particular holder. This summary is based on the Internal Revenue Code of 1986, as amended, administrative pronouncements, judicial decisions and final, temporary and proposed Treasury Regulations, all as of the date hereof, all of which are subject to change (including changes in effective dates and retroactive changes) or possible differing interpretations which may affect the tax consequences described herein. No ruling will be sought from the U.S. Internal Revenue Service (the "**IRS**") with respect to any statement or conclusion in this discussion, and there can be no assurance that the IRS will not challenge such statement or conclusion in the following discussion or, if challenged, a court will uphold such statement or conclusion.

EACH PROSPECTIVE PURCHASER IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES OF AN INVESTMENT IN THE NOTES UNDER THE STATE AND LOCAL LAWS OF THE UNITED STATES, THE NETHERLANDS, THE BAHAMAS, THE CAYMAN ISLANDS, BERMUDA, INDONESIA AND THE LAWS OF ANY OTHER JURISDICTION WHERE THE PURCHASER MAY BE SUBJECT TO TAXATION.

For purposes of this discussion, "**U.S. Holder**" means the beneficial owner of a Note that for U.S. federal income tax purposes is

- a citizen or individual resident of the United States,
- a corporation or other entity treated as a corporation organized in or under the laws of the United States, any state thereof or the District of Columbia,
- an estate the income of which is subject to U.S. federal income taxation regardless of its source.
- a trust subject to the control of one or more U.S. persons and the primary supervision of a U.S. court.

If a partnership or other entity or arrangement treated as a partnership for US federal income tax purposes purchases, holds or disposes of the Notes, the treatment of a partner in such a partnership may depend on the status of such partner and the status and activities of the partnership. A U.S. Holder that is a partnership or a partner in a partnership holding the Notes is urged to consult its own tax advisor regarding the tax consequences of the purchase, ownership and disposition of the Notes.

Potential Contingent Payment Debt Instrument Treatment

In certain circumstances the Company may be required to make payments on a Note that would change the yield of the Note. See "*Description of the Notes—Change of Control Triggering Event*" and "*—Optional Redemption*." This obligation may implicate the provisions of Treasury regulations relating to contingent payment debt instruments ("**CPDIs**"). According to the applicable Treasury regulations, certain contingencies will not cause a debt instrument to be treated as a CPDI if such contingencies, as of the date of issuance, are "remote or incidental" or certain other circumstances apply. The Company intends to take the position that the Notes are not CPDIs. This determination, however, is not binding on the IRS and if the IRS were to challenge this determination, a U.S. Holder may be required to accrue income on the Notes that such U.S. Holder owns in excess of stated interest, and to treat as ordinary income rather than capital gain any income realized on the taxable disposition of such Notes before the resolution of the contingency. If the Notes are not CPDIs but such contingent payments were required to be made, it would affect the amount and timing of the income that a U.S. Holder recognizes. U.S. Holders are urged to consult their own tax advisors regarding the potential application to the Notes of the CPDI rules and other rules above and the consequences thereof. The remainder of this discussion assumes that the Notes will not be treated as CPDIs.

Interest

The gross amount of stated interest paid to a U.S. Holder, and any Additional Amounts with respect to withholding tax on the Notes (including the amount of tax withheld from payments of interest and Additional Amounts), will be includible in the U.S. Holder's taxable income as ordinary interest income at the time interest and Additional Amounts are received or accrued in accordance with the U.S. Holder's regular method of tax accounting for U.S. federal income tax purposes. It is expected, and the remainder of this discussion assumes, that the Notes will not be issued with original issue discount for U.S. federal income tax purposes.

Interest on the Notes generally will be treated as foreign source income for U.S. federal income tax purposes and generally will constitute "passive category" income for most U.S. Holders. Subject to generally applicable restrictions and conditions (including a minimum holding period requirement), a U.S. Holder generally will be entitled to a foreign tax credit in respect of any foreign income taxes withheld on interest payments on the Notes. Alternatively, the U.S. Holder may be able to deduct such taxes in computing taxable income for U.S. federal income tax purposes. The rules governing the foreign tax credit are complex. U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit or a deduction for foreign taxes paid under their particular circumstances.

Sale, Exchange or Other Taxable Disposition

Upon the sale, exchange or other taxable disposition (including redemption) of a Note, a U.S. Holder generally will recognize U.S. source taxable gain or loss equal to the difference, if any, between the amount realized on the sale, exchange or other taxable disposition (other than accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income) and the U.S. Holder's tax basis in such Note. A U.S. Holder's tax basis in a Note generally will be equal to the amount that the U.S. Holder paid to acquire the Note. Any such gain or loss generally will be capital gain or loss and generally will be long-term capital gain or loss if the Note has been held for more than one year at the time of its sale, exchange or other taxable disposition. Certain non-corporate U.S. Holders (including individuals) may be eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. The deductibility of capital losses is subject to limitations.

A U.S. Holder will likely not be able to credit non-U.S. tax withheld on the sale, exchange or other taxable disposition of a Note against its U.S. federal income tax liability unless it has other foreign-source income in the applicable taxable year. The rules governing the foreign tax credit are complex. U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit or a deduction for foreign taxes paid under their particular circumstances.

U.S. Backup Withholding and Information Reporting

Information returns may be filed with the IRS in connection with payments of principal, interest and Additional Amounts in respect of, and the proceeds from sales of, Notes held by a U.S. Holder unless the U.S. Holder establishes, if required, that it is exempt from the information reporting rules, for example by properly establishing that it is a corporation. If the U.S. Holder does not establish that it is exempt from these rules, the U.S. Holder may be subject to backup withholding on these payments if it fails to provide a taxpayer identification number or otherwise comply with the backup withholding rules. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that the required information is timely furnished to the IRS.

U.S. Holders should consult their own tax advisors regarding any reporting or filing obligations they have as a result of their purchase, ownership or disposition of the Notes. Failure to comply with these reporting or filing obligations could result in the imposition of substantial penalties.

THE ABOVE DESCRIPTION IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSEQUENCES RELATING TO THE OWNERSHIP OF THE NOTES. PROSPECTIVE PURCHASERS OF NOTES SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX CONSEQUENCES OF THEIR PARTICULAR SITUATIONS.

Singapore

The statements below are general in nature and are based on certain aspects of current tax laws in Singapore and administrative guidelines and circulars issued by the Inland Revenue Authority of Singapore ("**IRAS**"), the Monetary Authority of Singapore ("**MAS**") and other relevant authorities in force as at the date of this Offering Memorandum and are subject to any changes in such laws, administrative guidelines or circulars, or the interpretation of those laws, administrative guidelines or circulars occurring after such date, which changes could be made on a retroactive basis. These laws, administrative guidelines and circulars are also subject to various interpretations and the relevant tax authorities or the courts could later disagree with the explanations or conclusions set out below. Neither these statements nor any other statements in this Offering Memorandum are intended or are to be regarded as advice on the tax position of any holder of the Notes or of any person acquiring, selling or otherwise dealing with the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. The statements made herein do not purport to be a comprehensive or exhaustive description of all the tax considerations that may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or financial institutions in Singapore which have been granted the relevant Financial Sector Incentive(s)) may be subject to special rules or tax rates. The statements should not be regarded as advice on the tax position of any person and should be treated with appropriate caution. Prospective holders of the Notes are advised to consult their own professional tax advisors as to the Singapore or other tax consequences of the acquisition, ownership of or disposal of the Notes, including, in particular, the effect of any foreign, state or local tax laws to which they are subject. It is emphasized that none of the Co-Issuers, the Guarantors, the Initial Purchasers and any other persons involved in the issuance of the Notes accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of the Notes.

Interest and Other Payments

As the issue of each of the 2029 Notes and the 2038 Notes (each tranche of the Notes, a "**Tranche of Notes**") is jointly lead-managed by Credit Suisse (Singapore) Limited, DBS Bank Ltd., Deutsche Bank AG, Singapore Branch and Barclays Bank PLC, Singapore Branch, each of which is a Financial Sector Incentive (Standard Tier) Company (as defined in the ITA) at such time, and each Tranche of Notes is issued as debt securities prior to December 31, 2023, each Tranche of Notes would be "qualifying debt securities" ("**QDS**") for the purposes of the ITA, to which the following treatments shall apply:

Subject to certain conditions having been fulfilled (including the furnishing by the Co-Issuers, or such other person as the relevant authorities may direct, of a return on debt securities for a Tranche of Notes in the prescribed format within such period as the relevant authorities may specify and such other particulars in connection with such Tranche of Notes as the relevant authorities may require to the MAS and such other relevant authorities as may be prescribed), interest, discount income (not including discount income arising from secondary trading), prepayment fee, redemption premium and break cost (collectively, the "**Qualifying Income**") from such Tranche of Notes paid by any Co-Issuer and derived by any company or body of persons (as defined in the ITA) in Singapore is subject to tax at a concessionary rate of 10% (except for holders of the relevant Financial Sector Incentive(s) who may be taxed at different rates).

Notwithstanding the foregoing:

(a) if during the primary launch of such Tranche of Notes, such Tranche of Notes is issued to fewer than four persons and 50% or more of the issue of such Tranche of Notes is beneficially held or funded, directly or indirectly, by related parties of any Co-Issuer, such Tranche of Notes would not qualify as QDS; and

(b) even though such Tranche of Notes qualifies as QDS, if 50% or more of the issue of such Tranche of Notes which are outstanding at any time during the life of their issue is beneficially held or funded, directly or indirectly, by any related party(ies) of any Co-Issuer, Qualifying Income derived from such Tranche of Notes held by:

    (i) any related party(ies) of such Co-Issuer; or

    (ii) any other person where the funds used by such person to acquire such Tranche of Notes are obtained, directly or indirectly, from any related party(ies) of such Co-Issuer,

    shall not be eligible for the tax exemption or concessionary rate of tax as described above.

The term "**related party**", in relation to a person, means any other person who, directly or indirectly, controls that person, or is controlled, directly or indirectly, by that person, or where he and that other person, directly or indirectly, are under the control of a common person.

The terms "prepayment fee", "redemption premium" and "break cost" are defined in the ITA as follows:

"**prepayment fee**", in relation to debt securities and qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by the terms of the issuance of the securities;

"**redemption premium**", in relation to debt securities and qualifying debt securities, means any premium payable by the issuer of the securities on the redemption of the securities upon their maturity; and

"**break cost**", in relation to debt securities and qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by any loss or liability incurred by the holder of the securities in connection with such redemption.

References to "prepayment fee", "redemption premium" and "break cost" in this Singapore tax disclosure have the same meaning as defined in the ITA.

All foreign-sourced income received in Singapore on or after January 1, 2004 by Singapore tax-resident individuals will be exempt from income tax, provided such foreign-sourced income is not received through a partnership in Singapore.

Where interest, discount income, prepayment fee, redemption premium or break cost (i.e. the Qualifying Income) is derived from the Notes by any person who is not resident in Singapore and who carries on any operations in Singapore through a permanent establishment in Singapore, the tax exemption available for QDS under the ITA shall not apply if such person acquires such Notes using the funds and profits of such person's operations through a permanent establishment in Singapore. Any person whose interest, discount income, prepayment fee, redemption premium or break cost (i.e. the Qualifying Income) derived from the Notes is not exempt from tax (including for the reasons described above) is required to include such income in a return of income made under the ITA.

Capital Gains

Any gains considered to be in the nature of capital made from the sale of the Notes will not be taxable in Singapore. However, any gains derived by any person from the sale of the Notes which are gains from any trade, business, profession or vocation carried on by that person, if accruing in or derived from Singapore, may be taxable as such gains are considered revenue in nature.

Holders of the Notes who apply or are required to apply Singapore Financial Reporting Standard ("**FRS**") 39, FRS 109 or Singapore Financial Reporting Standard (International) 9 ("**SFRS(I) 9**") (as the case may be) may, for Singapore income tax purposes, be required to recognize gains or losses (not being gains or losses in the nature of capital) on the Notes, irrespective of disposal, in accordance with FRS 39, FRS 109 or SFRS(I) 9 (as the case may be). Please see the section below entitled "*Adoption of FRS 39, FRS 109 or SFRS(I) 9 for Singapore Income Tax Purposes*".

Adoption of FRS 39, FRS 109 or SFRS(I) 9 for Singapore Income Tax Purposes

Section 34A of the ITA provides for the tax treatment for financial instruments in accordance with FRS 39 (subject to certain exceptions and "opt-out" provisions) to taxpayers who are required to comply with FRS 39 for financial reporting purposes. The IRAS has issued a circular entitled "Income Tax Implications Arising from the Adoption of FRS 39—Financial Instruments: Recognition and Measurement".

FRS 109 or SFRS(I) 9 (as the case may be) is mandatorily effective for annual periods beginning on or after January 1, 2018, replacing FRS 39. Section 34AA of the ITA requires taxpayers who comply or who are required to comply with FRS 109 or SFRS(I) 9 for financial reporting purposes to calculate their profit, loss or expense for Singapore income tax purposes in respect of financial instruments in accordance with FRS 109 or SFRS(I) 9 (as the case may be), subject to certain exceptions. The IRAS has also issued a circular entitled "Income Tax: Income Tax Treatment Arising from Adoption of FRS 109—Financial Instruments".

Holders of the Notes who may be subject to the tax treatment under Sections 34A or 34AA of the ITA should consult their own accounting and tax advisors regarding the Singapore income tax consequences of their acquisition, holding or disposal of the Notes.

Estate Duty

Singapore estate duty has been abolished with respect to all deaths occurring on or after February 15, 2008.

PLAN OF DISTRIBUTION

Under the terms and subject to the conditions contained in a purchase agreement dated October 6, 2020 (the "**Purchase Agreement**") between us and the initial purchasers named below (the "**Initial Purchasers**"), each of the Initial Purchasers has agreed to purchase from us, severally and not jointly, and we have agreed to sell to each of the Initial Purchasers, the principal amount of the Notes set forth opposite its name below:

Initial Purchasers	Principal Amount of the 2029 Notes	Principal Amount of the 2038 Notes
	US$	US$
Credit Suisse (Singapore) Limited	101,700,000	251,072,000
DBS Bank Ltd.	101,700,000	251,072,000
Deutsche Bank AG, Singapore Branch	101,700,000	251,071,000
Barclays Bank PLC, Singapore Branch	14,900,000	36,785,000
Total	**320,000,000**	**790,000,000**

The Purchase Agreement provides that the obligation of the Initial Purchasers to take and pay for the Notes is subject to the approval of certain legal matters by its counsel and certain other conditions, including that there is no material change in our business or the financial markets, we deliver customer closing documents to the Initial Purchasers and the representations and warranties made by us to the Initial Purchasers are true. Each of the Initial Purchasers has agreed to take and pay for all of the Notes if any are taken. After the initial offering, the offering price and other selling terms may be varied from time to time by the Initial Purchasers.

The initial offering price is set forth on the cover page of this offering memorandum. After the Notes are released for sale, the Initial Purchasers may change the offering price and other selling terms. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

We have agreed not to, for a period of 90 days after the date of this offering memorandum (i) offer for sale, sell, or otherwise dispose of (or enter into any transaction or device that is designed to, or would be expected to, result in the disposition by any person at any time in the future of) any debt securities substantially similar to the Notes or securities convertible into or exchangeable for such debt securities, or sell or grant options, rights or warrants with respect to such debt securities or securities convertible into or exchangeable for such debt securities, (ii) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic benefits or risks of ownership of such debt securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of our debt securities or other securities, in cash or otherwise, (iii) file or cause to be filed a registration statement, including any amendments, with respect to the registration of debt securities substantially similar to the Notes or securities convertible, exercisable or exchangeable into debt securities or (iv) publicly announce an offering of any debt securities substantially similar to the Notes or securities convertible or exchangeable into such debt securities, in each case without the prior written consent of the Initial Purchasers. We have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, and to contribute to payments which the Initial Purchasers may be required to make in respect thereof.

The Notes are a new issue of securities with no established trading market. Application has been made for the listing and quotation of the Notes on the SGX-ST. We have been advised that the Initial Purchasers intend to make a market in the Notes, as permitted by applicable laws and regulations. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any such market making may be discontinued at any time without prior notice at the sole discretion of the Initial Purchasers. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Notes. We have been advised by the Initial Purchasers that, in connection with the offering of the Notes, the Initial Purchasers may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the Initial Purchasers may over-allot the offering, creating a syndicate short position. In addition, the Initial Purchasers may bid for, and purchase, the Notes in the open market to cover syndicate shorts or to stabilize the price of the Notes. Any of these activities may stabilize or maintain the market price of the Notes above independent market levels. The Initial Purchasers are not required to engage in these activities, and may end any of these activities at any time. No assurance can be given as to the liquidity of, or the trading market for, the Notes.

The Initial Purchasers or certain of their affiliates may purchase the Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution.

We expect that delivery of the Notes will be made against payment therefor on or about the closing date specified on the cover page of this offering memorandum, which will be on or about the fifth business day following the pricing date of the Notes (this settlement cycle being referred to as "T+5"). Under Rule 15c6-1 of 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 initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of pricing date or the next succeeding business day should consult their own legal advisor.

Selling restrictions

No action has been taken or will be taken in any jurisdiction by us or the Initial Purchasers that would permit a public offering of Notes, or the possession, circulation or distribution of this Offering Memorandum or any other material relating to the Notes or the offering of the Notes, in any jurisdiction where action for that purpose is required.

Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor such other material may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of such country or jurisdiction.

United States

The Notes have not been, and will not be, registered under the Securities Act or any state securities laws and, unless so registered, may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. See "*Transfer Restrictions*" for a description of other restrictions on the transfer of Notes. Accordingly, the Notes are being offered and sold only (1) in the United States to "qualified institutional buyers" in reliance on Rule 144A or another available exemption from the registration requirements of the Securities Act, and (2) outside the United States in offshore transactions in reliance on Regulation S. Resales of the Notes are restricted as described under "*Transfer Restrictions*."

As used herein, the term "United States" has the meaning given to it in Regulation S.

European Economic Area and the United Kingdom

Each Initial Purchaser has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area or the United Kingdom. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

(ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"); and

(b) the expression "offer" includes 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 for the Notes.

United Kingdom

Each of the Initial Purchasers has represented and agreed that:

(a) 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 Financial Services and Markets Act 2000, as amended including by the Financial Services Act 2012 (the "**FSA**"), (the "**FSMA**")) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to any Co-Issuer or Guarantor; and

(b) it has complied and will comply with all applicable provisions of the FSMA and sections 89 and 90 of the FSA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Hong Kong

Each of the Initial Purchasers has represented and agreed that:

(i) it has not offered or sold and will not offer or sell or permit to be offered or sold in Hong Kong, by means of any document, any Notes (except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong), other than (a) "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(ii) 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 SFO and any rules made under that Ordinance.

Singapore

This Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Initial Purchaser has represented 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 (as defined in Section 4A of the Securities and Futures Act, Cap 289 of Singapore (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or to any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, 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 or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Any reference to the SFA is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Indonesia

In compliance with Indonesian Capital Markets Law, the Notes may not be offered and sold in Indonesia or to any Indonesian investors (whether individual or entity) wherever they are domiciled or located in a manner which constitutes public offering under Indonesian Capital Markets Law. The Notes have not been and will not be registered with or notified to the OJK, and therefore may not be offered or sold in Indonesia or to Indonesian investors (whether individual or entity), wherever they are domiciled or located in a manner which constitutes public offering under Indonesian Capital Markets Law.

Other relationships and conflicts of interest

The Initial Purchasers and certain of their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities.

The Initial Purchasers and certain of their affiliates have, from time to time, performed, and may in the future perform, various commercial and investment banking and financial advisory services for us and our affiliates, for which they received or may in the future receive customary fees and expenses.

In the ordinary course of their various business activities, the Initial Purchasers and certain of their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of our Company or our affiliates. If the Initial Purchasers or their affiliates have a lending relationship with us, certain other of those Initial Purchasers or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, the Initial Purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities or the securities of our affiliates, including potentially the Notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the Notes offered hereby. The Initial Purchasers and certain of their affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

One or more of the Joint Global Coordinators and Joint Bookrunners and Co-Managers have provided a binding commitment to purchase US$320,000,000 in aggregate principal amount of the 2029 Notes at a rate of interest of 3.25% per annum, which purchase is conditional on the issuance and settlement of the 2038 Notes offered hereby. Investors should note that the 2029 Notes do not therefore form part of this offering. The binding commitment provided should not be construed as a recommendation to buy, sell or hold the 2038 Notes.

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult their legal counsel prior to making any offer sale, resale, charge or other transfer of the Notes.

The Notes have not been and will not be registered under the Securities Act and may not be offered, sold or delivered within the United States (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only (1) to QIBs in compliance with Rule 144A and (2) outside the United States in offshore transactions in reliance on Regulation S under the Securities Act. By its purchase of the Notes, each purchaser of the Notes will be deemed to:

1. represent that it is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion, that it and any such account is not our "affiliate" (as defined in Rule 144 under the Securities Act) or acting on our behalf and that it and any such account is: (i) a QIB, and is aware that the sale to it is being made in reliance on Rule 144A; or (ii) a purchaser that is outside the United States;

2. acknowledge that the Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except as set forth in this section;

3. agree that if it is a purchaser other than a purchaser outside the United States and if it should resell or otherwise transfer the Notes, it will do so only: (i) to us or any of our subsidiaries; (ii) inside the United States to a QIB in compliance with Rule 144A; (iii) outside the United States in an offshore transaction in compliance with Rule 904 under the Securities Act (if available); (iv) pursuant to an exemption from registration under the Securities Act provided by Rule 144 (if available), in each case in accordance with any applicable securities law of any State of the United States; or (v) pursuant to an effective registration statement under the Securities Act;

4. acknowledge that none of the Initial Purchasers, us or any person representing the Initial Purchasers or us, has made any representation to you with respect to us or the offer or sale of any of the Notes, other than the information contained in this offering memorandum, which offering memorandum has been delivered to you. You represent that you are only relying on this offering memorandum in making your investment decision with respect to the Notes. You acknowledge that the Initial Purchasers and the Transfer Agent make no representation or warranty as to the accuracy or completeness of this offering memorandum. You have had access to such financial and other information concerning us and the Notes, including an opportunity to ask questions of, and request information from, us and the Initial Purchasers;

5. agree that it will inform each person to whom it transfers the Notes of any restrictions on transfer of such Notes;

6. understand that if it is a purchaser outside the United States, the Notes will be represented by the Regulation S Global Note and that transfers thereto are restricted as described under "*Description of the Notes—Book-Entry; Delivery and Form*." If it is a QIB, it understands that the Notes offered in reliance on Rule 144A will be represented by the Restricted Global Note. Before any interest in the Restricted Global Note may be offered, sold, charged or otherwise transferred to a person who is not a QIB, the transferee will be required to provide the Transfer Agent with a written certification (the form of which certification can be obtained from the Transfer Agent) as to compliance with the transfer restriction referred to above;

7. understand that each Note sold within the United States will bear a legend to the following effect unless otherwise agreed by us and the holder thereof (unless such Note has been sold pursuant to a registration statement that has been declared effective under the Securities Act):

   THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT, AND ACCORDINGLY, THIS NOTE MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT (A) IT IS A "**QUALIFIED INSTITUTIONAL BUYER**" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), OR (B) IT IS ACQUIRING THIS NOTE IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT, (2) AGREES THAT IT WILL NOT, WITHIN THE TIME PERIOD REFERRED TO IN RULE 144 UNDER THE SECURITIES ACT AS IN EFFECT WITH RESPECT TO SUCH TRANSFER, RESELL OR OTHERWISE TRANSFER THIS NOTE EXCEPT (I) TO STAR ENERGY GEOTHERMAL DARAJAT II, LIMITED, STAR ENERGY GEOTHERMAL SALAK, LTD., STAR ENERGY GEOTHERMAL (SALAK-DARAJAT) B.V. OR ANY SUBSIDIARY THEREOF; (II) INSIDE THE UNITED STATES TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT; (III) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT; (IV) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE); OR (V) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND (3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. IN CONNECTION WITH ANY TRANSFER OF THIS NOTE WITHIN THE TIME PERIOD REFERRED TO ABOVE, THE HOLDER MUST CHECK THE APPROPRIATE BOX SET FORTH ON THE REVERSE HEREOF RELATING TO THE MANNER OF SUCH TRANSFER AND SUBMIT THIS CERTIFICATE TO THE TRANSFER AGENT. AS USED HEREIN, THE TERMS "**OFFSHORE TRANSACTION**" AND "**UNITED STATES**" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT. THE INDENTURE CONTAINS A PROVISION REQUIRING THE REGISTRAR AND THE TRANSFER AGENT TO REFUSE TO REGISTER ANY TRANSFER OF THIS NOTE IN VIOLATION OF THE FOREGOING RESTRICTIONS; and

8. acknowledge that we, the Transfer Agent, the Initial Purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements, and agree that if any of the acknowledgements, representations or agreements deemed to have been made by its purchase of the Notes are no longer accurate, it shall promptly notify us, the Transfer Agent and the Initial Purchasers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

LEGAL MATTERS

Certain legal matters with respect to the Notes offered hereby will be passed upon for us by Walkers (Bermuda) Limited as to the laws of Bermuda and Walkers (Hong Kong) as to the laws of the Cayman Islands, by Lennox Paton as to the laws of The Bahamas, by Clifford Chance Pte. Ltd. as to United States federal securities law, New York, Dutch, English and Singapore laws and by Assegaf Hamzah & Partners as to Indonesian law. The Initial Purchasers have been advised by Milbank LLP as to United States federal securities, New York and English law and by Hiswara Bunjamin & Tandjung as to Indonesian law.

INDEPENDENT AUDITORS

The financial statements as at December 31, 2017, 2018 and 2019, and for the years then ended included in this Offering Memorandum have been audited by Ernst & Young Accountants LLP, independent auditors in accordance with IFRS, as stated in their report included in this Offering Memorandum.

The interim financial statements as at June 30, 2020 and for the six-month periods then ended included in this Offering Memorandum have been reviewed by Ernst & Young Accountants LLP, independent auditors in accordance with Dutch law including Standard 2410, “Review of Interim Financial Information Performed by the Independent Auditor”, as stated in their report included in this Offering Memorandum.

INDEX TO THE FINANCIAL STATEMENTS

Reviewed interim consolidated financial information of the Company as of and for the six-month period ended June 30, 2020

Audited financial statements of the Company as of and for the year end December 31, 2019

Audited financial statements of the Company as of and for the year end December 31, 2018

Audited final statements of the Company as of and for the year end December 31, 2017

Independent auditor's review report

To: the shareholders of Star Energy Geothermal (Salak - Darajat) B.V.

Our conclusion

We have reviewed the interim financial information included in the interim financial statements of Star Energy Geothermal (Salak - Darajat) B.V. based in Amsterdam, The Netherlands, for the period from 1 January 2020 to 30 June 2020. The interim financial statements include the interim consolidated financial statements and the interim company financial statements.

Based on our review, nothing has come to our attention that causes us to believe that:

- the interim consolidated financial statements of Star Energy Geothermal (Salak - Darajat) B.V. for the period from 1 January 2020 to 30 June 2020, is not prepared, in all material respects, in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS)
- the interim company financial statements of Star Energy Geothermal (Salak - Darajat) B.V. for the period from 1 January 2020 to 30 June 2020, is not prepared, in all material respects, in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS)

The interim consolidated financial statements comprises:

- The consolidated statement of financial position as at 30 June 2020
- The following consolidated statements for the period from 1 January 2020 to 30 June 2020: the statements of profit or loss, comprehensive income, changes in equity and cash flows
- The notes comprising of a summary of the significant accounting policies and selected explanatory information

The interim company financial statements comprises:

- The company balance sheet as at 30 June 2020
- The company profit and loss account for the period from 1 January 2020 to 30 June 2020
- The company statement of changes in equity for the period from 1 January 2020 to 30 June 2020
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our conclusion

We conducted our review in accordance with Dutch law, including the Dutch Standard 2410, "Het beoordelen van tussentijdse financiële informatie door de accountant van de entiteit" (Review of interim financial information performed by the independent auditor of the entity). A review of interim financial information in accordance with the Dutch Standard 2410 is a limited assurance engagement. Our responsibilities under this standard are further described in the Our responsibilities for the review of the interim financial information section of our report.

We are independent of Star Energy Geothermal (Salak - Darajat) B.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Emphasis of matter relating to Corona developments

The developments around the Corona (Covid-19) pandemic have a profound impact on people, society and on the economy. This impacts operational and financial performance of organizations and the assessment of the ability to continue as a going concern. The impact may continue to evolve. The interim financial information and our review report thereon reflect the conditions at the time of preparation. The impact of the developments on Star Energy Geothermal (Salak – Darajat) B.V. is disclosed in the notes to the interim financial statements in note 33. We draw attention to these disclosures. Our conclusion is not modified in respect of this matter.

Corresponding figures neither audited nor reviewed

We have not audited nor reviewed the interim financial information for the period 1 January 2019 to 30 June 2019. Consequently, we have not audited nor reviewed the corresponding figures included in the statements of profit or loss, comprehensive income, changes in equity and cash flows and the related notes.

Responsibilities of management and the supervisory board for the interim financial information

Management is responsible for the preparation and presentation of the interim financial information in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS). Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the interim financial information that is free from material misstatement, whether due to fraud or error.

The supervisory board is responsible for overseeing the entity's financial reporting process.

Our responsibilities for the review of the interim financial information

Our responsibility is to plan and perform the review in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

The level of assurance obtained in a review engagement is substantially less than the level of assurance obtained in an audit conducted in accordance with the Dutch Standards on Auditing. Accordingly, we do not express an audit opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the review, in accordance with Dutch Standard 2410.
Our review included among others:

- Updating our understanding of Star Energy Geothermal (Salak – Darajat) B.V. and its environment, including its internal control, and the applicable financial reporting framework, in order to identify areas in the interim financial information where material misstatements are likely to arise due to fraud or error, designing and performing analytical and other review procedures to address those areas, and obtaining assurance evidence that is sufficient and appropriate to provide a basis for our conclusion
- Obtaining an understanding of internal control as it relates to the preparation of interim financial information
- Making inquiries of management and others within Star Energy Geothermal (Salak - Darajat) B.V.
- Applying analytical procedures with respect to information included in the interim financial information
- Obtaining assurance evidence that the interim financial information agrees with, or reconciles to, the entity's underlying accounting records
- Evaluating the assurance evidence obtained

- Considering whether there have been any changes in accounting principles or in the methods of applying them and whether any new transactions have necessitated the application of a new accounting principle
- Considering whether management has identified all events that may require adjustment to or disclosure in the interim financial information
- Considering whether the interim financial information has been prepared in accordance with the applicable financial reporting framework and represents the underlying transactions free from material misstatement

Amsterdam, 24 September 2020

Ernst & Young Accountants LLP

Signed by F.J. Blenderman

June 30, 2020 Financial Statements

Star Energy Geothermal (Salak - Darajat) B.V.
and its subsidiaries
Strawinskylaan 3127
1077 ZX Amsterdam
The Netherlands

Star Energy Geothermal (Salak - Darajat) B.V. and its Subsidiaries
Consolidated Financial Statements
As of June 30, 2020
and for the six-month period then ended
with Review Report

Index

Directors' Report

The management herewith presents to the shareholders, the financial statements of Star Energy Geothermal (Salak - Darajat) B.V. (the "Company") and its subsidiaries (collectively, the "Group") for the financial period ended June 30, 2020.

A. General information

The Company's shareholders are Star Energy Geothermal Holdings (Salak-Darajat) B.V. and ACEHI Netherlands B.V., both incorporated under the laws of the Netherlands.

The Company is a limited liability company incorporated under the laws of the Netherlands. The Company has several subsidiaries as at June 30, 2020. For more details, please see Note 1.2 to the financial statements.

B. Overview of activities

The Company's main business activity is as a holding company for geothermal operations located in Indonesia. The Group's main activities are the production of geothermal energy (steam) and electricity.

In 2020 (up to the date of these consolidated financial statements), there are no significant changes in the investment activity, financing activity and number of employee.

The Group expects to develop several projects in Salak and Darajat for the coming reporting year. Power development projects for the Salak Geothermal Operations include (i) the Salak binary and (ii) Salak Unit 7. And the Group conduct drilling activities for 5 make-up wells in Darajat on 2019 - 2020 and for 5 make-up wells in Salak on 2021.

C. Environmental and personnel-related information

We, as a part of the Star Energy Group, adhere to social and environmental responsibility as a strategic and direct form of relationship with our stakeholders.

The Star Energy Group has established policies and guidelines to conduct the activities which aiming at establishing the safety, health, and environmental matters. This guidelines will involve all of the employee, customers, suppliers, neighbouring communities, society, government, partners and stakeholders need to comply with this policies and guideline.

D. Information regarding financial instruments

As at June 30, 2020, the Group's financial instruments include finance lease receivables, trade and other receivables, restricted cash, cash on hand and in banks, derivative liabilities, trade and other payables, lease liabilities and bank loans. The risks arising from these financial instruments are managed in close conjunction with the Group's financial risk management policies, as described in the notes to the financial statements.

E. Financial data

The Group's total comprehensive income for the financial period ended June 30, 2020 amount to US$42,635 (in thousands of United States Dollar).

Profit for the period of the Group mainly represent results of operations from Star Energy's Salak and Darajat Geothermal Operations for the period ended June 30, 2020.

The equity balance consists of the issuance of share capital, additional paid-in capital, other reserves and retained earnings.

E. Financial data (continued)

The Covid-19 pandemic has had and continues to have adverse repercussions across local, regional and global economies, financial markets, industries and businesses. The length of time for countries to slow the spread of Covid-19 to the point where various commercial and economic activities will resume to normal levels, whether in Indonesia or globally, remains uncertain.

We implemented a business continuity management plan in response to the Covid-19 pandemic. We established a Covid-19 task force and prepared and implemented protocols for all of our operating areas, including at the Salak Geothermal Operations, the Darajat Geothermal Operations and our headquarters in Jakarta. We conduct regular health checks and screenings of our employees and contract workers, implement work-from-home policies and physical distancing requirements in the office, implement strict access controls, provide personal protective equipment and other supporting gear for all of our employees, whether on the field or at our headquarters, and collaborate with the relevant government and health agencies to ensure that we are in line with their efforts to prevent the spread of Covid-19.

The Covid-19 pandemic has not significantly impacted our financial results of operations for six-month period ended June 30, 2020 given the take-or-pay clauses under the existing Salak ESC and Darajat ESC. In addition, we have not experienced significant disruptions to the operations of our power plants as a result of the various lockdowns and social distancing requirements implemented by the Government and as a result of our business continuity management plan. However, there is no assurance that our business, operations or financial condition will not be significantly impacted as a result of the Covid-19 pandemic in the future and we may not be able accurately predict the near-term or long-term impact of the Covid-19 pandemic on our business.

F. Code of Conduct and Corruption Prevention Program

The Directors shall act and behave in accordance with the Star Energy Group's Code of Conduct, Code of Ethics and Corruption Prevention Program.

G. Risk management

The Company adopts Star Energy Group's Business Risks Management Policy, which describes authorities, responsibilities, principles and guidelines, and several initiatives related to Risk Management. The Company's current Business Risks Management Policy is similar to the good corporate governance practice across the industry and the country.

A highlight of this Policy is a wider approach to the Management of Company Risks, which associates the traditional economic-financial vision to elements of management against threats to safety, health and environment (SHE). Additionally the Company fights against fraud and corruption through the Company's patrimony and information, among other business risks.

The Policy, which is a starting point and integral element of the actions related to the Company's risk management, is aimed at embedding a risk-aware culture in all decision-making, and a commitment to manage the Business Risks which the Company is exposed to.

The Company is exposed to a variety of risks arising from its operations and the main risks are presented in accordance with the categories of the Business Risks Management Policy, which structure is in line with the Star Energy Group.

G. Risk management (continued)

G1. Financial risks

The Group is exposed to foreign exchange risk from purchases denominated in a currency other than United States Dollar, arising from the volatility of currency markets

The Group has transactional currency exposures arising from purchases denominated in a currency other than the functional currency of the Group's entities, which is United States dollar. The foreign currency in which these transactions are denominated is mainly in Indonesian rupiah as the Group's major operations are in Indonesia. The Group does not enter into foreign currency exchange contracts to mitigate foreign currency risk.

All revenue transactions for both Steam and Electricity were denominated on USD currency while for expense item are mostly denominated on IDR currency. Based on Group's past history, the foreign currency exchange rate impact to the financial statement were not significant. Therefore, the Company has a low risk appetite and manages credit risk to a low level.

The Group is exposed to credit risk on its trade, other receivables and finance lease receivable

The Group's exposure to credit risk arises primarily from trade, other receivables and finance lease receivable which mainly arises from electricity sales made to a single counterparty through PGE and PLN, two Indonesian state-owned enterprises.

For other financial assets (including cash and short-term deposits and derivatives), the Group and the Company minimize credit risk by dealing exclusively with high credit rating counterparties. The Group has a credit risk concentration from cash and bank placements where as at June 30, 2020 of 99% was placed in one bank. The Group's corporate finance department also regularly monitors the financial condition of banks and financial institutions where cash and short-term deposits are placed.

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognized in the statement of financial position, including derivatives with negative fair values. Based on the Group's past history, all outstanding receivable from PGE and PLN, two Indonesian state-owned enterprises can be settled based on the agreed term of payment. Therefore, the Company has a low risk appetite and manages credit risk to a low level.

The Group is exposed to liquidity risk on its cash flows

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Corporate finance department aims to maintain flexibility in funding by keeping committed credit facilities available.

The Company has low risk appetite and manages liquidity risk to a low level.

Maturity analysis of the total liabilities to related and third parties, is set out in the following table.

	One year or less	One to five years	Above to five years	Total
June 30, 2020				
Trade and other payables	4,067	-	-	4,067
Borrowings	78,000	833,893	-	911,893
Lease liabilities	1,978	700	-	2,678
	84,045	834,593	-	918,638

G. Risk management (continued)

G1. Financial risks (continued)

The Group is exposed to Interest rate risk on its Bank Loan

The Company utilised its bank loan in 2017 in order to acquire Salak, Darajat and Suoh Sekincau Assets. The Bank Loan's interest rate was affected by the LIBOR rate. In order to manage the interest rate risk against the fluctuation in LIBOR rate, in 2017 and 2018 the Group entered into Interest Rate Swap transactions with Consortium Banks (Note 23) in relation to Bank Loan. By entering into the interest rate swap transactions, the interest payable of the loan facility is expected to be fixed (not affected by changes in LIBOR rates).

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Capital comprises of equity in the statement of financial position.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt.

As at June 30, 2020 and December 31, 2019, the Group's gearing ratio is as follows:

	June 30, 2020	December 31, 2019
Borrowings (Note 24)	911,893	938,805
Lease liabilities	2,678	3,878
Trade and other payables, and accrued expenses (Note 25)	16,950	38,052
Less: Cash on hand and in banks (Note 18)	(158)	(150)
Restricted cash (Note 17)	(126,457)	(105,167)
Net Debt	804,906	875,418
Equity attributable to the owners of the Parent Entity	1,081,627	1,039,068
Capital and net debt	1,886,533	1,914,486
Gearing ratio	43%	46%

G2. Strategic risks

Decisions made by Barito Group, its ultimate parent company, may affect the Group
The fact that the Company is part of an economic group may cause it to be affected by decisions of its ultimate shareholder PT Barito Pacific Tbk., which may take decisions that impact the Group's strategy.

The Group assesses this risk as low since there is a common team of key management personnel and the Group's strategic objectives are in line with those set by the shareholders for investment in geothermal operations.

G. Risk management (continued)

G3. Transactions with related parties

Transactions with related parties are part of our business. Such operations must follow market standards and be conducted at arm's length. To warrant this we have objective and documented decision-making processes, respect for competition rules and appropriate disclosing of information, in accordance with applicable laws. Possible failures in the process of identification, treatment and, when required, disclosure of these situations can negatively affect the economic and financial condition of the Group, as well as lead to fines and penalties by regulators.

The Group assesses this risk as low given the current level of its operations and makes efforts to mitigate it by compliance with current disclosure requirements.

G4. Remuneration policy of members of the board of directors

The members of the board of directors are not considered as permanent employees of the Group, thus no pension charges for them. The Company did not pay any salary to the member of the board of directors.

G5. Tax

The Group is exposed to changes in tax legislation and/or differences in legal interpretation related to its business.

We periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Where appropriate, the Group establishes provisions based on the amounts expected to be paid to the tax authorities.

G6. Operational

The Company's operational activities are limited to maintaining its investment in subsidiaries and the Group's main activities are the production of geothermal energy (steam) and electricity as mentioned in section B above. No significant transactions outside the normal business of the Group have occurred.

H. Research and development information

We have well development project by conducting drilling activity in Darajat as at June 30, 2020 (Note 9).

Consolidated Statement of Profit or Loss
For the six-month period then ended June 30, 2020
(Expressed in thousands of United States Dollar, unless otherwise stated)

	Notes	June 30, 2020 (Unaudited)	June 30, 2019 (Unaudited)
Revenue from contracts with customer	4	150,859	139,050
Finance lease income	2.22	21,308	21,592
Total revenues		**172,167**	**160,642**
Expenses			
Depreciation and amortization	9, 10, 11, 14	(13,774)	(13,393)
Employee compensation and benefits	5	(16,352)	(18,444)
Consultants and technicians	7	(5,835)	(6,023)
Production allowance to PT Pertamina Geothermal Energy ("PGE")	1.2	(4,672)	(3,924)
Supplies and equipments	15	(1,699)	(2,364)
Transportation and logistics		(484)	(470)
Insurance		(1,476)	(1,697)
Donation and sponsorship		(239)	(49)
Others		(51)	(131)
Total expenses		(44,582)	(46,495)
Other (losses)/gains			
Finance costs	6	(30,126)	(35,515)
Interest income		3	5
Foreign exchange gain/(loss), net		(645)	334
Miscellaneous		(2)	134
Profit before tax		**96,815**	**79,105**
Income tax expense	8	(43,658)	(38,954)
Profit for the period		**53,157**	**40,151**
Attributable to:			
Owners of the parents entity		53,081	40,106
Non-controlling interests		76	45
Profit for the period		**53,157**	**40,151**

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

Consolidated Statement of Comprehensive Income
For the six-month period then ended June 30, 2020
(Expressed in thousands of United States Dollar, unless otherwise stated)

	Notes	June 30, 2020 (Unaudited)	June 30, 2019 (Unaudited)
Profit for the period		53,157	40,151
Other Comprehensive Income			
Item that will not be reclassified to profit or loss			
Actuarial (loss)/gain (net of tax)	22, 8	1,497	(120)
Item that will be reclassified to profit or loss			
Effective portion of changes in fair value of cashflow hedge	23	(12,019)	(16,294)
Other comprehensive (loss)/income for the periods, net of tax		(10,522)	(16,414)
Total comprehensive income for the periods		**42,635**	**23,737**
Attributable to:			
Owners of the parent entity		42,559	23,692
Non-controlling interests		76	45
		42,635	**23,737**

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

Consolidated Statement of Financial Position
As of June 30, 2020
(Expressed in thousands of United States Dollar, unless otherwise stated)

	Notes	June 30, 2020 (Unaudited)	December 31, 2019
ASSETS			
Non-current assets			
Property, plant and equipments	9	333,904	334,667
Right-of-use assets	10	2,481	3,602
Intangible assets	11	1,686,388	1,686,795
Other receivables	12	44,927	47,150
Finance lease receivable	13	390,977	394,262
Deferred charges	14	19,996	22,715
Spareparts and supplies	15	9,621	10,616
Total non-current assets		2,488,294	2,499,807
Current assets			
Inventories	15	14,578	13,180
Finance lease receivable	13	6,253	5,937
Other current assets	16	3,022	3,051
Trade and other receivables	12	66,389	68,641
Restricted cash	17	126,457	105,167
Cash on hand and in banks	18	158	150
Total current assets		216,857	196,126
Total assets		**2,705,151**	**2,695,933**
EQUITY AND LIABILITIES			
Equity attributable to owners of the Parent Entity			
Share capital	19	10	10
Additional paid-in capital	20	855,777	855,777
Other reserves	21	(37,673)	(25,654)
Retained earnings		263,513	208,935
		1,081,627	1,039,068
Non-controlling interests		926	850
Total equity		**1,082,553**	**1,039,918**

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

Consolidated Statement of Financial Position (continued)
As of June 30, 2020
(Expressed in thousands of United States Dollar, unless otherwise stated)

	Notes	June 30, 2020 (Unaudited)	December 31, 2019
Non-current liabilities			
Provision for long-term employee benefits	22	4,111	5,236
Derivatives liabilities	23	19,894	7,875
Borrowings - net of current maturities	24	833,893	876,305
Lease liabilities, net current maturities	10	700	790
Deferred tax liabilities	8	629,124	628,572
PLN Make-up account balances	26	14,543	16,215
Total non-current liabilities		1,502,265	1,534,993
Current liabilities			
Taxes payable	8	23,405	17,382
Current maturities of borrowings	24	78,000	62,500
Current maturities of lease liabilities	10	1,978	3,088
Trade and other payables	25	4,067	12,984
Accrued expenses	25	12,883	25,068
Total current liabilities		120,333	121,022
Total liabilities		**1,622,598**	**1,656,015**
Total equity and liabilities		**2,705,151**	**2,695,933**

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

Star Energy Geothermal (Salak - Darajat) B.V. and its Subsidiaries

Consolidated Statement of Changes in Equity
For the six-month period then ended June 30, 2020
(Expressed in thousands of United States Dollar, unless otherwise stated)

	Notes	Attributable to Owners of the Parent Entity						
		Share capital	**Additional paid-in capital**	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance at January 1, 2020		**10**	**855,777**	**(25,654)**	**208,935**	**1,039,068**	**850**	**1,039,918**
Profit for the period		-	-	-	53,081	53,081	76	53,157
Other comprehensive income for the period		-	-	(12,019)	1,497	(10,522)	-	(10,522)
Total comprehensive income for the period		-	-	(12,019)	54,578	42,559	76	42,635
Balance at June 30, 2020 (Unaudited)		10	**855,777**	**(37,673)**	**263,513**	**1,081,627**	**926**	**1,082,553**
Balance at January 1 , 2019		10	855,777	(10,825)	129,168	974,130	758	974,888
Profit for the period		-	-	-	40,106	40,106	45	40,151
Other comprehensive income for the period		-	-	(16,294)	(120)	(16,414)	-	(16,414)
Total comprehensive income for the period		-	-	(16,294)	39,986	23,692	45	23,737
Balance at June 30, 2019 (Unaudited)		**10**	**855,777**	**(27,119)**	**169,154**	**997,822**	**803**	**998,625**

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

Star Energy Geothermal (Salak - Darajat) B.V. and its Subsidiaries

Consolidated Statement of Cash Flows
For the six-month period then ended June 30, 2020
(Expressed in thousands of United States Dollar, unless otherwise stated)

	Notes	June 30, 2020 (Unaudited)	June 30, 2019 (Unaudited)
Operating activities			
Profit for the financial period		53,157	40,151
Adjustments for:			
Depreciation and amortization	9,10,14	13,774	13,393
Finance costs	6	30,126	35,515
Finance lease income		2,969	2,684
Income tax expense	8	43,658	38,954
Interest income		(3)	(5)
Provision for pension cost	22	1,356	1,174
PLN Make-up account balances	26	(1,672)	(3,212)
Operating cash flows before changes in working capital		**143,365**	**128,654**
Changes in working capital:			
Trade and other receivables		4,475	2,392
Inventories		(1,398)	(382)
Taxes payable		(539)	(441)
Trade and other payables		(8,917)	9,180
Accrued expenses		(11,579)	(6,549)
Other operating assets and liabilities		(274)	1,164
Cash generated from operations		**125,133**	**134,018**
Interest paid		(26,562)	(30,836)
Interest on lease liabilities paid	10	(207)	(290)
Interest received		3	5
Income tax paid		(37,316)	(38,626)
Net cash provided by operating activities		**61,051**	**64,271**
Investing activities			
Additions to property, plant and equipment	9	(7,114)	(9,588)
Additions to deferred charges	14	(269)	(3)
Additions to spareparts and supplies	15	-	(2,436)
Net cash used in investing activities		**(7,383)**	**(12,027)**

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

Consolidated Statement of Cash Flows (continued)
For the six-month period then ended June 30, 2020
(Expressed in thousands of United States Dollar, unless otherwise stated)

	Notes	June 30, 2020 (Unaudited)	June 30, 2019 (Unaudited)
Financing activities			
Repayment of borrowings	24	(30,875)	(35,250)
Decrease / (Increase) in restricted cash	17	(21,290)	(15,845)
Payment of lease liabilities		(1,495)	(1,327)
Net cash used in financing activities		**(53,660)**	**(52,422)**
Net increase in cash on hand and in banks		8	(178)
Cash on hand and in banks at beginning of periods		150	280
Cash on hand and in banks at end of periods	18	**158**	**102**

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

(Expressed in thousands of United States Dollar, unless otherwise stated)

1. General

1.1 General information

Star Energy Geothermal (Salak - Darajat) B.V. ("SEG-SD B.V." or the "Company") is a limited liability company incorporated and domiciled in The Netherlands. The immediate holding Company is Star Energy Geothermal Holdings (Salak-Darajat) B.V. and the ultimate holding company is PT Barito Pacific Tbk. PT Barito Pacific Tbk. is a company listed in Indonesia Stock Exchange and located at Wisma Barito Pacific, Jl. Letjen S. Parman Kav. 62-63 Jakarta, Indonesia.

The registered office according to the Articles of Association of the Company is Strawinskylaan 3127, 8th floor, 1077ZX Amsterdam. The Company is listed in the Commercial Register of the Chamber of Commerce under the following file number: 67502601

The principal activity of the Company is financial holdings. The principal activities of its subsidiaries are disclosed in Note 1.2 to the financial statements.

1.2 Subsidiaries

As of June 30, 2020, the Company has an ownership interest of more than 50%, directly or indirectly, in the following subsidiaries:

Name of companies	Principal activities	Country of incorporation	2020 %
Held by the Company			
Star Energy Geothermal Salak, Ltd.	Geothermal energy resource and power plant	Bermuda	100.00
Star Energy Geothermal Darajat I, Limited	Geothermal energy resource and power plant	Commonwealth of the Bahamas	100.00
Star Energy Geothermal Darajat II, Limited	Geothermal energy resource and power plant	Bermuda	100.00
PT Star Energy Geothermal Suoh Sekincau	Geothermal energy resource and power plant	Indonesia	95.00
PT Darajat Geothermal Indonesia	Geothermal energy resource and power plant	Indonesia	95.00
Held by subsidiaries			
Star Energy Geothermal Salak Pratama, Ltd.	Geothermal energy power plant	Cayman Islands	100.00

The subsidiaries' principal place of business is in Indonesia. The Company and subsidiaries are collectively referred to as the "Group".

1. General (continued)

1.2 **Subsidiaries**

Star Energy Geothermal Darajat II, Ltd. ("SEGD-II"); Star Energy Geothermal Darajat I, Ltd. ("SEGD-I") and; PT Darajat Geothermal Indonesia ("PT DGI") – all together as Darajat Geothermal Operation West Java Joint Operation Contractor Group (the "Darajat Contractor Group")

SEGD-I was incorporated based on a certificate of incorporation of J.O. Liddell, public notary of the Commonwealth of Bahamas Island dated June 21, 1984 under the Laws of the Bahamas with its principal place of business in Indonesia. Most recently, it changed its name to SEGD-I on March 31, 2017 after its acquisition by SEG-SD B.V. as part of a sale and purchase agreement on December 22, 2016 between Chevron Corporation ("CVX") and the Star Energy Consortium to sell Chevron's Indonesian Geothermal assets.

SEGD-II is a Bermuda Corporation, which was incorporated under the name Texaco Darajat, Ltd. based on a certificate of incorporation dated January 10, 1984 under the Laws of Bermuda with its principal place of business in Indonesia. It changed its name to Chevron Geothermal Indonesia, Ltd ("CGI") on November 14, 2005. On March 31, 2017, CGI was fully acquired by SEG-SD B.V. and changed its name to SEGD-II.

PT DGI was established by Deed No. 160 of Notary Sutjipto, S.H. dated February 26, 1997. The deed of establishment was approved by the Minister of Laws and Human Rights of the Republic of Indonesia in his decision letter no.C2-5403.HT.01.01.TH.97 dated June 24, 1997 and was published in State Gazette of the Republic of Indonesia No. 39 dated May 15, 1998, supplement No. 2609. On September 27, 2017, 95% ownership of PT DGI was acquired by SEG-SD B.V.

Darajat JOC

SEGD-II and SEGD-I, entered into a Joint Operation Contract ("JOC") dated November 16, 1984 as amended on November 16, 1988, January 15, 1996 and February 7, 2003 with PERTAMINA for which geothermal operations are now managed by PT Pertamina Geothermal Energy ("PGE"), a subsidiary of PERTAMINA . The JOC provides the exploration and exploitation of geothermal energy resources in an area of approximately 49.98 square kilometres (equivalent to 4,998 hectares) in the Darajat geothermal field, West Java, as well as the generation of electricity from those resources and sale of such geothermal energy and electricity to PT Perusahaan Listrik Negara (Persero) ("PLN"), the Indonesian state-owned electricity company, through PGE, pursuant to an Energy Sales Contract ("ESC").

The term of the JOC is 564 months commencing from November 16, 1984, provided that if a production period of 360 months for any unit is not possible within the period ending 564 months following the effective date, then an extension period will be added to the term of the JOC as it pertains to such unit only to enable the supply of geothermal energy (as defined in the JOC) to such unit for a production period of 360 months.

Darajat JOC is subject to Presidential Decree No. 49 of 1991 and the Minister of Finance Decree No. 766/1992 which provides the Darajat Contractor Group with an all-inclusive tax rate of 34% of net operating income as defined in the JOC and the 1984 Indonesian Income Tax Law. In certain government regulations, this 34% is referred to as the "government share". The Darajat Contractor Group is also required to pay the PGE Production Allowance equivalent to 2.66% of net operating income calculated based on the 1984 Indonesian Income Tax Law. PGE Production Allowance represent royalty fee paid to PGE. This charges were tax deductible therefore it is accounted for as an expense in the Consolidated Statement of Profit or Loss.

1. **General (continued)**

1.2 **Subsidiaries (continued)**

Star Energy Geothermal Darajat II, Ltd. ("SEGD-II"); Star Energy Geothermal Darajat I, Ltd. ("SEGD-I") and; PT Darajat Geothermal Indonesia ("PT DGI") – all together as Darajat Geothermal Operation West Java Joint Operation Contractor Group (the "Darajat Contractor Group") (continued)

Darajat JOC (continued)

Amendment No.1 to the Darajat JOC ("Darajat Amended and Restated JOC") dated February 7, 2003 states that :

- In the event that either PLN or the Darajat Contractor Group exercises the option granted to extend the production period from 360 months to 480 months, the production period shall be automatically amended from 360 months to 480 months.
- Further, in the event that either PLN or the Darajat Contractor Group exercises the option granted to extend the ESC term from 432 months to 552 months, the term of the JOC shall be automatically amended from 564 months to 684 months from November 16, 1984.
- If the production period extends beyond the term of the Amended and Restated JOC, the JOC term will automatically be extended to coincide with the end of the production period.

Up to the date of these consolidated financial statements, the options granted above have not been exercised.

Darajat ESC

In conjunction with the Contractor Group entering into the JOC with PERTAMINA, PERTAMINA entered into an ESC with PLN whereby PLN agreed to purchase geothermal energy and electricity, delivered by the Darajat Contractor Group. The invoice is stated and payable in United States Dollar.

In accordance with the terms of the take-or-pay provisions of the Amended and Restated ESC, PLN should pay a minimum 80% of the rated capacity of each Unit in operation for the Unit owned by PLN (Unit I - Electricity) and 95% of the average gross kilowatt generating capacity of the relevant units built, owned and operated by the Darajat Contractor Group (Units II and III).

On August 10, 2004, the terms of the Amended and Restated ESC were amended through Amendment Agreement No. 2 signed by PLN, PERTAMINA and the Darajat Contractor Group. The significant amendments are as follows:

- With respect to Darajat Unit III, the base resource price of geothermal energy and electricity is US$0.042336 – full amount per Kwh.
- All rights to and revenue from any and all emissions credit and trading as a result of the United Nations Framework Convention on Climate Change ("UNFCC") and Kyoto Protocol for Clean Development Mechanism ("CDM") or other Gas Emission Credit Market mechanisms related to the Darajat Contract Area are the property of and owned by the Darajat Contractor Group.

On April 28, 2014, the amended ESC section 5.2 was approved to change the Indonesian Consumer Price Index ("CPI") from base year 2007 = 100 to base year 2012 = 100, which was implemented immediately for energy transactions from the second quarter of 2014.

(Expressed in thousands of United States Dollar, unless otherwise stated)

1. General (continued)

1.2 **Subsidiaries (continued)**

Star Energy Geothermal Darajat II, Ltd. ("SEGD-II"); Star Energy Geothermal Darajat I, Ltd. ("SEGD-I") and; PT Darajat Geothermal Indonesia ("PT DGI") – all together as Darajat Geothermal Operation West Java Joint Operation Contractor Group (the "Darajat Contractor Group") (continued)

Darajat JOA

SEGD-I and SEGD-II entered into a Joint Operating Agreement ("JOA") dated August 23, 1997 (as amended from time to time and most recently amended on January 1, 2009) with PT DGI, whereby PT DGI was assigned a five percent participating interest in, and the rights and obligations under, the JOC and ESC for the Unit II power generating facility and all future units. SEGD-I, SEGD-II and PT DGI together form the Darajat Geothermal Operation West Java Contractor Group (hereinafter referred to as the "Darajat Contractor Group").

Amendment No. 1 to the Amended and Restated JOA was signed on January 1, 2009. The Amendment provides that all parties agree to appoint SEGD-II as the operator for the CDM Project and acting for and on behalf of the Darajat Contractor Group, to sell the Certified Emission Reductions ("CER") and receive the payments.

The Unit I Geothermal Energy Plant ("Unit I") commenced commercial operations in 1994 and has a power generation capacity of 55 MW. The Unit II Power Plant ("Unit II") was commissioned and commenced commercial operations on June 1, 2000 with a power generation capacity at commissioning of 70 MW, subsequently increased to 90 MW. The Unit III Power Plant ("Unit III") was commissioned and commenced commercial operations on July 1, 2007 with a power generation capacity at the commissioning of 110 MW, subsequently increased to 121 MW.

The respective participating interests of the participants in the Darajat Contractor Group are as follows:

	Unit I (Steam)	Units II and III (Electricity)
Star Energy Geothermal Darajat I, Limited	50.0%	47.5%
Star Energy Geothermal Darajat II, Limited	50.0%	47.5%
PT Darajat Geothermal Indonesia	–	5.0%
	100.0%	100.0%

1. General (continued)

1.2 **Subsidiaries (continued)**

Star Energy Geothermal Salak, Ltd. ("SEGSL") and; Star Energy Geothermal Salak Pratama, Ltd. ("SEGSPL") (the "Salak Contractor Group")

SEGSL is a Bermuda Corporation, incorporated under the original name Union Geothermal of Indonesia, Limited based on a certificate of incorporation dated November 25, 1981, under the Laws of Bermuda with its principal place of business in Indonesia. Most recently, it changed its name to SEGSL on March 31, 2017 after its acquisition by SEG-SD B.V. as part of a sale and purchase agreement on December 22, 2016 between CVX with Star Energy Consortium to sell Chevron's Indonesian Geothermal assets.

SEGSPL (formerly known as Dayabumi Salak Pratama, Ltd. ("DSPL")) is a special purpose company formed on May 1, 1996 under the laws of the Cayman Islands, with its principal place of business in Indonesia, for the purpose of building and operating a geothermal energy fueled power generating facility (the "Power Plant"). SEGSPL is a wholly-owned subsidiary of SEGSL. It changed its name to SEGSPL on March 31, 2017 after its acquisition by SEG-SD B.V. as part of a sales and purchase agreement dated December 22, 2016.

Salak JOC

On February 11, 1982, Union Geothermal of Indonesia, Ltd., now succeeded by SEGSL entered into a JOC with PERTAMINA, for which geothermal operations are now managed by PGE, to explore and develop geothermal energy resources within the Gunung Salak contract area. The JOC governs the conduct of geothermal operations in the contract area. Under the terms of the JOC, SEGSL is required to deliver the geothermal energy produced in the contract area to PLN through PGE, pursuant to an ESC discussed below. This geothermal energy is used by PLN to generate electricity from three 55 MW power generating units (Units 1, 2 and 3) owned and operated by PLN in the contract area. The JOC was amended on November 16, 1994 and again on July 22, 2002.

On May 1, 1996, Chevron Geothermal Salak, Ltd. ("CGS") established DSPL as a wholly-owned subsidiary and assigned all of its rights, interests and obligations under the JOC in respect of construction and operation of an additional three power generating units (Units 4, 5 and 6). This was confirmed in Amendment No. 2 to the Gunung Salak amended and restated JOC dated July 22, 2002. Amendment No. 2 also extended the JOC term to December 1, 2030, which was further extended to November 30, 2040.

Salak JOC is subject to Presidential Decree No. 49 of 1991 and the Minister of Finance Decree No. 766/1992 which provides the Salak Contractor Group with an all-inclusive tax rate of 34% of net operating income as defined in the JOC and the 1984 Indonesian Income Tax Law. In certain government regulations, this 34% is referred to as the "government share". The Salak Contractor Group is also required to pay the PGE Production Allowance equivalent to 4% of net operating income calculated based on the 1984 Indonesian Income Tax Law. PGE Production Allowance represent royalty fee paid to PGE. This charges were tax deductible therefore it is accounted for as an expense in the Consolidated Statement of Profit or Loss.

Salak ESC

In conjunction with SEGSL entering into the JOC dated February 11, 1982 with PERTAMINA, PERTAMINA entered into an ESC with PLN whereby PLN agreed to purchase geothermal energy, delivered by SEGSL.

In connection with the amendment and restatement of the JOC dated November 16, 1994, the ESC was also amended and restated ("Amended and Restated ESC").

1. General (continued)

1.2 **Subsidiaries (continued)**

Star Energy Geothermal Salak, Ltd. ("SEGSL") and; Star Energy Geothermal Salak Pratama, Ltd. ("SEGSPL") (the "Salak Contractor Group") (continued)

The term of the Amended and Restated ESC is for a period ending 420 months after November 16, 1994 (the "Effective Date") provided that should any production periods extend beyond the term of the Amended and Restated ESC, the term will be automatically extended until the end of such production period. The production period for delivery of geothermal energy to the initial unit, or electricity from each unit built, owned and operated by SEGSL, shall be at least 360 months commencing on the date of commercial generation of each unit, with the provision that if a production period ends prior to the end of the term of the Amended and Restated ESC, such production period shall be automatically extended to coincide with the end of such term.

The terms as stated in the Amended and Restated ESC were later amended through an Amendment Agreement ("Second Amendment") signed by SEGSL on July 22, 2002. Significant amendments are as follows:

- SEGSPL became a party to the ESC, whereby SEGSPL shall have the right to generate and deliver electricity to PLN on behalf of PERTAMINA using any combination of Units 4, 5 and 6.
- The term of the ESC will end on December 1, 2030 and has been extended to November 30, 2040.
- With respect to all units, the base resource price of geothermal energy was decreased from US$0.04302 - full amount, kWh under the original ESC to US$0.03724 - full amount per kWh.

The terms of the Second Amendment provide that PLN shall pay PGE, who will then remit to SEGSL and SEGSPL, for the geothermal energy and electricity delivered each month based upon formulas stated in the ESC. The invoice is stated and payable in United States Dollars.

In accordance with the terms of the take-or-pay provisions of the Second Amendment, PLN should pay a minimum 95.06% of the total rated capacity of Units 1, 2 and 3. For Units 4, 5 and 6, PLN should pay a minimum 90.14% of the total rated capacity.

PT Star Energy Geothermal Suoh Sekincau ("PT SEGSS")

On April 6, 2017, SEG-SD B.V acquired PT Chevron Geothermal Suoh Sekincau. Effective on the date, PT Chevron Geothermal Suoh Sekincau was changed into PT SEGSS by Deed No. 3 of Notary Liestiani Wang, S.H., M.Kn. dated April 6, 2017. The immediate parent of PT SEGSS is SEG-SD B.V with 95% ownership.

On 21 June 2018, the Ministry of Energy and Mineral Resources approved Pelaksanaan Penugasan Survei Pendahuluan dan Eksplorasi ("PSPE") of South Suoh Sekincau. In relation with these PSPE PT SEGSS is required to perform at least 1 (one) drilling for an exploration well within the period (i.e; 3 years) in South Suoh Sekincau. If exploration and appraisal drilling is successful in confirming geothermal potential, and Star Energy obtains the necessary financing and government approvals for development as well as an attractive tariff rate under the ESC with PLN, Star Energy would expect to commence development activities.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as adopted by the EU.

The consolidated financial statements have been prepared on the accrual basis, except for the consolidated statement of cash flow, and using the historical cost concept of accounting except as disclosed in the accounting policies below.

The consolidated statement of cash flows has been prepared using the indirect method, presents cash receipts and payments classified into operating, investing and financing activities.

The presentation currency used in the preparation of the consolidated financial statements is the United States Dollars ("USD" or "US$") and all values in the tables are rounded to the nearest thousand ("US$'000") except when otherwise indicated.

2.2 Changes in accounting policies and disclosures

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except in the current financial period, the Company has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2020. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

- Amendments to IFRS 3: Definition of a Business

  In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

  The amendments to the definition of business is not expected to have a significant impact on the Company's financial statements.

- Amendments to IFRS 9 Financial Instruments, IFRS 7 Financial Instruments: Disclosures and IAS 39 Financial Instruments: Recognition and measurement - Interest Rate Benchmark Reform

  The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

  The effective date of the amendments is for annual periods beginning on or after 1 January 2020. The requirements must be applied retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated upon application, nor can any hedge relationships be designated with the benefit of hindsight. These amendments had no impact on the consolidated financial statements of the Company as it does not have any interest rate hedge relationships.

(Expressed in thousands of United States Dollar, unless otherwise stated)

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies and disclosures (continued)

New and amended standards and interpretations (continued)

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of material.

  The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

  The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

  The amendments to IAS 1 and IAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively. Since the Company's current practice is in line with the amendments, the amendments had no impact on the Group's consolidated financial statements.

Standards publised but not yet effective

Description	*Effective for annual periods beginning on or after*
IFRS 17 *Insurance Contract*	January 1, 2023
Amendment to IFRS 16: Covid-19-Related Rent Concessions	June 1, 2020
Amendments to IFRS 3: Reference to the Conceptual Framework	January, 1 2022
Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use	January, 1 2022
Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract	January, 1 2022
Annual Improvements to IFRS Standards 2018-2020	January, 1 2020
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	January, 1 2023

2.3 Basis of consolidation and business combinations

(a) Basis of consolidation

The consolidated financial statements comprise of the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company consistent accounting policies are applied to transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

2. Summary of significant accounting policies (continued)

2.3 Basis of consolidation and business combinations (continued)

(a) Basis of consolidation (continued)

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

Non-controlling interest represents the portion of profit or loss and net assets of subsidiaries not attributable, directly or indirectly, to the Company, which are presented in profit or loss and under the equity section in the consolidated statements of financial position, respectively, separately from the corresponding portion attributable to the equity holders of the parent entity.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group losses control over a subsidiary, it;

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss;
- Re-classifies the Group's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

(b) Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognized as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognized in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognized on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another IFRS.

2. Summary of significant accounting policies (continued)

2.3 **Basis of consolidation and business combinations (continued)**

(b) **Business combinations and goodwill (continued)**

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognized as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Where goodwill forms part of a Cash-Generating Units ("CGU") and part of the operation within that CGU is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the CGU retained.

2. Summary of significant accounting policies (continued)

2.4 **Transactions with non-controlling interests**

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

2.5 **Foreign currency**

The consolidated financial statements are presented in United States Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) **Transactions and balances**

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

2. Summary of significant accounting policies (continued)

2.6 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, and for qualifying assets (where applicable), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

The cost of an item of property, plant and equipment is recognized as an asset if and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Useful lives
Land rights and lease improvements	30 years
Property	43 years
Buildings and infrastructure	4 - 20 years
Machinery, telecommunication and automotive equipment	4 - 5 years
Furniture and fixtures	5 years

The balance of “producing wells and well facilities” are depreciated over the remaining life of the working interest using the units-of-production (“UoP”) method from the date of the commencement of commercial operations. The depreciation is based on estimated reserves. Depreciation of production facilities and well costs are calculated using the unit of production method based on tons of steam produced over the estimated tons of steam to be produced over the Salak and Darajat generation terms. Assets under construction are not depreciated until such time as the relevant assets are completed and production commences. When the assets concerned are brought into use, the costs are transferred to the appropriate classification and depreciated in accordance with the stated policy.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognized.

2. Summary of significant accounting policies (continued)

2.7 Geothermal exploration and evaluation expenditures

Geothermal exploration and evaluation expenditure in respect of each area of interest are accounted for using the successful efforts method of accounting. The successful efforts method requires all exploration and evaluation expenditures to be capitalized as intangible exploration and evaluation expenditure. If the result was not succesful, all of the capitalise asset will be charges to profit and loss.

Pre-license costs

Pre-license costs are expensed in the period in which they are incurred.

Exploration and evaluation costs

Exploration and evaluation activity involves the search for geothermal energy resources, the determination of technical feasibility and the assessment of the commercial viability of an identified resource.

Once the legal right to explore has been acquired, cost directly associated with an exploration well are capitalized as exploration and evaluation intangible assets until the drilling of the well is completed and the results have been evaluated. These costs include directly attributable employee remuneration, materials and fuel used, rig costs and payments made to contractors.

If no potentially commercial geothermal energy is discovered, the exploration asset is written off as a dry hole. If extractable geothermal energy is found and, subject to further appraisal activity (e.g., the drilling of additional wells), are likely to be capable of being commercially developed, the costs continue to be carried as an intangible asset while sufficient/continued progress is made in assessing the commerciality of the geothermal energy. Costs directly associated with the appraisal activity undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of geothermal energy, including the costs of appraisal wells where geothermal energy was not found, are initially capitalized as an intangible asset.

All such capitalized costs are subject to technical, commercial and management review as well as review for indicators of impairment at least once a year.

2. Summary of significant accounting policies (continued)

2.7 Geothermal exploration and evaluation expenditures (continued)

Exploration and evaluation costs (continued)

When proved reserves of steams are identified and development is sanctioned by management, the relevant /capitalized expenditure is first assessed for impairment and (if required) any impairment loss is recognized, then the remaining balance is transferred to constructions in progress (Note 2.8). Other than license costs, no amortization is charged during the exploration and evaluation phase.

2.8 Construction in progress

The accumulated costs of constructing wells and power generating expansion project are capitalized as construction in progress. These costs are initially classified in construction in progress and will be reclassified to property, plant, and equipment and deferred charges when the construction or installation is completed and the asset is ready for its intended use. Depreciation is not charged on costs carried forward in respect of assets in development stage until production commences.

Borrowings to finance the construction of long-lived assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

2.9 Unproved properties

Unproved properties represent the fair value of the unproved geothermal interest acquired.

Unproved properties are recognized separately as intangible assets (Note 2.10), tested at least annually for impairment and carried at cost less any accumulated impairment losses.

For any commenced development of unproved properties relating to geothermal resources, the developed amount of unproved properties will then be reclassified into proved properties and will start to be depreciated upon the completion of the development.

2.10 Intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following the initial acquisition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortized over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recognized in profit or loss.

2. Summary of significant accounting policies (continued)

2.10 **Intangible assets (continued)**

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the CGU level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGU that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The CGU to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that CGU may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognized in profit or loss. Impairment losses recognized for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a CGU and part of the operation within that CGU is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the CGU retained.

Software

Costs to acquire and prepare software for use are recorded as intangible assets and amortized on a straight line basis over its finite useful life of five years.

Bonuses

Bonuses represent payment of signature bonus to the Government of Indonesia ("GOI") after received approval of the JOC and payment of production bonus to the GOI after the date of commercial production. The nature of this payment are similar with permit to exploitation of Geothermal resources therefore the Company classified this transaction in intangible asset and the amount will be amortised until the end of JoC contract.

2.11 **Impairment of non-financial assets**

(a) Assets (excluding Goodwill)

The Group assesses at the end of each reporting period whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognized in profit or loss.

2. Summary of significant accounting policies (continued)

2.11 Impairment of non-financial assets (continued)

(a) Assets (excluding Goodwill) (continued)

For assets excluding goodwill, an assessment is made at the end of each reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized previously.

(b) Goodwill

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

2.12 Joint arrangement

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement. To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

The Group recognizes in relation to its interest in a joint operation,

(i) its assets, including its share of any assets held jointly;
(ii) its liabilities, including its share of any liabilities incurred jointly;
(iii) its revenue from the sale of its share of the output arising from the joint operation;
(iv) its share of the revenue from the sale of the output by the joint operation; and
(v) its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to interest in a joint operation in accordance with the accounting policies applicable to the particular assets, liabilities, revenues and expenses.

2. Summary of significant accounting policies (continued)

2.13 **Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(a) **Financial assets**

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through OCI, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial assets; contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash on hand and in banks, restricted cash, trade and other receivables excluding Value Added Tax ("VAT") receivable and due from the parent company.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified into four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with the recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss ("FVTPL")

2. Summary of significant accounting policies (continued)

2.13 **Financial instruments (continued)**

(a) **Financial assets (continued)**

Subsequent measurement (continued)

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at fair value through profit or loss include financial assets held for trading, Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

The Group has not designated any financial assets upon initial recognition at fair value through profit or loss.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for a separative derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately.

Financial assets at amortized cost (debt instruments)

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified under this category. The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

2. Summary of significant accounting policies (continued)

2.13 **Financial instruments (continued)**

(a) **Financial assets (continued)**

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control over the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, The Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets at amortized cost

The Group recognizes an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cashflows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral heldor other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECLs).

For trade receivables and lease receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2. Summary of significant accounting policies (continued)

2.13 **Financial instruments (continued)**

(b) **Financial liabilities**

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, financial liabilities at amortized cost or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of financial liabilities at amortized cost, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, accrued expenses, lease liabilities and borrowings which are classified as financial liabilities at amortized cost.

Subsequent measurement

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognized in profit or loss.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

Financial liabilities at amortized cost

After initial recognition, financial liabilities that are not carried at FVTPL are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized, and through the amortization process.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

2. Summary of significant accounting policies (continued)

2.13 Financial instruments (continued)

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

(d) Fair value of financial instruments

The fair value of financial instruments that are actively traded in active markets is determined by reference to quoted market bid prices at the close of business at the end of the reporting period. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's-length market transaction, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, or other valuation models.

2.14 Deferred financing cost

Costs incurred to obtain financing are deferred and amortized using the effective interest method over the term of the related financing agreements. The unamortized amount of deferred financing cost is presented as deduction to related borrowings. Periodic commitment fees incurred subsequent to obtain financing are expensed as incurred.

2.15 Derivative financial instruments and hedge accounting

The Group entered into interest rate swaps transactions to hedge its interest rate risks. Such derivative financial instruments are initially recognized at fair value on the date on which derivative contracts are entered into and are subsequently measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

At the inception date of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements. A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument
- The effect of credit risk does not dominate the value changes that result from that economic relationship

2. Summary of significant accounting policies (continued)

2.15 Derivative financial instruments and hedge accounting (continued)

The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge the quantity of the hedged item.

Cash flow hedge - interest rate swaps

The Group has entered into interest rate swap transactions that are cash flow hedges for the Group's exposure to interest rate risk on its borrowings. These contracts entitle the Group to receive interest at floating rates on notional principal amounts and oblige the Group to pay interest at fixed rates on the same notional principal amounts, thus allowing the Group to raise borrowings at floating rates and swap them into fixed rates.

The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge. The fair value changes on the ineffective portion of interest rate swaps are recognized immediately in profit or loss.

The Group designate all of the interest rate swap transactions as a hedging instrument.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

2.16 Restricted cash

Cash in the bank which is restricted for use as stipulated under the terms of a loan agreement is presented as "Restricted Cash".

2.17 Inventories, spare parts and supplies

Casings and other drilling related items as well as capital spares, are stated at cost and recognized as spare parts and supplies as part of non-current assets in the consolidated statement of financial position.

Under the terms of the Salak JOC, inventory becomes the property of the host government upon landing in the country. Whereas under the terms of the Darajat JOC, all materials and equipment purchased under the contract become the property of Pertamina Geothermal (on behalf of the Government of Indonesia ("GOI")) when they are incorporated into the Field Facilities for materials and equipment used in connection with Field Facilities; and upon the expiration of the contract term for materials and equipment used in connection with Electricity Generation Facilities. As the Group has paid for and has the right to use these assets and/or recover the costs, these balances have been reflected as assets in the consolidated statement of financial position in accordance with the Group's respective working interest in the JOC.

Inventories comprise of materials and supplies including plant spares, consumables, casings and maintenance and drilling tools used for ongoing operations.

2. Summary of significant accounting policies (continued)

2.17 Inventories, spare parts and supplies (continued)

Inventories such as chemicals and other consumable materials, which is expected to be used within one year from the date of acquisition, are valued at the lower of cost or net realisation value and presented as part of inventories. Cost is determined using the weighted-average method. Cost consists of all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Spare parts and supplies

Spare parts and supplies consist of items which is expected to be used more than one year from the date of acquisition, are valued at the lower of cost or net realisation value and presented as non-current assets. Spare parts and supplies are presented as non-current asset. This items are accounted based on same accounting treatment as property, plant and equipment (Note 2.6).

Management assessing the condition of the inventories and spareparts and equipment at the end of each period and makes the necessary write-down.

2.18 Provisions

General

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

2.19 Employee compensation

(a) Wages, salaries and annual leave

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within twelve months from the end of reporting period represent present obligations resulting from employees' service provided to the end of the reporting period, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at the end of the reporting period including related add on-costs.

2. Summary of significant accounting policies (continued)

2.19 **Employee compensation (continued)**

(b) **Long-term service benefits**

Employee entitlements to service and compensation payments are recognized when they accrue to the employees. A provision is made for the estimated liability as a result of past services rendered by employees up to the end of the reporting period and is calculated based on the Group's policy or a minimum amount of employee entitlements in accordance with Indonesia Labour Law No. 13/2003, whichever is higher.

The defined benefits obligation is annually calculated by independent actuaries using the projected unit credit actuarial valuation 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 benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. The interest rates of government bonds are used for employees working in Indonesia.

For defined benefit plans, all actuarial gains and losses are recognized in OCI as part of remeasurement and unvested past service costs are recognized immediately in profit or loss when incurred. For long-term service benefits, the Group recognized the net total of the amounts in profit or loss.

Past service costs are recognized in profit or loss on the earlier of:
- The date of the plan amendment or curtailment, and
- The date that the Group recognizes restructuring related costs.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as an expense in profit or loss.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

2. Summary of significant accounting policies (continued)

2.19 Employee compensation (continued)

(b) Long-term service benefits (continued)

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are recognized in retained earnings within equity and are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. The fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group’s right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

2.20 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(a) As lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

• Buildings	2.0 years
• Vehicles	3.0 years
• Heavy equipment	2.6 years
• IT equipment	4.0 years

2. Summary of significant accounting policies (continued)

2.20 **Leases (continued)**

(a) **As lessee (continued)**

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below US$5,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

(b) **As lessor**

At the inception of long-term power sales arrangements, the Company determines whether such an arrangement is or contains a lease.

Leases where the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as lease revenue. The accounting policy for lease revenue is set out in Note 2.21. Contingent rents are recognized as revenue in the period in which they are earned.

Leases where the Group transfer to counterparties substantially all the risks and rewards of ownership of assets but not necessarily legal title, are classified as finance leases. When the Group is a lessor under finance leases the amounts due

2. Summary of significant accounting policies (continued)

2.20 **Leases (continued)**

(b) **As lessor (continued)**

under the leases, after deduction of unearned finance income, are included in lease receivable (in the statement of financial position). The finance income is recognized in finance income (in the statement of profit or loss) over the periods of the leases so as to give a constant rate of return on the new investment in the leases.

Under the terms of the Salak and Darajat JOCs and ESCs, the Group, on behalf of PGE, built and operates the power plants, and delivers all power (other than auxiliary power) generated by the power plants to PLN. At the end of the contract term, the Company will transfer its power plants to PGE which, in turn, should transfer it to PLN therefore The Group recorded Finance lease for power plant.

As a finance lessor, the Group recognises a finance lease receivable for the unit owned by Star Energy (Salak Unit 4-6 and Darajat Unit 2-3) in the statement of financial position at an amount equal to the net investment value of the lease, which is the aggregate amount of: (i) the minimum lease payments under the finance lease; plus (ii) the unguaranteed residual values of the power plants; which are then discounted at the interest rate implicit in the lease.

The minimum lease payments represent the total guaranteed amounts that will be paid by PLN to compensate the capital cost recovery of the power plants throughout the contract period, irrespective of the extent of use. Under the ESC, the Group receives only one consideration for its services, i.e. one blended electricity rate to compensate all types of services provided by the Group to generate geothermal energy-based electricity. Thus, the Group uses the residual value method to split the consideration received from PLN into two different activities: (i) financing activities to repay the principal and interest of the finance lease receivable; and (ii) revenues for operating and maintenance activities that are recognized as the Group delievers electricity.

Management estimated the net present value of the finance lease receivable at an amount not to exceed the capital costs spent to construct and develop the power plants. The implicit interest rate is the discount rate that causes the aggregate present value of minimum guaranteed payments to be equal to the carrying value of the finance lease receivable at the initial application date.

The finance lease receivable is classified into current and non-current portions based on the expected collection periods. Amounts that are expected to be collected in one year or less are classified as part of current assets; otherwise, they are presented as non-current assets.

2.21 **Revenue**

Revenue from contracts with customers

The Group operates geothermal energy resource areas on the island of Java in Indonesia and all of the Group's electricity and steam production is sold to PLN up to the end of ESC. Management determined that the Group's contracts with PLN contain a lease and should be accounted for as a finance lease (Note 2.20). As such, revenue from contracts with PLN is allocated between electricity revenue and lease revenue based on the relative stand alone selling price of each revenue components.

2. Summary of significant accounting policies (continued)

2.21 Revenue (continued)

Revenue from contracts with customers (continued)

Electricity revenue represents the portion of revenue that recovers the operation and maintenance of the power plants owned by Star Energy (Salak Unit 4-6 and Darajat Unit 2-3) while finance lease income represent the portion of revenue that recovers the investment in the power plants owned by Star Energy (Salak Unit 4-6 and Darajat Unit 2-3). Electricity revenue and steam revenue are to be recognized in accordance with IFRS 15 Revenue from Contracts with Customers, while finance lease income is to be recognized in accordance with IFRS 16 Leases. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer. The Group used a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group considers whether there are other promises in the contract that are separate performance obligation to which a portion of the transaction price needs to be allocated. In determining the transaction price for the electricity revenue, the Group considers the effect of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to PLN.

The Group evaluated SEGSL's and SEGSPL's off-take agreements (ESC) and determined that the consideration received for receivable from PLN which is based on invoiced amount contains an additional performance obligation (a set off mechanism) whereby if SEGSL and SEGSPL subsequently deliver to PLN the quantities of electricity and geothermal energy that PLN previously were not able to accept, the consideration previously received for receivable from PLN will be utilized towards payment for such quantities of electricity or geothermal energy deliver by SEGSL and SEGSPL (Note 2.27 and 26).

The Group also evaluated Darajat contractor group's off-take agreements (ESC), and determined that the contracts do not have variable considerations such as rights of return and volume rebates, and have no significant financing component, non-cash consideration and consideration payable to customers. The disclosures of significant accounting judgments, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3(b).

(a) **Electricity revenue**

Electricity revenue is recognized at the point in time when the control of the electrical output is transferred to PLN which is upon delivery. Quantities delivered are determined through electrical measurement meters at the delivery point. The normal credit term is 60 days upon issuance of the invoice by the Group to PLN.

(b) **Steam revenue**

Steam revenue is recognized at the point in time when control of the steam output is transferred to PLN which is upon delivery. Quantities delivered are determined through electrical measurement meters at the point of interface (for steam) with PLN or SEGDL and SEGSL (the "delivery point"). Geothermal energy sales are recorded on the basis of prices determined by certain formulas in accordance with the ESC (Note 1.2).

2. Summary of significant accounting policies (continued)

2.21 **Revenue (continued)**

Finance lease income

Revenues are recognized for all the services provided by the Group under the build, own, operate and transfer arrangement for Salak and Darajat geothermal operations, which include revenues for the construction of the power plants (through the recognition of a finance lease receivable).

The Group allocates the consideration that it receives for each kWh of electricity delivered to PLN into: repayments of principal and interest of the finance lease receivable; and revenues for the production of electricity, operation and maintenance of the power plants presented as electricity revenue in profit or loss. The Group uses the residual value method to allocate the total consideration received from PLN between revenues for the financing, operating and maintenance activities. Finance income is recognized based on a pattern reflecting a constant periodic rate of return on the Group's outstanding finance lease receivable balance.

Financial lease income is recognized in accordance with IFRS 16 *Leases*.

2.22 **Taxes**

(a) **Current income tax**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognized in profit or loss except to the extent that the tax relates to items recognized outside profit or loss, either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) **Deferred tax**

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. Summary of significant accounting policies (continued)

2.22 **Taxes (continued)**

(b) **Deferred tax (continued)**

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized]or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on the acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.23 **Share capital and share issuance expenses**

Proceeds from issuance of ordinary shares are recognized as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2. Summary of significant accounting policies (continued)

2.24 Joint Operation Contract ("JOC")

The primary differences between JOC accounting and IFRS are as follows:

Accounting policy	JOC basis of accounting*)	IFRS
Electrical revenue	Revenue recognized based on electrical output delivered to PLN	Uses the residual value method to split the consideration received from PLN into two different activities: (i) financing activities to repay the principal and interest of the finance lease receivable; and (ii) revenues for operating and maintenance activities that are recognized as the Company delivers electricity.
Amortization of capital costs	Accelerated depreciation (declining balance) using a full year's depreciation in the year of acquisition	Various depreciation methods (including units of production method) using a fraction of a year's depreciation in the year of acquisition
Obsolete stores or idle facilities	Written-off only when approved by PGE	Expensed when identified
Contingent liabilities	Recognized when settled or approved by PGE	Disclosed in the financial statements and recognized when meeting certain criteria in International Accounting Standards ("IAS") 37
Deferred taxes	Not provided	Liability method
Intangible exploration and development costs - successful wells	Expensed	Capitalized
Development dry holes	Expensed	initially capitalized then expenses if not successful
Abandonment obligation	Abandonment obligation	Recognized as a liability where there is a legal obligation
Asset impairment	No write-off until proposal for abandonment approved by PGE for any impaired or abandoned assets	Write-off excess cost when impairment identified
Derivative	Not applicable	Recognized at fair value
Overhaul/major maintanance	Expensed	Capitalized
Leases	Expensed	Capitalize based on the present value of the remaining lease payment, discounted using the incremental borrowing rate at the date of initial application

*) JOC Accounting principle are used to calculate income tax expense.

2. Summary of significant accounting policies (continued)

2.25 **Related parties**

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

- (i) Has control or joint control over the Company;
- (ii) Has significant influence over the Company; or
- (iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

- (i) The entity and the Company 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 Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
- (vi) The entity is controlled or jointly controlled by a person identified in (a); and
- (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).
- (viii) The entity, or any member of the group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

2.26 **Contingencies**

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognized because:

- (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognized in the consolidated statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2. Summary of significant accounting policies (continued)

2.27 Deferred charges

Under the ESC, the Contractor Group is required to maintain the power plant facilities, including performing scheduled part replacement and overhaul activities. Expenditures related to part replacement and overhaul of the Power Plants that are considered to provide benefits in future periods are recorded as deferred charges and are amortised during the periods benefited using the straight-line method. Deferred charges relate to "cost to fulfil a contract" in accordance with IFRS 15 and relates to the performance obligation to provide overhaul and maintenance of the power plant.

Main parts and supporting parts will be amortized over the estimated useful lives of 10 years and 5 years, respectively. Deferred charges are tested for impairment in accordance with the policy described in Note 2.11.

2.28 PLN Make-up account balances

PLN Make-up Account balances represents the cumulative amount by which the electricity and/or steam paid by PLN to the Contractors based on the take-or pay mechanism in the Salak ESC exceeds the amount of steam and/or electricity actually accepted by PLN minus electricity and/or steam delivered by SEGSL and SEGSPL in pursuant to the take-or-pay amount. In accordance with IFRS 15, if PLN pays consideration before SEGSL and SEGSPL transfers electricity and steam to the customer, PLN make-up account balances is recognized when the payment is made or the payment is due (whichever is earlier). When the Contractors delivers steam and/or electricity which reduces the balance of PLN make-up account in accordance with the ESC, then such delivery shall be recognized as revenue under IFRS 15.

Upon termination of Salak JOC, SEGSL's and SEGSPL's rights and obligations (i.e; including Make-up account balances to PLN), as a party to the ESC, in its role as Contractor to PGE for the delivery of geothermal energy or electricity to PLN shall terminate and PGE shall assume all the rights and obligations of SEGSL and SEGSPL pursuant to this ESC upon the date of such termination.

3. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the end of each reporting period, and the reported amounts of revenues and expenses during the reporting period. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

In particular, the Group has identified the following areas where significant judgments, estimates and assumptions are required, and where if actual results were to differ, may materiality affect the financial position or financial results reported in future periods. Further information on each of these and how they impact the various accounting policies are described in the relevant notes to the consolidated financial statements.

3. Significant accounting judgments, estimates and assumptions (continued)

Judgment

(a) Contractual arrangement assessment

Management exercises its judgment in determining whether the contractual arrangement with PLN fall within the scope of IFRIC 12 Service Concession Arrangements. Based on management evaluation of the terms of the arrangement, it determined that the arrangement is not within the scope of service concession arrangements on the basis that PLN does not control-through ownership, beneficial entitlement or otherwise-any significant residual interest in the infrastructure at the end of the term of the arrangements.

Further, management also exercises its judgment in determining whether the arrangement contains a lease and the classification of a lease. Based on such evaluation, management determined that the arrangement contains a lease as the fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset) and the arrangement conveys a right to use the asset.

Management classifies it as finance lease (lessor) based on management's evaluation that the arrangement does transfer substantially all the risks and rewards incidental to ownership.

(b) Revenue from contracts with customers

The Group applied the following judgments that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Identifying performance obligations in the Group's contract with customers and determining the transaction price and the amount to be allocated to the performance obligation

As discussed in Note 2.21, the contracts with PLN contain a lease and should be accounted for as finance lease in accordance with IFRS 16 Leases. However, the electricity tariff as stipulated in the contract with PLN is not allocated between the payment consideration to cover for the use of the electricity generating facility by PLN and the payment consideration for the electrical output delivered to PLN. Therefore, management allocated the revenue from a contract with PLN between electricity revenue, finance lease income and lease revenue based on the relative stand alone selling price of each revenue components. Management concluded that the reasonable representation of the value of the electricity revenue is based on the expected cost to operate the power generating facilities to generate electricity plus a profit margin presumably, including the expected maintenance cost of the power generating facilities. These costs are the primarily associated costs in generating electricity, while the residual value of the revenue is considered to be finance lease income to be recognized by the Group representing the payment by PLN to the Group for the use of the power generating facilities. Steam revenue are recorded on the basis of prices determined by certain formulas in accordance with the ESC

Determining the timing of satisfaction of performance obligation

Management concluded that electricity and steam revenue are to be recognized at a point in time when the electrical steam and output are delivered to PLN, because upon delivery, PLN obtains control over the electrical and steam output, has the ability to direct the use of the electrical and steam output, and obtain substantially all the benefits from the electrical and steam output.

3. Significant accounting judgments, estimates and assumptions (continued)

Judgment (continued)

(c) Finance lease receivable

Finance lease receivable balance of SEGSPL and SEGDL is equal to the minimum lease payments plus any unguaranteed residual value accruing to the lessor discounted at the interest rate implicit in the lease. Minimum lease payments of the lease are the payments over the JOC and ESC terms that PLN is required to make, excluding contingent escalation in prices (for example, inflation adjustments), costs for production of electricity, operation and maintenance services and taxes. In essence, the minimum lease payments represent the compensation for costs of capital invested by SEGSPL and SEGDL to construct and develop the Power Plant only. Under the ESC, however, SEGSPL and SEGDL receives one consideration for all of its services.

(d) Taxes

Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax provisions already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates.

The amount of such provisions is based on various factors, such as the experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group entity's domicile.

Judgment is required in determining the deductibility of certain expenses during the estimation of the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of income tax payable and deferred tax liabilities are disclosed in Note 8 to the financial statements.

All unused tax losses are recognized as deferred tax assets to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Judgment is required to determine the number of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

3. Significant accounting judgments, estimates and assumptions (continued)

Judgment (continued)

(e) Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of three to five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Estimates and assumptions

(f) Units of production depreciation of geothermal assets and field facilities

Field facilities included in property, plant and equipment are depreciated using the UoP method over the estimated tons of steam to be produced over the generation term. This results in a depreciation/amortization charge proportional to the depletion of the anticipated remaining production from the field.

Each items' life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the field at which the asset is the location. These calculations require the use of estimates and assumptions, including the number of recoverable reserves and estimates of future capital expenditure. The calculation of the UoP rate of depreciation could be impacted to the extent that actual production in the future is different from current forecast production based on proved and probable reserves, or future capital expenditure estimates changes. Changes to proved developed and undeveloped reserves could arise due to changes in factors or assumptions used in estimating reserves, including the effect on proved developed and undeveloped reserves of differences between actual commodity prices and commodity price assumptions; or unforeseen operational issues.

Changes are accounted for prospectively.

(g) Recoverability of geothermal assets

The Group assesses each asset or CGU (excluding goodwill, which is assessed annually regardless of indicators) each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of fair value less costs of disposal and value in use. These assessments require the use of estimates and assumptions such as long-term electricity prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, exploration potential, reserves and operating performance (which includes production and sales volumes).

These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs.

3. Significant accounting judgments, estimates and assumptions (continued)

Estimates and assumptions (continued)

(g) Recoverability of geothermal assets (continued)

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. Management has assessed its CGUs as being an individual field, which is the lowest level for which cash inflows are largely independent of those of other assets. The Group has performed the annual assessment on impairment (note 11).

(h) Reserve estimates

Management determines the estimated useful lives and related depreciation charges for the Group's well-related facilities. Management uses the Group's geological reserves as the basis for depreciating its well related facilities. In order to estimate the reserves, assumptions are required about a range of geological, technical and economic factors, including contract periods, production quantities, production techniques, production costs.

Because the economic assumptions used to estimate reserves vary from period to period and because additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including the carrying values of the well-related facilities which may be affected due to changes in depreciation charges that were calculated on a UoP basis.

(i) Employee benefits

The cost of providing long-term employee benefits is determined using actuarial valuations. An actuarial valuation involves making various assumptions, which includes the determination of the discount rate, future salary increases, mortality rates, employee turn-over rate and disability rate. Due to the complexity of the valuation, the underlying assumptions and its long term nature, estimated liabilities for long-term employee benefits is highly sensitive to changes in these assumptions. All assumptions are reviewed at financial year-end.

3. Significant accounting judgments, estimates and assumptions (continued)

Estimates and assumptions (continued)

(i) Employee benefits (continued)

In determining the appropriate discount rate, management considers the market yields (at year end) on Indonesian rupiah government bonds with maturities corresponding to the expected duration of the obligation. The mortality rate is based on publicly available mortality tables. Future salary increases are based on the Group's long-term business plan which is also influenced by expected future inflation rates for the country.

While the Group believes that its assumptions are reasonable and appropriate, significant differences in the Group's actual experiences or significant changes in the Group's assumptions may materially affect its estimated liabilities for employee benefits and net employee benefits expense. The Group has performed sensitivity calculation for assumption used to calculate employee benefit (note 22).

(j) Goodwill Impairment

The impairment test is performed when certain impairment indicators are present. In case of goodwill, such asset is subject to annual impairment test and whenever there is an indication that such asset may be impaired; management uses its judgment in estimating the recoverable value and determining the amount of impairment. The Group has performed the annual assessment on impairment (note 11).

(k) Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgments and estimates of the outcome of future events.

(l) Estimating the incremental borrowing rate on lease liabilities

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

(m) Dismantlement, restoration and remediation cost

Under the terms of the JOC, management has been advised and believes that any future obligations for site restoration and remediation costs, including dismantling plants and abandoning properties are claimable to and/or will be borne by PERTAMINA or PGE. Accordingly, no provision in the financial statements has been recognized for the geothermal operations.

(Expressed in thousands of United States Dollar, unless otherwise stated)

4. Revenue from contracts with customer

Segments	**June 30, 2020**	**June 30, 2019**
Type of goods:		
Electricity	96,389	86,886
Steam	54,470	52,164
Total	**150,859**	**139,050**
Geographical:		
Salak Field, Sukabumi, West Java	92,887	90,329
Darajat Field, Garut, West Java	57,972	48,721
Total	**150,859**	**139,050**
Timing of revenue recognition:		
Goods and services transferred at a point of time	**150,859**	**139,050**

5. Employee compensation and benefits

	June 30, 2020	**June 30, 2019**
Wages and salaries	14,147	15,267
Pension cost (Note 22)	1,356	1,174
Catering and food	673	724
Training, business travels and others	176	1,279
Total	**16,352**	**18,444**

6. Finance costs

	June 30, 2020	**June 30, 2019**
Interest expenses:		
- Bank borrowings	25,956	30,835
Amortization of deferred financing cost (Note 24)	3,963	4,390
Accretion of interest on lease liabilities (Note 10)	207	290
	30,126	**35,515**

(Expressed in thousands of United States Dollar, unless otherwise stated)

7. Consultants and technicians

	June 30, 2020	June 30, 2019
Technical service	4,209	5,046
Legal service	38	34
IT service	458	507
Audit service	470	23
Other service	660	413
	5,835	**6,023**

8. Taxations

(a) Major components of taxes payable

	June 30, 2020	December 31, 2019
Corporate income tax	22,985	16,424
Value added tax payable	90	386
Other tax payable	330	572
	23,405	**17,382**

(b) Major components of income tax expense

The major components of income tax expense for the period ended June 30, 2020 and 2019 is as follows:

	June 30, 2020	June 30, 2019
Statement of profit or loss:		
Current income tax:		
- Current income tax charges	43,878	36,780
Deferred tax:		
- Origination and reversal of temporary differences and tax loss	(220)	2,174
Income tax expense recognized in profit or loss	**43,658**	**38,954**

(Expressed in thousands of United States Dollar, unless otherwise stated)

8. Taxations (continued)

(c) Relationship between tax expense and accounting profit/(loss)

A reconciliation between tax expense and the product of the accounting profit/(loss) multiplied by the applicable corporate tax rate for the period ended June 30, 2020 and 2019 is as follows:

	June 30, 2020	June 30, 2019
Accounting profit before tax	96,815	79,105
Tax at the domestic rates applicable to profits in the countries where the Group operates	32,917	26,896
Adjustments:		
Non-deductible expenses	10,741	12,058
Income tax expense recognized in profit or loss	**43,658**	**38,954**

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

The Group is subject to income tax on an entity basis based on the profit arising or derived from the tax jurisdiction in which the Group entities are domiciled and operate. The Group's main subsidiaries operate and earn income from JOCs in Indonesia. Under the relevant Indonesian Income Tax Law, the Group is subject to income tax at 34% of taxable income of the respective subsidiaries. The Company is a Netherlands tax resident and hence files a tax return with the Netherlands tax authorities. No current income tax expense/liability for Netherlands taxation has arisen as of June 30, 2020 and 2019.

Non-deductible expenses mainly comprise interest expenses from Bank loan (note 24) and other corporate costs incurred by entities holding interests in the JOCs.

(d) Deferred taxes

The movement of the deferred tax assets and liabilities (prior to the offsetting of balances within the same tax jurisdiction) during the reporting period is as follows:

(Expressed in thousands of United States Dollar, unless otherwise stated)

8. Taxations (continued)

d. Deferred taxes (continued)

	January 1, 2020	Credited/(charged) to profit or loss	Credited to OCI	June 30, 2020
2020				
Deferred tax assets:				
Provision and others	2,321	390	(772)	1,939
PLN Make-up account balances	5,513	(569)	-	4,944
Lease liabilities	1,319	(408)	-	911
	9,153	(587)	(772)	7,794
Deferred tax liabilities:				
Difference in depreciation of Property, plant and equipment (note 9) for tax purposes	(83,034)	(1,571)	-	(84,605)
Finance lease receivable	(136,068)	1,009	-	(135,059)
Unproved properties	(406,718)	-	-	(406,718)
Deferred charges	(7,623)	900	-	(6,723)
Other items	(3,057)	88	-	(2,969)
Right-of-use assets	(1,225)	381	-	(844)
	(637,725)	807	-	(636,918)
Deferred tax liabilities, net	**(628,572)**	**220**	**(772)**	**(629,124)**
Deferred tax liabilities – non current	**(628,572)**	**-**	**-**	**(629,124)**

(Expressed in thousands of United States Dollar, unless otherwise stated)

8. Taxations (continued)

d. Deferred taxes (continued)

	January 1, 2019	Effect of adoption IFRS 16	Credited/ (charged) to profit or loss	Credited to OCI	December 31, 2019
2019					
Deferred tax assets:					
Provision and others	1,064	-	945	312	2,321
Tax loss carry forward	2,723	-	(2,723)	-	-
PLN Make-up account balances	4,633	-	880	-	5,513
Lease liabilities	-	2,131	(812)	-	1,319
	8,420	2,131	(1,710)	312	9,153
Deferred tax liabilities:					
Difference in depreciation of Property, plant and equipment (note 9) for tax purposes	(73,565)	-	(9,469)	-	(83,034)
Finance lease receivable	(137,893)	-	1,825	-	(136,068)
Unproved properties	(406,718)	-	-	-	(406,718)
Deferred charges	(9,578)	-	1,955	-	(7,623)
Other items	(3,234)	-	177	-	(3,057)
Right-of-use assets	-	(2,131)	906	-	(1,225)
	(630,988)	(2,131)	(4,606)	-	(637,725)
Deferred tax liabilities, net	**(622,568)**	**-**	**(6,316)**	**312**	**(628,572)**
Deferred tax liabilities – non current	**(622,568)**	**-**	**-**	**-**	**(628,572)**

(Expressed in thousands of United States Dollar, unless otherwise stated)

8. Taxations (continued)

d. Deferred taxes (continued)

	January 1, 2019	Effect of adoption IFRS 16	Credited/ (charged) to profit or loss	Credited to OCI	June 30, 2019
2019					
Deferred tax assets:					
Provision and others	1,064	-	510	62	1,636
Tax loss carry forward	2,723	-	(2,508)	-	215
PLN Make-up account balances	4,633	-	(1,092)	-	3,541
Lease liabilities	-	2,131	(364)	-	1,767
	8,420	2,131	(3,454)	62	7,159
Deferred tax liabilities:					
Difference in depreciation of Property, plant and equipment (note 9) for tax purposes	(73,565)	-	(1,156)	-	(74,721)
Finance lease receivable	(137,893)	-	912	-	(136,981)
Unproved properties	(406,718)	-	-	-	(406,718)
Deferred charges	(9,578)	-	1,005	-	(8,573)
Other items	(3,234)	-	89	-	(3,145)
Right-of-use assets	-	(2,131)	430	-	(1,701)
	(630,988)	(2,131)	1,280	-	(631,839)
Deferred tax liabilities, net	**(622,568)**	**-**	**(2,174)**	**62**	**(624,680)**

(Expressed in thousands of United States Dollar, unless otherwise stated)

8. Taxations (continued)

d. Deferred taxes (continued)

	June 30, 2020	December 31, 2019
Presented as:		
Deferred tax liabilities, net	**629,124**	**628,572**

For the six-month period then ended June 30, 2020 and 2019, the 4% production allowance to PGE recognized by the Company amounted to US$4,672 and US$3,924, respectively.

***e.* Others**

Administration

The JOC contractors submits its tax returns on the basis of self-assessment. In accordance with the latest amendments of the Indonesian general taxation and procedural law, which became effective on 1 January 2008, the Tax Office may assess or amend taxes within 5 years from the date the tax becomes payable.

(Expressed in thousands of United States Dollar, unless otherwise stated)

9. Property, plant and equipment

Group	Land rights and lease improvements	Property	Producing wells and well facilities	Machinery equipment	Buildings and infrastructure	Furniture and fixtures	Telecommu-nication equipment	Automotive equipment	Construction in progress	Total
Cost										
At December 31, 2019	263	8,233	260,096	2,012	33,214	386	3,276	12	73,649	381,141
Additions	-	-	-	-	-	-	-	-	8,378	8,378
Deduction	-	-	-	-	-	-	-	-	-	-
Transfer to deferred charges (Note 14)	-	-	-	-	-	-	-	-	(269)	(269)
Transfer	-	-	11			-	-		(11)	-
At June 30, 2020	263	8,233	260,107	2,012	33,214	386	3,276	12	81,747	389,250
Accumulated depreciation										
At December 31, 2019	100	954	33,712	1,921	7,477	323	1,979	8	-	46,474
Charge for the period	15	173	6,877	91	1,312	30	372	2	-	8,872
Deduction	-	-	-	-	-	-	-	-	-	-
At June 30, 2020	115	1,127	40,589	2,012	8,789	353	2,351	10	-	55,346
Net book value										
At June 30, 2020	**148**	**7,106**	**219,518**	**-**	**24,425**	**33**	**925**	**2**	**81,747**	**333,904**

(Expressed in thousands of United States Dollar, unless otherwise stated)

9. Property, plant and equipment (continued)

Group	Land rights and lease improvements	Property	Producing wells and well facilities	Machinery equipment	Buildings and infrastructure	Furniture and fixtures	Telecommu-nication equipment	Automotive equipment	Construction in progress	Total
Cost										
At December 31, 2018	263	8,233	253,878	1,934	33,159	386	3,276	10	39,671	340,810
Additions	-	-	790	-	-	-	-	-	39,639	40,429
Deduction	-	-	-	-	-	-	-	-	-	-
Transfer to deferred charges (Note 14)	-	-	-	-	-	-	-	-	(98)	(98)
Transfer	-	-	5,428	78	55	-	-	2	(5,653)	-
At December 31, 2019	263	8,233	260,096	2,012	33,214	386	3,276	12	73,649	381,141
Accumulated depreciation										
At December 31, 2018	70	607	21,264	1,380	4,716	217	1,274	7	-	29,535
Charge for the year	30	347	12,448	541	2,761	106	705	1	-	16,939
Deduction	-	-	-	-	-	-	-	-	-	-
At December 31, 2019	100	954	33,712	1,921	7,477	323	1,979	8	-	46,474
Net book value										
At December 31, 2019	**163**	**7,279**	**226,384**	**91**	**25,737**	**63**	**1,297**	**4**	**73,649**	**334,667**

(Expressed in thousands of United States Dollar, unless otherwise stated)

9. Property, plant and equipment (continued)

Group	Land rights and lease improvements	Property	Producing wells and well facilities	Machinery equipment	Buildings and infrastructure	Furniture and fixtures	Telecommu-nication equipment	Automotive equipment	Construction in progress	Total
Cost										
At December 31, 2018	263	8,233	253,878	1,934	33,159	386	3,276	10	39,671	340,810
Additions	-	-	12	-	-	-	-	-	9,579	9,591
Deduction	-	-	-	-	-	-	-	-	-	-
Transfer to deferred charges (Note 14)	-	-	-	-	-	-	-	-	(3)	(3)
Transfer	-	-	169	44	-	-	-	-	(213)	-
At June 30, 2019	263	8,233	254,059	1,978	33,159	386	3,276	10	49,034	350,398
Accumulated depreciation										
At December 31, 2018	70	607	21,264	1,380	4,716	217	1,274	7	-	29,535
Charge for the period	15	173	6,256	272	1,380	53	353	2	-	8,504
Deduction	-	-	-	-	-	-	-	-	-	-
At June 30, 2019	85	780	27,520	1,652	6,096	270	1,627	9	-	38,039
Net book value										
At June 30, 2019	**178**	**7,453**	**226,539**	**326**	**27,063**	**116**	**1,649**	**1**	**49,034**	**312,359**

(Expressed in thousands of United States Dollar, unless otherwise stated)

9. Property, plant and equipments (continued)

Based on the review of the recoverable amount of the property, plant and equipment, the management believes that there are no events or changes in circumstances as of June 30, 2020 and 2019, that indicate any impairment on the Group's property, plant and equipment.

Construction in progress

This account mainly represents work in progress related with the construction of Proximal South East Injection Project in Salak and new wells drilling project in Darajat which relates to the development of the acquired unproven properties, which are presented as intangibles assets (Note 11).

10. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Set out below are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use assets					
	Buildings	IT Equipment	Vehicles	Heavy Equipment	Total	Lease liabilities
2020						
As of January 1	1,459	203	1,684	256	3,602	(3,878)
Additions	-	386	-	-	386	(386)
Depreciation expense	(730)	(72)	(628)	(77)	(1,507)	-
Accretion of interest	-	-	-	-	-	(207)
Payments *)						
- Principle	-	-	-	-	-	1,495
- Interest	-	-	-	-	-	207
Foreign currency exchange	-	-	-	-	-	91
As of June 30	729	517	1,056	179	2,481	(2,678)
Less: current maturities	-	-	-	-	-	1,978
Net of current maturities	**729**	**517**	**1,056**	**179**	**2,481**	**(700)**

(Expressed in thousands of United States Dollar, unless otherwise stated)

10. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

	Right-of-use assets					
	Buildings	**IT Equipment**	**Vehicles**	**Heavy Equipment**	**Total**	**Lease liabilities**
2019						
As of January 1	2,919	-	2,940	409	6,268	(6,268)
Additions	-	226	-	-	226	(226)
Depreciation expense	(1,460)	(23)	(1,256)	(153)	(2,892)	-
Accretion of interest	-	-	-	-	-	(531)
Payments *)						
- Principle	-	-	-	-	-	2,738
- Interest	-	-	-	-	-	531
Foreign currency exchange	-	-	-	-	-	(122)
As of December 31	1,459	203	1,684	256	3,602	(3,878)
Less: current maturities	-	-	-	-	-	3,088
Net of current maturities	**1,459**	**203**	**1,684**	**256**	**3,602**	**(790)**

	Right-of-use assets					
	Buildings	**IT Equipment**	**Vehicles**	**Heavy Equipment**	**Total**	**Lease liabilities**
2019						
As of January 1	2,919	-	2,940	409	6,268	(6,268)
Additions	-	174	-	-	174	(174)
Depreciation expense	(730)	(3)	(628)	(77)	(1,438)	-
Accretion of interest	-	-	-	-	-	(290)
Payments *)						
- Principle	-	-	-	-	-	1,327
- Interest	-	-	-	-	-	290
Foreign currency exchange	-	-	-	-	-	(82)
As of June 30	2,189	171	2,312	332	5,004	(5,197)
Less: current maturities	-	-	-	-	-	2,892
Net of current maturities	**2,189**	**171**	**2,312**	**332**	**5,004**	**(2,305)**

*) After adoption of FRS116, the payment of principal and interest portion of lease liabilities represents the total rental payment to the lessor during the year.

(Expressed in thousands of United States Dollar, unless otherwise stated)

10. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

The following are the amounts recognized in profit or loss:

	June 30, 2020
Depreciation expense of right-of-use of assets	1,507
Accretion of interest on lease liabilities	207
Expense relating to short-term leases (included in transportation and logistics)	39
Expense relating to leases of low-value assets (included in supplies and equipment)	38
Total amount recognized in profit or loss	1,791

11. Intangible assets

Group	**Bonuses**	**Unproved properties**	**Goodwill**	**Software**	**Total**
Cost:					
At December 31, 2019	3,736	1,196,231	485,814	3,108	1,688,889
At June 30, 2020	3,736	1,196,231	485,814	3,108	1,688,889
Accumulated amortization					
At December 31, 2019	(572)			(1,522)	(2,094)
Charge for the period	(90)	-	-	(317)	(407)
At June 30, 2020	(662)	-	-	(1,839)	(2,501)
Net carrying amount:					
At December 31, 2019	**3,164**	**1,196,231**	**485,814**	**1,586**	**1,686,795**
At June 30, 2020	**3,074**	**1,196,231**	**485,814**	**1,269**	**1,686,388**

Amortization charged to profit or loss for the six-month period then ended June 30, 2020 and 2019 amounted to US$407 and US$407, respectively.

11. Intangible assets (continued)

Impairment tests for unproved properties

Unproved properties at June 30, 2020 and December 31, 2019 are allocated to the Darajat JOC and Salak JOC.

Under the provisions of IFRS 6 "Exploration for and Evaluation of Mineral Resources", exploration and evaluation assets, including the cost of acquiring interest in new exploration assets, continue to be capitalized pending the results of the exploration activities. Management is of the view that the unproved properties as of June 30, 2020 are not impaired based on the following factors:

(a) JOC period from which the Group has the right to explore has not expired and will not expire in the near future;
(b) Significant expenditure on further exploration for and evaluation of mineral resources in the specific area are budgeted in the future; and
(c) Management continues to perform exploration and evaluation activities in the specific areas.

Impairment tests

The Group performed the annual assessment on impairment for unproved properties, goodwill and property, plant and equipments in value at the end of reporting period. Management is of the opinion that there is no impairment indication for SEGSL and SEGDL for the periods ended June 30, 2020 and December 31, 2019.

The main assumptions used in the assessment on impairment as of June 30, 2020 included discounted cash flows by using the estimated discount rate of 7.22% (post tax)/8.8% (pre tax) for SEGSL and SEGDL, respectively, and annual growth rate of 2% for SEGS and SEGD, respectively. The prices for electricity and steam used in the discounted cash flows are based on the contract with PLN. As a result of analysis, there is a headroom of US$84,953,000 - full amount for SEGSL and US$89,836,000 - full amount for SEGDL, respectively. The increase of 0.5% in discount rate will decrease the recoverable amount of geothermal assets by US$51,332,000 - full amount for SEGSL and US$43,428,000 - full amount for SEGDL, respectively.

The increase of 1% in inflation (one of the factors that affected Group's growth rate) will decrease the recoverable amount of geothermal assets by US$27,951,000 - full amount for SEGSL and US$32,053,000 - full amount for SEGDL, respectively.

Management is of the opinion that there was no reasonably possible change in any of the key assumptions stated above that would cause the carrying amount of the CGU to materially exceed its recoverable amount.

(Expressed in thousands of United States Dollar, unless otherwise stated)

12. Trade and other receivables

	June 30, 2020	December 31, 2019
Trade and other receivables (current):		
Trade receivables		
- external parties	64,419	67,456
Non-trade receivable		
- production bonus (Note 25)	1,922	1,150
- related parties (Note 31)	48	35
	66,389	**68,641**
Other receivables (non-current):		
Non-trade receivables		
- external parties	13,455	14,243
- prepayment related to government audit claims (Note 27)	10,949	10,949
Value added tax receivables	20,523	21,958
	44,927	**47,150**
Total trade and other receivables (current and non-current)	**111,316**	**115,791**
Add:		
Cash on hand and in banks (Note 18)	158	150
Restricted cash (Note 17)	126,457	105,167
Less: Value added tax receivables	(20,523)	(21,958)
Total loans and receivables	**217,408**	**199,150**

At the end of reporting dates, the Group are required to assess an allowance for expected credit losses ("ECLs") for all trade and other receivable. The Group has assessed and determined that the ECL amount are immaterial as of June 30, 2020.

Trade receivables

Trade receivables are non-interest bearing and are generally paid on 30 days terms. They are recognized at their original invoice amounts on initial recognition.

Non-trade receivables (current)

Non-trade receivables (current) from external parties mainly pertains to amounts which will be reimbursed by Directorate General of Budget ("DGB") related with Production Bonus totalling US$1,922,510 – full amount (or equal to IDR27,495,742,935 – full amount) and remaining amounts that are still unpaid as of June 30, 2020 totalling US$1,222,336 – full amount (or equivalent to IDR17,481,848,625 – full amount) (Note 25).

Non-trade receivables (non-current)

Non trade receivables from external parties are non-interest bearing and to be settled in cash. Repayments are not expected within the 12 months from the end of the reporting period.

(Expressed in thousands of United States Dollar, unless otherwise stated)

12. Trade and other receivables (continued)

Value-added tax ("VAT") receivables

VAT receivables represent amounts which will be reimbursed by the Government of Indonesia (the "Government") after the Group has commenced payments for the Government's share which is defined in the geothermal tax regulation as 34% of net operating income. The Government's share will be payable after the tax loss carry forward has been either utilized or expired. Based on the Decision Letter of Ministry of Finance No. 766/KMK-04/1992 ("KMK 766") and subsequently amended by No. 209/KMK.04/1998, the Group can request for VAT refund up to the amount paid for the Government's share.

Related party balances

Current non-trade receivables from related corporations are unsecured, non-interest bearing, have no specific repayment terms and are to be settled in cash. Repayments are expected within the 12 months from the end of the reporting period.

Foreign currencies

Trade and other receivables denominated in foreign currencies are as follows:

	June 30, 2020	December 31, 2019
Indonesian rupiah	42,858	29,191

At the reporting date, the Group does not have any receivables that are past due or impaired, or would otherwise be past due but not impaired.

13. Finance lease receivables

	June 30, 2020	December 31, 2019
Minimum finance lease receivables		
Not later than one year	48,552	48,552
Later than one year and not later than five years	194,210	194,210
Later than five years	748,337	772,613
Gross amount of finance lease receivables	991,099	1,015,375
(Less): Unearned finance income	(593,869)	(615,176)
Carrying amount of finance lease receivables	**397,230**	**400,199**
Present value of minimum finance lease receivables		
Not later than one year	6,253	5,937
Later than one year and not later than five years	32,470	30,813
Later than five years	358,507	363,449
Total	**397,230**	**400,199**
Of which:		
Current portion	6,253	5,937
Non-current portion	390,977	394,262
Total	**397,230**	**400,199**

(Expressed in thousands of United States Dollar, unless otherwise stated)

13. Finance lease receivables (continued)

At the end of reporting dates, the Group are required to assess an allowance for expected credit losses ("ECLs") for all receivable. The Group has assessed and determined that the ECL amount are immaterial as of June 30, 2020.

The finance lease receivables were recognized based on the terms of the JOC and ESC of Darajat and Salak, that falls within the scope of IFRS 16. The contracts convey an exclusive right to use the power plants which are built, owned and operated by the Group until the end of the contract maturity date. This finance lease receivable are related to Salak unit 4-6 and Darajat unit 2-3.

14. Deferred charges

	June 30, 2020	**December 31, 2019**
Cost at beginning of the year	37,959	37,861
Transfers from construction in progress (Note 9)	269	98
Cost at end of year	38,228	37,959
Accumulated amortization at beginning of year	(15,244)	(9,156)
Amortization for the year	(2,988)	(6,088)
Accumulated amortization at end of year	(18,232)	(15,244)
Net carrying amount	**19,996**	**22,715**

Amortization charged to profit or loss for the six-month period then ended June 30, 2020 and 2019 amounted to US$2,988 and US$3,044, respectively.

15. Inventories, sparepart and supplies

	June 30, 2020	**December 31, 2019**
Statement of financial position:		
Spareparts and supplies (Non-current)	9,621	10,616
Materials and supplies (Current)	16,170	14,772
Allowance for inventory obsolescence	(1,592)	(1,592)
Total	**24,199**	**23,796**

	June 30, 2020	**June 30, 2019**
Statement of profit or loss:		
Cost of inventories recognized as an expense in "supplies and equipments"	1,699	2364

Additions to spareparts and supplies amounted to US$995,000 – full amount and US$559,000 – full amount for the period ended 30 June 2020 and December 31, 2019 respectively.

(Expressed in thousands of United States Dollar, unless otherwise stated)

15. Inventories, sparepart and supplies (continued)

Under the terms of the Salak JOC, inventory becomes the property of the host government upon landing in the country. As the Group has paid for and has the right to use these assets and/or recover the costs, these balances have been reflected as assets in the consolidated statement of financial position.

16. Other assets

	June 30, 2020	December 31, 2019
Prepayments	3,022	3,051
	3,022	**3,051**

17. Restricted cash

As of June 30, 2020 and December 31, 2019, restricted cash comprises of balance in bank accounts maintained with MUFG Bank (Europe) N.V., Holland, DBS Bank - Indonesia and DBS Bank - Singapore related to Bank Loan (Note 24).

The restricted cash were mainly denominated in U.S. dollar .

As of June 30, 2020 and December 31, 2019, the carrying amount of restricted cash approximates its fair value.

18. Cash on hand and in banks

	June 30, 2020	December 31, 2019
Cash on hand and in banks	158	150

Cash in banks earn interest at floating rates based on daily bank deposit rates.

Cash on hand and in banks denominated in foreign currencies are as follows:

	June 30, 2020	December 31, 2019
Indonesian rupiah	144	136

As at June 30, 2020 and December 31, 2019, the carrying amounts of cash on hand and in banks approximate their fair values.

(Expressed in thousands of United States Dollar, unless otherwise stated)

19. Share capital

	June 30, 2020		December 31, 2019	
	No. of shares '000	US$'000	No. of shares '000	US$'000
Issued and fully paid (par value US$1 each share):				
Star Energy Geothermal Holdings (Salak - Darajat) B.V	8	8	8	8
ACEHI Netherlands B.V.	2	2	2	2
Total	**10**	**10**	**10**	**10**

The holders of ordinary shares are entitled to receive dividend as and when declared by the Company. All ordinary shares carry one vote per share.

20. Additional paid-in capital

	June 30, 2020	December 31, 2019
Additional paid-in capital	**855,777**	**855,777**

Additional paid-in Capital represents Convertible Loan from Star Energy Geothermal Holdings (Salak - Darajat) B.V and ACEHI Netherlands B.V.that has been converted to share premium.

21. Other reserves

	Premium paid on acquisition of non-controlling interest	Hedging reserve	Total
Balance at December 31, 2019	**(17,779)**	**(7,875)**	**(25,654)**
Effective portion of changes in fair value of cashflow hedge	-	(12,019)	(12,019)
Balance at June 30, 2020	**(17,779)**	**(19,894)**	**(37,673)**

Premium paid on acquisition of non-controlling interest relates to the acquisition of the 5% non-controlling interest in PT DGI subsidiary in Darajat Geothermal block in September 2017, and represents the difference between the amount paid and the carrying amount of the non-controlling interest.

(Expressed in thousands of United States Dollar, unless otherwise stated)

22. Provision for long-term employee benefits

	June 30, 2020	December 31, 2019	June 30, 2019
Defined benefit obligations	27,105	28,573	26,090
Fair value of plan assets	(22,994)	(23,337)	(22,938)
Liability in the statement of financial position	**4,111**	**5,236**	**3,152**

The Group's subsidiaries recognized their share in recognizing the employee benefit liability and the related expenses.

The Group has defined a benefit pension plan covering substantially all employees. These defined benefit plans are primarily based on the employees' years of service and their compensation on or near their date of retirement or voluntary resignation.

Changes in the long−term employee benefits liability are as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
At beginning of the year	5,236	1,839	1,839
Recognized in profit or loss :			
Current service cost	1,181	2,371	1,132
Net Interest expense	176	135	38
Actuarial loss/(gains)	(1)	14	12
Sub−total	1,356	2,520	1,174
Recognized in OCI :			
Actuarial loss/(gains) from changes in financial assumptions	(554)	1,683	1,069
Experience adjustments	(1,730)	(772)	(901)
Demographic	(18)	-	-
Return on plan assets	33	7	12
Sub−total	(2,269)	918	180
Benefit paid	(49)	(173)	(100)
Change in foreign currency exchange rate	(163)	132	47
At end of the year	**4,111**	**5,236**	**3,152**

(Expressed in thousands of United States Dollar, unless otherwise stated)

22. Provision for long-term employee benefits (continued)

The changes in defined benefit obligation:

	June 30, 2020	December 31, 2019	June 30, 2019
Defined benefit obligation, beginning	28,573	24,244	24,244
Recognized in profit or loss :			
Current service cost	1,181	2,371	1,132
Interest cost	973	1,890	944
Actuarial loss/(gains)	(1)	14	12
Sub-total	2,153	4,275	2,088
Recognized in OCI :			
Changes in financial assumptions	(554)	1,683	1,069
Experience adjustments	(1,730)	(772)	(901)
Demographic	(18)	-	-
Sub-total	(2,302)	911	168
Benefits paid	(507)	(1,922)	(998)
Change in foreign currency exchange rate	(812)	1,065	586
Defined benefit obligation, ending	**27,105**	**28,573**	**26,090**

(Expressed in thousands of United States Dollar, unless otherwise stated)

22. Provision for long-term employee benefits (continued)

The fair value of plan assets at the end of the reporting period are as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Fair value of plan assets, beginning	23,337	22,405	22,405
Recognized in profit or loss:			
Interest income	797	1,755	906
Recognized in OCI:			
Return on plan assets (excluding amounts included in net interest income)	(33)	(7)	(12)
Benefits paid	(458)	(1,749)	894
Change in foreign currency exchange rate	(649)	933	538
Net fair value of plan assets, ending	**22,994**	**23,337**	**22,938**

The major category of plan assets at the end of the reporting period are as follows:

	June 30, 2020	December 31, 2019
Money Market investment	**22,994**	**23,337**

The actual return in plan assets for June 30, 2020 and June 30, 2019 amounted to US$764,000 – full amount and US$894,000 - full amount, respectively. The plan assets are quoted in active markets (money market investments) in June 30, 2020 and June 30, 2019 amounted to US$22,994,000 – full amount and US$22,938,000 - full amount, respectively.

Long–term employee benefits liability are calculated every year by PT Padma Radya Aktuaria using the "Projected Unit Credit" method. The following are the assumptions used to calculate the employee benefits liability as per actuarial valuation report dated August 14, 2020:

Salary increment rate	5% p.a.
Discount rate	7.75% p.a.
Mortality rate	100% TMI4
Disability rate	10% TMI4
Resignation rate	10% p.a until age 25 then decrease liniearly into 1% at age 40 then increase linearly into 3.5% at age 46 for SEGSL 2% p.a until age 25 then decrease linearly into 0.5% p.a at age 45 and 0.5% p.a flat from age 46 to 48 for SEGSD
Proportion of normal retirement	100%

(Expressed in thousands of United States Dollar, unless otherwise stated)

22. Provision for long-term employee benefits (continued)

The benefits expected to be paid in each of the next five years and the aggregate for five years thereafter are as follows:

	Amount
Within the next 12 months (next annual reporting period)	1,492
Between 2 and 5 years	9,300
Beyond 5 years	107,006
Total	**117,798**

The sensitivity analysis below has been determined based on the reasonably possible changes of each significant assumption on the defin ed benefit pension plan as at the end of the reporting period, assuming if all other assumptions were held constant:

		June 30, 2020	**December 31, 2019**
Discount rates	Base discount rate plus by 1%	(2,079)	(2,273)
	Base discount rate minus by 1%	2,347	2,532
Future Salary Increases	Base discount rate plus by 1%	2,308	2,628
	Base discount rate minus by 1%	(2,080)	(2,392)

The average duration of the defined benefit pension plan at the end of the reporting period ranges from 7.29 years to 11.76 years.

The defined benefit pension plan is managed by the Dana Pensiun Lembaga Keuangan ("DPLK") Bank Negara Indonesia (“BNI”). Funded balance of employee benefit as of June 30, 2020 and December 31, 2019 is US$22,994,000 – full amount (equivalent with IDR328,860,585,588 - full amount) and US$23,337,000 - full amount (equivalent with IDR324,402,338,422 – full amount), respectively.

Other than the defined benefit pension plan, the Group’s subsidiaries have a defined contribution plan which is contributed by both employees and the Group’s subsidiaries for a fixed contribution of 2% - 4% from the Group and a contribution of 2% from the employees. This program is managed by the Dana Pensiun Lembaga Keuangan ("DPLK") Manulife. For the period ended June 30, 2020 and June 30, 2019, the Group’s contribution amounted to US$105,000 – full amount and US$114,000 – full amount, respectively, which is included as part of employees compensation and benefits’ in the consolidated statement of profit or loss.

(Expressed in thousands of United States Dollar, unless otherwise stated)

23. Derivatives

	June 30, 2020	December 31, 2019
Interest Rate Swap related to Borrowing (Liability)/Asset	(19,894)	(7,875)

SEGD-II and SEGSL entered into interest rate swap agreements with notional amount of US$250,000,000 – full amount and US$375,000,000 – full amount, respectively, with Bangkok Bank Public Company Limited ("Bangkok Bank"), Bank of China Ltd. ("BOC"), BPI Capital Corporation ("BPI"), DBS Bank Ltd. ("DBS"), RCBC Capital Corporation ("RCBC"), Sumitomo Mitsui Banking Corporation - Singapore Branch ("SMBC"), and MUFG Bank, Ltd. (previously the Bank of Tokyo-Mitsubishi UFJ, Ltd - "MUFG") to hedge the financial risk related to the interest rate movements on its borrowings as follows:

Type	Signed Date	Effective Date until Termination Date	Counterparties	Notional Amount (US$ - full amount)	Terms and Conditions
Interest Swap Agreements for first utilization of Bank Loan - SEGSL	April 26, 2017	March 30, 2017 - December 22, 2021	DBS Bank	27,814,330	SEGSL shall receive variable 3-month LIBOR and pay fixed (2.03%) with quarterly settlement through December 22, 2021.
			Bangkok Bank	129,800,208	
			SMBC	23,936,170	
			MUFG	27,814,330	
			BPI	91,463,415	
			RCBC	46,357,217	
			BOC	27,814,330	
Interest Swap Agreements for first utilization of Bank Loan - SEGD-II	April 26, 2017	March 30, 2017 - December 22, 2021	DBS Bank	17,801,171	SEGD-II shall receive variable 3-month LIBOR and pay fixed (2.03%) with quarterly settlement through December 22, 2021.
			Bangkok Bank	83,072,133	
			SMBC	15,319,149	
			MUFG	17,801,171	
			BPI	58,536,585	
			RCBC	29,668,619	
			BOC	17,801,171	
Interest Swap Agreements for second utilization of Bank Loan - SEGD-II	September 25, 2017	September 26, 2017 - December 22, 2021	DBS Bank	793,715	SEGD-II shall receive variable 3-month LIBOR and pay fixed (2.01%) with quarterly settlement through December 22, 2021.
			Bangkok Bank	3,704,000	
			SMBC	644,000	
			MUFG	793,715	
			BPI	2,000,000	
			RCBC	1,322,855	
			BOC	741,716	

(Expressed in thousands of United States Dollar, unless otherwise stated)

23. Derivatives (continued)

On June 7, 2018, SEGD-II and SEGSL entered into additional interest rate swap agreements with notional amount of US$130,586,000 – full amount and US$195,883,000 – full amount, respectively, with Bangkok Bank, BOC, DBS, RCBC and MUFG to hedge the financial risk related to the interest rate movements on its borrowings as follows:

Type	Signed Date	Effective Date until Termination Date	Counterparties	Notional Amount (US$ - full amount)	Terms and Conditions
Interest Swap Agreements for first utilization of Bank Loan II - SEGSL	June 7, 2018	June 30, 2018 - December 22, 2021	DBS Bank	20,988,000	SEGSL shall receive variable 3-month LIBOR and pay fixed (2.9735%) with quarterly settlement through December 22, 2021.
			Bangkok Bank	97,940,000	
			MUFG	20,988,000	
			RCBC	34,979,000	
			BOC	20,988,000	
Interest Swap Agreements for first utilization of Bank Loan II - SEGD-II	June 7, 2018	June 30, 2018 - December 22, 2021	DBS Bank	13,991,000	SEGD-II shall receive variable 3-month LIBOR and pay fixed (2.9735%) with quarterly settlement through December 22, 2021.
			Bangkok Bank	65,294,000	
			MUFG	13,991,000	
			RCBC	23,319,000	
			BOC	13,991,000	

Interest rate swap agreements are designated as effective cash flow hedge. The change in fair value of derivative contracts recognized in OCI. The related asset/(liabilities) arising from the derivative contracts are presented under 'Derivative asset/(liabilities)' in the statement of financial position.

The full fair value of a hedging derivative is classified as non-current asset or liability when the remaining hedged item is more than twelve months, and as a current asset or liability when the remaining maturity of the hedged item is within twelve months.

The amount that was recognised in other comprehensive income during the period from interest rate swap bank loan is (US$12,019,000) – full amount (June 30, 2019: US$16,294,000 - full amount).

As of June 30, 2020, The hedge ratio are 78% from total loan outstanding balances.

(Expressed in thousands of United States Dollar, unless otherwise stated)

24. Borrowings

	June 30, 2020	December 31, 2019
Borrowings		
- Current	78,000	62,500
- Non-current	833,893	876,305
Total borrowings	**911,893**	**938,805**

The remaining contractual maturities of the total borrowings are as follows:

	June 30, 2020	December 31, 2019
Not later than 1 year	78,000	62,500
Between 1 and 5 years	847,100	893,475
	925,100	955,975
Less: Unamortized finance charges	(13,207)	(17,170)
Total borrowings	**911,893**	**938,805**

Included in the borrowings are amounts relating to deferred financing costs, which are as follows:

	June 30, 2020	December 31, 2019
Cost	48,119	48,119
Accumulated amortization	(34,912)	(30,949)
Net carrying amount	**13,207**	**17,170**

	June 30, 2020	June 30, 2019
Movements of deferred financing costs are as follows:		
At beginning of the period	17,170	26,026
Amortization	(3,963)	(4,390)
Net carrying amount	**13,207**	**21,636**

On December 22, 2016, the Company entered into a Secured Term Loan Facility Agreement with Bangkok Bank Public Company Limited, Bank of China Ltd., BPI Capital Corporation, BDO Unibank, Inc., DBS Bank Ltd., RCBC Capital Corporation, Sumitomo Mitsui Banking Corporation - Singapore Branch, and The Bank of Tokyo-Mitsubishi UFJ, Ltd. (whether acting individually, or collectively, the "Mandated Lead Arranger") for facilities commitment of Tranche A and Tranche B amounting to US$1,250,000,000 - full amount and US$700,000,000 - full amount, respectively. The Loan will be due 5 years after utilization date, which is December 22, 2021 and December 22, 2026 for Tranche A and Tranche B, respectively.

24. Borrowings (continued)

Followings are the purposes of the Bank Loan:

- Tranche A first utilization, (i) to fund, in part, the purchase price for the Acquisition (Controlling Interest), (ii) to fund the Reserve Accounts, and (iii) to pay fees, costs and expenses in relation to the Facility and Acquisition Costs and shall be in an amount not to exceed US$1,230,000,000 - full amount.
- Tranche A second utilization, to fund, in part, the purchase price for the Acquisition (Minority Interest) and shall be in an amount not to exceed US$20,000,000 - full amount
- Tranche B, (i) to finance the repayment of all outstanding Tranche A Loans in 2021 and (ii) to fund the Reserve Accounts. The cancellation fees at the rate of 1.25% from facility agreement of Tranche B will be applied, if (1) the Tranche A Loan is repaid from the proceeds of any refinancing facility entered into by the Borrowers other than the Tranche B Facility (2) as a result of the re-allocation of the total commitment with respect to Tranche B under the Facility Agreement to any other Lender who was only committed to provide the Tranche A facility as at the date of the Facility Agreement, and (3) Following the Tranche B Utilization Date but before the first anniversary of the Tranche B Utilization Date, if the Borrower refinances Tranche B with a new facility. Following the first anniversary of the Tranche B utilization date and every anniversary thereafter, the Tranche B cancellation fee shall be reduced by 0.25% such that on the Tranche B maturity date, the Tranche B cancellation fee shall be zero .

With reference to the loan agreement, the Company caused SEGD-II and SEGSL to each become an Additional Borrower on the relevant Debt Push Down Date.

The Bank Loan is secured by:

(i) the Offshore Account Charges (other than PT CGSS and PT DGI)
(ii) the Account Pledge (SEG-SD B.V.)
(iii) the Share Pledge (SEG-SD B.V.)
(iv) the Share Pledges (Target Companies) (other than PT CGSS and PT DGI)
(v) the English Assignment of Contract Rights (SEG-SD B.V., SEGSL and SEGD-II)
(vi) the Onshore Account Pledges (other than PT CGSS)
(vii) the Fiduciary Security of SEGSL and SEGD-II
(viii) the Assignment of Contract Rights (Indonesian Law) of SEGSL and SEGD-II

The 1% upfront fee for Bank Loan totaling US$12,500,000 – the full amount was paid on January 10, 2017, by the SEGHPL, SEGPL, Phoenix Power B.V., and AC Energy International Holdings Pte. with respect to their effective ownership. The total payment made by SEGHPL and SEGPL are amounting US$3,426,294 - full amount and US$5,112,750 - full amount.

On March 23, 2017, the Amended and Restated Secured Term Loan Facility Agreement was signed with the changes on the finalization date (i.e.; March 23, 2017) and repayment schedules.

The Bank Loan first utilization was on March 30, 2017 amounting to US$1,230,000,000 - full amount. The total cash received was US$1,195,319,160 - full amount after taking into account the financing costs of US$34,680,840 - full amount. Such fund was used to settle up the acquisition of Chevron's shares on Darajat, Salak and Suoh Sekincau Geothermal blocks.

On April 26, 2017, the Bank Loan was effectively pushed down to SEGSL and SEGD-II with the total amount to be novated of US$750,000,000 - full amount and US$480,000,000 - full amount, respectively.

24. Borrowings (continued)

The Bank Loan second utilization was sent on September 19, 2017 amounting to US$20,000,000 - full amount. Such fund was used to settle up the acquisition of 95% PT Austindo Nusantara Jaya Tbk's (the former owner of 5% Darajat block) shares on PT DGI.

The Facility Agreement bears interest per annum at 3.25% margin plus LIBOR, and is payable on the end of each quarter.

The Group, under its loan agreements, is subject to various covenants, among others to obtain written approval from the lenders before entering into certain transactions such as mergers, acquisitions, liquidation or change in status and Articles of Association, reducing the authorized, issued and fully paid capital; restrictions on lending money to third parties; negative pledges, with certain exceptions; restrictions on change in core business activities; declaring and paying dividends; redeem, repurchase, defease, retire or repay any of its share capital or resolve to do so; restriction on allowing guarantees and indemnities in respect of any obligation of any person and requirement to comply with certain financial ratios.

The Bank Loan also requires the Company to maintain certain financial ratios such as:

a. Leverage ratio shall not exceed:
   (i) 6.00 : 1 from the initial Testing date until the Testing Date falling immediately after the first anniversary
   (ii) 5.50 : 1 from the Testing Date immediately after the first anniversary until the Testing Date falling immediately after the third anniversary
   (iii) 4.50 : 1 thereafter until the final Semi-Annual Date
b. Debt Service Coverage Ratio shall not be less than 1.20 : 1
c. Senior Interest Cover shall not be less than 3 : 1
d. Debt to Equity Ratio shall be no greater than 70 : 30, after the final Tranche A repayment date, 50 : 50.

Failure to comply with the above ratio will lead to event of default (accelerate payment) if it is not remedied by the Company through permitted equity cure (new shareholder injection) or waived by the Majority Lenders within 15 Business Days of the Company becoming aware of the failure to comply.

As of June 30, 2020, the Company has complied with all financial ratios required to be maintained under the loan agreements.

In 2020, the Group made a repayment on Bank Loan totalling of US$30,875,000 - full amount.

Based on facility agreement, the Group required to maintain reserve account which represent the aggregate amount of Scheduled Debt Service for the respective calculation periods ending on the next two Repayment Dates. Scheduled debt service means all scheduled principal and interest (including interest payments made by the Company under the Hedging Agreements during such period but determined net of any payments received by the Company under the Hedging Agreements during such period). This reserve account will be classified as restricted cash (Note 17).

(Expressed in thousands of United States Dollar, unless otherwise stated)

25. Trade and other payables, and accrued expenses

	June 30, 2020	December 31, 2019
Trade and other payables, and accrued expenses (current):		
Trade payables		
- External parties	1,976	10,873
Other payables:		
- Related corporations	632	645
- External parties	1,459	1,466
Accrued expenses:		
- Others - third parties	12,883	25,068
Trade and other payables, and accrued expenses (current)	**16,950**	**38,052**
Add/(less):		
Total borrowings (Note 24)	911,893	938,805
Total financial liabilities at amortized cost:	**928,843**	**976,857**

Trade payables and other payables are non-interest bearing and are normally settled on 30-days terms.

Other payables to related corporations are non-trade in nature, unsecured, non-interest bearing, payable upon demand and are to be settled in cash. Other payables to external parties are non−interest bearing and have an average term of 60 days.

Included in accrued expenses are accrual for goods and services of US$9,252,000- full amount (2019: US$21,473,000 - full amount), accrual for royalty to PGE amounting US$2,410,000- full amount (2019: US$1,840,311 - full amount).

Production bonus

Based on the Laws of Republic of Indonesia (UU) No.21 year 2014, regarding “Geothermal”, a geothermal permit holder is required to provide production bonus amounting to 0.5% - 1% of gross revenues to local governments that regulate its geothermal territories, which will be reimbursed subsequently from central government through DGB.

As of June 30, 2020, the subsidiaries have paid the production bonuses relating to 2015, 2016, 2017, 2018, 2019 totalling US$10,540,408 – full amount (or equivalent to IDR148,269,744,755 – full amount).

As of June 30, 2020, the subsidiaries have received the cash refund related to production bonuses above totalling US$9,860,717 - full amount (or equivalent to IDR138,255,850,445 - full amount. The remaining unpaid balance representing the production bonuses for Q1 2020 – Q2 2020 totalling US$1,222,336 – full amount (or equivalent to IDR17,481,848,625 – full amount) has been recognized by the Group as part of “Accrued expenses” and debited to “other receivables” (Note 12).

Trade and other payables denominated in foreign currencies are as follows:

	June 30, 2020	December 31, 2019
Indonesian rupiah	11,620	18,966

(Expressed in thousands of United States Dollar, unless otherwise stated)

26. PLN Make-up account balances

The PLN Make-up Account balances in June 30 , 2020 and December 31, 2019 represents the cumulative amount by which the electricity and/or steam paid by PLN to the Contractors based on the take-or pay mechanism in the Salak ESC exceeds the amount of steam and/or electricity actually accepted by PLN ("PLN Make-up Amount") minus electricity and/or steam delivered by SEGSL and SEGSPL in pursuant to the take-or-pay amount under Section 5.1.1.3 and Section 5.1.2.3 of the Salak ESC. The PLN Make-up Account is a temporary account setting out the PLN Make-up Amount paid by PLN, which shall be set off against delivery of future electricity or steam by SEGSL and SEGSPL which exceeds the required Take or Pay amount of such period, provided that such delivery shall be subject to request from PLN and to be performed on SEGSL and SEGSPL's Best Effort basis. The set-off mechanism to reduce the PLN make-up account is strictly limited to delivery of electricity or steam by SEGSL and SEGSPL. There are no financial repayment obligations under the ESC for SEGSL and SEGSPL to settle the make-up account. As of June 30, 2020, the PLN Make-up Amount in the PLN Make-Up Account amounted to 213 GWh electricity (December 31, 2019: 213 GWh electricity) and 67 GWh steam (December 31, 2019: 93 GWh steam), which is equivalent to US$14,543,000 – full amount (December 31, 2019: US$16,215,000 – full amount).

Set out below is the amount of revenue recognized from:

	Group	
	June 30, 2020	**June 30, 2019**
Amounts included in PLN make-up account balance	1,672	3,212

27. Commitments and contingencies

(a) Government audit claims

The accounting policies specified in the JOC are subject to interpretation by PGE and GOI. Annually, the accounting records and reports of the Group are subjected to an audit by PGE and/or the Government. Findings arising from these audits are either agreed by management of the Group and recorded in its accounting records, or are disputed. Resolution of disputed findings may require a lengthy negotiation process extending over a number of years.

<u>Darajat Contractor Group</u>

As of the completion date of these consolidated financial statements, the Darajat Contractor group has various audit findings from the Government auditors for the period from 2004-2016 amounting to US$ 5,607,003 – full amount relating to Pertamina Production Allowance findings ("PPA") and US$ 6,207,732 – full amount relating to other findings. Management believes that, as per Indonesian tax regulation, the PPA is categorized as a cost incurred by the Darajat Contractor Group to obtain, maintain and manage its revenue. On that basis, management believes that the PPA should be classified as a deductible cost, hence, it should be treated as a deduction from the government share calculation. Notwithstanding the findings pertaining to the PPA, the Government auditors have never factored in the findings relating to PPA as an underpayment of the government share. If the findings relating to PPA will materialize, the income tax expense will increase by US$5,607,003 – full amount.

With regards to the other findings of the Government auditors, Directorate General of Budget ("DGB") issued an underpayment of Government share letter for the period from 2013-2016 totalling US$1,216,623 – full amount only which has been paid by the Darajat Contractor Group. If the remaining findings will materialize, the income tax expense will increase by US$890,404 – full amount.

27. Commitments and contingencies (continued)

(a) Government audit claims (continued)

Darajat Contractor Group (continued)

The following are the details of the result of the audit conducted by the Government auditors on each fiscal year:

2004-2012 Audit

The Darajat Contractor Group has various audit findings from the Government auditors for the period from 2004-2012 amounting to US$3,465,146 – full amount relating to PPA findings and US$2,214,488 - full amount related to other findings. The Directorate General of Budget ("DGB") has not issued an underpayment of Government share letter relating to this audit. If the findings relating to PPA will materialize, the income tax expense will increase by US$3,465,146 – full amount. And if the other findings will materialize, the income tax expense will increase by US$ 752,926 – full amount.

2013-2014 Audit

On September 5, 2016, the Darajat Contractor group received audit findings assessment letter claiming an underpayment of the government share amounting to US$1,042,819 - full amount, related to the year 2013-2014 findings. The Darajat Contractor group paid the amount and submitted the letter to DGB on December 1, 2016. The Darajat Contractor group then sent a submission letter for new proof on January 25, 2018 in accordance with PP No. 34 Year 2010. On January 26, 2018, DGB issued decision letter for overpayment of government share for the year 2013-2014. Based on the a decision letter, DGB approved this objection amounting to US$15,353 – full amount.

Objection stage

On April 25, 2018, the Darajat Contractor group filed a claim against the Ministry of Finance at the *Pengadilan tata usaha negara* ("PTUN")/Administrative Court to dispute the Decision Letter. On November 26, 2018, PTUN pronounced the verdicts in favor of the Darajat Contractor group. The verdicts are as follow:

1) Grant all of the lawsuits
    a. The Ministry of Finance has no authority to collect the PNBP;
    b. The Ministry of Finance has no authority to request an audit to BPKP on the Darajat Contractor group PNBP obligations;
    c. The Ministry of Finance has no authority to decide the overpayment or underpayment of the Darajat Contractor group PNBP based on BPKP audit result;
    d. The objects of the dispute violated the PNBP law; and
    e. The objects of the dispute were in contrary to the general principles of good governance
2) Declare null and void the Decision Letter
3) Require the Ministry of Finance to revoke the Decision Letter
4) The Ministry of Finance to pay all of the court fees of IDR282,000 – full amount (equivalent with US$20 – full amount).

27. Commitments and contingencies (continued)

(a) Government audit claims (continued)

Darajat Contractor Group (continued)

2013-2014 Audit (continued)

Appeal stage

On February 6, 2019, the Ministry of Finance has submitted a memorandum of appeal to *Pengadilan tinggi tata usaha negara* ("PTTUN")/high administrative court in response to the decision issued by PTUN regarding 2013 – 2014 audit reports. On February 21, 2019, the Darajat Contractor group submitted a contra memorandum of appeal to PTTUN. On April 29, 2019, PTTUN issued its appeal decision accepting the exception of the defendant (i.e; MoF) on the absolute competence of the court and declaring that the PTUN has no authority to adjudicate such a quo case in accordance with Law no. 20 year 1997 involving Non-Tax State Revenue.

Cassation stage

On May 23, 2019, the Darajat Contractor Group submitted the memorandum of cassation to the Supreme Court on a basis that in accordance with the Supreme Court Circular Letter No. 4 year 2016 (Surat Edaran Mahkamah Agung No. 4/2016 ("SEMA 4/2016") emphasized that after the issuance of Law No. 30 year 2014 regarding the State Administration, the authority to solve the dispute related to the state administrative would be under PTUN, and not PTTUN. Therefore, the Darajat Contractor Group objects on the PTTUN decision during the appeal stage above and believes that the basis of the regulations used by PTTUN were not up to date.

On 3 October 2019, the Supreme Court issued its cassation decision No. 455/K/TUN/2019 refusing the cassation request from the Darajat Contractor Group.

On 16 July 2020, Darajat Contractor Group submitted the memorandum of reconsideration to the Supreme Court.

As of the completion date of these consolidated financial statements, Management believes that there have been prominent errors on the latest cassation decision as it is not in accordance with the updated prevailing laws, thus no provisions to the prepaid tax have been recognized in the consolidated financial statements.

2015 Audit

On September 15, 2017, BPKP issued their 2015 audit report with findings totaling US$884,848 – full amount. Most of the findings pertain to the PPA and the completeness of documentation amounting to US$625,609 – full amount and US$259,240 – full amount, respectively. On March 13, 2018, the Darajat Contractor group received from DGB the assessment letter of underpayment for the government share amounting to US$88,141 – full amount. On April 12, 2018, the Darajat Contractor group paid this amount and submitted an objection letter to DGB on June 7, 2018.

27. Commitments and contingencies (continued)

(a) Government audit claims (continued)

Darajat Contractor Group (continued)

2015 Audit (continued)

On July 23, 2019, DGB has issued a decision letter for overpayment of government share for the year 2015. Based on the decision letter, DGB has not approved the objection request from the Darajat Contractor Group. Therefore as a response to this decision letter, management has decided to write off the prepaid amount and record loss in the 2019 consolidated income statement.

2016 Audit

On July 23, 2020, the Darajat Contractor Group received the 2016 audit report issued by BPKP with findings totaling US$1,353,760 - full amount. Subsequently, on August 14, 2020 the Darajat Contractor Group received a notification letter from the DGB in related to such audit report with total underpayment of the Government's share amounting to US$85,663 – full amount, which is paid by the Darajat Contractor Group on September 2, 2020. Management believes that the audit findings, are without merit as the Darajat Contractor Group has consistently applied the accounting framework as stipulated in the JOC.

2006 and 2010 Audit

In 2013 and 2014, Directorate General of Tax ("DGT") issued tax assessments regarding PPA audit claims for fiscal year 2006 and 2010. The Darajat Contractor group filed an objection to these tax assessments, which were rejected by DGT. In this regard, the Darajat Contractor group filed appeals to the tax court on June 22, 2015 which result was in favor to the Darajat Contractor group for fiscal year 2006 amounting to US$115,057 – full amount. DGT filed reconsideration against the result to the Supreme Court on May 23, 2017 and is still awaiting the Supreme Court decision for this reconsideration.

The Darajat Contractor group received tax court verdict dated February 19, 2018 in relation to PPA audit finding for the fiscal year 2010 amounting to US$186,115 – full amount, which approved the DGT decision. On May 18, 2018, the Darajat Contractor group re-submitted an appeal to the Supreme Court related to this matter.

On January 14, 2019, the Darajat Contractor Group received the Supreme Court reconsideration verdict related with PPA's audit finding for fiscal year 2010 which rejected the reconsideration request from the Darajat Contractor Group. Currently, the management is still assessing any possible legal action with regard to this case.

For another tax assessment issued for fiscal year 2010 amounting US$193,490 – full amount, tax court verdict issued favorable decision for Darajat Contractor on September 05, 2019. DGT filed reconsideration against the result to the Supreme Court on December 12, 2019 and is still awaiting the Supreme Court decision for this reconsideration.

27. Commitments and contingencies (continued)

(a) Government audit claims (continued)

Darajat Contractor Group (continued)

Deferred VAT

As stated in an Assessment Letter issued by the Foreign Individual and Corporation Tax Office ("BADORA tax office") to the operator of Darajat Contractor Group dated January 24, 2000, the Darajat Contractor Group was required to pay all outstanding deferred VAT amounting to IDR90billion (equivalent with US$6.3 million – full amount).

The Darajat Contractor Group objected the assessment letter and based on decision letter of the DGT dated February 7, 2001, the amount of deferred VAT was reduced to IDR71 billion (equivalent with US$5 million – full amount). In addition, the Darajat Contractor Group was required to pay penalties amounting to IDR1,4 billion (equivalent with US$98 thousand – full amount). As required by the tax laws, the Darajat Contractor Group paid the deferred VAT including its penalties amounting to IDR72,4 billion (equivalent with US$5.1 million – full amount), and then appealed to the tax court.

On January 3, 2002, the Darajat Contractor Group received a tax collection letter assessing late payment penalties on unpaid deferred VAT amounted to IDR21.7billion (equivalent with US$1.5 million – full amount). for the 15 month period as counted from one month after the deferred VAT payment due date in March 2000 to the deferred VAT payment date by the Darajat Contractor Group in May 2001.

On May 3, 2002, the tax court issued its judgment confirming the tax office's assessment requiring the payment of the deferred VAT. Subsequently, the Darajat Contractor Group, appealed this decision to the Supreme Court.

In September 2002, the Darajat Contractor Group paid IDR1.9billion (equivalent with US$133 thousand – full amount) from IDR21.7 billion of the late payment penalties (equivalent with US$1.5 million – full amount). This amount was expensed in the statement of profit or loss for the year ended December 31, 2002.

In September 2003, the Supreme Court issued the decision in favor of the Darajat Contractor Group. Subsequently, on May 27, 2004 the DGT issued decision letters regarding the Supreme Court's decision which cancelled the requirement to pay the deferred VAT for the Darajat Contractor Group.

However, in June 2004, the DGT issued further decision to cancel the previous tax decision letters regarding the execution of the Supreme Court's decision.

In November 2010, the Darajat Contractor Group, through its letter to the Tax Office has requested an overbooking process amounted to IDR71billion (equivalent with US$5 million – full amount) including its penalties amounted to IDR1.4billion (equivalent with US$98 thousand – full amount).

27. Commitments and contingencies (continued)

(a) Government audit claims (continued)

Darajat Contractor Group (continued)

Deferred VAT (continued)

In June 2013, the Darajat Contractor Group received a confiscation letter for its bank account from the tax office to collect the above 2002 tax collection letter. The Tax Office was still of the opinion that the Darajat Contractor Group needed to pay the outstanding late payment penalties on unpaid deferred VAT of IDR21.7billion (equivalent with US$1.5 million – full amount). The Darajat Contractor Group has filed a lawsuit to the tax court on this confiscation letter. On August 19, 2014 through the tax court decision letter, the Darajat Contractor Group was successful in the lawsuit.

As noted above, the IDR72.4 billion equivalent to USD5.1 million of deferred VAT paid has been recorded as a non-current asset in these consolidated financial statements.

The Darajat Contractor Group believes such amount will be refunded by the tax office or reimbursed from GOI in accordance with the Supreme Court's decision, which in favor to the Darajat Contractor Group, since the Darajat Contractor Group has commenced paying the government share in accordance with the terms of the JOC and the applicable government regulation. As such, no provision for non-recovery of deferred VAT receivable has been recognized in the consolidated financial statements.

SEGSL

As of the completion date of these consolidated financial statements, SEGSL has various audit findings from the Government auditors for the period from 2008-2016 amounting to US$16,846,016 - full amount related to PPA findings and US$37,068,988 – full amount related to other findings. Management believe that, as per Indonesian tax regulation, the PPA is categorized as a cost incurred by SEGSL to obtain, maintain and manage its revenue. On that basis, management believes that the PPA should be classified as a deductible cost, hence, it should be treated as a deduction from the government share calculation. Notwithstanding the findings pertaining to the PPA, the Government auditors have never factored in the findings relating to PPA as an underpayment of the government share. If the findings relating to PPA will materialize, the income tax expense will increase by US$16,846,016 – full amount.

With regards to the other findings of the Government auditors, Directorate General of Budget ("DGB") issued an underpayment of Government share letter for the period from 2013-2016 totalling US$10,618,774 – full amount only which has been paid by the SEGSL. If the remaining findings will materialize, the income tax expense will increase by US$1,907,931 – full amount.

The following are the details of the result of the audit conducted by the Government auditors on each fiscal year:

27. Commitments and contingencies (continued)

(a) Government audit claims (continued)

SEGSL

2008-2012 Audit

SEGSL has various audit findings from the Government auditors for the period of 2008-2012 amounting to US$10,963,130 – full amount relating to PPA and US$3,888,737 - full amount related to other findings. DGB has not issued an underpayment of Government share letter relating to this audit. If the findings relating to PPA will materialize the income tax expense will increase by US$10,963,130 – full amount. And if the other findings will materialise, the income tax expense will increase by US$1,322,170 – full amount.

2013-2014 Audit

On September 5, 2016, SEGSL received audit findings assessment letter claiming an underpayment of the government share amounting to US$9,906,077 - full amount, related to year the 2013-2014 findings. SEGSL paid the amount and submitted an objection letter to DGB on December 1, 2016. SEGSL sent a submission letter for new proof on January 26, 2018. DGB has issued a decision letter for overpayment of government share for the year 2013-2014. Based on the decision letter, DGB approved the objection amounting to US$7,018 – full amount.

Objection stage

On April 25, 2018, SEGSL filed a claim against the Ministry of Finance at PTUN to dispute the Decision Letter. On November 26, 2018, PTUN pronounced the verdicts in favor of SEGSL. The verdicts are as follow:

1) Grant all of the lawsuits
    a. The Ministry of Finance has no authority to collect the PNBP;
    b. The Ministry of Finance has no authority to request an audit to BPKP on the SEGSL PNBP obligations;
    c. The Ministry of Finance has no authority to decide the overpayment or underpayment of the SEGSL PNBP based on BPKP audit result;
    d. The objects of the dispute violated the PNBP law; and
    e. The objects of the dispute were in contrary to the general principles of good governance
2) Declare null and void the Decision Letter
3) Require the Ministry of Finance to revoke the Decision Letter
4) The Ministry of Finance to pay all of the court fees of IDR282,000 – full amount (equivalent with US$20 – full amount).

Appeal stage

On February 6, 2019, the Ministry of Finance submitted a memorandum of appeal to PTTUN in response to the decision issued by PTUN regarding 2013 – 2014 audit reports. On February 21, 2019, SEGSL has submitted a contra memorandum of appeal to PTTUN. On April 29, 2019, PTTUN issued its appeal decision accepting the exception of the defendant (i.e; MoF) on the absolute competence of the court and declaring that the PTUN has no authority to adjudicate such a quo case in accordance with Law no. 20 year 1997 involving Non-Tax State Revenue.

27. Commitments and contingencies (continued)

(a) Government audit claims (continued)

SEGSL (continued)

2013-2014 Audit (continued)

Cassation stage

On May 23, 2019, SEGSL submitted the memorandum of cassation to the Supreme Court on a basis that in accordance with the Supreme Court Circular Letter No. 4 year 2016 (Surat Edaran Mahkamah Agung No. 4/2016 ("SEMA 4/2016") emphasized that after the issuance of Law No. 30 year 2014 regarding the State Administration, the authority to solve the dispute related to the state administrative would be under PTUN, and not PTTUN. Therefore, SEGSL objects on the PTTUN decision during the appeal stage above and believes that the basis of the regulations used by PTTUN were not up to date.

On October 3, 2019, the Supreme Court issued its cassation decision no. 456/K/TUN/2019 refusing the cassation request from the SEGSL. On 11 May 2020, SEGSL submitted the memorandum of reconsideration to the Supreme Court.

As of the completion date of these consolidated financial statements, Management believes that there have been prominent errors because of the cassation decision was not in accordance with the most updated prevailing laws, thus no provisions to the prepaid tax have been recognized in the consolidated financial statements.

2015 Audit

On September 15, 2017, BPKP issued their 2015 audit report with findings totaling US$3,955,027– full amount. Most of the findings pertain to the PPA and the parent company overhead amounting to US$1,512,318 – full amount and US$1,007,570 – full amount, respectively. On March 12, 2018, SEGSL received from DGB the assessment letter of underpayment for the government share amounting to US$487,947 – full amount. On April 12, 2018, SEGSL paid this amount and submitted an objection letter to DGB on June 7, 2018.

On July 23, 2019, DGB has issued a decision letter for overpayment of government share for the year 2015. Based on the decision letter, DGB has not approved the objection request from SEGSL. Therefore as a respond to this decision letter, management has decided to writen off the prepaid amount and record loss in 2019 consolidated statement of profit or loss.

2016 Audit

On July 23, 2020, SEGSL received the 2016 audit report issued by BPKP with findings totaling US$3,216,106 - full amount. Subsequently, on August 5, 2020, SEGSL received a notification letter from DGB in related to such audit report with total underpayment of the Government's share amounting to US$224,750 – full amount which is paid by SEGSL on September 2, 2020. Management believes that the audit findings, are without merit as SEGSL has consistently applied the accounting framework as stipulated in the JOC.

Deferred VAT

As stated in the assessment letter issued by the BADORA Tax Office dated June 23, 2000, SEGSL was required to pay all outstanding deferred VAT amounting to Rp17.5 billion (equivalent with US$1.2 million – full amount). SEGSL filed an objection to the assessment on September 18, 2000 which was rejected by the Director General of Tax ("DGT") on November 7, 2001.

27. Commitments and contingencies (continued)

(a) Government audit claims (continued)

SEGSL (continued)

Deferred VAT (continued)

SEGSL appealed to the Tax Court on March 27, 2002. On April 7, 2002, SEGSL received tax collection letter assessing late payment penalties on unpaid deferred VAT of Rp5.6 billion (equivalent with US$392 thousand – full amount) for the 16 month period as counted from one month after the assessment payment due date in July 2000 to the deferred VAT payment date by the SEGSL in November 2001. As required by the tax laws, the SEGSL paid the deferred VAT including its penalties amounting to Rp23.1 billion (equivalent with US$1.6 million – full amount).

On August 26, 2002, the tax court issued the decision letter in favor of SEGSL which had an underpayment of Rp595 million (equivalent with US$42 thousand – full amount), therefore the amount required to be refunded by the DGT is Rp22.5 billion (equivalent with US$1.6 million – full amount). SEGSL recognised an expense of Rp595 million (equivalent with US$42 thousand – full amount) in the year the underpayment decision was made by the Tax Court. On November 22, 2002, the DGT appealed this decision to the Supreme Court. On January 24, 2004, the Supreme Court issued the decision in favor of SEGSL, rejecting the appeal from the DGT. Since the date of the Supreme Court decision, SEGSL has had various discussions with the DGT. As noted above, the IDR22.5 billion equivalent to USD1.6 million has been recorded as non current assets in these consolidated financial statements.

SEGSL believes such amount will be refunded by the tax office or reimbursed from GOI in accordance with the Supreme Court's decision, which in favor to SEGSL, since SEGSL has commenced paying the government share in accordance with the terms of the JOC and the applicable government regulation. As such, no provision for non-recovery of deferred VAT receivables has been recognized in the consolidated financial statements.

VAT for Operation and Maintenance Fee

SEGSL received several VAT assessments totaling IDR54.6 billion or approximately US$3.8 million (as at the December 31, 2019 exchange rate) for the tax years 2007, 2008 and 2010 related to operating and maintenance fees charged by SEGSL to SEGSPL. The Indonesian Tax Office ("ITO") is of the view that the operating and maintenance fees charged by SEGSL to SEGSPL should be subject to VAT. SEGSL has filed an objection letter in March 2014 to the DGT and received a rejection letter from the DGT in March 2015. Subsequently, in June 2015, SEGSL filed appeal letters to the Tax Court which handed down decisions in favor of the DGT in March 2017. As such, in June 2017, SEGSL has filed a reconsideration request to the Supreme Court. As at the date of these financial statements, SEGSL has not yet received a response from the Supreme Court. SEGSL has write-off this outstanding non-current receivable in 2019 and charges it on profit and loss as Miscellaneous expenses.

SEGSPL

As of the completion date of these consolidated financial statements, SEGSPL has various audit findings from the Government auditors for the period from 2004-2016 amounting to US$803,232 - full amount relating to PPA findings and US$22,261 – full amount related to other findings. Management believes that, as per Indonesian tax regulation, the PPA is categorized as a cost incurred by the SEGSPL to obtain, maintain and manage its revenue. On that basis, management believes that the PPA should be classified as a deductible cost, hence, it should be treated as a deduction from the government share calculation. Notwithstanding the findings pertaining to the PPA, the Government auditors have never factored in the findings relating to PPA as an underpayment of the government share. If the findings relating to PPA will materialize, the income tax expense will increase by US$803,232 – full amount.

27. Commitments and contingencies (continued)

(a) Government audit claims (continued)

SEGSPL (continued)

With regards to the other findings of the Government auditors, Directorate General of Budget ("DGB") issued an underpayment of Government share letter for the period from 2013-2016 totalling US$ US$2,225 – full amount only which has been paid by the SEGSPL. If the remaining findings will materialize, the income tax expense will increase by US$5,343 - full amount.

The following are the details of the result of the audit conducted by the Government auditors on each fiscal year:

2004-2014 Audit

SEGSPL has various audit findings from the Government auditors for the period from 2008-2012 amounting to US$619,887 – full amount relating to PPA findings and US$15,716 - full amount related to other findings. DGB has not issued an underpayment of Government share letter relating to this audit. If the findings relating to PPA will materialize, the income tax expense will increase by US$619,887. And if And if the other findings will materialize, the income tax expense will increase by US$5,343 – full amount.

2015 Audit

On September 15, 2017, BPKP issued their 2015 audit report with findings totaling US$117,172 – full amount. Most of the findings pertain to the PPA amounting to US$110,627 – full amount. On March 13, 2018, SEGSPL received from DGB the assessment letter of underpayment for the government share amounting to US$2,225 – full amount. Management has decided to writen off the prepaid amount and record loss on 2019 profit and loss.

2016 Audit

On July 23, 2020, SEGSPL received the 2016 audit report issued by BPKP with findings totaling US$72,718 - full amount. However, SEGSPL has not yet to receive the notification letter of underpayment of government share from DGB related to the audit findings. Management believes that the audit findings, are without merit as SEGSPL has consistently applied the accounting framework as stipulated in the JOC.

(b) Outstanding invoices to PT Indonesia Power ("PT IP") – a subsidiary of PLN

Between the period from March 18, 2018 to September 29, 2018, an unplanned shutdown occurred to the Darajat Unit-1 due to turbine breakdown. PT IP, as the operator of the power plant, indicated that the steam quality delivered by the Darajat Contractor Group was the main factor that caused the turbine damage eventhough the Darajat ESC does not regulate the parameter of the steam quality which has to be delivered by the Darajat Contractor Group. After several discussions, PT IP agreed to pay the March 2018 and April 2018 invoices, but PT IP did not agree to pay the invoices for the periods from May 2018 to September 2018 amounting to US$7,865,338 – full amount. Such balances have been recognized as "trade receivables" in the Group's consolidated statement of financial position as of June 30, 2020.

According to Article 5.1 and Article 11.3 of the Darajat ESC, during period where PLN is unable to take all steam that could be delivered from the Darajat Contractor Group, PLN shall pay the "Take or Pay" obligation amount to th Darajat Contractor Group and during any time of dispute, both parties shall continue to carry out their responsibilities pursuant to the Darajat ESC. Hence, the management believes that the Darajat Contractor Group is entitled to the full payments from PT IP for the outstanding invoices from May 2018 to September 2018.

27. Commitments and contingencies (continued)

(b) Outstanding invoices to PT Indonesia Power ("PT IP") – a subsidiary of PLN (continued)

To solve this matter, the Darajat Contractor Group, PT IP, and PLN agreed to appoint an independent consultant (i.e; PT Jacobs Group Indonesia ("Jacobs")) to undertake steam purity assessments, following excessive vibration in the Unit-1 turbine, as a basis for the settlement of the pending invoices payment. On November 25, 2019, Jacobs finalized the report with a favorable result to the Darajat Contractor Group due to steam purity provided by the Darajat Contractor Group was not the root cause of excessive vibration which lead to serious damage to the turbine rotor shaft that necessitated a 7-months shut-down for repair.

As of the completion date of these consolidated financial statements the Darajat Contractor Group and PT IP has yet to enter the agreement to solve this matter. The management believes that the Darajat Contractor Group has a strong legal basis to receive full payments for the outstanding invoices, therefore no allowance has been recognized in relation to the uncollectible accounts in the Group's consolidated financial statements.

(c) Guarantees of Salak-Darajat acquisitions

On December 22, 2016, the Company signed a Share Sale and Purchase Agreement ("Salak-Darajat SPA") with Chevron Darajat Holdings, Ltd., Chevron Geothermal Indonesia Holdings, Ltd., and Chevron Geothermal Salak Holdings, Ltd. to acquire 100% Chevron's shares in Chevron Darajat, Limited, Chevron Geothermal Indonesia, Ltd., and CGS. The Buyer Direct Shareholder Guarantors of the transaction are SEGHPL, Star Energy Geothermal Holding (Salak-Darajat) B.V., and ACEHI Netherlands B.V, for which the guarantees are unlimited.

The Buyer Group Guarantors are SEGHPL, SEGPL, EGCO, and AC Energy Holdings, Inc., for which the aggregate maximum liability until December 31, 2057 is capped with a total amount of US$200,000,000 – full amount. SEGHPL's and SEGPL's guarantees are capped at US$55,211,150 – full amount and US$82,413,500 – full amount, respectively, up to December 31, 2049, and US$54,800,000 – full amount and US$81,800,000 – full amount, respectively, up to December 31, 2057, representing the Buyer Group Equity Proportion of each SEGHPL and SEGPL.

The Buyer Direct Shareholder Guarantors and the Buyer Group Guarantors are collectively referred to as Buyer Guarantors.

The guarantee covers all amounts which the Company as the buyer is liable to pay under or in relation to the transaction documents, which primarily relates to the "clean-break" indemnity provision under clause 8 of the share sale and purchase agreement dated December 22, 2016. Under this provision, the Company shall indemnify Chevron for all losses resulting from or in connection with the target companies (Chevron Darajat Limited, Chevron Geothermal Indonesia, Ltd., CGS.) and their operations. An example of a claim that Chevron may make would be a claim under the indemnity provision if Chevron is required to pay any taxes, decommissioning costs or any other costs or losses pertaining to the group companies and their operation.

27. Commitments and contingencies (continued)

(c) Guarantees of Salak-Darajat acquisitions

SEGHPL will receive US$5,000,000 – full amount from Phoenix Power B.V during the year 2040 to the year 2047, and US$5,000,000 – full amount from AC Energy Holdings, Inc., after the year 2058 in accordance with the relevant consortium agreement, if Chevron makes a claim against any or all of the Buyer Guarantors.

(d) Guarantees of Sekincau acquisitions

On December 22, 2016, the Company signed a Share Sale and Purchase Agreement ("Sekincau SPA") with Chevron Global Energy, Inc. to acquire 100% Chevron's shares in PT Chevron Geothermal Suoh Sekincau (i.e; represent 95% ownership). The Buyer Direct Shareholder Guarantors of the transaction are Star Energy Geothermal Holding (Salak-Darajat) B.V. and ACEHI Netherlands B.V, for which the guarantees are unlimited. The Buyer Group Guarantors are SEGHPL, SEGPL, EGCO and AC Energy Holdings, Inc. The aggregate maximum liability until December 31, 2037 is capped with total amount of US$1,500,000 – full amount. SEGHPL's and SEGPL's guarantees are capped at US$411,150 – full amount and US$613,500 – full amount, respectively, up to December 31, 2037, representing the Buyer Group Equity Proportion of each SEGHPL and SEGPL.

The guarantee covers all amounts which the Company as the buyer is liable to pay under or in relation to the transaction documents, which primarily relates to the "clean-break" indemnity provision under clause 8 of the share sale and purchase agreement dated December 22, 2016. Under this provision, which the Company shall indemnify Chevron for all losses resulting from or in connection with the target company (PT Chevron Geothermal Suoh Sekincau) and their operations. An example of a claim that Chevron may make would be a claim under the indemnity provision if Chevron is required to pay any taxes, decommissioning costs or any other costs or losses pertaining to the group company and its operation.

The Buyer Direct Shareholder Guarantors and the Buyer Group Guarantors, collectively referred to as Buyer Guarantors.

(e) Assignment of Preliminary Survey and Exploration (Pelaksanaan Penugasan Survei Pendahuluan dan Eksplorasi ("PSPE")) of South Suoh Sekincau in Sumatera

On 21 June 2018, the Ministry of Energy and Mineral Resources approved PSPE of South Suoh Sekincau. In relation with these PSPE PT SEGSS is required to perform at least 1 (one) drilling for an exploration well within the period (i.e; 3 years) in South Suoh Sekincau.

(Expressed in thousands of United States Dollar, unless otherwise stated)

28. Fair value of assets and liabilities

A. Fair value hierarchy

The Group categorizes fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly unobservable ..

Fair value measurements that use inputs of different hierarchy levels are categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

B. Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
June 30, 2020	US$'000	US$'000	US$'000	US$'000
Liabilities:				
Derivatives				
Interest rate swap	–	19,894	–	19,894

	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
December 31, 2019	US$'000	US$'000	US$'000	US$'000
Liabilities:				
Derivatives				
Interest rate swap	–	7,875	–	7,875

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

Derivatives

Interest rate swap contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include swap models, using present value calculations. The models incorporate various inputs including the interest rate curves and forward rate curves.

(Expressed in thousands of United States Dollar, unless otherwise stated)

28. Fair value of assets and liabilities (continued)

C. Assets and liabilities not carried at fair value but for which fair value is disclosed

The following table shows an analysis of the Group's assets and liabilities not measured at fair value but for which fair value is disclosed:

	June 30, 2020				
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total	Carrying amount
Assets:					
Other receivables (non-current)	-	-	23,309	23,309	24,404
Finance lease receivables	-	-	375,757	375,757	390,977
Liabilities:					
Borrowings	-	-	815,680	815,680	833,893
Lease liabilities	-	-	700	700	700

	December 31, 2019				
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total	Carrying amount
Assets:					
Other receivables (non-current)	-	-	24,581	24,581	25,192
Finance lease receivables	-	-	378,501	378,501	394,262
Liabilities:					
Borrowings	-	-	828,543	828,543	876,305
Lease liabilities	-	-	790	790	790

<u>Determination of fair value</u>

The fair values as disclosed in the table above are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending at the end of the reporting period.

(Expressed in thousands of United States Dollar, unless otherwise stated)

28. Fair value of assets and liabilities (continued)

D. Fair value of financial instruments by classes that are not carried out at fair value and whose carrying amounts are not a reasonable approximation of fair value

The fair value of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not a reasonable approximation of fair value are as follows:

	June 30, 2020	
	Carrying amount	**Estimated fair value**
Group		
Financial assets:		
Other receivables (non-current)	24,404	23,309
Finance lease receivables	390,977	375,757
Borrowings	833,893	815,680

	December 31, 2019	
	Carrying amount	**Estimated fair value**
Group		
Financial assets:		
Other receivables (non-current)	25,192	24,581
Finance lease receivables	394,262	378,501
Borrowings	876,305	828,543

Determination of fair value

The fair values as disclosed in the table above are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending at the end of the reporting period.

E. Assets and liabilities whose carrying amounts approximate the fair value

The management assessed that the fair values of cash on hand and in banks, restricted cash, trade and other receivables, trade and other payables, and accrued expenses approximate their carrying amounts largely due to the short-term maturities of these instruments.

29. Financial risks management

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency risk and commodity price risk. The Group's overall risk management strategy focuses on the unpredictability of financial markets and seeks to minimize adverse effects on the Group's financial performance.

Risk management is carried out by the corporate finance department under the supervision of the Board of Directors. The corporate finance department identifies, evaluates and hedges financial risks.

29. Financial risks management (continued)

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash on hand and in banks, restricted cash, finance lease receivables and derivatives).

The Group minimize credit risk by dealing exclusively with high credit rating counterparties (State-owned enterprises). In addition based on the Group's past history, all outstanding receivable from PGE and PLN, two Indonesian state-owned enterprises can be settled based on the agreed term of payment. Therefore, the Group has a low risk appetite and manages credit risk to a low level.

<u>Exposure to credit risk</u>
At the end of the reporting period, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognized in the statement of financial position, including derivatives with positive fair values.

<u>Credit risk concentration profile</u>
Credit risk is the risk that one party of financial instruments will fail to discharge its obligation and will incur a financial loss to an other party. The Group's corporate finance department regularly monitors the financial condition of banks and financial institutions where cash is deposited. As of June 30, 2020, the Group is subject to concentration of credit risk as 99% of its cash in bank and restricted cash are placed in one bank. With respect to credit risk arising from trade receivables, the Group is subject to concentration of credit risk as its entire electricity and steam sales are solely through PGE and PLN, two Indonesian state-owned enterprises. The Group did not hold any collateral to secure PLN payments to the Group under the ESC. As of the reporting date, the carrying amounts of financial asset represent the Group's maximum exposure to credit risk.

<u>Financial assets that are not past due</u>
Trade and other receivables that are not past due are with creditworthy debtors with good payment record with the Group. Cash and short-term deposits and derivatives that are not past due are placed with or entered into with reputable financial institutions with no history of default.

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to a shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Corporate finance department aims to maintain flexibility in funding by keeping committed credit facilities available. The Group financial assets include cash on hand and in banks, restricted cash, trade and other receivables excluding VAT receivables and due from the parent Company. We manage liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of our financial assets and liabilities. Therefore, the Group has a low risk appetite and manages liquidity risk to a low level.

(Expressed in thousands of United States Dollar, unless otherwise stated)

29. Financial risk management (continued)

(b) Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities

The table below summarizes the maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations:

	One year or less	One to five years	Above five years	Total
June 30, 2020				
Trade and other payables	4,067	-	-	4,067
Borrowings	120,875	867,166	-	988,041
Lease liabilities	1,785	869	-	2,654
	126,727	868,035	-	994,762

	One year or less	One to five years	Above five years	Total
December 31, 2019				
Trade and other payables	12,984	-	-	12,984
Borrowings	112,327	938,703	-	1,051,030
Lease liabilities	3,346	906	-	4,252
	128,657	939,609	-	1,068,266

(c) Interest rate risk

In order to manage the interest rate risk against the fluctuation in LIBOR rate, in 2017 and 2018 the Group entered into Interest Rate Swap transactions with Consortium Banks (Note 23) in relation to Bank Loan. By entering into the interest rate swap transactions, the interest payable of the loan facility is expected to be fixed (not affected by changes in LIBOR rates). As at June 30, 2020, the portion of notional hedging amount compare to outstanding loan balances are 77%.
The following table shows the sensitivity to a reasonably possible change in interest rates on the borrowings which are not hedged.

	Change in LIBOR rate	Effect on post-tax profit
2020	+0.5%	925
	-0.5%	(925)

29. Financial risk management (continued)

(d) Foreign currency risk

The Group has transactional currency exposures arising from purchases denominated in a currency other then the functional currency of the Group entities, which is United States dollar. The foreign currency in which these transactions are denominated is mainly in Indonesian rupiah as the Group's major operations are in Indonesia. The Group does not enter into foreign currency exchange contracts to mitigate foreign currency risk. The Group's currency exposure is disclosed in Notes 12, 18 and 25 to the consolidated financial statements.

The amount of tariff payable by PLN under the ESC is based on a pre-determined formula. One of the variable components in the formula is a monetary exchange factor based on the Bank Indonesia selling rate of exchange in Rupiah per US dollar. In the event of a weakening of the Rupiah against the US dollar, tariff payments by PLN to Star Energy or PGE (as applicable) will decrease. On the other hand, in the event that the value of the Rupiah strengthens against the US dollar, tariff payments by PLN to Star Energy or PGE (as applicable) will increase based on the formula in the ESCs. Star Energy does not enter into foreign currency exchange contracts to mitigate any foreign currency risk. Therefore, the Group has a low risk appetite and manages foreign exchange risk to a low level

Sensitivity analysis for foreign currency risk

If Indonesian rupiah strengthened/weakened by 10% against the United States dollar, with all other variables held constant, profit before tax would have been lower/higher by US$3,138,204 - full amount.

(e) Commodity price risk

No issue for the commodity price risk for geothermal business due to the price has been agreed in the electricity sales contract based on agreed formula and fixed for a long term – only adjusted by inflation (Note 1.2).

(Expressed in thousands of United States Dollar, unless otherwise stated)

29. Financial risk management (continued)

(f) Changes in liabilities arising from financing activities

	December 31, 2019	Addition	Cash flows	Amortization	Other	June 30, 2020
Borrowings						
- Current	62,500	-	(30,875)	-	46,375	78,000
- Non-current	893,475	-	-	-	(46,375)	847,100
Deferred financing cost	(17,170)	-	-	3,963	-	(13,207)
Lease liabilities	3,878	386	(1,495)		(91)	2,678
Restricted cash	(105,167)	-	(21,290)	-	-	(126,457)
Total	**837,516**	**386**	**(53,660)**	**3,963**	**(91)**	**788,114**

	December 31, 2018	Implementation IFRS 16	Addition	Cash flows	Amortization	Other	December 31, 2019
Borrowings							
- Current	71,500	-	-	(115,319)	-	106,319	62,500
- Non-current	999,794	-	-	-	-	(106,319)	893,475
Deferred financing cost	(26,026)			-	8,856	-	(17,170)
Lease liabilities	-	6,268	226	(2,738)	-	122	3,878
Restricted cash	(121,112)	-	-	15,945	-	-	(105,167)
Total	**924,156**	**6,268**	**226**	**(102,112)**	**8,856**	**122**	**837,516**

	December 31, 2018	Implementation IFRS 16	Addition	Cash flows	Amortization	Other	June 30, 2019
Borrowings							
- Current	71,500	-	-	(35,250)	-	30,875	67,125
- Non-current	999,794	-	-	-	-	(30,875)	968,919
Deferred financing cost	(26,026)			-	4,390	-	(21,636)
Lease liabilities	-	6,268	174	(1,327)	-	82	5,197
Restricted cash	(121,112)	-	-	(15,845)	-	-	(136,957)
Total	**924,156**	**6,268**	**174**	**(52,422)**	**4,390**	**82**	**837,516**

(Expressed in thousands of United States Dollar, unless otherwise stated)

30. Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the periods ended June 30, 2020 and December 31, 2019.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, loans and borrowings, lease liabilities, trade and other payables, and accrued expenses less cash on hand and in banks and restricted cash excluding discontinued operations. Capital includes equity attributable to the owners of the Company.

Capital includes debt and equity items as disclosed in the table below.

	June 30, 2020	December 31, 2019
Borrowings (Note 24)	911,893	938,805
Lease liabilities	2,678	3,878
Trade and other payables, and accrued expenses (Note 25)	16,950	38,052
Less: Cash on hand and in banks (Note 18)	(158)	(150)
Restricted cash (Note 17)	(126,457)	(105,167)
Net Debt	804,906	875,418
Equity attributable to the owners of the Parent Entity	1,081,627	1,039,068
Capital and net debt	1,886,533	1,914,486
Gearing ratio	43%	46%

The target of this ratio is below 70% as stated in note Borrowings (Note 24).

31. Related party transactions

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the following significant transactions between the Group and the related parties took place at terms agreed between the parties during the year.

Significant balances with related parties are as follows:

Other receivables (Note 12)

	June 30, 2020	December 31, 2019
Star Energy Geothermal Holding (Salak-Darajat) B.V	19	19
Star Phoenix Geothermal J.V B.V	16	16
Star Energy Geothermal Wayang Windu	13	-
Total	**48**	**35**

(Expressed in thousands of United States Dollar, unless otherwise stated)

31. Related party transactions (continued)

Other payables (Note 25)

	June 30, 2020	December 31, 2019
Star Energy Group Holding Pte. Ltd.	408	408
Star Energy Geothermal Pte. Ltd.	134	135
Star Energy Geothermal Wayang Windu Ltd.	-	15
PT Star Energy Geothermal Indonesia	86	86
Others	4	1
Total	**632**	**645**

Compensation of key management personnel

	June 30, 2020	June 30, 2019
Wages and salaries	-	15
Comprise amount paid to:		
Directors of the Company and Subsidiaries	-	15

(Expressed in thousands of United States Dollar, unless otherwise stated)

32. Segment information

Period ended 30 June 2020	**Salak**	**Darajat**	**Total**	**Other items, adjustments and eliminations**	**Consolidated**
Revenue					
Revenue from contracts with customer	96,100	63,732	159,832	(8,973)	150,859
Finance lease income	5,370	8,306	13,676	7,632	21,308
Total Revenue	**101,470**	**72,038**	**173,508**	**(1,341)**	**172,167**
Expenses					
Depreciation and amortization	(7,244)	(5,299)	(12,543)	(1,231)	(13,774)
Employee compensation and benefits	(8,226)	(8,125)	(16,351)	(1)	(16,352)
Consultants and technicians	(2,915)	(2,769)	(5,684)	(151)	(5,835)
Production allowance to PGE	(3,329)	(1,343)	(4,672)	-	(4,672)
Supplies and equipments	(1,002)	(694)	(1,696)	(3)	(1,699)
Transportation and logistics	(259)	(223)	(482)	(2)	(484)
Insurance	(807)	(661)	(1,468)	(8)	(1,476)
Donation and sponsorship	(130)	(98)	(228)	(11)	(239)
Others	(30)	(17)	(47)	(4)	(51)
Total expenses	**(23,942)**	**(19,229)**	**(43,171)**	**(1,411)**	**(44,582)**
Other (losses)/gains					
Finance costs	(17,884)	(12,242)	(30,126)	-	(30,126)
Interest income	1	2	3	-	3
Foreign exchange gain	(252)	(411)	(663)	18	(645)
Miscellaneous	86	(84)	2	(4)	(2)
Profit before tax	**59,479**	**40,074**	**99,553**	**(2,738)**	**96,815**
Income tax expense	(26,420)	(18,093)	(44,513)	855	(43,658)
Profit of the period	**33,059**	**21,981**	**55,040**	**(1,883)**	**53,157**
Total assets	**1,154,726**	**822,197**	**1,976,923**	**728,228**	**2,705,151**
Total liabilities	**668,807**	**478,234**	**1,147,041**	**475,557**	**1,622,598**

(Expressed in thousands of United States Dollar, unless otherwise stated)

32. Segment information (continued)

Period ended 30 June 2019	Salak	Darajat	Total	Other item, adjustments and eliminations	Consolidated
Revenue					
Revenue from contracts with customer	93,541	54,482	148,023	(8,973)	139,050
Finance lease income	5,425	8,432	13,857	7,735	21,592
Total Revenue	**98,966**	**62,914**	**161,880**	**(1,238)**	**160,642**
Expenses					
Depreciation and amortization	(7,062)	(5,178)	(12,240)	(1,153)	(13,393)
Employee compensation and benefits	(9,265)	(8,934)	(18,199)	(245)	(18,444)
Consultants and technicians	(3,374)	(2,667)	(6,041)	18	(6,023)
Production allowance to PGE	(2,813)	(1,111)	(3,924)	-	(3,924)
Supplies and equipments	(1,122)	(1,230)	(2,352)	(12)	(2,364)
Transportation and logistics	(234)	(227)	(461)	(9)	(470)
Insurance	(991)	(697)	(1,688)	(9)	(1,697)
Donation and sponsorship	(3)	(38)	(41)	(8)	(49)
Others	(77)	(56)	(133)	2	(131)
Total expenses	**(24,941)**	**(20,138)**	**(45,079)**	**(1,416)**	**(46,495)**
Other (losses)/gains					
Finance costs	(21,218)	(14,297)	(35,515)	-	(35,515)
Interest income	2	3	5	-	5
Foreign exchange gain	138	199	337	(3)	334
Miscellaneous	91	56	147	(13)	134
Profit before tax	**53,038**	**28,737**	**81,775**	**(2,670)**	**79,105**
Income tax expense	(25,209)	(14,537)	(39,746)	792	(38,954)
Profit of the period	**27,829**	**14,200**	**42,029**	**(1,878)**	**40,151**
Total assets	**1,145,536**	**819,256**	**1,964,792**	**731,141**	**2,695,933**
Total liabilities	**686,152**	**92,607**	**1,178,759**	**477,256**	**1,656,015**

33. Events occurring after the reporting period

The Covid-19 pandemic has had and continues to have adverse repercussions across local, regional and global economies, financial markets, industries and businesses. The length of time for countries to slow the spread of Covid-19 to the point where various commercial and economic activities will resume to normal levels, whether in Indonesia or globally, remains uncertain.

We implemented a business continuity management plan in response to the Covid-19 pandemic. We established a Covid-19 task force and prepared and implemented protocols for all of our operating areas, including at the Salak Geothermal Operations, the Darajat Geothermal Operations and our headquarters in Jakarta. We conduct regular health checks and screenings of our employees and contract workers, implement work-from-home policies and physical distancing requirements in the office, implement strict access controls, provide personal protective equipment and other supporting gear for all of our employees, whether on the field or at our headquarters, and collaborate with the relevant government and health agencies to ensure that we are in line with their efforts to prevent the spread of Covid-19.

The Covid-19 pandemic has not significantly impacted our financial results of operations for six-month period ended June 30, 2020 given the take-or-pay clauses under the existing Salak ESC and Darajat ESC. In addition, we have not experienced significant disruptions to the operations of our power plants as a result of the various lockdowns and social distancing requirements implemented by the Government and as a result of our business continuity management plan. However, there is no assurance that our business, operations or financial condition will not be significantly impacted as a result of the Covid-19 pandemic in the future and we may not be able accurately predict the near-term or long-term impact of the Covid-19 pandemic on our business.

34. Authorization of financial statements for issue

The financial statements as at June 30, 2020 and for the period then ended were authorized for issue in accordance with a resolution of the directors on September 24, 2020.

Star Energy Geothermal (Salak - Darajat) B.V.

Company's Profit and Loss account
For the six-month period then ended June 30, 2020
(Expressed in thousands of United States Dollar, unless otherwise stated)

	Note	June 30, 2020	June 30, 2019
Loss after tax	34	(214)	(30)
Share in total profit for the period of participating interests		53,295	40,136
Total profit for the periods, net of tax		**53,081**	**40,106**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Star Energy Geothermal (Salak - Darajat) B.V.

Company's Balance sheet after appropriation of result
As at June 30, 2020
(Expressed in thousands of United States Dollar, unless otherwise stated)

	Note	June 30, 2020	December 31, 2019
ASSETS			
Non-current assets			
Intangible fixed assets	35	201	258
Financial fixed assets	36	2,240,027	2,197,254
Total non-current assets		2,240,228	2,197,512
Current assets			
Other receivables	37	48	46
Restricted cash	38	723	1,005
Other current assets		3	8
Total current assets		774	1,059
Total assets		**2,241,002**	**2,198,571**
EQUITY AND LIABILITIES			
Equity			
Share capital	40	10	10
Legal reserve: cash flow hedges	42	(19,894)	(7,875)
Additional paid in capital	41	855,777	855,777
Retained earning		263,513	208,935
Other reserve		(17,779)	(17,779)
Total equity		1,081,627	1,039,068
Current liabilities			
Other payables	39	1,159,354	1,159,351
Accrued expenses	39	21	152
Total current liabilities		1,159,375	1,159,503
Total liabilities		**1,159,375**	**1,159,503**
Total equity and liabilities		**2,241,002**	**2,198,571**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Star Energy Geothermal (Salak - Darajat) B.V.

Company statement of changes in equity
For the six-month period then ended June 30, 2020
(Expressed in thousands of United States Dollar, unless otherwise stated)

	Share capital	Legal reserve: Cash Flow Hedges	Retained Earning/ Accumulated Loss	Other Reserves	Additional Paid in Capital	Total equity
Balance at January 1, 2020	**10**	**(7,875)**	**208,935**	**(17,779)**	**855,777**	**1,039,068**
Profit for the period	-	-	53,081	-	-	53,081
Net changes for the period	-	(12,019)	1,497	-	-	(10,522)
Balance at June 30, 2020	**10**	**(19,894)**	**263,513**	**(17,779)**	**855,777**	**1,081,627**
Balance at January 1, 2019	**10**	**6,954**	**129,168**	**(17,779)**	**855,777**	**974,130**
Profit for the period	-	-	40,106	-	-	40,106
Net changes for the period	-	(16,294)	(120)	-	-	(16,414)
Balance at June 30, 2019	**10**	**(9,340)**	**169,154**	**(17,779)**	**855,777**	**997,822**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

General

General information

Star Energy Geothermal (Salak - Darajat) B.V. (the "Company") was established on December 16, 2016 as a limited liability company incorporated and domiciled in the Netherlands. The immediate holding Company is Star Energy Geothermal Holdings (Salak-Darajat) B.V. ("SEGHSD") and the ultimate holding company is PT Barito Pacific Tbk. PT Barito Pacific Tbk. is a company listed in Indonesia Stock Exchange and located at Wisma Barito Pacific, Jl. Letjen S. Parman Kav. 62-63 Jakarta, Indonesia.

Its registered office is Atrium Building, 8th floor Strawinskylaan 3127, 1077 ZX Amsterdam, the Netherlands and is registered at the Chamber of Commerce under number 67502601.

The principal activity of the Company is financial holdings.

For the accounting policies, please refer to the accounting policies of the consolidated financial statements, unless stated otherwise below.

The balance sheet has been prepared after the proposed appropriation of the result.

Basis of preparation

Significant accounting policies
The financial statements of the Company included in this section are prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code. The Company has prepared these company financial statements using the provision of section 362:8, Book 2, Dutch Civil Code. This provision allows companies that apply IFRS as adopted by the European Union in their consolidated financial statements to use the same measurement principles in their company financial statements. The principles for the valuation of assets and liabilities and the determination of the result are the same as those applied to the consolidated profit and loss account, with the exception of the following principles:

Investments in subsidiaries
Investments in subsidiaries are accounted for in the company financial statements using the equity accounting method.

Share of result of participating interests
This item concerns the Company's share of the profit or loss of these participating interests. Results on transactions involving the transfer of assets and liabilities between the Company and its participating interests and mutually between participating interests themselves, are eliminated to the extent that they can be considered as not realized.

(Expressed in thousands of United States Dollar, unless otherwise stated)

34. Audit fee

The costs of the Group for the external auditor and the audit organization and the entire network to which the audit organization belongs charged to the financial period are set out below.

	June 30, 2020		
	Ernst & Young Accountants LLP	Other EY	Total
Audit of the financial statements	112	24	136

	June 30, 2019		
	Ernst & Young Accountants LLP	Other EY	Total
Audit of the financial statements	21	2	23

The fees stated above for the audit of the financial statements are based on the procedures performed during the financial period.

35. Intangible fixed assets

	June 30, 2020	June 30, 2019
Beginning of period	258	373
Amortisation	(57)	(57)
Ending of period	201	316

36. Financial fixed assets - Investments in subsidiaries

	June 30, 2020	June 30, 2019
Balance at January 1 (after implementation IFRS 15)	2,197,254	2,132,301
Profit for the period	53,295	40,136
Net changes for the period	(10,522)	(16,414)
Equity investments at ending	2,240,027	2,156,023

Details of subsidiaries are included in Note 1.2.

(Expressed in thousands of United States Dollar, unless otherwise stated)

37. Other receivables

	June 30, 2020	December 31, 2019
Non-trade receivables (current):		
- related parties	36	35
- Subsidiaries	12	11
Add: Restricted cash (Note 38)	723	1,005
Total loans and receivables	**771**	**1,051**

Non-trade receivables

Non trade receivables from related parties are non-interest bearing and to be settled in cash. Repayments are not expected within the 12 months from the end of the reporting period.

All other receivables are denominated in US$. On June 30, 2020, we netted the AP and AR related party due to this transaction occurred to the same party/company with same nature of transaction.

At the reporting date, the Company does not have any receivables that are past due or impaired, or would otherwise be past due but not impaired.

38. Restricted cash

As of June 30, 2020 and December 31, 2019, restricted cash comprises of balance in bank accounts maintained with MUFG Bank (Europe) N.V., Holland.

All restricted cash was used as a covenant for a bank loan and denominated in U.S. dollar.

As of June 30, 2020 and December 31, 2019, the carrying amount of restricted cash approximates its fair value.

39. Other payables, and accrued expenses

	June 30, 2020	December 31, 2019
Other payables and accrued expenses (current):		
Other payables:		
- Related corporations	555	553
- Subsidiaries	1,158,799	1,158,798
Accrued expenses:		
- Others - third parties	21	152
Trade and other payables, and accrued expenses (current):	**1,159,375**	**1,159,503**
Total financial liabilities at amortized cost:	**1,159,375**	**1,159,503**

Other payables are non-interest bearing and are normally settled on 30-days terms.

(Expressed in thousands of United States Dollar, unless otherwise stated)

39. Other payables, and accrued expenses (continued)

Other payables to subsidiaries represent push down safari loan to SEGSL and SEGD II amounting to US$721 million and US$482 million respectively. Other payables to related corporations and subsidiaries are non-trade in nature, unsecured, non-interest bearing, payable upon demand and are to be settled in cash. Other payables to external parties are non–interest bearing and have an average term of 60 days.

Other payables and accrued expense are denominated in US$.

40. Share capital

	June 30, 2020		December 31, 2019	
	No. of shares '000	US$'000	No. of shares '000	US$'000
Issued and fully paid (par value US$1 each share):				
Star Energy Geothermal Holdings (Salak - Darajat) B.V	8	8	8	8
ACEHI Netherlands B.V.	2	2	2	2
Total	**10**	**10**	**10**	**10**

The holders of ordinary shares are entitled to receive dividend as and when declared by the Company. All ordinary shares carry one vote per share.

41. Additional paid-in capital

	June 30, 2020	December 31, 2019
Additional paid-in capital	855,777	855,777

Additional paid-in Capital represents Convertible Loan from Star Energy Geothermal Holdings (Salak - Darajat) B.V and ACEHI Netherlands B.V.that has been converted to share premium.

42. Legal reserves and limitations in the distribution of shareholders' equity

As at June 30, 2020, pursuant to Dutch law, certain limitations existed relating to the distribution of shareholders' equity of USD 1,080,956. Such limitations relate to ordinary shares of USD 10 and legal reserves required by Dutch law of USD (19,894). The unrealized losses related to cash flow hedges although qualifying as a legal reserve, reduce the distributable amount by their nature.

The general meeting is authorised to appropriate the profits, which are determined by adoption of the Annual accounts and to determine distributions, in as far as the shareholders' equity of the Company exceeds the reserves which must be maintained pursuant to the law. Management proposed the actual result/profit to be allocated to the Retained Earning.

(Expressed in thousands of United States Dollar, unless otherwise stated)

43. Financial risks management

The Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks is liquidity risk. The Company's overall risk management strategy focuses on the unpredictability of financial markets and seeks to minimize adverse effects on the Company's financial performance.

Risk management is carried out by the corporate finance department under the supervision of the Board of Directors. The corporate finance department identifies, evaluates and hedges financial risks.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to a shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. Prudent liquidity risk management implies maintaining the availability of funding through the support of related parties, including the shareholders. All of the Company's liabilities are payable to related parties and repayable within a year.

44. Capital management

The primary objective of the Company's capital management is to safeguard the Company's ability to continue as a going concern and to maintain an optimal capital structure so as to maximize shareholders' value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the six-month period ended June 30, 2020.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt, loans and borrowings, lease liabilities, trade and other payables, and accrued expenses less cash and bank balances and restricted cash excluding discontinued operations. Capital includes equity attributable to the owners of the Company.

Capital includes debt and equity items as disclosed in the table below.

	June 30, 2020	**December 31, 2019**
Other payables	1,159,351	1,159,351
Accrued expenses	23	152
Net Debt	1,159,374	1,159,503
Equity attributable to the owners of the Company	1,081,627	1,039,068
Capital and net debt	2,241,001	2,198,571
Gearing ratio	52%	53%

45. Workforce

The average number of staff employed by the company in 2020 and 2019 was nil. Whereas the average number of staff employed by the group in 2020 and 2019 was 452 and 465, respectively which are all employed outside the Netherlands.

46. Remuneration of members of the board of directors

The remuneration, including pension charges and other benefits, of current and former members of the board of directors charged to the company in the financial period are disclose in note 31.

47. Arrangements and commitments not shown in the balance sheet

There are no arrangements and commitments not shown in the Company's balance sheet in 2020.

48. Events after the balance sheet date

There are no events after the balance sheet data that affected the Company's balance sheet in 2020.

Signatories to the financial statements

Amsterdam, September 24, 2020

Board of Directors:

Hendra Soetjipto Tan
(Director A)

Rudy Suparman
(Director A)

Danuja Simasathien
(Director A)

Yvonne Maria Wimmers - Theuns
(Director B)

Gerard Jan Van Spall
(Director B)

Robert Godfried Hawley
(Director B)

Patrice Rene Clausse
(Director A)

Djonie Maria Angela Spreeuwers
(Director B)

Bundit Sapianchai
(Director A)

Pravienkoemar Mahabier
(Director B)

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(Director B)

P. Clausse

Patrice Rene Clausse
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Gerard Jan Van Spall
(Director B)

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Robert Godfried Hawley
(Director B)

Patrice Rene Clausse
(Director A)

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Djonie Maria Angela Spreeuwers
(Director B)

Bundit Sapianchai
(Director A)

DocuSigned by:
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Pravienkoemar Mahabier
(Director B)

Other information

Articles of Association provisions governing appropriation of result
Result for the period is appropriated in accordance with article 21 of the Articles of Association, which states that the result for the period shall be at the disposal of the General Meeting.

Special voting rights under the Articles of Association
The Company has not granted special voting rights.

Non-voting shares and similar rights
The Company has not issued non-voting shares or similar rights.

Independent auditor's report

To: the shareholders and management of Star Energy Geothermal (Salak – Darajat) B.V.

Report on the audit of the financial statements 2019 included in the annual report

Our opinion

We have audited the financial statements 2019 of Star Energy Geothermal (Salak – Darajat) B.V., based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Star Energy Geothermal (Salak – Darajat) B.V. as at 31 December 2019, and of its result and its cash flows for 2019 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- The accompanying company financial statements give a true and fair view of the financial position of Star Energy Geothermal (Salak – Darajat) B.V. as at 31 December 2019, and of its result for 2019 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

- The consolidated statement of financial position as at 31 December 2019
- The following statements for 2019: the consolidated statement of profit or loss, the consolidated statements of comprehensive income, changes in equity and cash flows
- The notes comprising a summary of the significant accounting policies and other explanatory information

The company financial statements comprise:

- The company balance sheet as at 31 December 2019
- The company profit and loss account for 2019
- The company statement of changes in equity 2019
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Star Energy Geothermal (Salak – Darajat) B.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter relating to uncertainty about Corona

The developments surrounding the Corona (Covid-19) virus have a profound impact on people's health and on our society as a whole, as well as on the operational and financial performance of organizations and the assessment of the ability to continue as a going concern. The financial statements and our auditor's report thereon reflect the conditions at the time of preparation. The situation changes on a daily basis giving rise to inherent uncertainty.

Star Energy Geothermal (Salak – Darajat) B.V. is confronted with this uncertainty as well, that is disclosed in the Directors' Report [page ii] and the disclosure about events after the reporting period [note 32].
We draw attention to these disclosures.
Our opinion is not modified in respect of this matter.

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The management report
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management board's report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities for the financial statements

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Amsterdam, 25 June 2020

Ernst & Young Accountants LLP

signed by F.J. Blenderman

2019 Financial Statements

Star Energy Geothermal (Salak - Darajat) B.V.
and its subsidiaries
Strawinskylaan 3127
1077 ZX Amsterdam
The Netherlands

Star Energy Geothermal (Salak - Darajat) B.V. and its Subsidiaries
Consolidated Financial Statements
As of December 31, 2019
and for the year then ended
with Independent Auditors' Report

Index

Directors' Report

The management herewith presents to the shareholders, the financial statements of Star Energy Geothermal (Salak - Darajat) B.V. (the "Company") and its subsidiaries (collectively, the "Group") for the financial year ended December 31, 2019.

A. General information

The Company's shareholders are Star Energy Geothermal Holdings (Salak-Darajat) B.V. and ACEHI Netherlands B.V., both incorporated under the laws of the Netherlands.

The Company is a limited liability company incorporated under the laws of the Netherlands. The Company has several subsidiaries as at December 31, 2019. For more details, please see Note 1.2 to the financial statements.

B. Overview of activities

The Company's main business activity is as a holding company for geothermal operations located in Indonesia. The Group's main activities are the production of geothermal energy (steam) and electricity.

In 2019 (up to the date of these consolidated financial statements), there are no significant changes in the investment activity, financing activity and number of employee.

The Group expects to develop several projects in Salak and Darajat for the coming reporting year. Power development projects for the Salak Geothermal Operations include (i) the Salak binary and (ii) Salak Unit 7. In 2019-2020, the Group conduct drilling activities for 5 make-up wells in Darajat.

C. Environmental and personnel-related information

We, as a part of the Star Energy Group, adhere to social and environmental responsibility as a strategic and direct form of relationship with our stakeholders.

The Star Energy Group has established policies and guidelines to conduct the activities which aiming at establishing the safety, health, and environmental matters. This guidelines will involve all of the employee, customers, suppliers, neighbouring communities, society, government, partners and stakeholders need to comply with this policies and guideline.

D. Information regarding financial instruments

As at December 31, 2019, the Group's financial instruments include finance lease receivables, trade and other receivables, restricted cash, cash on hand and in banks, derivative liabilities, trade and other payables, lease liabilities and bank loans. The risks arising from these financial instruments are managed in close conjunction with the Group's financial risk management policies, as described in the notes to the financial statements.

E. Financial data

The Group's total comprehensive income for the financial year starting on December 31, 2019 amount to US$ 65,030 (in thousands of United States Dollar).

Profit for the year of the Group mainly represent results of operations from Star Energy's Salak and Darajat Geothermal Operations for the year ended December 31, 2019.

The equity balance consists of the issuance of share capital, additional paid-in capital, other reserves and retained earnings.

E. Financial data (continued)

The Group's operation may indirectly be impacted by the COVID-19 pandemic which has spread, subsequent to the reporting period, to several countries including Indonesia. The COVID-19 pandemic has caused a major impact to the global and Indonesian economic growth, decline in capital markets, increase in credit risk, depreciation of foreign currency exchange rates and disruption to business operations. The future effects of COVID-19 pandemic to Indonesia and the Company are unclear at this time. A significant rise in the number of COVID-19 infections or prolongation of the pandemic may affect Indonesia and the Company.

For the future outlook, management believes that the COVID-19 pandemic did not significantly impact to the Group, since there is a take-or-pay ("TOP") clause under the existing ESC with PLN. Currently, there have been no disruptions to the operations of the Group's power plants. The operations are maintained in a good condition, where steam and electricity dispatch is above the TOP. For the operating expense, we expect the operating expense will be lower due to rupiah depreciation agains USD at the date of this report. In addition, we operate our power plant at optimal level, maintain the health of our employee and reduce the risk of COVID-19 contamination in our power plant.

F. Code of Conduct and Corruption Prevention Program

The Directors shall act and behave in accordance with the Star Energy Group's Code of Conduct, Code of Ethics and Corruption Prevention Program.

G. Risk management

The Company adopts Star Energy Group's Business Risks Management Policy, which describes authorities, responsibilities, principles and guidelines, and several initiatives related to Risk Management. The Company's current Business Risks Management Policy is similar to the good corporate governance practice across the industry and the country.

A highlight of this Policy is a wider approach to the Management of Company Risks, which associates the traditional economic-financial vision to elements of management against threats to safety, health and environment (SHE). Additionally the Company fights against fraud and corruption through the Company's patrimony and information, among other business risks.

The Policy, which is a starting point and integral element of the actions related to the Company's risk management, is aimed at embedding a risk-aware culture in all decision-making, and a commitment to manage the Business Risks which the Company is exposed to.

The Company is exposed to a variety of risks arising from its operations and the main risks are presented in accordance with the categories of the Business Risks Management Policy, which structure is in line with the Star Energy Group.

G1. Financial risks

The Group is exposed to foreign exchange risk from purchases denominated in a currency other than United States Dollar, arising from the volatility of currency markets

The Group has transactional currency exposures arising from purchases denominated in a currency other than the functional currency of the Group's entities, which is United States dollar. The foreign currency in which these transactions are denominated is mainly in Indonesian rupiah as the Group's major operations are in Indonesia. The Group does not enter into foreign currency exchange contracts to mitigate foreign currency risk.

All revenue transactions for both Steam and Electricity were denominated on USD currency while for expense item are mostly denominated on IDR currency. Based on Group's past history, the foreign currency exchange rate impact to the financial statement were not significant. Therefore, the Company has a low risk appetite and manages credit risk to a low level.

G1. Financial risks (continued)

The Group is exposed to credit risk on its trade, other receivables and finance lease receivable

The Group's exposure to credit risk arises primarily from trade, other receivables and finance lease receivable which mainly arises from electricity sales made to a single counterparty through PGE and PLN, two Indonesian state-owned enterprises.

For other financial assets (including cash and short-term deposits and derivatives), the Group and the Company minimize credit risk by dealing exclusively with high credit rating counterparties. The Group has a credit risk concentration from cash and bank placements where as at December 31, 2019 of 99% was placed in one bank. The Group's corporate finance department also regularly monitors the financial condition of banks and financial institutions where cash and short-term deposits are placed.

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognized in the statement of financial position, including derivatives with negative fair values. Based on the Group's past history, all outstanding receivable from PGE and PLN, two Indonesian state-owned enterprises can be settled based on the agreed term of payment. Therefore, the Company has a low risk appetite and manages credit risk to a low level.

The Group is exposed to liquidity risk on its cash flows

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Corporate finance department aims to maintain flexibility in funding by keeping committed credit facilities available.

The Company has low risk appetite and manages liquidity risk to a low level.

Maturity analysis of the total liabilities to related and third parties, is set out in the following table.

	One year or less	One to five years	Above to five years	Total
2019				
Trade and other payables	12,984	-	-	12,984
Borrowings	62,500	876,305	-	938,805
Lease liabilities	3,088	790	-	3,878
	78,572	877,095	-	955,667

The Group is exposed to Interest rate risk on its Bank Loan

The Company utilised its bank loan in 2017 in order to acquire Salak, Darajat and Suoh Sekincau Assets. The Bank Loan's interest rate was affected by the LIBOR rate. In order to manage the interest rate risk against the fluctuation in LIBOR rate, in 2017 and 2018 the Group entered into Interest Rate Swap transactions with Consortium Banks (Note 23) in relation to Bank Loan. By entering into the interest rate swap transactions, the interest payable of the loan facility is expected to be fixed (not affected by changes in LIBOR rates).

G. Risk management (continued)

G1. Financial risks (continued)

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Capital comprises of equity in the statement of financial position.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt.

As at December 31, 2019 and 2018, the Group's gearing ratio is as follows:

	2019	2018
Borrowings (Note 24)	938,805	1,045,268
Lease liabilities	3,878	-
Trade and other payables, and accrued expenses (Note 25)	38,052	29,687
Less: Cash on hand and in banks (Note 18)	(150)	(280)
Restricted cash (Note 17)	(105,167))	(121,112)
Net Debt	875,418	953,563
Equity attributable to the owners of the Parent Entity	1,039,068	974,130
Capital and net debt	1,914,486	1,927,693
Gearing ratio	46%	49%

G2. Strategic risks

Decisions made by Barito Group, its ultimate parent company, may affect the Group
The fact that the Company is part of an economic group may cause it to be affected by decisions of its ultimate shareholder PT Barito Pacific Tbk., which may take decisions that impact the Group's strategy.

The Group assesses this risk as low since there is a common team of key management personnel and the Group's strategic objectives are in line with those set by the shareholders for investment in geothermal operations.

G3. Transactions with related parties

Transactions with related parties are part of our business. Such operations must follow market standards and be conducted at arm's length. To warrant this we have objective and documented decision-making processes, respect for competition rules and appropriate disclosing of information, in accordance with applicable laws. Possible failures in the process of identification, treatment and, when required, disclosure of these situations can negatively affect the economic and financial condition of the Group, as well as lead to fines and penalties by regulators.

The Group assesses this risk as low given the current level of its operations and makes efforts to mitigate it by compliance with current disclosure requirements.

G. Risk management (continued)

G4. Remuneration policy of members of the board of directors

The members of the board of directors are not considered as permanent employees of the Group, thus no pension charges for them.

G5. Tax

The Group is exposed to changes in tax legislation and/or differences in legal interpretation related to its business.

We periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Where appropriate, the Group establishes provisions based on the amounts expected to be paid to the tax authorities or adjusts the amount of its tax loss carry forward.

G6. Operational

The Company's operational activities are limited to maintaining its investment in subsidiaries and the Group's main activities are the production of geothermal energy (steam) and electricity as mentioned in section B above. No significant transactions outside the normal business of the Group have occurred.

H. Research and development information

We have well development project by conducting drilling activity in Darajat as at December 31, 2019 (Note 9).

Consolidated Statement of Profit or Loss
For the year ended December 31, 2019
(Expressed in thousands of United States Dollar, unless otherwise stated)

	Notes	2019	2018
Revenue from contracts with customer	4	287,526	298,386
Finance lease income	2.22	43,185	43,699
Total revenues		**330,711**	**342,085**
Expenses			
Depreciation and amortization	9, 10, 11, 14	(26,732)	(23,017)
Employee compensation and benefits	5	(33,917)	(36,069)
Consultants and technicians	7	(16,203)	(16,033)
Production allowance to PT Pertamina Geothermal Energy ("PGE")	1.2	(7,925)	(8,270)
Supplies and equipments	15	(7,710)	(9,184)
Transportation and logistics		(1,110)	(2,793)
Insurance		(3,335)	(3,748)
Donation and sponsorship		(905)	(1,480)
Others		(541)	(386)
Total expenses		(98,378)	(100,980)
Other (losses)/gains			
Finance costs	6	(69,400)	(71,516)
Interest income		7	5
Foreign exchange gain/(loss), net		609	(2,434)
Miscellaneous		(3,136)	(701)
Profit before tax		**160,413**	**166,459**
Income tax expense	8	(79,948)	(82,012)
Profit for the year		**80,465**	**84,447**
Attributable to:			
Owners of the parents entity		80,373	84,300
Non-controlling interests		92	147
Profit for the year		**80,465**	**84,447**

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

Consolidated Statement of Comprehensive Income
For the year ended December 31, 2019
(Expressed in thousands of United States Dollar, unless otherwise stated)

	Notes	2019	2018
Profit for the year		80,465	84,447
Other Comprehensive Income			
Item that will not be reclassified to profit or loss			
Actuarial (loss)/gain (net of tax)	22, 8	(606)	3,195
Item that will be reclassified to profit or loss			
Effective portion of changes in fair value of cashflow hedge	23	(14,829)	10,213
Other comprehensive (loss)/income for the years, net of tax		(15,435)	13,408
Total comprehensive income for the years		**65,030**	**97,855**
Attributable to:			
Owners of the parent entity		64,938	97,706
Non-controlling interests		92	149
		65,030	**97,855**

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

Consolidated Statement of Financial Position
As of December 31, 2019
(Expressed in thousands of United States Dollar, unless otherwise stated)

	Notes	2019	2018
ASSETS			
Non-current assets			
Property, plant and equipments	9	334,667	314,618
Right-of-use assets	10	3,602	-
Intangible assets	11	1,686,795	1,684,265
Other receivables	12	47,150	46,748
Finance lease receivable	13	394,262	400,199
Deferred charges	14	22,715	28,705
Spareparts and supplies	15	10,616	10,057
Derivative assets	23	-	6,954
Total non-current assets		2,499,807	2,491,546
Current assets			
Inventories	15	13,180	13,055
Finance lease receivable	13	5,937	5,367
Other current assets	16	3,051	5,891
Trade and other receivables	12	68,641	70,029
Restricted cash	17	105,167	121,112
Cash on hand and in banks	18	150	280
Total current assets		196,126	215,734
Total assets		**2,695,933**	**2,707,280**
EQUITY AND LIABILITIES			
Equity attributable to owners of the Parent Entity			
Share capital	19	10	10
Additional paid-in capital	20	855,777	855,777
Other reserves	21	(25,654)	(10,825)
Retained earnings		208,935	129,168
		1,038,068	974,130
Non-controlling interests		850	758
Total equity		**1,039,918**	**974,888**

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

Consolidated Statement of Financial Position (continued)
As of December 31, 2019
(Expressed in thousands of United States Dollar, unless otherwise stated)

	Notes	2019	2018
Non-current liabilities			
Provision for long-term employee benefits	22	5,236	1,839
Derivatives liabilities	23	7,875	-
Borrowings - net of current maturities	24	876,305	973,768
Lease liabilities, net current maturities	10	790	-
Deferred tax liabilities	8	628,572	622,568
PLN Make-up account balances	26	16,215	13,626
Total non-current liabilities		1,534,993	1,611,801
Current liabilities			
Taxes payable	8	17,382	19,404
Current maturities of borrowings	24	62,500	71,500
Current maturities of lease liabilities	10	3,088	-
Trade and other payables	25	12,984	3,345
Accrued expenses	25	25,068	26,342
Total current liabilities		121,022	120,591
Total liabilities		**1,656,015**	**1,732,392**
Total equity and liabilities		**2,695,933**	**2,707,280**

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

Star Energy Geothermal (Salak - Darajat) B.V. and its Subsidiaries

Consolidated Statement of Changes in Equity
For the year ended December 31, 2019
(Expressed in thousands of United States Dollar, unless otherwise stated)

		Attributable to Owners of the Parent Entity						
	Notes	**Share capital**	**Additional paid-in capital**	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance at January 1, 2019		**10**	**855,777**	**(10,825)**	**129,168**	**974,130**	**758**	**974,888**
Profit for the year		-	-	-	80,373	80,373	92	80,465
Other comprehensive income for the year		-	-	(14,829)	(606)	(15,435)	-	(15,435)
Total comprehensive income for the year		-	-	(14,829)	79,767	64,938	92	65,030
Balance at December 31, 2019		10	**855,777**	(25,654)	208,935	1,039,068	850	1,039,918
Balance at January 1 , 2018		10	855,777	(21,038)	41,675	876,424	609	877,033
Profit for the year		-	-	-	84,300	84,300	147	84,447
Other comprehensive income for the year		-	-	10,213	3,193	13,406	2	13,408
Total comprehensive income for the year		**-**	**-**	**10,213**	**87,493**	**97,706**	**149**	**87,323**
Balance at December 31, 2018		**10**	**855,777**	**(10,825)**	**129,168**	**974,130**	**758**	**974,888**

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

Star Energy Geothermal (Salak - Darajat) B.V. and its Subsidiaries

Consolidated Statement of Cash Flows
For the year ended December 31, 2019
(Expressed in thousands of United States Dollar, unless otherwise stated)

	Notes	2019	2018
Operating activities			
Profit for the financial year		80,465	84,447
Adjustments for:			
Depreciation and amortization	9,10,14	26,732	23,017
Finance costs	6	69,400	71,516
Finance lease income		5,367	4,854
Income tax expense	8	79,948	82,012
Interest income		(7)	(5)
Provision for pension cost	22	2,520	3,801
PLN Make-up account balances	26	2,589	(2,330)
Miscellaneous		3,094	-
Operating cash flows before changes in working capital		**270,108**	**267,312**
Changes in working capital:			
Trade and other receivables		(3,521)	8,834
Inventories		(125)	1,902
Taxes payable		(55)	628
Trade and other payables		9,639	1,662
Accrued expenses		(1,046)	(3,579)
Other operating assets and liabilities		2,920	1,266
Cash generated from operations		**277,920**	**278,025**
Interest paid		(59,407)	(62,514)
Interest on lease liabilities paid	10	(531)	-
Interest received		7	5
Income tax paid		(75,019)	(76,607)
Net cash provided by operating activities		**142,970**	**138,909**
Investing activities			
Additions to property, plant and equipment	9	(40,331)	(11,762)
Additions to deferred charges	14	(98)	(6,604)
Additions to spareparts and supplies	15	(559)	(608)
Net cash used in investing activities		**(40,988)**	**(18,974)**

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

Consolidated Statement of Cash Flows (continued)
For the year ended December 31, 2019
(Expressed in thousands of United States Dollar, unless otherwise stated)

	Notes	2019	2018
Financing activities			
Repayment of borrowings	24	(115,319)	(90,931)
Decrease / (Increase) in restricted cash	17	15,945	(29,335)
Payment of lease liabilities		(2,738)	-
Net cash used in financing activities		**(102,112)**	**(120,266)**
Net increase in cash on hand and in banks		(130)	(331)
Cash on hand and in banks at beginning of years		280	611
Cash on hand and in banks at end of years	18	**150**	**280**

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

(Expressed in thousands of United States Dollar, unless otherwise stated)

1. General

1.1 General information

Star Energy Geothermal (Salak - Darajat) B.V. ("SEG-SD B.V." or the "Company") is a limited liability company incorporated and domiciled in The Netherlands. The immediate holding Company is Star Energy Geothermal Holdings (Salak-Darajat) B.V. and the ultimate holding company is PT Barito Pacific Tbk. PT Barito Pacific Tbk. is a company listed in Indonesia Stock Exchange and located at Wisma Barito Pacific, Jl. Letjen S. Parman Kav. 62-63 Jakarta, Indonesia.

The registered office according to the Articles of Association of the Company is Strawinskylaan 3127, 8th floor, 1077ZX Amsterdam. The Company is listed in the Commercial Register of the Chamber of Commerce under the following file number: 67502601

The principal activity of the Company is financial holdings. The principal activities of its subsidiaries are disclosed in Note 1.2 to the financial statements.

1.2 Subsidiaries

As of December 31, 2019, the Company has an ownership interest of more than 50%, directly or indirectly, in the following subsidiaries:

Name of companies	Principal activities	Country of incorporation	2019 %
Held by the Company			
Star Energy Geothermal Salak, Ltd.	Geothermal energy resource and power plant	Bermuda	100.00
Star Energy Geothermal Darajat I, Limited	Geothermal energy resource and power plant	Commonwealth of the Bahamas	100.00
Star Energy Geothermal Darajat II, Limited	Geothermal energy resource and power plant	Bermuda	100.00
PT Star Energy Geothermal Suoh Sekincau	Geothermal energy resource and power plant	Indonesia	95.00
PT Darajat Geothermal Indonesia	Geothermal energy resource and power plant	Indonesia	95.00
Held by subsidiaries			
Star Energy Geothermal Salak Pratama, Ltd.	Geothermal energy power plant	Cayman Islands	100.00

The subsidiaries' principal place of business is in Indonesia. The Company and subsidiaries are collectively referred to as the "Group".

1. General (continued)

1.2 **Subsidiaries**

Star Energy Geothermal Darajat II, Ltd. ("SEGD-II"); Star Energy Geothermal Darajat I, Ltd. ("SEGD-I") and; PT Darajat Geothermal Indonesia ("PT DGI") – all together as Darajat Geothermal Operation West Java Joint Operation Contractor Group (the "Darajat Contractor Group")

SEGD-I was incorporated based on a certificate of incorporation of J.O. Liddell, public notary of the Commonwealth of Bahamas Island dated June 21, 1984 under the Laws of the Bahamas with its principal place of business in Indonesia. Most recently, it changed its name to SEGD-I on March 31, 2017 after its acquisition by SEG-SD B.V. as part of a sale and purchase agreement on December 22, 2016 between Chevron Corporation ("CVX") and the Star Energy Consortium to sell Chevron's Indonesian Geothermal assets.

SEGD-II is a Bermuda Corporation, which was incorporated under the name Texaco Darajat, Ltd. based on a certificate of incorporation dated January 10, 1984 under the Laws of Bermuda with its principal place of business in Indonesia. It changed its name to Chevron Geothermal Indonesia, Ltd ("CGI") on November 14, 2005. On March 31, 2017, CGI was fully acquired by SEG-SD B.V. and changed its name to SEGD-II.

PT DGI was established by Deed No. 160 of Notary Sutjipto, S.H. dated February 26, 1997. The deed of establishment was approved by the Minister of Laws and Human Rights of the Republic of Indonesia in his decision letter no.C2-5403.HT.01.01.TH.97 dated June 24, 1997 and was published in State Gazette of the Republic of Indonesia No. 39 dated May 15, 1998, supplement No. 2609. On September 27, 2017, 95% ownership of PT DGI was acquired by SEG-SD B.V.

Darajat JOC

SEGD-II and SEGD-I, entered into a Joint Operation Contract ("JOC") dated November 16, 1984 as amended on November 16, 1988, January 15, 1996 and February 7, 2003 with PERTAMINA for which geothermal operations are now managed by PT Pertamina Geothermal Energy ("PGE"), a subsidiary of PERTAMINA . The JOC provides the exploration and exploitation of geothermal energy resources in an area of approximately 49.98 square kilometres (equivalent to 4,998 hectares) in the Darajat geothermal field, West Java, as well as the generation of electricity from those resources and sale of such geothermal energy and electricity to PT Perusahaan Listrik Negara (Persero) ("PLN"), the Indonesian state-owned electricity company, through PGE, pursuant to an Energy Sales Contract ("ESC").

The term of the JOC is 564 months commencing from November 16, 1984, provided that if a production period of 360 months for any unit is not possible within the period ending 564 months following the effective date, then an extension period will be added to the term of the JOC as it pertains to such unit only to enable the supply of geothermal energy (as defined in the JOC) to such unit for a production period of 360 months.

Darajat JOC is subject to Presidential Decree No. 49 of 1991 and the Minister of Finance Decree No. 766/1992 which provides the Darajat Contractor Group with an all-inclusive tax rate of 34% of net operating income as defined in the JOC and the 1984 Indonesian Income Tax Law. In certain government regulations, this 34% is referred to as the "government share". The Darajat Contractor Group is also required to pay the PGE Production Allowance equivalent to 2.66% of net operating income calculated based on the 1984 Indonesian Income Tax Law. PGE Production Allowance represent royalty fee paid to PGE. This charges were tax deductible therefore it is accounted for as an expense in the Consolidated Statement of Profit or Loss.

1. **General (continued)**

1.2 **Subsidiaries (continued)**

Star Energy Geothermal Darajat II, Ltd. ("SEGD-II"); Star Energy Geothermal Darajat I, Ltd. ("SEGD-I") and; PT Darajat Geothermal Indonesia ("PT DGI") – all together as Darajat Geothermal Operation West Java Joint Operation Contractor Group (the "Darajat Contractor Group") (continued)

Darajat JOC (continued)

Amendment No.1 to the Darajat JOC ("Darajat Amended and Restated JOC") dated February 7, 2003 states that :

- In the event that either PLN or the Darajat Contractor Group exercises the option granted to extend the production period from 360 months to 480 months, the production period shall be automatically amended from 360 months to 480 months.
- Further, in the event that either PLN or the Darajat Contractor Group exercises the option granted to extend the ESC term from 432 months to 552 months, the term of the JOC shall be automatically amended from 564 months to 684 months from November 16, 1984.
- If the production period extends beyond the term of the Amended and Restated JOC, the JOC term will automatically be extended to coincide with the end of the production period.

Up to the date of these consolidated financial statements, the options granted above have not been exercised.

Darajat ESC

In conjunction with the Contractor Group entering into the JOC with PERTAMINA, PERTAMINA entered into an ESC with PLN whereby PLN agreed to purchase geothermal energy and electricity, delivered by the Darajat Contractor Group. The invoice is stated and payable in United States Dollar.

In accordance with the terms of the take-or-pay provisions of the Amended and Restated ESC, PLN should pay a minimum 80% of the rated capacity of each Unit in operation for the Unit owned by PLN (Unit I) and 95% of the average gross kilowatt generating capacity of the relevant units built, owned and operated by the Darajat Contractor Group (Units II and III).

On August 10, 2004, the terms of the Amended and Restated ESC were amended through Amendment Agreement No. 2 signed by PLN, PERTAMINA and the Darajat Contractor Group. The significant amendments are as follows:

- With respect to Darajat Unit III, the base resource price of geothermal energy and electricity is US$0.042336 – full amount per Kwh.
- All rights to and revenue from any and all emissions credit and trading as a result of the United Nations Framework Convention on Climate Change ("UNFCC") and Kyoto Protocol for Clean Development Mechanism ("CDM") or other Gas Emission Credit Market mechanisms related to the Darajat Contract Area are the property of and owned by the Darajat Contractor Group.

On April 28, 2014, the amended ESC section 5.2 was approved to change the Indonesian Consumer Price Index ("CPI") from base year 2007 = 100 to base year 2012 = 100, which was implemented immediately for energy transactions from the second quarter of 2014.

(Expressed in thousands of United States Dollar, unless otherwise stated)

1. General (continued)

1.2 **Subsidiaries (continued)**

Star Energy Geothermal Darajat II, Ltd. ("SEGD-II"); Star Energy Geothermal Darajat I, Ltd. ("SEGD-I") and; PT Darajat Geothermal Indonesia ("PT DGI") – all together as Darajat Geothermal Operation West Java Joint Operation Contractor Group (the "Darajat Contractor Group") (continued)

Darajat JOA

SEGD-I and SEGD-II entered into a Joint Operating Agreement ("JOA") dated August 23, 1997 (as amended from time to time and most recently amended on January 1, 2009) with PT DGI, whereby PT DGI was assigned a five percent participating interest in, and the rights and obligations under, the JOC and ESC for the Unit II power generating facility and all future units. SEGD-I, SEGD-II and PT DGI together form the Darajat Geothermal Operation West Java Contractor Group (hereinafter referred to as the "Darajat Contractor Group").

Amendment No. 1 to the Amended and Restated JOA was signed on January 1, 2009. The Amendment provides that all parties agree to appoint SEGD-II as the operator for the CDM Project and acting for and on behalf of the Darajat Contractor Group, to sell the Certified Emission Reductions ("CER") and receive the payments.

The Unit I Geothermal Energy Plant ("Unit I") commenced commercial operations in 1994 and has a power generation capacity of 55 MW. The Unit II Power Plant ("Unit II") was commissioned and commenced commercial operations on June 1, 2000 with a power generation capacity at commissioning of 70 MW, subsequently increased to 90 MW. The Unit III Power Plant ("Unit III") was commissioned and commenced commercial operations on July 1, 2007 with a power generation capacity at the commissioning of 110 MW, subsequently increased to 121 MW.

The respective participating interests of the participants in the Darajat Contractor Group are as follows:

	Unit I (Steam)	Units II and III (Electricity)
Star Energy Geothermal Darajat I, Limited	50.0%	47.5%
Star Energy Geothermal Darajat II, Limited	50.0%	47.5%
PT Darajat Geothermal Indonesia	–	5.0%
	100.0%	100.0%

1. General (continued)

1.2 Subsidiaries (continued)

Star Energy Geothermal Salak, Ltd. ("SEGSL") and; Star Energy Geothermal Salak Pratama, Ltd. ("SEGSPL") (the "Salak Contractor Group")

SEGSL is a Bermuda Corporation, incorporated under the original name Union Geothermal of Indonesia, Limited based on a certificate of incorporation dated November 25, 1981, under the Laws of Bermuda with its principal place of business in Indonesia. Most recently, it changed its name to SEGSL on March 31, 2017 after its acquisition by SEG-SD B.V. as part of a sale and purchase agreement on December 22, 2016 between CVX with Star Energy Consortium to sell Chevron's Indonesian Geothermal assets.

SEGSPL (formerly known as Dayabumi Salak Pratama, Ltd. ("DSPL")) is a special purpose company formed on May 1, 1996 under the laws of the Cayman Islands, with its principal place of business in Indonesia, for the purpose of building and operating a geothermal energy fueled power generating facility (the "Power Plant"). SEGSPL is a wholly-owned subsidiary of SEGSL. It changed its name to SEGSPL on March 31, 2017 after its acquisition by SEG-SD B.V. as part of a sales and purchase agreement dated December 22, 2016.

<u>Salak JOC</u>

On February 11, 1982, Union Geothermal of Indonesia, Ltd., now succeeded by SEGSL entered into a JOC with PERTAMINA, for which geothermal operations are now managed by PGE, to explore and develop geothermal energy resources within the Gunung Salak contract area. The JOC governs the conduct of geothermal operations in the contract area. Under the terms of the JOC, SEGSL is required to deliver the geothermal energy produced in the contract area to PLN through PGE, pursuant to an ESC discussed below. This geothermal energy is used by PLN to generate electricity from three 55 MW power generating units (Units 1, 2 and 3) owned and operated by PLN in the contract area. The JOC was amended on November 16, 1994 and again on July 22, 2002.

On May 1, 1996, CGS established DSPL as a wholly-owned subsidiary and assigned all of its rights, interests and obligations under the JOC in respect of construction and operation of an additional three power generating units (Units 4, 5 and 6). This was confirmed in Amendment No. 2 to the Gunung Salak amended and restated JOC dated July 22, 2002. Amendment No. 2 also extended the JOC term to December 1, 2030, which was further extended to November 30, 2040.

Salak JOC is subject to Presidential Decree No. 49 of 1991 and the Minister of Finance Decree No. 766/1992 which provides the Salak Contractor Group with an all-inclusive tax rate of 34% of net operating income as defined in the JOC and the 1984 Indonesian Income Tax Law. In certain government regulations, this 34% is referred to as the "government share". The Salak Contractor Group is also required to pay the PGE Production Allowance equivalent to 4% of net operating income calculated based on the 1984 Indonesian Income Tax Law. PGE Production Allowance represent royalty fee paid to PGE. This charges were tax deductible therefore it is accounted for as an expense in the Consolidated Statement of Profit or Loss.

<u>Salak ESC</u>

In conjunction with SEGSL entering into the JOC dated February 11, 1982 with PERTAMINA, PERTAMINA entered into an ESC with PLN whereby PLN agreed to purchase geothermal energy, delivered by SEGSL.

In connection with the amendment and restatement of the JOC dated November 16, 1994, the ESC was also amended and restated ("Amended and Restated ESC").

1. General (continued)

1.2 **Subsidiaries (continued)**

Star Energy Geothermal Salak, Ltd. ("SEGSL") and; Star Energy Geothermal Salak Pratama, Ltd. ("SEGSPL") (the "Salak Contractor Group") (continued)

The term of the Amended and Restated ESC is for a period ending 420 months after November 16, 1994 (the "Effective Date") provided that should any production periods extend beyond the term of the Amended and Restated ESC, the term will be automatically extended until the end of such production period. The production period for delivery of geothermal energy to the initial unit, or electricity from each unit built, owned and operated by SEGSL, shall be at least 360 months commencing on the date of commercial generation of each unit, with the provision that if a production period ends prior to the end of the term of the Amended and Restated ESC, such production period shall be automatically extended to coincide with the end of such term.

The terms as stated in the Amended and Restated ESC were later amended through an Amendment Agreement ("Second Amendment") signed by SEGSL on July 22, 2002. Significant amendments are as follows:

- SEGSPL became a party to the ESC, whereby SEGSPL shall have the right to generate and deliver electricity to PLN on behalf of PERTAMINA using any combination of Units 4, 5 and 6.
- The term of the ESC will end on December 1, 2030 and has been extended to November 30, 2040.
- With respect to all units, the base resource price of geothermal energy was decreased from US$0.04302 - full amount, kWh under the original ESC to US$0.03724 - full amount per kWh.

The terms of the Second Amendment provide that PLN shall pay PGE, who will then remit to SEGSL and SEGSPL, for the geothermal energy and electricity delivered each month based upon x formulas stated in the ESC. The invoice is stated and payable in United States Dollars.

In accordance with the terms of the take-or-pay provisions of the Second Amendment, PLN should pay a minimum 95.06% of the total rated capacity of Units 1, 2 and 3. For Units 4, 5 and 6, PLN should pay a minimum 90.14% of the total rated capacity.

PT Star Energy Geothermal Suoh Sekincau ("PT SEGSS")

On April 6, 2017, SEG-SD B.V acquired PT Chevron Geothermal Suoh Sekincau. Effective on the date, PT Chevron Geothermal Suoh Sekincau was changed into PT SEGSS by Deed No. 3 of Notary Liestiani Wang, S.H., M.Kn. dated April 6, 2017. The immediate parent of PT SEGSS is SEG-SD B.V with 95% ownership.

On 21 June 2018, the Ministry of Energy and Mineral Resources approved PSPE of South Suoh Sekincau. In relation with these PSPE PT SEGSS is required to perform at least 1 (one) drilling for an exploration well within the period (i.e; 3 years) in South Suoh Sekincau. If exploration and appraisal drilling is successful in confirming geothermal potential, and Star Energy obtains the necessary financing and government approvals for development as well as an attractive tariff rate under the ESC with PLN, Star Energy would expect to commence development activities.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as adopted by the EU and part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements have been prepared on the accrual basis, except for the consolidated statement of cash flow, and using the historical cost concept of accounting except as disclosed in the accounting policies below.

The consolidated statement of cash flows has been prepared using the indirect method, presents cash receipts and payments classified into operating, investing and financing activities.

The presentation currency used in the preparation of the consolidated financial statements is the United States Dollars ("USD" or "US$") and all values in the tables are rounded to the nearest thousand ("US$'000") except when otherwise indicated.

2.2 Changes in accounting policies and disclosures

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except in the current financial year, the Group applied IFRS 16 for the first time starting January 1, 2019. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

- IFRS 16 *Leases*

  IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

  Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Group is the lessor.

  The Group adopted IFRS 16 using the modified retrospective method of adoption, with the date of initial application of 1 January 2019. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

(Expressed in thousands of United States Dollar, unless otherwise stated)

2. Summary of significant accounting policies (continued)

2.2. **Changes in accounting policies and disclosures (continued)**

New and amended standards and interpretations (continued)

- IFRS 16 *Leases (continued)*

The effect of adoption IFRS 16 as of January 1, 2019 is as follows:

	US$'000
Assets	
Right-of-use assets	6,268
Liabilities	
Lease liabilities	(6,268)

The Group has lease contracts for buildings and vehicles. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

Leases previously accounted for as operating leases

The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:
- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

Based on the above, as of January 1, 2019:

- Right-of-use assets of US$6,268 were recognized and presented separately in the statement of financial position.
- Additional lease liabilities of US$6,268 were recognized.

(Expressed in thousands of United States Dollar, unless otherwise stated)

2. Summary of significant accounting policies (continued)

2.2. Changes in accounting policies and disclosures (continued)

New and amended standards and interpretations (continued)

- IFRS 16 *Leases (continued)*

  The lease liabilities as of January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018 as follows:

	US$'000
Operating lease commitments as of December 31, 2018	**10,333**
Weighted average incremental borrowing rate as of January 1, 2019	14%
Discounted operating lease commitments of January 1, 2019	**9,603**
Less:	
Commitments relating to short-term leases	(3,188)
Commitments relating to leases of low-value assets	(147)
Lease liabilities as of January 1, 2019	**6,268**

- IFRIC Interpretation 23 *Uncertainty over Income Tax Treatment*

  The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The Interpretation specifically addresses the following:
  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

  The Group applies significant judgement in identifying uncertainties over income tax treatments.

  Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to outstanding government audit findings (Note 25). The Group determined, based on its assessment and the latest dispute position that there have been prominent errors on the latest cassation decision as it is not in accordance with the updated prevailing laws. As such, the Group evaluated IFRIC 23 and determined that the adoption of IFRIC 23 did not have a significant impact on the Group's financial statements.

2. Summary of significant accounting policies (continued)

2.2. **Changes in accounting policies and disclosures (continued)**

New and amended standards and interpretations (continued)

- Amendments to IFRS 9 *Prepayment Features with Negative Compensation*

  Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

  The amendments had no impact on the Group's financial statements.

- Amendments to IAS 28 *Long-term interests in associates and joint ventures*

  The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 *Investments in Associates and Joint Ventures*.

  The amendments had no impact on the Group's financial statements.

- Annual Improvements to IFRS Standards 2015 - 2017 Cycle

  - IAS 12 *Income Taxes* - The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

    Since the Group's current practice is in line with these amendments, they had no impact on the Group's financial statements.

2. Summary of significant accounting policies (continued)

2.2. **Changes in accounting policies and disclosures (continued)**

New and amended standards and interpretations (continued)

- Annual Improvements to IFRS Standards 2015 - 2017 Cycle (continued)

    - IAS 23 *Borrowing Costs* - The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

      Since the Group's current practice is in line with these amendments, they had no impact on the Group's financial statements.

- Amendments to IAS 19 *Plan Amendment, Curtailment or Settlement*

  The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to re-measure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.

  Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to re-measure that net defined benefit liability (asset).

  These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

2. Summary of significant accounting policies (continued)

2.3 *Standards issued but not yet effective*

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

Description	*Effective for annual periods beginning on or after*
Amendments to IFRS 9	January 1, 2020
IFRS 17 *Insurance Contract*	January 1, 2021
Amendments to IFRS 3: Definition of a Business	January 1, 2020
Amendments to IAS 1 and IAS 8: Definition of Material	January 1, 2020

The directors expect that the adoption of the other standards and interpretations above will have no material impact on the consolidated financial statements in the period of initial application.

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

The consolidated financial statements comprise of the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company consistent accounting policies are applied to transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

Non-controlling interest represents the portion of profit or loss and net assets of subsidiaries not attributable, directly or indirectly, to the Company, which are presented in profit or loss and under the equity section in the consolidated statements of financial position, respectively, separately from the corresponding portion attributable to the equity holders of the parent entity.

2. Summary of significant accounting policies (continued)

2.4 Basis of consolidation and business combinations (continued)

(a) Basis of consolidation (continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group losses control over a subsidiary, it;

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss;
- Re-classifies the Group's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

(b) Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognized as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognized in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognized on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another IFRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognized as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Where goodwill forms part of a Cash-Generating Units ("CGU") and part of the operation within that CGU is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the CGU retained.

2. Summary of significant accounting policies (continued)

2.5 Transactions with non-controlling interests

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

2.6 Foreign currency

The consolidated financial statements are presented in United States Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognized in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognized initially in other comprehensive income ("OCI") and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into USD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognized in profit or loss.

In the case of partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognized in profit or loss. For partial disposals of associates or jointly operation that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2. Summary of significant accounting policies (continued)

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, and for qualifying assets (where applicable), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

The cost of an item of property, plant and equipment is recognized as an asset if and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Useful lives
Land rights and lease improvements	30 years
Property	43 years
Buildings and infrastructure	4 - 20 years
Machinery, telecommunication and automotive equipment	4 - 5 years
Furniture and fixtures	5 years

The balance of "producing wells and well facilities" are depreciated over the remaining life of the working interest using the units-of-production ("UoP") method from the date of the commencement of commercial operations. The depreciation is based on estimated reserves. Depreciation of production facilities and well costs are calculated using the unit of production method based on tons of steam produced over the estimated tons of steam to be produced over the Salak and Darajat generation terms. Assets under construction are not depreciated until such time as the relevant assets are completed and production commences. When the assets concerned are brought into use, the costs are transferred to the appropriate classification and depreciated in accordance with the stated policy.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognized.

For any commenced the development of unproved properties relating to geothermal resources, the developed amount of unproved properties will then be reclassified into proved properties and will start to be depreciated upon the completion of the development.

2. Summary of significant accounting policies (continued)

2.8 Geothermal exploration and evaluation expenditures

Geothermal exploration and evaluation expenditure in respect of each area of interest are accounted for using the successful efforts method of accounting. The successful efforts method requires all exploration and evaluation expenditures to be capitalized as intangible exploration and evaluation expenditure. If the result was not succesful, all of the capitalise asset will be charges to profit and loss.

Pre-license costs

Pre-license costs are expensed in the period in which they are incurred.

Exploration and evaluation costs

Exploration and evaluation activity involves the search for geothermal energy resources, the determination of technical feasibility and the assessment of the commercial viability of an identified resource.

Once the legal right to explore has been acquired, cost directly associated with an exploration well are capitalized as exploration and evaluation intangible assets until the drilling of the well is completed and the results have been evaluated. These costs include directly attributable employee remuneration, materials and fuel used, rig costs and payments made to contractors.

If no potentially commercial geothermal energy is discovered, the exploration asset is written off as a dry hole. If extractable geothermal energy is found and, subject to further appraisal activity (e.g., the drilling of additional wells), are likely to be capable of being commercially developed, the costs continue to be carried as an intangible asset while sufficient/continued progress is made in assessing the commerciality of the geothermal energy. Costs directly associated with the appraisal activity undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of geothermal energy, including the costs of appraisal wells where geothermal energy was not found, are initially capitalized as an intangible asset.

All such capitalized costs are subject to technical, commercial and management review as well as review for indicators of impairment at least once a year. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off to profit or loss.

2. Summary of significant accounting policies (continued)

2.8 Geothermal exploration and evaluation expenditures (continued)

Exploration and evaluation costs (continued)

When proved reserves of steams are identified and development is sanctioned by management, the relevant /capitalized expenditure is first assessed for impairment and (if required) any impairment loss is recognized, then the remaining balance is transferred to constructions in progress (Note 2.9). Other than license costs, no amortization is charged during the exploration and evaluation phase.

2.9 Construction in progress

The accumulated costs of constructing wells and power generating expansion project are capitalized as construction in progress. These costs are initially classified in construction in progress and will be reclassified to property, plant, and equipment and deferred charges when the construction or installation is completed and the asset is ready for its intended use. Depreciation is not charged on costs carried forward in respect of assets in development stage until production commences.

Borrowings to finance the construction of long-lived assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

2.10 Unproved properties

Unproved properties represent the fair value of the unproved geothermal interest acquired.

Unproved properties are recognized separately as intangible assets (Note 2.11), tested at least annually for impairment and carried at cost less any accumulated impairment losses.

2.11 Intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following the initial acquisition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortized over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recognized in profit or loss.

2. Summary of significant accounting policies (continued)

2.11 Intangible assets (continued)

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the CGU level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGU that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The CGU to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that CGU may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognized in profit or loss. Impairment losses recognized for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a CGU and part of the operation within that CGU is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the CGU retained.

Software

Costs to acquire and prepare software for use are recorded as intangible assets and amortized on a straight line basis over its finite useful life of five years.

Bonuses

Bonuses represent payment of signature bonus after received approval of the JOC and payment of production bonus after the date of commercial production. This amount will be amortised until the end of JoC contract.

2.12 Impairment of non-financial assets

(a) Assets (excluding Goodwill)

The Group assesses at the end of each reporting period whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognized in profit or loss.

2. Summary of significant accounting policies (continued)

2.12 Impairment of non-financial assets (continued)

(a) Assets (excluding Goodwill) (continued)

For assets excluding goodwill, an assessment is made at the end of each reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized previously.

(b) Goodwill

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

2.13 Joint arrangement

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement. To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

The Group recognizes in relation to its interest in a joint operation,

(i) its assets, including its share of any assets held jointly;
(ii) its liabilities, including its share of any liabilities incurred jointly;
(iii) its revenue from the sale of its share of the output arising from the joint operation;
(iv) its share of the revenue from the sale of the output by the joint operation; and
(v) its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to interest in a joint operation in accordance with the accounting policies applicable to the particular assets, liabilities, revenues and expenses.

2. Summary of significant accounting policies (continued)

2.14 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(a) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through OCI, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial assets; contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash on hand and in banks, restricted cash, trade and other receivables excluding Value Added Tax ("VAT") receivable and due from the parent company.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified into four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with the recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss ("FVTPL")

2. Summary of significant accounting policies (continued)

2.14 **Financial instruments (continued)**

(a) **Financial assets (continued)**

Subsequent measurement (continued)

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at fair value through profit or loss include financial assets held for trading, Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

The Group has not designated any financial assets upon initial recognition at fair value through profit or loss.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for a separative derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately.

Financial assets at amortized cost (debt instruments)

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified under this category. The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

2. Summary of significant accounting policies (continued)

2.14 Financial instruments (continued)

(a) Financial assets (continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control over the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, The Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets at amortized cost

The Group recognizes an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cashflows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral heldor other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECLs).

For trade receivables and lease receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2. Summary of significant accounting policies (continued)

2.14 **Financial instruments (continued)**

(b) **Financial liabilities**

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, financial liabilities at amortized cost or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of financial liabilities at amortized cost, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, accrued expenses, lease liabilities and borrowings which are classified as financial liabilities at amortized cost.

Subsequent measurement

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognized in profit or loss.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

Financial liabilities at amortized cost

After initial recognition, financial liabilities that are not carried at FVTPL are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized, and through the amortization process.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

2. Summary of significant accounting policies (continued)

2.14 Financial instruments (continued)

(c) **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

(d) **Fair value of financial instruments**

The fair value of financial instruments that are actively traded in active markets is determined by reference to quoted market bid prices at the close of business at the end of the reporting period. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's-length market transaction, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, or other valuation models.

2.15 Deferred financing cost

Costs incurred to obtain financing are deferred and amortized using the effective interest method over the term of the related financing agreements. The unamortized amount of deferred financing cost is presented as deduction to related borrowings. Periodic commitment fees incurred subsequent to obtain financing are expensed as incurred.

2.16 Derivative financial instruments and hedge accounting

The Group entered into interest rate swaps transactions to hedge its interest rate risks. Such derivative financial instruments are initially recognized at fair value on the date on which derivative contracts are entered into and are subsequently measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

At the inception date of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements. A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument
- The effect of credit risk does not dominate the value changes that result from that economic relationship

2. Summary of significant accounting policies (continued)

2.16 Derivative financial instruments and hedge accounting (continued)

The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge the quantity of the hedged item.

Cash flow hedge - interest rate swaps

The Group has entered into interest rate swap transactions that are cash flow hedges for the Group's exposure to interest rate risk on its borrowings. These contracts entitle the Group to receive interest at floating rates on notional principal amounts and oblige the Group to pay interest at fixed rates on the same notional principal amounts, thus allowing the Group to raise borrowings at floating rates and swap them into fixed rates.

The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge. The fair value changes on the ineffective portion of interest rate swaps are recognized immediately in profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group designate all of the interest rate swap transactions as a hedging instrument.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

2.17 Restricted cash

Cash in the bank which is restricted for use as stipulated under the terms of a loan agreement is presented as "Restricted Cash".

2.18 Inventories, spare parts and supplies

Casings and other drilling related items as well as capital spares, are stated at cost and recognized as spare parts and supplies as part of non-current assets in the consolidated statement of financial position.

Under the terms of the Salak JOC, inventory becomes the property of the host government upon landing in the country. Whereas under the terms of the Darajat JOC, all materials and equipment purchased under the contract become the property of Pertamina Geothermal (on behalf of the GOI) when they are incorporated into the Field Facilities for materials and equipment used in connection with Field Facilities; and upon the expiration of the contract term for materials and equipment used in connection with Electricity Generation Facilities. As the Group has paid for and has the right to use these assets and/or recover the costs, these balances have been reflected as assets in the consolidated statement of financial position in accordance with the Group's respective working interest in the JOC.

Inventories comprise of materials and supplies including plant spares, consumables, casings and maintenance and drilling tools used for ongoing operations.

2. Summary of significant accounting policies (continued)

2.18 Inventories, spare parts and supplies (continued)

Inventories such as chemicals and other consumable materials, which is expected to be used within one year from the date of acquisition, are valued at the lower of cost or net realisation value and presented as part of inventories. Cost is determined using the weighted-average method. Cost consists of all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Spare parts and supplies

Spare parts and supplies consist of items which is expected to be used more than one year from the date of acquisition, are valued at the lower of cost or net realisation value and presented as non-current assets. Spare parts and supplies are presented as non-current asset. This items are accounted based on same accounting treatment as property, plant and equipment (Note 2.7).

Management assessing the condition of the inventories and spareparts and equipment at the end of each period and makes the necessary write-down.

2.19 Provisions

General

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

2.20 Employee compensation

(a) Wages, salaries and annual leave

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within twelve months from the end of reporting period represent present obligations resulting from employees' service provided to the end of the reporting period, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at the end of the reporting period including related add on-costs.

2. Summary of significant accounting policies (continued)

2.20 Employee compensation (continued)

(b) Long-term service benefits

Employee entitlements to service and compensation payments are recognized when they accrue to the employees. A provision is made for the estimated liability as a result of past services rendered by employees up to the end of the reporting period and is calculated based on the Group's policy or a minimum amount of employee entitlements in accordance with Indonesia Labour Law No. 13/2003, whichever is higher.

The defined benefits obligation is annually calculated by independent actuaries using the projected unit credit actuarial valuation 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 benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. The interest rates of government bonds are used for employees working in Indonesia.

For defined benefit plans, all actuarial gains and losses are recognized in OCI as part of remeasurement and unvested past service costs are recognized immediately in profit or loss when incurred. For long-term service benefits, the Group recognized the net total of the amounts in profit or loss.

Past service costs are recognized in profit or loss on the earlier of:
- The date of the plan amendment or curtailment, and
- The date that the Group recognizes restructuring related costs.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as an expense in profit or loss.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

2. Summary of significant accounting policies (continued)

2.20 **Employee compensation (continued)**

(b) **Long-term service benefits (continued)**

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are recognized in retained earnings within equity and are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. The fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

2.21 **Leases**

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(a) **As lessee**

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

• Buildings	2.0 years
• Vehicles	3.0 years
• Heavy equipment	2.6 years
• IT equipment	4.0 years

2. Summary of significant accounting policies (continued)

2.21 Leases (continued)

(a) As lessee (continued)

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below US$5,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

(b) As lessor

At the inception of long-term power sales arrangements, the Company determines whether such an arrangement is or contains a lease.

Leases where the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as lease revenue. The accounting policy for lease revenue is set out in Note 2.22. Contingent rents are recognized as revenue in the period in which they are earned.

Leases where the Group transfer to counterparties substantially all the risks and rewards of ownership of assets but not necessarily legal title, are classified as finance leases. When the Group is a lessor under finance leases the amounts due

2. Summary of significant accounting policies (continued)

2.21 **Leases (continued)**

(b) **As lessor (continued)**

under the leases, after deduction of unearned finance income, are included in lease receivable (in the statement of financial position). The finance income is recognized in finance income (in the statement of profit or loss) over the periods of the leases so as to give a constant rate of return on the new investment in the leases.

Under the terms of the Salak and Darajat JOCs and ESCs, the Group, on behalf of PGE, built and operates the power plants, and delivers all power (other than auxiliary power) generated by the power plants to PLN. At the end of the contract term, the Company will transfer its power plants to PGE which, in turn, should transfer it to PLN therefore The Group recorded Finance lease for power plant.

As a finance lessor, the Group recognises a finance lease receivable for the unit owned by Star Energy (Salak Unit 4-6 and Darajat Unit 2-3) in the statement of financial position at an amount equal to the net investment value of the lease, which is the aggregate amount of: (i) the minimum lease payments under the finance lease; plus (ii) the unguaranteed residual values of the power plants; which are then discounted at the interest rate implicit in the lease.

The minimum lease payments represent the total guaranteed amounts that will be paid by PLN to compensate the capital cost recovery of the power plants throughout the contract period, irrespective of the extent of use. Under the ESC, the Group receives only one consideration for its services, i.e. one blended electricity rate to compensate all types of services provided by the Group to generate geothermal energy-based electricity. Thus, the Group uses the residual value method to split the consideration received from PLN into two different activities: (i) financing activities to repay the principal and interest of the finance lease receivable; and (ii) revenues for operating and maintenance activities that are recognized as the Group delievers electricity.

Management estimated the net present value of the finance lease receivable at an amount not to exceed the capital costs spent to construct and develop the power plants. The implicit interest rate is the discount rate that causes the aggregate present value of minimum guaranteed payments to be equal to the carrying value of the finance lease receivable at the initial application date.

The finance lease receivable is classified into current and non-current portions based on the expected collection periods. Amounts that are expected to be collected in one year or less are classified as part of current assets; otherwise, they are presented as non-current assets.

2.22 **Revenue**

<u>Revenue from contracts with customers</u>

The Group operates geothermal energy resource areas on the island of Java in Indonesia and all of the Group’s electricity and steam production is sold to PLN up to the end of ESC. Management determined that the Group’s contracts with PLN contain a lease and should be accounted for as a finance lease (Note 2.21). As such, revenue from contracts with PLN is allocated between electricity revenue and lease revenue based on the relative stand alone selling price of each revenue components.

2. Summary of significant accounting policies (continued)

2.22 **Revenue (continued)**

Revenue from contracts with customers (continued)

Electricity revenue represents the portion of revenue that recovers the operation and maintenance of the power plants owned by Star Energy (Salak Unit 4-6 and Darajat Unit 2-3) while finance lease income represent the portion of revenue that recovers the investment in the power plants owned by Star Energy (Salak Unit 4-6 and Darajat Unit 2-3). Electricity revenue and steam revenue are to be recognized in accordance with IFRS 15 Revenue from Contracts with Customers, while finance lease income is to be recognized in accordance with IFRS 16 Leases. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer. The Group used a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group considers whether there are other promises in the contract that are separate performance obligation to which a portion of the transaction price needs to be allocated. In determining the transaction price for the electricity revenue, the Group considers the effect of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to PLN.

The Group evaluated SEGSL's and SEGSPL's off-take agreements (ESC) and determined that the consideration received for receivable from PLN which is based on invoiced amount contains an additional performance obligation (a set off mechanism) whereby if SEGSL and SEGSPL subsequently deliver to PLN the quantities of electricity and geothermal energy that PLN previously were not able to accept, the consideration previously received for receivable from PLN will be utilized towards payment for such quantities of electricity or geothermal energy deliver by SEGSL and SEGSPL (Note 2.28 and 26).

The Group also evaluated Darajat contractor group's off-take agreements (ESC), and determined that the contracts do not have variable considerations such as rights of return and volume rebates, and have no significant financing component, non-cash consideration and consideration payable to customers. The disclosures of significant accounting judgments, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3(b).

(a) **Electricity revenue**

Electricity revenue is recognized at the point in time when the control of the electrical output is transferred to PLN which is upon delivery. Quantities delivered are determined through electrical measurement meters at the delivery point. The normal credit term is 60 days upon issuance of the invoice by the Group to PLN.

(b) **Steam revenue**

Steam revenue is recognized at the point in time when control of the steam output is transferred to PLN which is upon delivery. Quantities delivered are determined through electrical measurement meters at the point of interface (for steam) with PLN or SEGDL and SEGSL (the "delivery point"). Geothermal energy sales are recorded on the basis of prices determined by certain formulas in accordance with the ESC (Note 1.2).

2. Summary of significant accounting policies (continued)

2.22 Revenue (continued)

<u>Finance lease income</u>

Revenues are recognized for all the services provided by the Group under the build, own, operate and transfer arrangement for Salak and Darajat geothermal operations, which include revenues for the construction of the power plants (through the recognition of a finance lease receivable).

The Group allocates the consideration that it receives for each kWh of electricity delivered to PLN into: repayments of principal and interest of the finance lease receivable; and revenues for the production of electricity, operation and maintenance of the power plants presented as electricity revenue in profit or loss. The Group uses the residual value method to allocate the total consideration received from PLN between revenues for the financing, operating and maintenance activities. Finance income is recognized based on a pattern reflecting a constant periodic rate of return on the Group's outstanding finance lease receivable balance.

Financial lease income is recognized in accordance with IFRS 16 *Leases.*

2.23 Taxes

(a) **Current income tax**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognized in profit or loss except to the extent that the tax relates to items recognized outside profit or loss, either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

IFRIC 23 was adopted and that there was no impact for the Group. Judgment is required in determining the deductibility of certain expenses during the estimation of the provision for income taxes.

(b) **Deferred tax**

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. Summary of significant accounting policies (continued)

2.23 **Taxes (continued)**

(b) **Deferred tax (continued)**

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on the acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.24 **Share capital and share issuance expenses**

Proceeds from issuance of ordinary shares are recognized as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2. Summary of significant accounting policies (continued)

2.25 Joint Operation Contract ("JOC")

The primary differences between JOC accounting and IFRS are as follows:

Accounting policy	JOC basis of accounting*)	IFRS
Electrical revenue	Revenue recognized based on electrical output delivered to PLN	Uses the residual value method to split the consideration received from PLN into two different activities: (i) financing activities to repay the principal and interest of the finance lease receivable; and (ii) revenues for operating and maintenance activities that are recognized as the Company delivers electricity.
Amortization of capital costs	Accelerated depreciation (declining balance) using a full year's depreciation in the year of acquisition	Various depreciation methods (including units of production method) using a fraction of a year's depreciation in the year of acquisition
Obsolete stores or idle facilities	Written-off only when approved by PGE	Expensed when identified
Contingent liabilities	Recognized when settled or approved by PGE	Disclosed in the financial statements and recognized when meeting certain criteria in International Accounting Standards ("IAS") 37
Deferred taxes	Not provided	Liability method
Intangible exploration and development costs - successful wells	Expensed	Capitalized
Development dry holes	Expensed	initially capitalized then expenses if not successful
Abandonment obligation	Abandonment obligation	Recognized as a liability where there is a legal obligation
Asset impairment	No write-off until proposal for abandonment approved by PGE for any impaired or abandoned assets	Write-off excess cost when impairment identified
Derivative	Not applicable	Recognized at fair value
Overhaul/major maintanance	Expensed	Capitalized
Leases	Expensed	Capitalize based on the present value of the remaining lease payment, discounted using the incremental borrowing rate at the date of initial application

*) JOC Accounting principle are used to calculate income tax expense.

2. Summary of significant accounting policies (continued)

2.26 Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

- (i) Has control or joint control over the Company;
- (ii) Has significant influence over the Company; or
- (iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

- (i) The entity and the Company 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 Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
- (vi) The entity is controlled or jointly controlled by a person identified in (a); and
- (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).
- (viii) The entity, or any member of the group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

2.27 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognized because:

- (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognized in the consolidated statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2. Summary of significant accounting policies (continued)

2.28 Deferred charges

Under the ESC, the Contractor Group is required to maintain the power plant facilities, including performing scheduled part replacement and overhaul activities. Expenditures related to part replacement and overhaul of the Power Plants that are considered to provide benefits in future periods are recorded as deferred charges and are amortised during the periods benefited using the straight-line method. Deferred charges relate to "cost to fulfil a contract" in accordance with IFRS 15 and relates to the performance obligation to provide overhaul and maintenance of the power plant.

Main parts and supporting parts will be amortized over the estimated useful lives of 10 years and 5 years, respectively. Deferred charges are tested for impairment in accordance with the policy described in Note 2.12.

2.29 PLN Make-up account balances

PLN Make-up Account balances represents the cumulative amount by which the electricity and/or steam paid by PLN to the Contractors based on the take-or pay mechanism in the Salak ESC exceeds the amount of steam and/or electricity actually accepted by PLN minus electricity and/or steam delivered by SEGSL and SEGSPL in pursuant to the take-or-pay amount. In accordance with IFRS 15, if PLN pays consideration before SEGSL and SEGSPL transfers electricity and steam to the customer, PLN make-up account balances is recognized when the payment is made or the payment is due (whichever is earlier). When the Contractors delivers steam and/or electricity which reduces the balance of PLN make-up account in accordance with the ESC, then such delivery shall be recognized as revenue under IFRS 15.

Upon termination of Salak JOC, SEGSL's and SEGSPL's rights and obligations (i.e; including Make-up account balances to PLN), as a party to the ESC, in its role as Contractor to PGE for the delivery of geothermal energy or electricity to PLN shall terminate and PGE shall assume all the rights and obligations of SEGSL and SEGSPL pursuant to this ESC upon the date of such termination.

3. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the end of each reporting period, and the reported amounts of revenues and expenses during the reporting period. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

In particular, the Group has identified the following areas where significant judgments, estimates and assumptions are required, and where if actual results were to differ, may materiality affect the financial position or financial results reported in future periods. Further information on each of these and how they impact the various accounting policies are described in the relevant notes to the consolidated financial statements.

3. Significant accounting judgments, estimates and assumptions (continued)

Judgment

(a) Contractual arrangement assessment

Management exercises its judgment in determining whether the contractual arrangement with PLN fall within the scope of IFRIC 12 Service Concession Arrangements. Based on management evaluation of the terms of the arrangement, it determined that the arrangement is not within the scope of service concession arrangements on the basis that PLN does not control-through ownership, beneficial entitlement or otherwise-any significant residual interest in the infrastructure at the end of the term of the arrangements.

Further, management also exercises its judgment in determining whether the arrangement contains a lease and the classification of a lease. Based on such evaluation, management determined that the arrangement contains a lease as the fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset) and the arrangement conveys a right to use the asset.

Management classifies it as finance lease (lessor) based on management's evaluation that the arrangement does transfer substantially all the risks and rewards incidental to ownership.

(b) Revenue from contracts with customers

The Group applied the following judgments that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Identifying performance obligations in the Group's contract with customers and determining the transaction price and the amount to be allocated to the performance obligation

As discussed in Note 2.22, the contracts with PLN contain a lease and should be accounted for as finance lease in accordance with IFRS 16 Leases. However, the electricity tariff as stipulated in the contract with PLN is not allocated between the payment consideration to cover for the use of the electricity generating facility by PLN and the payment consideration for the electrical output delivered to PLN. Therefore, management allocated the revenue from a contract with PLN between electricity revenue, finance lease income and lease revenue based on the relative stand alone selling price of each revenue components. Management concluded that the reasonable representation of the value of the electricity revenue is based on the expected cost to operate the power generating facilities to generate electricity plus a profit margin presumably, including the expected maintenance cost of the power generating facilities. These costs are the primarily associated costs in generating electricity, while the residual value of the revenue is considered to be finance lease income to be recognized by the Group representing the payment by PLN to the Group for the use of the power generating facilities. Steam revenue are recorded on the basis of prices determined by certain formulas in accordance with the ESC

Determining the timing of satisfaction of performance obligation

Management concluded that electricity and steam revenue are to be recognized at a point in time when the electrical steam and output are delivered to PLN, because upon delivery, PLN obtains control over the electrical and steam output, has the ability to direct the use of the electrical and steam output, and obtain substantially all the benefits from the electrical and steam output.

3. Significant accounting judgments, estimates and assumptions (continued)

Judgment (continued)

(c) Finance lease receivable

Finance lease receivable balance of SEGSPL and SEGDL is equal to the minimum lease payments plus any unguaranteed residual value accruing to the lessor discounted at the interest rate implicit in the lease. Minimum lease payments of the lease are the payments over the JOC and ESC terms that PLN is required to make, excluding contingent escalation in prices (for example, inflation adjustments), costs for production of electricity, operation and maintenance services and taxes. In essence, the minimum lease payments represent the compensation for costs of capital invested by SEGSPL and SEGDL to construct and develop the Power Plant only. Under the ESC, however, SEGSPL and SEGDL receives one consideration for all of its services.

(d) Taxes

Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax provisions already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates.

The amount of such provisions is based on various factors, such as the experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group entity's domicile.

Judgment is required in determining the deductibility of certain expenses during the estimation of the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. IFRIC 23 was adopted and that there was no impact for the Group.

The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of income tax payable and deferred tax liabilities are disclosed in Note 8 to the financial statements.

All unused tax losses are recognized as deferred tax assets to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Judgment is required to determine the number of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

3. Significant accounting judgments, estimates and assumptions (continued)

Judgment (continued)

(e) Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of three to five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Estimates and assumptions

(f) Units of production depreciation of geothermal assets and field facilities

Field facilities included in property, plant and equipment are depreciated using the UoP method over the estimated tons of steam to be produced over the generation term. This results in a depreciation/amortization charge proportional to the depletion of the anticipated remaining production from the field.

Each items' life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the field at which the asset is the location. These calculations require the use of estimates and assumptions, including the number of recoverable reserves and estimates of future capital expenditure. The calculation of the UoP rate of depreciation could be impacted to the extent that actual production in the future is different from current forecast production based on proved and probable reserves, or future capital expenditure estimates changes. Changes to proved developed and undeveloped reserves could arise due to changes in factors or assumptions used in estimating reserves, including the effect on proved developed and undeveloped reserves of differences between actual commodity prices and commodity price assumptions; or unforeseen operational issues.

Changes are accounted for prospectively.

(g) Recoverability of geothermal assets

The Group assesses each asset or CGU (excluding goodwill, which is assessed annually regardless of indicators) each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of fair value less costs of disposal and value in use. These assessments require the use of estimates and assumptions such as long-term electricity prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, exploration potential, reserves and operating performance (which includes production and sales volumes).

These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs.

3. Significant accounting judgments, estimates and assumptions (continued)

Estimates and assumptions (continued)

(g) Recoverability of geothermal assets (continued)

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. Management has assessed its CGUs as being an individual field, which is the lowest level for which cash inflows are largely independent of those of other assets. The Group has performed the annual assessment on impairment (note 11).

(h) Reserve estimates

Management determines the estimated useful lives and related depreciation charges for the Group's well-related facilities. Management uses the Group's geological reserves as the basis for depreciating its well related facilities. In order to estimate the reserves, assumptions are required about a range of geological, technical and economic factors, including contract periods, production quantities, production techniques, production costs.

Because the economic assumptions used to estimate reserves vary from period to period and because additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including the carrying values of the well-related facilities which may be affected due to changes in depreciation charges that were calculated on a UoP basis.

(i) Employee benefits

The cost of providing long-term employee benefits is determined using actuarial valuations. An actuarial valuation involves making various assumptions, which includes the determination of the discount rate, future salary increases, mortality rates, employee turn-over rate and disability rate. Due to the complexity of the valuation, the underlying assumptions and its long term nature, estimated liabilities for long-term employee benefits is highly sensitive to changes in these assumptions. All assumptions are reviewed at financial year-end.

3. Significant accounting judgments, estimates and assumptions (continued)

Estimates and assumptions (continued)

(i) Employee benefits (continued)

In determining the appropriate discount rate, management considers the market yields (at year end) on Indonesian rupiah government bonds with maturities corresponding to the expected duration of the obligation. The mortality rate is based on publicly available mortality tables. Future salary increases are based on the Group's long-term business plan which is also influenced by expected future inflation rates for the country.

While the Group believes that its assumptions are reasonable and appropriate, significant differences in the Group's actual experiences or significant changes in the Group's assumptions may materially affect its estimated liabilities for employee benefits and net employee benefits expense. The Group has performed sensitivity calculation for assumption used to calculate employee benefit (note 22).

(j) Goodwill Impairment

The impairment test is performed when certain impairment indicators are present. In case of goodwill, such asset is subject to annual impairment test and whenever there is an indication that such asset may be impaired; management uses its judgment in estimating the recoverable value and determining the amount of impairment. The Group has performed the annual assessment on impairment (note 11).

(k) Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgments and estimates of the outcome of future events.

(l) Estimating the incremental borrowing rate on lease liabilities

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

(m) Dismantlement, restoration and remediation cost

Under the terms of the JOC, management has been advised and believes that any future obligations for site restoration and remediation costs, including dismantling plants and abandoning properties are claimable to and/or will be borne by PERTAMINA or PGE. Accordingly, no provision in the financial statements has been recognized for the geothermal operations.

(Expressed in thousands of United States Dollar, unless otherwise stated)

4. Revenue from contracts with customer

Segments	**2019**	**2018**
Type of goods:		
Electricity	185,590	189,006
Steam	101,936	109,380
Total	**287,526**	**298,386**
Geographical:		
Salak Field, Sukabumi, West Java	179,778	185,473
Darajat Field, Garut, West Java	107,748	112,913
Total	**287,526**	**298,386**
Timing of revenue recognition:		
Goods and services transferred at a point of time	**287,526**	**298,386**

5. Employee compensation and benefits

	2019	**2018**
Wages and salaries	27,811	28,013
Pension cost (Note 22)	2,520	3,801
Catering and food	1,448	1,302
Training, business travels and others	2,138	2,953
Total	**33,917**	**36,069**

6. Finance costs

	2019	**2018**
Interest expenses:		
- Bank borrowings	60,013	62,515
Amortization of deferred financing cost (Note 24)	8,856	9,001
Accretion of interest on lease liabilities (Note 10)	531	-
	69,400	**71,516**

7. Consultants and technicians

	2019	**2018**
Technical service	13,086	13,507
Legal service	257	213
IT service	976	1,056
Audit service	124	130
Other service	1,760	1,127
	16,203	**16,033**

(Expressed in thousands of United States Dollar, unless otherwise stated)

8. Taxations

(a) Major components of taxes payable

	2019	2018
Corporate income tax	16,424	18,390
Value added tax payable	386	297
Other tax payable	572	717
	17,382	**19,404**

(b) Major components of income tax expense

The major components of income tax expense for the year ended December 31, 2019 and 2018 is as follows:

	2019	2018
Statement of profit or loss:		
Current income tax:		
- Current income tax charges	73,052	76,305
- Adjustment in respect of current income tax of previous year	579	-
	73,632	76,305
Deferred tax:		
- Origination and reversal of temporary differences and tax loss	6,316	5,707
Income tax expense recognized in profit or loss	**79,948**	**82,012**

(Expressed in thousands of United States Dollar, unless otherwise stated)

8. Taxations (continued)

(c) Relationship between tax expense and accounting profit/(loss)

A reconciliation between tax expense and the product of the accounting profit/(loss) multiplied by the applicable corporate tax rate for the year ended December 31, 2019 and 2018 is as follows:

	2019	**2018**
Accounting profit before tax	160,413	166,459
Tax at the domestic rates applicable to profits in the countries where the Group operates	54,540	56,596
Adjustments:		
Non-deductible expenses	25,408	25,416
Income tax expense recognized in profit or loss	**79,948**	**82,012**

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

The Group is subject to income tax on an entity basis based on the profit arising or derived from the tax jurisdiction in which the Group entities are domiciled and operate. The Group's main subsidiaries operate and earn income from JOCs in Indonesia. Under the relevant Indonesian Income Tax Law, the Group is subject to income tax at 34% of taxable income of the respective subsidiaries. The Company is a Netherlands tax resident and hence files a tax return with the Netherlands tax authorities. No current income tax expense/liability for Netherlands taxation has arisen as of December 31, 2019 and 2018.

Non-deductible expenses mainly comprise interest expenses from Bank loan (note 24) and other corporate costs incurred by entities holding interests in the JOCs.

(d) Deferred taxes

The movement of the deferred tax assets and liabilities (prior to the offsetting of balances within the same tax jurisdiction) during the reporting period is as follows:

(Expressed in thousands of United States Dollar, unless otherwise stated)

8. Taxations (continued)

d. Deferred taxes (continued)

	January 1, 2019	Effect of adoption IFRS 16	Credited/ (charged) to profit or loss	Credited to OCI	December 31, 2019
2019					
Deferred tax assets:					
Provision and others	1,064	-	945	312	2,321
Tax loss carry forward	2,723	-	(2,723)	-	-
PLN Make-up account balances	4,633	-	880	-	5,513
Lease liabilities	-	2,131	(812)	-	1,319
	8,420	2,131	(1,710)	312	9,153
Deferred tax liabilities:					
Difference in depreciation of Property, plant and equipment (note 9) for tax purposes	(73,565)	-	(9,469)	-	(83,034)
Finance lease receivable	(137,893)	-	1,825	-	(136,068)
Unproved properties	(406,718)	-		-	(406,718)
Deferred charges	(9,578)	-	1,955	-	(7,623)
Other items	(3,234)	-	177	-	(3,057)
Right-of-use assets	-	(2,131)	906	-	(1,225)
	(630,988)	(2,131)	(4,606)	-	(637,725)
Deferred tax liabilities, net	**(622,568)**		**(6,316)**	**312**	**(628,572)**
Deferred tax liabilities – non current	**(622,568)**	**-**	**-**	**-**	**(628,572)**

(Expressed in thousands of United States Dollar, unless otherwise stated)

8. Taxations (continued)

d. Deferred taxes (continued)

	January 1, 2018	Credited/ (charged) to profit or loss	Credited to OCI	December 31, 2018
2018				
Deferred tax assets:				
Provision and others	1,534	1,176	(1,646)	1,064
Tax loss carry forward	7,166	(4,443)	-	2,723
PLN Make-up account balances	5,425	(792)	-	4,633
	14,125	(4,059)	(1,646)	8,420
Deferred tax liabilities:				
Difference in depreciation				
Property, plant and equipment (note 9) for tax purposes	(72,891)	(674)	-	(73,565)
Finance lease receivable	(139,543)	1,650	-	(137,893)
Unproved properties	(406,718)	-	-	(406,718)
Deferred charges	(9,365)	(213)	-	(9,578)
Other items	(823)	(2,411)	-	(3,234)
	(629,340)	(1,648)	-	(630,988)
Deferred tax liabilities, net	**(615,215)**	**(5,707)**	**(1,646)**	**(622,568)**
Deferred tax liabilities – non current	**(615,215)**			**(622,568)**

8. Taxations (continued)

d. Deferred taxes (continued)

	2019	2018
Presented as:		
Deferred tax liabilities, net	**628,572**	**622,568**

e. **Others**

Administration

The JOC contractors submits its tax returns on the basis of self-assessment. In accordance with the latest amendments of the Indonesian general taxation and procedural law, which became effective on 1 January 2008, the Tax Office may assess or amend taxes within 5 years from the date the tax becomes payable.

(Expressed in thousands of United States Dollar, unless otherwise stated)

9. Property, plant and equipment

Group	Land rights and lease improvements	Property	Producing wells and well facilities	Machinery equipment	Buildings and infrastructure	Furniture and fixtures	Telecommu-nication equipment	Automotive equipment	Construction in progress	Total
Cost										
At December 31, 2018	263	8,233	253,878	1,934	33,159	386	3,276	10	39,671	340,810
Additions	-	-	790	-	-	-	-	-	39,639	40,429
Deduction	-	-	-	-	-	-	-	-	-	-
Transfer to deferred charges (Note 14)	-	-	-	-	-	-	-	-	(98)	(98)
Transfer	-	-	5,428	78	55	-	-	2	(5,653)	-
At December 31, 2019	263	8,233	260,096	2,012	33,214	386	3,276	12	73,649	381,141
Accumulated depreciation										
At December 31, 2018	70	607	21,264	1,380	4,716	217	1,274	7	-	29,535
Charge for the year	30	347	12,448	541	2,761	106	705	1	-	16,939
Deduction	-	-	-	-	-	-	-	-	-	-
At December 31, 2019	100	954	33,712	1,921	7,477	323	1,979	8	-	46,474
Net book value										
At December 31, 2019	**163**	**7,279**	**226,384**	**91**	**25,737**	**63**	**1,297**	**4**	**73,649**	**334,667**

(Expressed in thousands of United States Dollar, unless otherwise stated)

9. Property, plant and equipment (continued)

Group	Bonuses	Land rights and lease improvements	Property	Producing wells and well facilities	Machinery equipment	Buildings and infrastructure	Furniture and fixtures	Telecommu-nication equipment	Automotive equipment	Construction in progress	Total
Cost											
At December 31, 2017	3,736	263	8,233	232,905	1,846	28,339	386	3,375	10	53,691	332,784
Additions	-	-	-	190	-	615	-	-	-	17,660	18,465
Deduction	-	-	-	-	-	-	-	(99)	-	-	(99)
Transfer to deferred charges (Note 14)	-	-	-	-	-	-	-	-	-	(6,604)	(6,604)
Transfer	-	-	-	20,783	88	4,205	-	-	-	(25,076)	-
At December 31, 2018	3,736	263	8,233	253,878	1,934	33,159	386	3,276	10	39,671	344,546
Accumulated depreciation											
At December 31, 2017	214	40	260	8,815	819	2,163	104	567	3	-	12,985
Charge for the year	179	30	347	12,449	561	2,553	113	707	4	-	16,943
Deduction	-	-	-	-	-	-	-	-	-	-	-
At December 31, 2018	393	70	607	21,264	1,380	4,716	217	1,274	7	-	29,928
Net book value											
At December 31, 2018	**3,343**	**193**	**7,626**	**232,614**	**554**	**28,443**	**169**	**2,002**	**3**	**39,671**	**314,618**

Group	Bonuses	Land rights and lease improvements	Property	Producing wells and well facilities	Machinery equipment	Buildings and infrastructure	Furniture and fixtures	Telecommu-nication equipment	Automotive equipment	Construction in progress	Total
Cost											
At December 31, 2017	3,736	263	8,233	232,905	1,846	28,339	386	3,375	10	53,691	332,784
Additions	-	-	-	190	-	615	-	-	-	17,660	18,465
Deduction	-	-	-	-	-	-	-	(99)	-	-	(99)
Transfer to deferred charges (Note 14)	-	-	-	-	-	-	-	-	-	(6,604)	(6,604)
Transfer	-	-	-	20,783	88	4,205	-	-	-	(25,076)	-
At December 31, 2018	3,736	263	8,233	253,878	1,934	33,159	386	3,276	10	39,671	344,546

(Expressed in thousands of United States Dollar, unless otherwise stated)

Accumulated depreciation											
At December 31, 2017	214	40	260	8,815	819	2,163	104	567	3	-	12,985
Charge for the year	179	30	347	12,449	561	2,553	113	707	4	-	16,943
At December 31, 2018	393	70	607	21,264	1,380	4,716	217	1,274	7	-	29,928
Net book value											
At December 31, 2018	**3,343**	**193**	**7,626**	**232,614**	**554**	**28,443**	**169**	**2,002**	**3**	**39,671**	**314,618**

(Expressed in thousands of United States Dollar, unless otherwise stated)

9. Property, plant and equipments (continued)

Based on the review of the recoverable amount of the property, plant and equipment, the management believes that there are no events or changes in circumstances as of December 31, 2019 and 2018, that indicate any impairment on the Group's property, plant and equipment.

Construction in progress

This account mainly represents work in progress related with the construction of Proximal South East Injection Project in Salak and new wells drilling project in Darajat which relates to the development of the acquired unproven properties, which are presented as intangibles assets (Note 11).

10. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Set out below are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use assets					
	Buildings	IT Equipment	Vehicles	Heavy Equipment	Total	Lease liabilities
2019						
As of January 1	2,919	-	2,940	409	6,268	(6,268)
Additions	-	226	-	-	226	(226)
Depreciation expense	(1,460)	(23)	(1,256)	(153)	(2,892)	-
Accretion of interest	-	-	-	-	-	(531)
Payments *)						
- Principle	-	-	-	-	-	2,738
- Interest	-	-	-	-	-	531
Foreign currency exchange	-	-	-	-	-	(122)
As of December 31	1,459	203	1,684	256	3,602	(3,878)
Less: current maturities	-	-	-	-	-	3,088
Net of current maturities	1,459	203	1,684	256	3,602	790

*) After adoption of FRS116, the payment of principal and interest portion of lease liabilities represents the total rental payment to the lessor during the year.

The following are the amounts recognized in profit or loss:

	December 31, 2019
Depreciation expense of right-of-use of assets	2,892
Accretion of interest on lease liabilities	531
Expense relating to short-term leases (included in transportation and logistics)	453
Expense relating to leases of low-value assets (included in supplies and equipment)	13
Total amount recognized in profit or loss	3,889

(Expressed in thousands of United States Dollar, unless otherwise stated)

11. Intangible assets

Group	Bonuses	Unproved properties	Goodwill	Software	Total
Cost:					
At December 31, 2018 and January 1, 2019	-	1,196,231	485,814	3,108	1,685,153
Reclassed from Property, plant and equipments (Note 9)	3,736	-	-	-	3,736
At December 31, 2019	3,736	1,196,231	485,814	3,108	1,688,889
Accumulated amortization					
At December 31, 2018 and January 1, 2019	-	-	-	(888)	(888)
Reclassed from Property, plant and equipments (Note 9)	(393)	-	-	-	(393)
Charge for the year	(179)	-	-	(634)	(813)
At December 31, 2019	(572)	-	-	(1,522)	(2,094)
Net carrying amount:					
At December 31, 2018	**-**	**1,196,231**	**485,814**	**2,220**	**1,684,265**
At December 31, 2019	**3,164**	**1,196,231**	**485,814**	**1,586**	**1,686,795**

11. Intangible assets (continued)

Impairment tests for unproved properties

Unproved properties at December 31, 2019 and 2018 are allocated to the Darajat JOC and Salak JOC.

Under the provisions of IFRS 6 "Exploration for and Evaluation of Mineral Resources", exploration and evaluation assets, including the cost of acquiring interest in new exploration assets, continue to be capitalized pending the results of the exploration activities. Management is of the view that the unproved properties as of December 31, 2019 are not impaired based on the following factors:

(a) JOC period from which the Group has the right to explore has not expired and will not expire in the near future;

(b) Significant expenditure on further exploration for and evaluation of mineral resources in the specific area are budgeted in the future; and

(c) Management continues to perform exploration and evaluation activities in the specific areas.

Impairment tests

The Group performed the annual assessment on impairment for unproved properties, goodwill and property, plant and equipments in value at the end of reporting year. Management is of the opinion that there is no impairment indication for SEGS and SEGD for the years ended December 31, 2019 and 2018.

The main assumptions used in the assessment on impairment as of December 31, 2019 included discounted cash flows by using the estimated discount rate of 6.62% (post tax)/7.58% (pre tax) for SEGS and SEGD, respectively, and annual growth rate of 2% for SEGS and SEGD, respectively. The prices for electricity and steam used in the discounted cash flows are based on the contract with PLN. As a result of analysis, there is a headroom of US$90,618,000 - full amount for SEGS and US$171,811,000 - full amount for SEGD, respectively. The increase of 0.5% in discount rate will decrease the recoverable amount of geothermal assets by US$57,267,000 - full amount for SEGS and US$47,350,000 - full amount for SEGD, respectively.

The increase of 1% in inflation (one of the factors that affected Group's growth rate) will decrease the recoverable amount of geothermal assets by US$29,324,000 - full amount for SEGS and US$34,101,000 - full amount for SEGD, respectively.

Management is of the opinion that there was no reasonably possible change in any of the key assumptions stated above that would cause the carrying amount of the CGU to materially exceed its recoverable amount.

(Expressed in thousands of United States Dollar, unless otherwise stated)

12. Trade and other receivables

	2019	2018
Trade and other receivables (current):		
Trade receivables		
- external parties	67,456	64,219
Non-trade receivable		
- production bonus (Note 25)	1,150	5,775
- related parties (Note 31)	35	35
	68,641	**70,029**
Other receivables (non-current):		
Non-trade receivables		
- external parties	14,243	15,257
- prepayment related to government audit claims (Note 27)	10,949	11,527
Value added tax receivables	21,958	19,964
	47,150	**46,748**
Total trade and other receivables (current and non-current)	**115,791**	**116,777**
Add:		
Cash on hand and in banks (Note 18)	150	280
Restricted cash (Note 17)	105,167	121,112
Less: Value added tax receivables	(21,958)	(19,964)
Total loans and receivables	**199,150**	**218,205**

At the end of reporting dates, the Group are required to assess an allowance for expected credit losses ("ECLs") for all trade and other receivable. The Group has assessed and determined that the ECL amount are immaterial as of December 31, 2019.

Trade receivables

Trade receivables are non-interest bearing and are generally paid on 30 days terms. They are recognized at their original invoice amounts on initial recognition.

Non-trade receivables (current)

Non-trade receivables (current) from external parties mainly pertains to amounts which will be reimbursed by Directorate General of Budget ("DGB") related with Production Bonus totalling US$1,149,683 – full amount (or equal to IDR15,981,737,983 – full amount) and remaining amounts that are still unpaid as of December 31, 2019 totalling US$1,149,683 – full amount (or equivalent to IDR15,981,737,983 – full amount) (Note 25).

Non-trade receivables (non-current)

Non trade receivables from external parties are non-interest bearing and to be settled in cash. Repayments are not expected within the 12 months from the end of the reporting period.

Value-added tax ("VAT") receivables

VAT receivables represent amounts which will be reimbursed by the Government of Indonesia (the "Government") after the Group has commenced payments for the Government's share which is defined in the geothermal tax regulation as 34% of net operating income. The Government's share will be payable after the tax loss carry forward has been either utilized or expired. Based on the Decision Letter of Ministry of Finance No. 766/KMK-04/1992 ("KMK 766") and subsequently amended by No. 209/KMK.04/1998, the Group can request for VAT refund up to the amount paid for the Government's share.

(Expressed in thousands of United States Dollar, unless otherwise stated)

12. Trade and other receivables (continued)

Related party balances

Current non-trade receivables from related corporations are unsecured, non-interest bearing, have no specific repayment terms and are to be settled in cash. Repayments are expected within the 12 months from the end of the reporting period.

Foreign currencies

Trade and other receivables denominated in foreign currencies are as follows:

	2019	2018
Indonesian rupiah	29,191	34,368

At the reporting date, the Group does not have any receivables that are past due or impaired, or would otherwise be past due but not impaired.

13. Finance lease receivables

	2019	2018
Minimum finance lease receivables		
Not later than one year	48,552	48,552
Later than one year and not later than five years	194,210	194,210
Later than five years	772,613	821,165
Gross amount of finance lease receivables	1,015,375	1,063,927
(Less): Unearned finance income	(615,176)	(658,361)
Carrying amount of finance lease receivables	**400,199**	**405,566**
Present value of minimum finance lease receivables		
Not later than one year	5,937	5,367
Later than one year and not later than five years	30,813	27,831
Later than five years	363,449	372,368
Total	**400,199**	**405,566**
Of which:		
Current portion	5,937	5,367
Non-current portion	394,262	400,199
Total	**400,199**	**405,566**

At the end of reporting dates, the Group are required to assess an allowance for expected credit losses ("ECLs") for all receivable. The Group has assessed and determined that the ECL amount are immaterial as of December 31, 2019.

The finance lease receivables were recognized based on the terms of the JOC and ESC of Darajat and Salak, that falls within the scope of IFRS 16. The contracts convey an exclusive right to use the power plants which are built, owned and operated by the Group until the end of the contract maturity date. This finance lease receivable are related to Salak unit 4-6 and Darajat unit 2-3.

(Expressed in thousands of United States Dollar, unless otherwise stated)

14. Deferred charges

	2019	2018
Cost at beginning of the year	37,861	31,257
Transfers from construction in progress (Note 9)	98	6,604
Cost at end of year	37,959	37,861
Accumulated amortization at beginning of year	(9,156)	(3,696)
Amortisation for the year	(6,088)	(5,460)
Accumulated amortization at end of year	(15,244)	(9,156)
Net carrying amount	**22,715**	**28,705**

15. Inventories, sparepart and supplies

	2019	2018
Statement of financial position:		
Spareparts and supplies (Non-current)	10,616	10,057
Materials and supplies (Current)	14,772	14,345
Allowance for inventory obsolescence	(1,592)	(1,290)
Total	**23,796**	**23,112**
Statement of profit or loss:		
Cost of inventories recognized as an expense in "supplies and equipments"	7,710	9,184

Additions to spareparts and supplies amounted to US$559,000 – full amount and US$608,000 – full amount for the years ended 31 December 2019 and 2018 respectively.

Under the terms of the Salak JOC, inventory becomes the property of the host government upon landing in the country. As the Group has paid for and has the right to use these assets and/or recover the costs, these balances have been reflected as assets in the consolidated statement of financial position.

16. Other assets

	2019	2018
Prepayments	3,051	3,197
Deposits	-	1,764
Others	-	930
	3,051	**5,891**

(Expressed in thousands of United States Dollar, unless otherwise stated)

17. Restricted cash

As of December 31, 2019 and 2018, restricted cash comprises of balance in bank accounts maintained with MUFG Bank (Europe) N.V., Holland, DBS Bank - Indonesia and DBS Bank - Singapore related to Bank Loan (Note 24).

The restricted cash were mainly denominated in U.S. dollar .

As of December 31, 2019 and 2018, the carrying amount of restricted cash approximates its fair value.

18. Cash on hand and in banks

	2019	2018
Cash on hand and in banks	150	280

Cash in banks earn interest at floating rates based on daily bank deposit rates.

Cash on hand and in banks denominated in foreign currencies are as follows:

	2019	2018
Indonesian rupiah	136	269

As at December 31, 2019 and 2018, the carrying amounts of cash on hand and in banks approximate their fair values.

19. Share capital

	2019		2018	
	No. of shares '000	US$'000	No. of shares '000	US$'000
Issued and fully paid (par value US$1 each share):				
Star Energy Geothermal Holdings (Salak - Darajat) B.V	8	8	8	8
ACEHI Netherlands B.V.	2	2	2	2
Total	**10**	**10**	**10**	**10**

The holders of ordinary shares are entitled to receive dividend as and when declared by the Company. All ordinary shares carry one vote per share.

20. Additional paid-in capital

	2019	2018
Additional paid-in capital	**855,777**	**855,777**

Additional paid-in Capital represents Convertible Loan from Star Energy Geothermal Holdings (Salak - Darajat) B.V and ACEHI Netherlands B.V.that has been converted to share premium.

(Expressed in thousands of United States Dollar, unless otherwise stated)

21. Other reserves

	Premium paid on acquisition of non-controlling interest	Hedging reserve	Total
Balance at December 31, 2018	**(17,779)**	**6,954**	**(10,825)**
Effective portion of changes in fair value of cashflow hedge	-	(14,829)	(14,829)
Balance at December 31, 2019	**(17,779)**	**(7,875)**	**(25,654)**

Premium paid on acquisition of non-controlling interest relates to the acquisition of the 5% non-controlling interest in PT DGI subsidiary in Darajat Geothermal block in September 2017, and represents the difference between the amount paid and the carrying amount of the non-controlling interest.

22. Provision for long-term employee benefits

	2019	2018
Defined benefit obligations	28,573	24,244
Fair value of plan assets	(23,337)	(22,405)
Liability in the statement of financial position	**5,236**	**1,839**

The Group's subsidiaries recognized their share in recognizing the employee benefit liability and the related expenses.

The Group has defined a benefit pension plan covering substantially all employees. These defined benefit plans are primarily based on the employees' years of service and their compensation on or near their date of retirement or voluntary resignation.

(Expressed in thousands of United States Dollar, unless otherwise stated)

22. Provision for long-term employee benefits (continued)

Changes in the long–term employee benefits liability are as follows:

	2019	2018
At beginning of the year	1,839	3,218
Recognized in profit or loss :		
Current service cost	2,371	3,670
Net Interest expense	135	140
Actuarial loss/(gains)	14	(9)
Sub–total	2,520	3,801
Recognized in OCI :		
Actuarial loss/(gains) from changes in financial assumptions	1,683	(3,261)
Experience adjustments	(772)	(1,484)
Return on plan assets	7	(96)
Sub–total	918	(4,841)
Benefit paid	(173)	(110)
Change in foreign currency exchange rate	132	(229)
At end of the year	**5,236**	**1,839**

The changes in defined benefit obligation:

	2019	2018
Defined benefit obligation, beginning	24,244	27,917
Recognized in profit or loss :		
Current service cost	2,371	3,670
Interest cost	1,890	1,607
Actuarial loss/(gains)	14	(9)
Sub–total	4,275	5,268
Recognized in OCI :		
Changes in financial assumptions	1,683	(3,261)
Experience adjustments	(772)	(1,484)
Sub–total	911	(4,745)
Benefits paid	(1,922)	(2,387)
Change in foreign currency exchange rate	1,065	(1,809)
Defined benefit obligation, ending	**28,573**	**24,244**

(Expressed in thousands of United States Dollar, unless otherwise stated)

22. Provision for long-term employee benefits (continued)

The fair value of plan assets at the end of the reporting period are as follows:

	2019	2018
Fair value of plan assets, beginning	22,405	24,699
Recognized in profit or loss:		
Interest income	1,755	1,467
Recognized in OCI:		
Return on plan assets (excluding amounts included in net interest income)	(7)	96
Benefits paid	(1,749)	(2,277)
Change in foreign currency exchange rate	933	(1,580)
Net fair value of plan assets, ending	**23,337**	**22,405**

The major category of plan assets at the end of the reporting period are as follows:

	2019	2018
Money Market investment	**23,337**	**22,405**

The actual return in plan assets for 2019 and 2018 amounted to US$1,748,000 – full amount and US$1,563,000 - full amount, respectively. The plan assets are quoted in active markets (money market investments) in 2019 and 2018 amounted to US$23,337,000 – full amount and US$22,405,000 - full amount, respectively.

Long−term employee benefits liability are calculated every year by PT Padma Radya Aktuaria using the “Projected Unit Credit” method. The following are the assumptions used to calculate the employee benefits liability as per actuarial valuation report dated February 7, 2020:

Salary increment rate	5% p.a.
Discount rate	7.25% - 7.75% p.a.
Mortality rate	100% TMI 3
Disability rate	10% TMI 3
Resignation rate	10% p.a until age 25 then decrease linearly into 1% at age 40 then increase linearly into 3.5% at age 46 for SEGSL 2% p.a until age 25 then decrease linearly into 0.5% p.a at age 45 and 0.5% p.a flat from age 46 to 48 for SEGSD
Proportion of normal retirement	100%

(Expressed in thousands of United States Dollar, unless otherwise stated)

22. Provision for long-term employee benefits (continued)

The benefits expected to be paid in each of the next five years and the aggregate for five years thereafter are as follows:

	Amount
Within the next 12 months (next annual reporting period)	1,339
Between 2 and 5 years	9,396
Beyond 5 years	116,760
Total	**127,495**

The sensitivity analysis below has been determined based on the reasonably possible changes of each significant assumption on the defined benefit pension plan as at the end of the reporting period, assuming if all other assumptions were held constant:

		December 31, 2019	December 31, 2018
Discount rates	Base discount rate plus by 1%	(2,273)	(1,714)
	Base discount rate minus by 1%	2,532	1,902
Future Salary Increases	Base discount rate plus by 1%	2,628	1,973
	Base discount rate minus by 1%	(2,392)	(1,803)

The average duration of the defined benefit pension plan at the end of the reporting period ranges from 7.76 years to 12.15 years.

The defined benefit pension plan is managed by the Dana Pensiun Lembaga Keuangan ("DPLK") Bank Negara Indonesia ("BNI"). Funded balance of employee benefit as of December 31, 2019 and 2018 is US$23,337,000 – full amount (equivalent with IDR324,402,338,422 -full amount) and US$22,405,000 - full amount (equivalent with IDR324,433,795,023 – full amount), respectively.

Other than the defined benefit pension plan, the Group's subsidiaries have a defined contribution plan which is contributed by both employees and the Group's subsidiaries for a fixed contribution of 2% - 4% from the Group and a contribution of 2% from the employees. This program is managed by the Dana Pensiun Lembaga Keuangan ("DPLK") Manulife. For the year ended December 31, 2019 and 2018, the Group's contribution amounted to US$228,000 – full amount and US$230,000 – full amount, respectively, which is included as part of employees compensation and benefits' in the consolidated statement of profit or loss.

(Expressed in thousands of United States Dollar, unless otherwise stated)

23. Derivatives

	2019	2018
Asset		
Interest Rate Swap related to Borrowing		
(Liability)/Asset	(7,875)	6,954

SEGD-II and SEGSL entered into interest rate swap agreements with notional amount of US$250,000,000 – full amount and US$375,000,000 – full amount, respectively, with Bangkok Bank Public Company Limited ("Bangkok Bank"), Bank of China Ltd. ("BOC"), BPI Capital Corporation ("BPI"), DBS Bank Ltd. ("DBS"), RCBC Capital Corporation ("RCBC"), Sumitomo Mitsui Banking Corporation - Singapore Branch ("SMBC"), and MUFG Bank, Ltd. (previously the Bank of Tokyo-Mitsubishi UFJ, Ltd - "MUFG") to hedge the financial risk related to the interest rate movements on its borrowings as follows:

Type	Signed Date	Effective Date until Termination Date	Counterparties	Notional Amount (US$ - full amount)	Terms and Conditions
Interest Swap Agreements for first utilization of Bank Loan - SEGSL	April 26, 2017	March 30, 2017 - December 22, 2021	DBS Bank	27,814,330	SEGSL shall receive variable 3-month LIBOR and pay fixed (2.03%) with quarterly settlement through December 22, 2021.
			Bangkok Bank	129,800,208	
			SMBC	23,936,170	
			MUFG	27,814,330	
			BPI	91,463,415	
			RCBC	46,357,217	
			BOC	27,814,330	
Interest Swap Agreements for first utilization of Bank Loan - SEGD-II	April 26, 2017	March 30, 2017 - December 22, 2021	DBS Bank	17,801,171	SEGD-II shall receive variable 3-month LIBOR and pay fixed (2.03%) with quarterly settlement through December 22, 2021.
			Bangkok Bank	83,072,133	
			SMBC	15,319,149	
			MUFG	17,801,171	
			BPI	58,536,585	
			RCBC	29,668,619	
			BOC	17,801,171	
Interest Swap Agreements for second utilization of Bank Loan - SEGD-II	September 25, 2017	September 26, 2017 - December 22, 2021	DBS Bank	793,715	SEGD-II shall receive variable 3-month LIBOR and pay fixed (2.01%) with quarterly settlement through December 22, 2021.
			Bangkok Bank	3,704,000	
			SMBC	644,000	
			MUFG	793,715	
			BPI	2,000,000	
			RCBC	1,322,855	
			BOC	741,716	

(Expressed in thousands of United States Dollar, unless otherwise stated)

23. Derivatives (continued)

On June 7, 2018, SEGD-II and SEGSL entered into additional interest rate swap agreements with notional amount of US$130,586,000 – full amount and US$195,883,000 – full amount, respectively, with Bangkok Bank, BOC, DBS, RCBC and MUFG to hedge the financial risk related to the interest rate movements on its borrowings as follows:

Type	Signed Date	Effective Date until Termination Date	Counterparties	Notional Amount (US$ - full amount)	Terms and Conditions
Interest Swap Agreements for first utilization of Bank Loan II - SEGSL	June 7, 2018	June 30, 2018 - December 22, 2021	DBS Bank	20,988,000	SEGSL shall receive variable 3-month LIBOR and pay fixed (2.9735%) with quarterly settlement through December 22, 2021.
			Bangkok Bank	97,940,000	
			MUFG	20,988,000	
			RCBC	34,979,000	
			BOC	20,988,000	
Interest Swap Agreements for first utilization of Bank Loan II - SEGD-II	June 7, 2018	June 30, 2018 - December 22, 2021	DBS Bank	13,991,000	SEGD-II shall receive variable 3-month LIBOR and pay fixed (2.9735%) with quarterly settlement through December 22, 2021.
			Bangkok Bank	65,294,000	
			MUFG	13,991,000	
			RCBC	23,319,000	
			BOC	13,991,000	

Interest rate swap agreements are designated as effective cash flow hedge. The change in fair value of derivative contracts recognized in OCI. The related asset/(liabilities) arising from the derivative contracts are presented under 'Derivative asset/(liabilities)' in the statement of financial position.

The full fair value of a hedging derivative is classified as non-current asset or liability when the remaining hedged item is more than twelve months, and as a current asset or liability when the remaining maturity of the hedged item is within twelve months.

The amount that was recognised in other comprehensive income during the period from interest rate swap bank loan is (US$14,829,000) – full amount (2018: US$10,213,000 - full amount).

As of December 31, 2019, The hedge ratio are 77% from total loan outstanding balances.

(Expressed in thousands of United States Dollar, unless otherwise stated)

24. Borrowings

	2019	2018
Borrowings		
- Current	62,500	71,500
- Non-current	876,305	973,768
Total borrowings	**938,805**	**1,045,268**

The remaining contractual maturities of the total borrowings are as follows:

	2019	2018
Not later than 1 year	62,500	71,500
Between 1 and 5 years	893,475	999,794
	955,975	1,071,294
Less: Unamortized finance charges	(17,170)	(26,026)
Total borrowings	**938,805**	**1,045,268**

Included in the borrowings are amounts relating to deferred financing costs, which are as follows:

	2019	2018
Cost	48,119	48,119
Accumulated amortization	(30,949)	(22,093)
Net carrying amount	**17,170**	**26,026**
Movements of deferred financing costs are as follows:		
At beginning of the year	26,026	35,027
Amortization	(8,856)	(9,001)
Net carrying amount	**17,170**	**26,026**

On December 22, 2016, the Company entered into a Secured Term Loan Facility Agreement with Bangkok Bank Public Company Limited, Bank of China Ltd., BPI Capital Corporation, BDO Unibank, Inc., DBS Bank Ltd., RCBC Capital Corporation, Sumitomo Mitsui Banking Corporation - Singapore Branch, and The Bank of Tokyo-Mitsubishi UFJ, Ltd. (whether acting individually, or collectively, the “Mandated Lead Arranger”) for facilities commitment of Tranche A and Tranche B amounting to US$1,250,000,000 - full amount and US$700,000,000 - full amount, respectively. The Loan will be due 5 years after utilization date, which is December 22, 2021 and December 22, 2026 for Tranche A and Tranche B, respectively.

24. Borrowings (continued)

Followings are the purposes of the Bank Loan:

- Tranche A first utilization, (i) to fund, in part, the purchase price for the Acquisition (Controlling Interest), (ii) to fund the Reserve Accounts, and (iii) to pay fees, costs and expenses in relation to the Facility and Acquisition Costs and shall be in an amount not to exceed US$1,230,000,000 - full amount.
- Tranche A second utilization, to fund, in part, the purchase price for the Acquisition (Minority Interest) and shall be in an amount not to exceed US$20,000,000 - full amount
- Tranche B, (i) to finance the repayment of all outstanding Tranche A Loans in 2021 and (ii) to fund the Reserve Accounts. The cancellation fees at the rate of 1.25% from facility agreement of Tranche B will be applied, if (1) the Tranche A Loan is repaid from the proceeds of any refinancing facility entered into by the Borrowers other than the Tranche B Facility (2) as a result of the re-allocation of the total commitment with respect to Tranche B under the Facility Agreement to any other Lender who was only committed to provide the Tranche A facility as at the date of the Facility Agreement, and (3) Following the Tranche B Utilization Date but before the first anniversary of the Tranche B Utilization Date, if the Borrower refinances Tranche B with a new facility. Following the first anniversary of the Tranche B utilization date and every anniversary thereafter, the Tranche B cancellation fee shall be reduced by 0.25% such that on the Tranche B maturity date, the Tranche B cancellation fee shall be zero .

With reference to the loan agreement, the Company caused SEGD-II and SEGSL to each become an Additional Borrower on the relevant Debt Push Down Date.

The Bank Loan is secured by:

(i) the Offshore Account Charges (other than PT CGSS and PT DGI)
(ii) the Account Pledge (SEG-SD B.V.)
(iii) the Share Pledge (SEG-SD B.V.)
(iv) the Share Pledges (Target Companies) (other than PT CGSS and PT DGI)
(v) the English Assignment of Contract Rights (SEG-SD B.V., SEGSL and SEGD-II)
(vi) the Onshore Account Pledges (other than PT CGSS)
(vii) the Fiduciary Security of SEGSL and SEGD-II
(viii) the Assignment of Contract Rights (Indonesian Law) of SEGSL and SEGD-II

The 1% upfront fee for Bank Loan totaling US$12,500,000 – the full amount was paid on January 10, 2017, by the SEGHPL, SEGPL, Phoenix Power B.V., and AC Energy International Holdings Pte. with respect to their effective ownership. The total payment made by SEGHPL and SEGPL are amounting US$3,426,294 - full amount and US$5,112,750 - full amount.

On March 23, 2017, the Amended and Restated Secured Term Loan Facility Agreement was signed with the changes on the finalization date (i.e.; March 23, 2017) and repayment schedules.

The Bank Loan first utilization was on March 30, 2017 amounting to US$1,230,000,000 - full amount. The total cash received was US$1,195,319,160 - full amount after taking into account the financing costs of US$34,680,840 - full amount. Such fund was used to settle up the acquisition of Chevron's shares on Darajat, Salak and Suoh Sekincau Geothermal blocks.

On April 26, 2017, the Bank Loan was effectively pushed down to SEGSL and SEGD-II with the total amount to be novated of US$750,000,000 - full amount and US$480,000,000 - full amount, respectively.

24. Borrowings (continued)

The Bank Loan second utilization was sent on September 19, 2017 amounting to US$20,000,000 - full amount. Such fund was used to settle up the acquisition of 95% PT Austindo Nusantara Jaya Tbk's (the former owner of 5% Darajat block) shares on PT DGI.

The Facility Agreement bears interest per annum at 3.25% margin plus LIBOR, and is payable on the end of each quarter.

The Group, under its loan agreements, is subject to various covenants, among others to obtain written approval from the lenders before entering into certain transactions such as mergers, acquisitions, liquidation or change in status and Articles of Association, reducing the authorized, issued and fully paid capital; restrictions on lending money to third parties; negative pledges, with certain exceptions; restrictions on change in core business activities; declaring and paying dividends; redeem, repurchase, defease, retire or repay any of its share capital or resolve to do so; restriction on allowing guarantees and indemnities in respect of any obligation of any person and requirement to comply with certain financial ratios.

The Bank Loan also requires the Company to maintain certain financial ratios such as:

a. Leverage ratio shall not exceed:
   (i) 6.00 : 1 from the initial Testing date until the Testing Date falling immediately after the first anniversary
   (ii) 5.50 : 1 from the Testing Date immediately after the first anniversary until the Testing Date falling immediately after the third anniversary
   (iii) 4.50 : 1 thereafter until the final Semi-Annual Date
b. Debt Service Coverage Ratio shall not be less than 1.20 : 1
c. Senior Interest Cover shall not be less than 3 : 1
d. Debt to Equity Ratio shall be no greater than 70 : 30, after the final Tranche A repayment date, 50 : 50.

Failure to comply with the above ratio will lead to event of default (accelerate payment) if it is not remedied by the Company through permitted equity cure (new shareholder injection) or waived by the Majority Lenders within 15 Business Days of the Company becoming aware of the failure to comply.

As of December 31, 2019, the Company has complied with all financial ratios required to be maintained under the loan agreements.

In 2019, the Group made a repayment on Bank Loan totalling of US$115,319,000 - full amount.

Based on facility agreement, the Group required to maintain reserve account which represent the aggregate amount of Scheduled Debt Service for the respective calculation periods ending on the next two Repayment Dates. Scheduled debt service means all scheduled principal and interest (including interest payments made by the Company under the Hedging Agreements during such period but determined net of any payments received by the Company under the Hedging Agreements during such period). This reserve account will be classified as restricted cash (Note 17).

(Expressed in thousands of United States Dollar, unless otherwise stated)

25. Trade and other payables, and accrued expenses

	2019	2018
Trade and other payables, and accrued expenses (current):		
Trade payables		
- External parties	10,873	1,645
Other payables:		
- Related corporations	645	555
- External parties	1,466	1,145
Accrued expenses:		
- Others - third parties	25,068	26,342
Trade and other payables, and accrued expenses (current)	**38,052**	**29,687**
Add/(less):		
Total borrowings (Note 24)	938,805	1,045,268
Total financial liabilities at amortized cost:	**976,857**	**1,074,955**

Trade payables and other payables are non-interest bearing and are normally settled on 30-days terms.

Other payables to related corporations are non-trade in nature, unsecured, non-interest bearing, payable upon demand and are to be settled in cash. Other payables to external parties are non−interest bearing and have an average term of 60 days.

Included in accrued expenses are accrual for goods and services of US$21,473,000- full amount (2018: US$21,124,054 - full amount), accrual for royalty to PGE amounting US$1,840,311- full amount (2018: US$2,158,536 - full amount).

Production bonus

Based on the Laws of Republic of Indonesia (UU) No.21 year 2014, regarding “Geothermal”, a geothermal permit holder is required to provide production bonus amounting to 0.5% - 1% of gross revenues to local governments that regulate its geothermal territories, which will be reimbursed subsequently from central government through DGB.

As of December 31, 2019, the subsidiaries have paid the production bonuses relating to 2015, 2016, 2017, 2018, Q1-Q2 2019 totalling US$9,254,325 – full amount (or equivalent to IDR129,999,407,500 – full amount).

As of 31 December 2019, the subsidiaries have received the cash refund related to production bonuses above totalling US$9,254,325 - full amount (or equivalent to IDR129,999,407,499 - full amount. The remaining unpaid balance representing the production bonuses for Q1 – Q2 2019 totalling US$1,149,683 – full amount (or equivalent to IDR15,981,737,982 – full amount) has been recognized by the Group as part of “Accrued expenses” and debited to “other receivables” (Note 12).

Trade and other payables denominated in foreign currencies are as follows:

	2019	2018
Indonesian rupiah	18,966	22,114

(Expressed in thousands of United States Dollar, unless otherwise stated)

26. PLN Make-up account balances

The PLN Make-up Account balances in December 31, 2019 and 2018 represents the cumulative amount by which the electricity and/or steam paid by PLN to the Contractors based on the take-or pay mechanism in the Salak ESC exceeds the amount of steam and/or electricity actually accepted by PLN ("PLN Make-up Amount") minus electricity and/or steam delivered by SEGSL and SEGSPL in pursuant to the take-or-pay amount under Section 5.1.1.3 and Section 5.1.2.3 of the Salak ESC. The PLN Make-up Account is a temporary account setting out the PLN Make-up Amount paid by PLN, which shall be set off against delivery of future electricity or steam by SEGSL and SEGSPL which exceeds the required Take or Pay amount of such period, provided that such delivery shall be subject to request from PLN and to be performed on SEGSL and SEGSPL's Best Effort basis. The set-off mechanism to reduce the PLN make-up account is strictly limited to delivery of electricity or steam by SEGSL and SEGSPL. There are no financial repayment obligations under the ESC for SEGSL and SEGSPL to settle the make-up account. As of December 31, 2019, the PLN Make-up Amount in the PLN Make-Up Account amounted to 213 GWh electricity (2018: 211 GWh electricity) and 93 GWh steam (2018: 56 GWh steam), which is equivalent to US$16,215,000 – full amount (2018: US$13,626,000 – full amount).

Set out below is the amount of revenue recognized from:

	Group	
	2019	**2018**
Amounts included in PLN make-up account balance	(2,589)	2,330

27. Commitments and contingencies

(a) Government audit claims

The accounting policies specified in the JOC are subject to interpretation by PGE and the Government of Indonesia ("GOI"). Annually, the accounting records and reports of the Group are subjected to an audit by PGE and/or the Government. Findings arising from these audits are either agreed by management of the Group and recorded in its accounting records, or are disputed. Resolution of disputed findings may require a lengthy negotiation process extending over a number of years.

Darajat Contractor Group

As of the completion date of these consolidated financial statements, the Darajat Contractor group has various audit findings from the Government auditors amounting to US$10,460,975 - full amount for the period of 2004-2015. This amount includes Pertamina Production Allowance findings ("PPA") for period of 2004-2015 and production bonus for period of 2008-2015 amounting to US$5,709,540 - full amount. The Darajat Contractor group claimed PPA and production bonus as a deduction in its government share calculation (34%). If these findings materialize, the income tax expense will increase by US$3,556,731 – full amount.

2006 and 2010 Audit

In 2013 and 2014, Directorate General of Tax ("DGT") issued tax assessments regarding PPA audit claims for fiscal year 2006 and 2010. The Darajat Contractor group filed an objection to these tax assessments, which were rejected by DGT. In this regard, the Darajat Contractor group filed appeals to the tax court on June 22, 2015 which result was in favor to the Darajat Contractor group for fiscal year 2006 amounting to US$115,057 – full amount. DGT filed reconsideration against the result to the Supreme Court on May 23, 2017 and is still awaiting the Supreme Court decision for this reconsideration.

27. Commitments and contingencies (continued)

(a) Government audit claims (continued)

Darajat Contractor Group (continued)

2006 and 2010 Audit (continued)

The Darajat Contractor group received tax court verdict dated February 19, 2018 in relation to PPA audit finding for the fiscal year 2010 amounting to US$186,115 – full amount, which approved the DGT decision. On May 18, 2018, the Darajat Contractor group re-submitted an appeal to the Supreme Court related to this matter.

On January 14, 2019, the Darajat Contractor Group received the Supreme Court reconsideration verdict related with PPA's audit finding for fiscal year 2010 which rejected the reconsideration request from the Darajat Contractor Group. Currently, the management is still assessing any possible legal action with regard to this case.

For another tax assessment issued for fiscal year 2010 amounting US$193,490 – full amount, tax court verdict issued favorable decision for Darajat Contractor on September 05, 2019. DGT filed reconsideration against the result to the Supreme Court on December 12, 2019 and is still awaiting the Supreme Court decision for this reconsideration.

Deferred VAT

As stated in an Assessment Letter issued by the Foreign Individual and Corporation Tax Office ("BADORA tax office") to the operator of Darajat Contractor Group dated January 24, 2000, the Darajat Contractor Group was required to pay all outstanding deferred VAT amounting to IDR90billion (equivalent with US$6.5 million – full amount).

The Darajat Contractor Group objected the assessment letter and based on decision letter of the DGT dated February 7, 2001, the amount of deferred VAT was reduced to IDR71 billion (equivalent with US$5.1 million – full amount). In addition, the Darajat Contractor Group was required to pay penalties amounting to IDR1,4 billion (equivalent with US$100 thousand – full amount). As required by the tax laws, the Darajat Contractor Group paid the deferred VAT including its penalties amounting to IDR72,4billion (equivalent with US$5.2 million – full amount), and then appealed to the tax court.

On January 3, 2002, the Darajat Contractor Group received a tax collection letter assessing late payment penalties on unpaid deferred VAT amounted to IDR21.7billion (equivalent with US$1.5 million – full amount). for the 15 month period as counted from one month after the deferred VAT payment due date in March 2000 to the deferred VAT payment date by the Darajat Contractor Group in May 2001.

On May 3, 2002, the tax court issued its judgment confirming the tax office's assessment requiring the payment of the deferred VAT. Subsequently, the Darajat Contractor Group, appealed this decision to the Supreme Court.

In September 2002, the Darajat Contractor Group paid IDR1.9billion (equivalent with US$136 thousand – full amount) from IDR21.7 billion of the late payment penalties (equivalent with US$1.6 million – full amount). This amount was expensed in the statement of profit or loss for the year ended December 31, 2002.

27. Commitments and contingencies (continued)

(a) Government audit claims (continued)

Darajat Contractor Group (continued)

Deferred VAT (continued)

In September 2003, the Supreme Court issued the decision in favor of the Darajat Contractor Group. Subsequently, on May 27, 2004 the DGT issued decision letters regarding the Supreme Court's decision which cancelled the requirement to pay the deferred VAT for the Darajat Contractor Group.

However, in June 2004, the DGT issued further decision to cancel the previous tax decision letters regarding the execution of the Supreme Court's decision.

In November 2010, the Darajat Contractor Group, through its letter to the Tax Office has requested an overbooking process amounted to IDR71billion (equivalent with US$5.1 million – full amount) including its penalties amounted to IDR1.4billion (equivalent with US$100 thousand – full amount).

In June 2013, the Darajat Contractor Group received a confiscation letter for its bank account from the tax office to collect the above 2002 tax collection letter. The Tax Office was still of the opinion that the Darajat Contractor Group needed to pay the outstanding late payment penalties on unpaid deferred VAT of IDR21.7billion (equivalent with US$1.5 million – full amount). The Darajat Contractor Group has filed a lawsuit to the tax court on this confiscation letter. On August 19, 2014 through the tax court decision letter, the Darajat Contractor Group was successful in the lawsuit.

As noted above, the IDR72.4 billion equivalent to USD5,2 million of deferred VAT paid has been recorded as a non-current asset in these consolidated financial statements.

The Darajat Contractor Group believes such amount will be refunded by the tax office or reimbursed from GOI in accordance with the Supreme Court's decision, which in favor to the Darajat Contractor Group, since the Darajat Contractor Group has commenced paying the government share in accordance with the terms of the JOC and the applicable government regulation. As such, no provision for non-recovery of deferred VAT receivable has been recognized in the consolidated financial statements.

2013-2014 Audit

On September 5, 2016, the Darajat Contractor group received audit findings assessment letter claiming an underpayment of the government share amounting to US$1,042,819 - full amount, related to the year 2013-2014 findings. The Darajat Contractor group paid the amount and submitted the letter to DGB on December 1, 2016. The Darajat Contractor group then sent a submission letter for new proof on January 25, 2018 in accordance with PP No. 34 Year 2010. On January 26, 2018, DGB issued decision letter for overpayment of government share for the year 2013-2014. Based on the a decision letter, DGB approved this objection amounting to US$15,353 – full amount.

Objection stage

On April 25, 2018, the Darajat Contractor group filed a claim against the Ministry of Finance at the *Pengadilan tata usaha negara* ("PTUN")/Administrative Court to dispute the Decision Letter.

27. Commitments and contingencies (continued)

(a) Government audit claims (continued)

Darajat Contractor Group (continued)

2013-2014 Audit (continued)

Objection stage (continued)

On November 26, 2018, PTUN pronounced the verdicts in favor of the Darajat Contractor group. The verdicts are as follow:

1) Grant all of the lawsuits
    a. The Ministry of Finance has no authority to collect the PNBP;
    b. The Ministry of Finance has no authority to request an audit to BPKP on the Darajat Contractor group PNBP obligations;
    c. The Ministry of Finance has no authority to decide the overpayment or underpayment of the Darajat Contractor group PNBP based on BPKP audit result;
    d. The objects of the dispute violated the PNBP law; and
    e. The objects of the dispute were in contrary to the general principles of good governance
2) Declare null and void the Decision Letter
3) Require the Ministry of Finance to revoke the Decision Letter
4) The Ministry of Finance to pay all of the court fees of IDR282,000 – full amount (equivalent with US$20 – full amount).

Appeal stage

On February 6, 2019, the Ministry of Finance has submitted a memorandum of appeal to *Pengadilan tinggi tata usaha negara* (“PTTUN”)/high administrative court in response to the decision issued by PTUN regarding 2013 – 2014 audit reports. On February 21, 2019, the Darajat Contractor group submitted a contra memorandum of appeal to PTTUN. On April 29, 2019, PTTUN issued its appeal decision accepting the exception of the defendant (i.e; MoF) on the absolute competence of the court and declaring that the PTUN has no authority to adjudicate such a quo case in accordance with Law no. 20 year 1997 involving Non-Tax State Revenue.

27. Commitments and contingencies (continued)

(a) Government audit claims (continued)

Darajat Contractor Group (continued)

2013-2014 Audit (continued)

Cassation stage

On May 23, 2019, the Darajat Contractor Group submitted the memorandum of cassation to the Supreme Court on a basis that in accordance with the Supreme Court Circular Letter No. 4 year 2016 (Surat Edaran Mahkamah Agung No. 4/2016 ("SEMA 4/2016") emphasized that after the issuance of Law No. 30 year 2014 regarding the State Administration, the authority to solve the dispute related to the state administrative would be under PTUN, and not PTTUN. Therefore, the Darajat Contractor Group objects on the PTTUN decision during the appeal stage above and believes that the basis of the regulations used by PTTUN were not up to date.

On 3 October 2019, the Supreme Court issued its cassation decision No. 455/K/TUN/2019 refusing the cassation request from the Darajat Contractor Group, which has been received by SEGD II on 4 May 2020, as stipulated in the letter of notification of cassation decision No. 455 K/TUN/2019 dated 4 May 2020.

As at the completion date of these consolidated financial statements, management is in the process of requesting a reconsideration of the cassation decision. Management believes that there have been prominent errors on the latest cassation decision as it is not in accordance with the updated prevailing laws, thus no provisions to the prepaid tax have been recognized in the consolidated financial statements.

2015 Audit

On September 15, 2017, BPKP issued their 2015 audit report with findings totaling US$884,848 – full amount. Most of the findings pertain to the PPA and the completeness of documentation amounting to US$625,609 – full amount and US$128,508 – full amount, respectively. On March 13, 2018, the Darajat Contractor group received from DGB the assessment letter of underpayment for the government share amounting to US$88,141 – full amount. On April 12, 2018, the Darajat Contractor group paid this amount and submitted an objection letter to DGB on June 7, 2018.

On July 23, 2019, DGB has issued a decision letter for overpayment of government share for the year 2015. Based on the decision letter, DGB has not approved the objection request from Darajat Contractor Group. Therefore as a response to this decision letter, management has decided to write off the prepaid amount and record loss in the current year consolidated income statement.

SEGSL

As of the completion date of these consolidated financial statements, SEGSL has various audit findings from the Government auditors amounting to US$50,698,898 - full amount for the period of 2008-2015. This amount includes PPA amounting to US$15,231,933 - full amount. SEGSL claimed PPA as a deduction in its government share calculation (34%). If these findings materialize, the income tax expense will increase by US$17,237,625 - full amount.

27. Commitments and contingencies (continued)

(a) Government audit claims (continued)

SEGSL (continued)

2013-2014 Audit

On September 5, 2016, SEGSL received audit findings assessment letter claiming an underpayment of the government share amounting to US$9,906,077 - full amount, related to year the 2013-2014 findings. SEGSL paid the amount and submitted an objection letter to DGB on December 1, 2016. SEGSL sent a submission letter for new proof on January 26, 2018. DGB has issued a decision letter for overpayment of government share for the year 2013-2014. Based on the decision letter, DGB approved the objection amounting to US$7,018 – full amount.

Objection stage

On April 25, 2018, SEGSL filed a claim against the Ministry of Finance at PTUN to dispute the Decision Letter.

On November 26, 2018, PTUN pronounced the verdicts in favor of SEGSL. The verdicts are as follow:

1) Grant all of the lawsuits
    a. The Ministry of Finance has no authority to collect the PNBP;
    b. The Ministry of Finance has no authority to request an audit to BPKP on the SEGSL PNBP obligations;
    c. The Ministry of Finance has no authority to decide the overpayment or underpayment of the SEGSL PNBP based on BPKP audit result;
    d. The objects of the dispute violated the PNBP law; and
    e. The objects of the dispute were in contrary to the general principles of good governance
2) Declare null and void the Decision Letter
3) Require the Ministry of Finance to revoke the Decision Letter
4) The Ministry of Finance to pay all of the court fees of IDR282,000 – full amount (equivalent with US$20 – full amount).

Appeal stage

On February 6, 2019, the Ministry of Finance submitted a memorandum of appeal to PTTUN in response to the decision issued by PTUN regarding 2013 – 2014 audit reports. On February 21, 2019, SEGSL has submitted a contra memorandum of appeal to PTTUN. On April 29, 2019, PTTUN issued its appeal decision accepting the exception of the defendant (i.e; MoF) on the absolute competence of the court and declaring that the PTUN has no authority to adjudicate such a quo case in accordance with Law no. 20 year 1997 involving Non-Tax State Revenue.

27. Commitments and contingencies (continued)

(a) Government audit claims (continued)

SEGSL (continued)

2013-2014 Audit (continued)

Cassation stage

On May 23, 2019, SEGSL submitted the memorandum of cassation to the Supreme Court on a basis that in accordance with the Supreme Court Circular Letter No. 4 year 2016 (Surat Edaran Mahkamah Agung No. 4/2016 ("SEMA 4/2016") emphasized that after the issuance of Law No. 30 year 2014 regarding the State Administration, the authority to solve the dispute related to the state administrative would be under PTUN, and not PTTUN. Therefore, SEGSL objects on the PTTUN decision during the appeal stage above and believes that the basis of the regulations used by PTTUN were not up to date.

On October 3, 2019, the Supreme Court issued its cassation decision no. 456/K/TUN/2019 refusing the cassation request from the SEGSL.

As of the completion date of these consolidated financial statements, Management believes that there have been prominent errors because of the cassation decision was not in accordance with the most updated prevailing laws, thus no provisions to the prepaid tax have been recognized in the consolidated financial statements. On 11 May 2020, SEGSL submitted the memorandum of reconsideration to the Supreme Court.

2015 Audit

On September 15, 2017, BPKP issued their 2015 audit report with findings totaling US$3,933,042 – full amount. Most of the findings pertain to the PPA and the parent company overhead amounting to US$1,512,318 – full amount and US$1,007,570 – full amount, respectively. On March 12, 2018, SEGSL received from DGB the assessment letter of underpayment for the government share amounting to US$487,947 – full amount. On April 12, 2018, SEGSL paid this amount and submitted an objection letter to DGB on June 7, 2018. on July 23, 2019, DGB has issued a decision letter for overpayment of government share for the year 2015. Based on the decision letter, DGB has not approved the objection request from SEGSL. Therefore as a respond to this decision letter, management has decided to writen off the prepaid amount and record loss in the current year consolidated statement of profit or loss.

Deferred VAT

As stated in the assessment letter issued by the BADORA Tax Office dated June 23, 2000, SEGSL was required to pay all outstanding deferred VAT amounting to Rp17.5 billion (equivalent with US$1.3 million – full amount). SEGSL filed an objection to the assessment on September 18, 2000 which was rejected by the Director General of Tax ("DGT") on November 7, 2001.

SEGSL appealed to the Tax Court on March 27, 2002. On April 7, 2002, SEGSL received tax collection letter assessing late payment penalties on unpaid deferred VAT of Rp5.6 billion (equivalent with US$403 thousand – full amount) for the 16 month period as counted from one month after the assessment payment due date in July 2000 to the deferred VAT payment date by the SEGSL in November 2001. As required by the tax laws, the SEGSL paid the deferred VAT including its penalties amounting to Rp23.1 billion (equivalent with US$1.7 million – full amount).

27. Commitments and contingencies (continued)

SEGSL (continued)

On August 26, 2002, the tax court issued the decision letter in favor of SEGSL which had an underpayment of Rp595 million (equivalent with US$42 thousand – full amount), therefore the amount required to be refunded by the DGT is Rp22.5 billion (equivalent with US$1.6 million – full amount). SEGSL recognised an expense of Rp595 million (equivalent with US$42 thousand – full amount) in the year the underpayment decision was made by the Tax Court.

On November 22, 2002, the DGT appealed this decision to the Supreme Court. On January 24, 2004, the Supreme Court issued the decision in favor of SEGSL, rejecting the appeal from the DGT.

Since the date of the Supreme Court decision, SEGSL has had various discussions with the DGT. As noted above, the IDR22.5 billion equivalent to USD1.6 million has been recorded as non current assets in these consolidated financial statements.

SEGSL believes such amount will be refunded by the tax office or reimbursed from GOI in accordance with the Supreme Court's decision, which in favor to SEGSL, since SEGSL has commenced paying the government share in accordance with the terms of the JOC and the applicable government regulation. As such, no provision for non-recovery of deferred VAT receivables has been recognized in the consolidated financial statements.

VAT for Operation and Maintenance Fee

SEGS received several VAT assessments totaling IDR54.6 billion or approximately US$3.9 million (as at the December 31, 2019 exchange rate) for the tax years 2007, 2008 and 2010 related to operating and maintenance fees charged by SEGS to SEGSPL. The Indonesian Tax Office ("ITO") is of the view that the operating and maintenance fees charged by SEGS to SEGSPL should be subject to VAT. SEGS has filed an objection letter in March 2014 to the DGT and received a rejection letter from the DGT in March 2015. Subsequently, in June 2015, SEGS filed appeal letters to the Tax Court which handed down decisions in favor of the DGT in March 2017. As such, in June 2017, SEGS has filed a reconsideration request to the Supreme Court. As at the date of these financial statements, SEGS has not yet received a response from the Supreme Court. SEGS has write-off this outstanding non-current receivable in current year and charges it on profit and loss as Miscellaneous expenses.

SEGSPL

As of the completion date of these consolidated financial statements, SEGSPL has various audit findings from the Government auditors amounting to US$752,774 - full amount for the period of 2004-2015 transaction. This amount includes PPA and other findings amounting to US$730,514 - full amount and US$22,260 - full amount. SEGSPL claiming PPA and production bonus as a deduction in its government share calculation (34%). If these findings materialize, the income tax expense will increase by US$255,943 - full amount.

2015 Audit

On September 15, 2017, BPKP issued their 2015 audit report with findings totaling US$117,172 – full amount. Most of the findings pertain to the PPA amounting to US$110,627 – full amount. On March 13, 2018, SEGSPL received from DGB the assessment letter of underpayment for the government share amounting to US$2,225 – full amount. Management has decided to writen off the prepaid amount and record loss on current year profit and loss.

27. Commitments and contingencies (continued)

(b) Outstanding invoices to PT Indonesia Power ("PT IP") – a subsidiary of PLN

Between the period from March 18, 2018 to September 29, 2018, an unplanned shutdown occurred to the Darajat Unit-1 due to turbine breakdown. PT IP, as the operator of the power plant, indicated that the steam quality delivered by SEGD-II was the main factor that caused the turbine damage eventhough the Darajat ESC does not regulate the parameter of the steam quality which has to be delivered by the Darajat Contractors Group. After several discussions, PT IP agreed to pay the March 2018 and April 2018 invoices, but PT IP did not agree to pay the invoices for the periods from May 2018 to September 2018 amounting to US$7,865,338 – full amount. Such balances have been recognized as "trade receivables" in the Group's consolidated statement of financial position as of December 31, 2019.

According to Article 5.1 and Article 11.3 of the Darajat ESC, during period where PLN is unable to take all steam that could be delivered from SEGD-II, PLN shall pay the "Take or Pay" obligation amount to SEGD-II and during any time of dispute, both parties shall continue to carry out their responsibilities pursuant to the Darajat ESC. Hence, the management believes that SEGD-II is entitled to the full payments from PT IP for the outstanding invoices from May 2018 to September 2018.

To solve this matter, SEGD-II, PT IP, and PLN agreed to appoint an independent consultant (i.e; PT Jacobs Group Indonesia ("Jacobs")) to undertake steam purity assessments, following excessive vibration in the Unit-1 turbine, as a basis for the settlement of the pending invoices payment. On November 25, 2019, Jacobs finalized the report with a favorable result to the SEGD-II due to steam purity provided by SEGD-II was not the root cause of excessive vibration which lead to serious damage to the turbine rotor shaft that necessitated a 7-months shut-down for repair.

The management believes that SEGD-II has a strong legal basis to receive full payments for the outstanding invoices, therefore no allowance has been recognized in relation to the uncollectible accounts in the Group's consolidated financial statements.

(b) Guarantees of Salak-Darajat acquisitions

On December 22, 2016, the Company signed a Share Sale and Purchase Agreement ("Salak-Darajat SPA") with Chevron Darajat Holdings, Ltd., Chevron Geothermal Indonesia Holdings, Ltd., and Chevron Geothermal Salak Holdings, Ltd. to acquire 100% Chevron's shares in Chevron Darajat, Limited, Chevron Geothermal Indonesia, Ltd., and Chevron Geothermal Salak, Ltd. The Buyer Direct Shareholder Guarantors of the transaction are SEGHPL, Star Energy Geothermal Holding (Salak-Darajat) B.V., and ACEHI Netherlands B.V, for which the guarantees are unlimited.

The Buyer Group Guarantors are SEGHPL, SEGPL, EGCO, and AC Energy Holdings, Inc., for which the aggregate maximum liability until December 31, 2057 is capped with a total amount of US$200,000,000 – full amount. SEGHPL's and SEGPL's guarantees are capped at US$55,211,150 – full amount and US$82,413,500 – full amount, respectively, up to December 31, 2049, and US$54,800,000 – full amount and US$81,800,000 – full amount, respectively, up to December 31, 2057, representing the Buyer Group Equity Proportion of each SEGHPL and SEGPL.

The Buyer Direct Shareholder Guarantors and the Buyer Group Guarantors are collectively referred to as Buyer Guarantors.

27. Commitments and contingencies (continued)

(c) Guarantees of Salak-Darajat acquisitions (continued)

The guarantee covers all amounts which the Company as the buyer is liable to pay under or in relation to the transaction documents, which primarily relates to the "clean-break" indemnity provision under clause 8 of the share sale and purchase agreement dated December 22, 2016. Under this provision, the Company shall indemnify Chevron for all losses resulting from or in connection with the target companies (Chevron Darajat Limited, Chevron Geothermal Indonesia, Ltd., Chevron Geothermal Salak, Ltd.) and their operations. An example of a claim that Chevron may make would be a claim under the indemnity provision if Chevron is required to pay any taxes, decommissioning costs or any other costs or losses pertaining to the group companies and their operation.

SEGHPL will receive US$5,000,000 – full amount from Phoenix Power B.V during the year 2040 to the year 2047, and US$5,000,000 – full amount from AC Energy Holdings, Inc., after the year 2058 in accordance with the relevant consortium agreement, if Chevron makes a claim against any or all of the Buyer Guarantors.

(c) Guarantees of Sekincau acquisitions

On December 22, 2016, the Company signed a Share Sale and Purchase Agreement ("Sekincau SPA") with Chevron Global Energy, Inc. to acquire 100% Chevron's shares in PT Chevron Geothermal Suoh Sekincau (i.e; represent 95% ownership). The Buyer Direct Shareholder Guarantors of the transaction are Star Energy Geothermal Holding (Salak-Darajat) B.V. and ACEHI Netherlands B.V, for which the guarantees are unlimited. The Buyer Group Guarantors are SEGHPL, SEGPL, EGCO and AC Energy Holdings, Inc. The aggregate maximum liability until December 31, 2037 is capped with total amount of US$1,500,000 – full amount. SEGHPL's and SEGPL's guarantees are capped at US$411,150 – full amount and US$613,500 – full amount, respectively, up to December 31, 2037, representing the Buyer Group Equity Proportion of each SEGHPL and SEGPL.

The guarantee covers all amounts which the Company as the buyer is liable to pay under or in relation to the transaction documents, which primarily relates to the "clean-break" indemnity provision under clause 8 of the share sale and purchase agreement dated December 22, 2016. Under this provision, which the Company shall indemnify Chevron for all losses resulting from or in connection with the target company (PT Chevron Geothermal Suoh Sekincau) and their operations. An example of a claim that Chevron may make would be a claim under the indemnity provision if Chevron is required to pay any taxes, decommissioning costs or any other costs or losses pertaining to the group company and its operation.

The Buyer Direct Shareholder Guarantors and the Buyer Group Guarantors, collectively referred to as Buyer Guarantors.

(d) Assignment of Preliminary Survey and Exploration (Pelaksanaan Penugasan Survei Pendahuluan dan Eksplorasi ("PSPE")) of South Suoh Sekincau in Sumatera

On 21 June 2018, the Ministry of Energy and Mineral Resources approved PSPE of South Suoh Sekincau. In relation with these PSPE PT SEGSS is required to perform at least 1 (one) drilling for an exploration well within the period (i.e; 3 years) in South Suoh Sekincau.

(Expressed in thousands of United States Dollar, unless otherwise stated)

28. Fair value of assets and liabilities

A. Fair value hierarchy

The Group categorizes fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly unobservable ..

Fair value measurements that use inputs of different hierarchy levels are categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

B. Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
2019	US$'000	US$'000	US$'000	US$'000
Liabilities:				
Derivatives				
Interest rate swap	–	7,875	–	7,875

	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
2018	US$'000	US$'000	US$'000	US$'000
Assets:				
Derivatives				
Interest rate swap	–	6,954	–	6,954

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

Derivatives

Interest rate swap contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include swap models, using present value calculations. The models incorporate various inputs including the interest rate curves and forward rate curves.

(Expressed in thousands of United States Dollar, unless otherwise stated)

28. Fair value of assets and liabilities (continued)

C. Assets and liabilities not carried at fair value but for which fair value is disclosed

The following table shows an analysis of the Group's assets and liabilities not measured at fair value but for which fair value is disclosed:

	December 31, 2019				
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total	Carrying amount
Assets:					
Other receivables (non-current)	-	-	24,581	24,581	25,192
Finance lease receivables	-	-	378,501	378,501	394,262
Liabilities:					
Borrowings			828,543	828,543	876,305
Lease liabilities			790	790	790

	December 31, 2018				
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total	Carrying amount
Assets:					
Other receivables (non-current)	-	-	26,007	26,007	26,784
Finance lease receivables	-	-	382,768	382,768	400,199
Liabilities:					
Borrowings			973,180	973,180	973,768

Determination of fair value

The fair values as disclosed in the table above are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending at the end of the reporting period.

(Expressed in thousands of United States Dollar, unless otherwise stated)

28. Fair value of assets and liabilities (continued)

D. Fair value of financial instruments by classes that are not carried out at fair value and whose carrying amounts are not a reasonable approximation of fair value

The fair value of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not a reasonable approximation of fair value are as follows:

	2019	
Group	**Carrying amount**	**Estimated fair value**
Financial assets:		
Other receivables (non-current)	25,192	24,581
Finance lease receivables	394,262	378,501
Borrowings	876,305	828,543

	2018	
Group	**Carrying amount**	**Estimated fair value**
Financial assets:		
Other receivables (non-current)	26,784	26,007
Finance lease receivables	400,199	382,768
Borrowings	973,768	973,180

Determination of fair value

The fair values as disclosed in the table above are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending at the end of the reporting period.

E. Assets and liabilities whose carrying amounts approximate the fair value

The management assessed that the fair values of cash on hand and in banks, restricted cash, trade and other receivables, trade and other payables, and accrued expenses approximate their carrying amounts largely due to the short-term maturities of these instruments.

29. Financial risks management

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency risk and commodity price risk. The Group's overall risk management strategy focuses on the unpredictability of financial markets and seeks to minimize adverse effects on the Group's financial performance.

Risk management is carried out by the corporate finance department under the supervision of the Board of Directors. The corporate finance department identifies, evaluates and hedges financial risks.

29. Financial risks management (continued)

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash on hand and in banks, restricted cash, finance lease receivables and derivatives).

The Group minimize credit risk by dealing exclusively with high credit rating counterparties (State-owned enterprises). In addition based on the Group's past history, all outstanding receivable from PGE and PLN, two Indonesian state-owned enterprises can be settled based on the agreed term of payment. Therefore, the Group has a low risk appetite and manages credit risk to a low level.

<u>Exposure to credit risk</u>
At the end of the reporting period, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognized in the statement of financial position, including derivatives with positive fair values.

<u>Credit risk concentration profile</u>
Credit risk is the risk that one party of financial instruments will fail to discharge its obligation and will incur a financial loss to an other party. The Group's corporate finance department regularly monitors the financial condition of banks and financial institutions where cash is deposited. As of December 31, 2019, the Group is subject to concentration of credit risk as 99% of its cash in bank and restricted cash are placed in one bank. With respect to credit risk arising from trade receivables, the Group is subject to concentration of credit risk as its entire electricity and steam sales are solely through PGE and PLN, two Indonesian state-owned enterprises. The Group did not hold any collateral to secure PLN payments to the Group under the ESC. As of the reporting date, the carrying amounts of financial asset represent the Group's maximum exposure to credit risk.

<u>Financial assets that are not past due</u>
Trade and other receivables that are not past due are with creditworthy debtors with good payment record with the Group. Cash and short-term deposits and derivatives that are not past due are placed with or entered into with reputable financial institutions with no history of default.

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to a shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Corporate finance department aims to maintain flexibility in funding by keeping committed credit facilities available. The Group financial assets include cash on hand and in banks, restricted cash, trade and other receivables excluding VAT receivables and due from the parent Company. We manage liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of our financial assets and liabilities. Therefore, the Group has a low risk appetite and manages liquidity risk to a low level.

(Expressed in thousands of United States Dollar, unless otherwise stated)

29. Financial risk management (continued)

Analysis of financial instruments by remaining contractual maturities

The table below summarizes the maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations:

	One year or less	One to five years	Above five years	Total
2019				
Trade and other payables	12,984	-	-	12,984
Borrowings	112,327	938,703	-	1,051,030
Lease liabilities	3,346	906	-	4,252
	128,657	939,609	-	1,068,266

	One year or less	One to five years	Above five years	Total
2018				
Trade and other payables	3,345	-	-	3,345
Borrowings	132,356	1,108,613	-	1,240,969
	135,701	1,108,613	-	1,244,314

(c) Interest rate risk

In order to manage the interest rate risk against the fluctuation in LIBOR rate, in 2017 and 2018 the Group entered into Interest Rate Swap transactions with Consortium Banks (Note 23) in relation to Bank Loan. By entering into the interest rate swap transactions, the interest payable of the loan facility is expected to be fixed (not affected by changes in LIBOR rates). As at December 31, 2019, the portion of notional hedging amount compare to outstanding loan balances are 77%.
The following table shows the sensitivity to a reasonably possible change in interest rates on the borrowings which are not hedged.

	Change in LIBOR rate	Effect on post-tax profit
2019	+0.5%	956
	-0.5%	(956)

(d) Foreign currency risk

The Group has transactional currency exposures arising from purchases denominated in a currency other then the functional currency of the Group entities, which is United States dollar. The foreign currency in which these transactions are denominated is mainly in Indonesian rupiah as the Group's major operations are in Indonesia. The Group does not enter into foreign currency exchange contracts to mitigate foreign currency risk. The Group's currency exposure is disclosed in Notes 12, 18 and 25 to the consolidated financial statements.

(Expressed in thousands of United States Dollar, unless otherwise stated)

29. Financial risk management (continued)

(d) Foreign currency risk (continued)

The amount of tariff payable by PLN under the ESC is based on a pre-determined formula. One of the variable components in the formula is a monetary exchange factor based on the Bank Indonesia selling rate of exchange in Rupiah per US dollar. In the event of a weakening of the Rupiah against the US dollar, tariff payments by PLN to Star Energy or PGE (as applicable) will decrease. On the other hand, in the event that the value of the Rupiah strengthens against the US dollar, tariff payments by PLN to Star Energy or PGE (as applicable) will increase based on the formula in the ESCs. Star Energy does not enter into foreign currency exchange contracts to mitigate any foreign currency risk. Therefore, the Group has a low risk appetite and manages foreign exchange risk to a low level

Sensitivity analysis for foreign currency risk

If Indonesian rupiah strengthened/weakened by 10% against the United States dollar, with all other variables held constant, profit before tax would have been lower/higher by US$1,404,050 - full amount.

(e) Commodity price risk

No issue for the commodity price risk for geothermal business due to the price has been agreed in the electricity sales contract based on agreed formula and fixed for a long term – only adjusted by inflation (Note 1.2).

(f) Changes in liabilities arising from financing activities

	2018	Implementation IFRS 16	Addition	Cash flows	Amortization	Other	2019
Borrowings							
- Current	71,500	-	-	(115,319)	-	106,319	62,500
- Non-current	999,794	-	-		-	(106,319)	893,475
Deferred financing cost	(26,026)				8,856	-	(17,170)
Lease liabilities	-	6,268	226	(2,738)	-	122	3,878
Restricted cash	(121,112)	-	-	15,945	-	-	(105,167)
Total	**924,156**	**6,268**	**226**	**(102,112)**	**8,856**	**122**	**837,516**

	2017	Cash flows	Amortization	Other	2018
Borrowings					
- Current	79,500	(90,931)	-	82,931	71,500
- Non-current	1,082,725	-	-	(82,931)	999,794
Deferred financing cost	(35,027)	-	9,001	-	(26,026)
Restricted cash	(91,777)	(29,335)	-	-	(121,112)
Total	**1,035,421**	**(120,266)**	**9,001**	**-**	**924,156**

(Expressed in thousands of United States Dollar, unless otherwise stated)

30. Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2019 and 2018.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, loans and borrowings, lease liabilities, trade and other payables, and accrued expenses less cash on hand and in banks and restricted cash excluding discontinued operations. Capital includes equity attributable to the owners of the Company.

Capital includes debt and equity items as disclosed in the table below.

	2019	2018
Borrowings (Note 24)	938,805	1,045,268
Lease liabilities	3,878	-
Trade and other payables, and accrued expenses (Note 25)	38,052	29,687
Less: Cash on hand and in banks (Note 18)	(150)	(280)
Restricted cash (Note 17)	(105,167)	(121,112)
Net Debt	875,418	953,563
Equity attributable to the owners of the Parent Entity	1,039,068	974,130
Capital and net debt	1,914,486	1,927,693
Gearing ratio	46%	49%

The target of this ratio is below 70% as stated in note Borrowings (Note 24).

31. Related party transactions

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the following significant transactions between the Group and the related parties took place at terms agreed between the parties during the year.

Significant balances with related parties are as follows:

Other receivables (Note 12)

	2019	2018
Star Energy Geothermal Holding (Salak-Darajat) B.V	19	19
Star Phoenix Geothermal J.V B.V	16	16
Total	**35**	**35**

(Expressed in thousands of United States Dollar, unless otherwise stated)

31. Related party transactions (continued)

Other payables (Note 25)

	2019	2018
Star Energy Geothermal Holding Pte. Ltd.	408	408
Star Energy Geothermal Pte. Ltd.	135	135
Star Energy Geothermal Wayang Windu Ltd.	15	12
PT Star Energy Geothermal Indonesia	86	-
Others	1	-
Total	**645**	**555**

Compensation of key management personnel

	2019	2018
Wages and salaries	15	257
Comprise amount paid to:		
Directors of the Company and Subsidiaries	15	257

32. Events occurring after the reporting period

The Group's operation may indirectly be impacted by the COVID-19 pandemic which has spread, subsequent to the reporting period, to several countries including Indonesia. The COVID-19 pandemic has caused a major impact to the global and Indonesian economic growth, decline in capital markets, increase in credit risk, depreciation of foreign currency exchange rates and disruption to business operations. The future effects of COVID-19 pandemic to Indonesia and the Company are unclear at this time. A significant rise in the number of COVID-19 infections or prolongation of the pandemic may affect Indonesia and the Company.

As of the date of the completion of the financial statements, management strongly believes that the COVID-19 pandemic did not impact the measurement of accounts reported in the financial statements, since there is a take-or-pay ("TOP") clause under the existing ESC with PLN. Throughout the subsequent period, there have been no disruptions to the operations of the Group's power plants. The operations are maintained in a good condition, where steam and electricity dispatch is above the TOP.

33. Authorization of financial statements for issue

The financial statements as at December 31, 2019 and for the year then ended were authorized for issue in accordance with a resolution of the directors on June 25, 2020.

Star Energy Geothermal (Salak - Darajat) B.V.

Company's Profit and Loss account
For the year ended December 31, 2019
(Expressed in thousands of United States Dollar, unless otherwise stated)

	Note	2019	2018
Loss after tax	34	(15)	(49)
Share in total profit for the year of participating interests		80,388	84,349
Total profit for the years, net of tax		**80,373**	**84,300**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Star Energy Geothermal (Salak - Darajat) B.V.

Company's Balance sheet after appropriation of result
As at December 31, 2019
(Expressed in thousands of United States Dollar, unless otherwise stated)

	Note	2019	2018
ASSETS			
Non-current assets			
Intangible fixed assets	35	258	373
Financial fixed assets	36	2,197,254	2,132,301
Total non-current assets		2,197,512	2,132,674
Current assets			
Other receivables	37	46	27,337
Restricted cash	38	1,005	456
Other current assets		8	19
Total current assets		1,059	27,812
Total assets		**2,198,571**	**2,160,486**
EQUITY AND LIABILITIES			
Equity			
Share capital	40	10	10
Legal reserve: cash flow hedges	42	(7,875)	6,954
Additional paid in capital	41	855,777	855,777
Retained earning		208,935	129,168
Other reserve		(17,779)	(17,779)
Total equity		1,039,068	974,130
Current liabilities			
Other payables	39	1,159,351	1,186,106
Accrued expenses	39	152	250
Total current liabilities		1,159,503	1,186,356
Total liabilities		**1,159,503**	**1,186,356**
Total equity and liabilities		**2,198,571**	**2,160,486**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Star Energy Geothermal (Salak - Darajat) B.V.

Company statement of changes in equity
For the year ended December 31, 2019
(Expressed in thousands of United States Dollar, unless otherwise stated)

	Share capital	Legal reserve: Cash Flow Hedges	Retained Earning/ Accumulated Loss	Other Reserves	Additional Paid in Capital	Total equity
Balance at January 1, 2019	**10**	**6,954**	**129,168**	**(17,779)**	**855,777**	**974,130**
Profit for the year	-	-	80,373	-	-	80,373
Net changes for the year	-	(14,829)	(606)		-	(15,435)
Balance at December 31, 2019	**10**	**(7,875)**	**208,935**	**(17,779)**	**855,777**	**1,039,068**
Balance at January 1, 2018 (after implementation of IFRS 15)	10	(3,259)	41,675	(17,779)	855,777	876,424
Profit for the year	-	-	84,300	-	-	84,300
Net changes for the year	-	10,213	3,193	-	-	13,406
Balance at December 31, 2018	**10**	**6,954**	**129,168**	**(17,779)**	**855,777**	**974,130**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

General

General information

Star Energy Geothermal (Salak - Darajat) B.V. (the "Company") was established on December 16, 2016 as a limited liability company incorporated and domiciled in the Netherlands. The immediate holding Company is Star Energy Geothermal Holdings (Salak-Darajat) B.V. ("SEGHSD") and the ultimate holding company is PT Barito Pacific Tbk. PT Barito Pacific Tbk. is a company listed in Indonesia Stock Exchange and located at Wisma Barito Pacific, Jl. Letjen S. Parman Kav. 62-63 Jakarta, Indonesia.

Its registered office is Atrium Building, 8th floor Strawinskylaan 3127, 1077 ZX Amsterdam, the Netherlands and is registered at the Chamber of Commerce under number 67502601.

The principal activity of the Company is financial holdings.

For the accounting policies, please refer to the accounting policies of the consolidated financial statements, unless stated otherwise below.

The balance sheet has been prepared after the proposed appropriation of the result.

Basis of preparation

Significant accounting policies
The financial statements of the Company included in this section are prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code. The Company has prepared these company financial statements using the provision of section 362:8, Book 2, Dutch Civil Code. This provision allows companies that apply IFRS as adopted by the European Union in their consolidated financial statements to use the same measurement principles in their company financial statements. The principles for the valuation of assets and liabilities and the determination of the result are the same as those applied to the consolidated profit and loss account, with the exception of the following principles:

Investments in subsidiaries
Investments in subsidiaries are accounted for in the company financial statements using the equity accounting method. IFRS 16 was adopted starting January 1, 2019 and this implementation had a nil effect on the investment in subsidiaries. Management has disclosed the first time adoption effect of implementation IFRS 16 in note 2.2b consolidated financial statements.

Share of result of participating interests
This item concerns the Company's share of the profit or loss of these participating interests. Results on transactions involving the transfer of assets and liabilities between the Company and its participating interests and mutually between participating interests themselves, are eliminated to the extent that they can be considered as not realized.

(Expressed in thousands of United States Dollar, unless otherwise stated)

34. Audit fee

The costs of the Group for the external auditor and the audit organization and the entire network to which the audit organization belongs charged to the financial year are set out below.

	2019		
	Ernst & Young Accountants LLP	Other EY	Total
Audit of the financial statements	72	52	124

	2018		
	Ernst & Young Accountants LLP	Other EY	Total
Audit of the financial statements	51	79	130

The fees stated above for the audit of the financial statements are based on the procedures performed during the financial year.

35. Intangible fixed assets

	2019	2018
Beginning of period	373	487
Addition of software	-	-
Amortisation	(115)	(114)
Ending of period	258	373

36. Financial fixed assets - Investments in subsidiaries

	2019	2018
Balance at January 1 (after implementation IFRS 15)	2,132,301	2,034,546
Profit for the year	80,388	84,349
Net changes for the year	(15,435)	13,406
Equity investments at ending December 31	2,197,254	2,132,301

Details of subsidiaries are included in Note 1.2.

(Expressed in thousands of United States Dollar, unless otherwise stated)

37. Other receivables

	2019	2018
Non-trade receivables (current):		
- related parties	35	27,337
- Subsidiaries	11	-
Add: Restricted cash (Note 38)	1,005	456
Total loans and receivables	**1,051**	**27,793**

Non-trade receivables

Non trade receivables from related parties are non-interest bearing and to be settled in cash. Repayments are not expected within the 12 months from the end of the reporting period.

All other receivables are denominated in US$. On December 31, 2019, we netted the AP and AR related party due to this transaction occurred to the same party/company with same nature of transaction.

At the reporting date, the Company does not have any receivables that are past due or impaired, or would otherwise be past due but not impaired.

38. Restricted cash

As of December 31, 2019 and 2018, restricted cash comprises of balance in bank accounts maintained with MUFG Bank (Europe) N.V., Holland.

All restricted cash was used as a covenant for a bank loan and denominated in U.S. dollar.

As of December 31, 2019 and 2018, the carrying amount of restricted cash approximates its fair value.

39. Other payables, and accrued expenses

	2019	2018
Other payables and accrued expenses (current):		
Other payables:		
- Related corporations	553	554
- External parties		-
- Subsidiaries	1,158,798	1,185,552
Accrued expenses:		
- Others - third parties	152	250
Trade and other payables, and accrued expenses (current):	**1,159,503**	**1,186,356**
Total financial liabilities at amortized cost:	**1,159,503**	**1,186,356**

Other payables are non-interest bearing and are normally settled on 30-days terms.

Other payables to subsidiaries represent push down safari loan to SEGSL and SEGD II amounting to US$721 million and US$482 million respectively. Other payables to related corporations and subsidiaries are non-trade in nature, unsecured, non-interest bearing, payable upon demand and are to be settled in cash. Other payables to external parties are non−interest bearing and have an average term of 60 days.

Other payables and accrued expense are denominated in US$.

(Expressed in thousands of United States Dollar, unless otherwise stated)

40. Share capital

	2019		2018	
	No. of shares '000	US$'000	No. of shares '000	US$'000
Issued and fully paid (par value US$1 each share):				
Star Energy Geothermal Holdings (Salak - Darajat) B.V	8	8	8	8
ACEHI Netherlands B.V.	2	2	2	2
Total	**10**	**10**	**10**	**10**

The holders of ordinary shares are entitled to receive dividend as and when declared by the Company. All ordinary shares carry one vote per share.

41. Additional paid-in capital

	2019	2018
Additional paid-in capital	**855,777**	**855,777**

Additional paid-in Capital represents Convertible Loan from Star Energy Geothermal Holdings (Salak - Darajat) B.V and ACEHI Netherlands B.V.that has been converted to share premium.

42. Legal reserves and limitations in the distribution of shareholders' equity

As at December 31, 2019, pursuant to Dutch law, certain limitations existed relating to the distribution of shareholders' equity of USD 1,039,068. Such limitations relate to ordinary shares of USD 10 and legal reserves required by Dutch law of USD (7,875). The unrealized losses related to cash flow hedges although qualifying as a legal reserve, reduce the distributable amount by their nature.

The general meeting is authorised to appropriate the profits, which are determined by adoption of the Annual accounts and to determine distributions, in as far as the shareholders' equity of the Company exceeds the reserves which must be maintained pursuant to the law. Management proposed the actual result/profit to be allocated to the Retained Earning.

43. Financial risks management

The Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks is liquidity risk. The Company's overall risk management strategy focuses on the unpredictability of financial markets and seeks to minimize adverse effects on the Company's financial performance.

Risk management is carried out by the corporate finance department under the supervision of the Board of Directors. The corporate finance department identifies, evaluates and hedges financial risks.

(Expressed in thousands of United States Dollar, unless otherwise stated)

43. Financial risks management *(continued)*

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to a shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. Prudent liquidity risk management implies maintaining the availability of funding through the support of related parties, including the shareholders. All of the Company's liabilities are payable to related parties and repayable within a year.

44. Capital management

The primary objective of the Company's capital management is to safeguard the Company's ability to continue as a going concern and to maintain an optimal capital structure so as to maximize shareholders' value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue years ended December 31, 2019.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt, loans and borrowings, lease liabilities, trade and other payables, and accrued expenses less cash and bank balances and restricted cash excluding discontinued operations. Capital includes equity attributable to the owners of the Company.

Capital includes debt and equity items as disclosed in the table below.

	2019	2018
Other payables	1,159,351	1,186,106
Accrued expenses	152	250
Net Debt	1,159,503	1,186,356
Equity attributable to the owners of the Company	1,039,068	974,130
Capital and net debt	2,198,571	2,160,486
Gearing ratio	53%	55%

45. Workforce

The average number of staff employed by the company in 2019 and 2018 was nil. Whereas the average number of staff employed by the group in 2019 and 2018 was 465 and 487, respectively which are all employed outside the Netherlands.

46. Remuneration of members of the board of directors

The remuneration, including pension charges and other benefits, of current and former members of the board of directors charged to the company in the financial year are disclose in note 31.

47. Arrangements and commitments not shown in the balance sheet

There are no arrangements and commitments not shown in the Company's balance sheet in 2019.

48. Events after the balance sheet date

There are no events after the balance sheet data that affected the Company's balance sheet in 2019.

Signatories to the financial statements

Amsterdam, June 25, 2020

Board of Directors:

Hendra Soetjipto Tan
(Director A)

Rudy Suparman
(Director A)

Danuja Simasathien
(Director A)

Yvonne Maria Wimmers - Theuns
(Director B)

Gerard Jan Van Spall
(Director B)

Robert Godfried Hawley
(Director B)

Patrice Rene Clausse
(Director A)

Djonie Maria Angela Spreeuwers
(Director B)

Bundit Sapianchai
(Director A)

Pravienkoemar Mahabier
(Director B)

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Amsterdam, June 25, 2020

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Danuja Simasathien (Director A)	Yvonne Maria Wimmers - Theuns (Director B)
Gerard Jan Van Spall (Director B)	Robert Godfried Hawley (Director B)
Patrice Rene Clausse (Director A)	Djonie Maria Angela Spreeuwers (Director B)
Bundit Sapianchai (Director A)	Pravienkoemar Mahabier (Director B)

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(Director B)

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(Director B)

Robert Godfried Hawley
(Director B)

Patrice Rene Clausse
(Director A)

DocuSigned by:
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Djonie Maria Angela Spreeuwers
(Director B)

Bundit Sapianchai
(Director A)

Pravienkoemar Mahabier
(Director B)

Other information

Articles of Association provisions governing appropriation of result
Result for the year is appropriated in accordance with article 21 of the Articles of Association, which states that the result for the year shall be at the disposal of the General Meeting.

Special voting rights under the Articles of Association
The Company has not granted special voting rights.

Non-voting shares and similar rights
The Company has not issued non-voting shares or similar rights.

Independent auditor's report

To: the shareholders and management of Star Energy Geothermal (Salak - Darajat) B.V.

Report on the audit of the financial statements 2018 included in the annual report

Our opinion

We have audited the financial statements 2018 of Star Energy Geothermal (Salak - Darajat) B.V., based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Star Energy Geothermal (Salak - Darajat) B.V. as at 31 December 2018, and of its result and its cash flows for 2018 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code
- The accompanying company financial statements give a true and fair view of the financial position of Star Energy Geothermal (Salak - Darajat) B.V. as at 31 December 2018, and of its result for 2018 in accordance with Part 9 of Book 2 of the Dutch Civil Code

The consolidated financial statements comprise:

- The consolidated statement of financial position as at 31 December 2018
- The following statements for 2018: the consolidated statement of profit and loss, the consolidated statements of comprehensive income, changes in equity and cash flows
- The notes comprising a summary of the significant accounting policies and other explanatory information

The company financial statements comprise:

- The company balance sheet as at 31 December 2018
- The company profit and loss account for 2018
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Star Energy Geothermal (Salak - Darajat) B.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Building a better
working world

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The management report
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management board's report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities for the financial statements

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Amsterdam, 17 June 2019

Ernst & Young Accountants LLP

signed by J. Tunggalwidjaja

2018 Financial Statements

Star Energy Geothermal (Salak - Darajat) B.V.
and its subsidiaries
Strawinskylaan 3127
1077 ZX Amsterdam
The Netherlands

Star Energy Geothermal (Salak - Darajat) B.V. and its Subsidiaries
Consolidated Financial Statements
As of December 31, 2018
and for the year then ended
with Independent Auditors' Report

Index

Directors' Report

The management herewith presents to the shareholders, the financial statements of Star Energy Geothermal (Salak - Darajat) B.V. (the "Company") and its subsidiaries (collectively, the "Group") for the financial year ended December 31, 2018

A. General information

The Company's shareholders are Star Energy Geothermal Holdings (Salak-Darajat) B.V. and ACEHI Netherlands B.V., both incorporated under the laws of the Netherlands.

The Company is a limited liability company incorporated under the laws of Netherlands. The Company has several subsidiaries as at December 31, 2018. For more details, please see the Note 1.2 to the financial statements.

B. Overview of activities

The Company's main business activity is as a holding company for geothermal operations located in Indonesia. The Group main activities are the production of geothermal energy (steam) and electricity.

In 2018 and 2019 (up to the date of these consolidated financial statements), there are no significant changes in the investment, financing activity and number of employee.

The Group expects to develop several projects in Salak and Darajat for the coming reporting year. Power development projects for the Salak Geothermal Operations include (i) the Salak binary and (ii) Salak Unit 7. Future development in Darajat Geothermal Operations is to expand from current utilization of 85.7 hectares and withfurther future utilization of 118.7 hectares to cover future drilling programs. Various facilities have been built in the aforementioned area, including wells, access roads, offices, warehouse facilities, and pipelines.

C. Environmental and personnel-related information

We, as a part of the Star Energy Group, adhere to social and environmental responsibility as a strategic and direct form of relationship with our stakeholders.

The Star Energy Group has established policies and guidelines to conduct the activities, aiming at establishing the safety, health, and environmental matters, so as to involve our customers, suppliers, neighboring communities, society, government, partners and stakeholders.

D. Information regarding financial instruments

As at December 31, 2018, the Group's financial instruments include finance lease receivables, trade and other receivables, restricted cash, cash on hand and in banks, derivative assets, accrued expenses, trade and other payables and bank loans. The risks arising from these financial instruments are managed in close conjunction with the Group's financial risk management policies, as described in the notes to the financial statements.

E. Financial data

The Group's total comprehensive income for the financial year starting on December 31, 2018 amount to US$97,855 (in thousands of United States Dollar).

Profit for the year of the Group mainly represent results of operations from Star Energy's Salak and Darajat Geothermal Operations for the year ended December 31, 2018.

The equity balance consists of the issuance of share capital, additional paid-in capital, other reserves and retained earnings.

F. Code of Conduct and Corruption Prevention Program

The Directors shall act and behave in accordance with the Star Energy Group's Code of Conduct, Code of Ethics and Corruption Prevention Program.

G. Risk management

The Company adopts Star Energy Group's Business Risks Management Policy, which describes authorities, responsibilities, principles and guidelines, and the several initiatives related to Risk Management. The Company's current Business Risks Management Policy is similar to the good corporate governance practice across the industry and the country.

A highlight of this Policy is a wider approach to the Management of Company Risks, which associates the traditional economic-financial vision to elements of management against threats to safety, health and environment (SHE), of protection of the Company's patrimony and information (Patrimonial Security) and fight against fraud and corruption (Legal Compliance), among other business risks.

The Policy, which is a starting point and integrating element of the actions related to the Company's risk management, is aimed at embedding a risk-aware culture in all decision-making, and a commitment to manage the Business Risks which the Company is exposed to.

The Company is exposed to a variety of risks arising from its operations and the main risks are presented in accordance with the categories of the Business Risks Management Policy, which structure is in line with the Star Energy Group.

G1. Financial risks

The Group is exposed to foreign exchange risk from purchases denominated in a currency other than United States Dollar, arising from the volatility of currency markets

The Group has transactional currency exposures arising from purchases denominated in a currency other than the functional currency of the Group entities, which is United States dollar. The foreign currency in which these transactions are denominated is mainly in Indonesian rupiah as the Group's major operations are in Indonesia. The Group does not enter into foreign currency exchange contracts to mitigate foreign currency risk.

The Company has a low risk appetite and manages foreign exchange risk to a low level.

The Group is exposed to credit risk on its trade and other receivables

The Group's exposure to credit risk arises primarily from trade and other receivables which mainly arises from electricity sales made to a single counterparty through PGE and PLN, two Indonesian state-owned enterprises.

For other financial assets (including cash and short-term deposits and derivatives), the Group and the Company minimize credit risk by dealing exclusively with high credit rating counterparties. The Group has a credit risk concentration from cash and bank placements where as at December 31, 2018 of 90% was placed in one bank. The Group's corporate finance department also regularly monitors the financial condition of banks and financial institutions where cash and short-term deposits are placed.

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognized in the statement of financial position, including derivatives with positive fair values.

The Company has a low risk appetite and manages credit risk to a low level.

G1. Financial risks (continued)
The Group is exposed to liquidity risk on its cash flows

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Corporate finance department aims to maintain flexibility in funding by keeping committed credit facilities available.

The Company has low risk appetite and manages liquidity risk to a low level.

Maturity analysis of the total liabilities to related and third parties, is set out in the following table.

	One year or less	One to five years	Above to five years	Total
2018				
Trade and other payables	3,345	-	-	3,345
Accrued expenses	26,342	-	-	26,342
Bank loans	71,500	973,768	-	1,045,268
	101,187	973,768	-	1,074,955

The Group is exposed to Interest rate risk on its Bank Loan
The Company utilised its bank loan in 2017 in order to acquire Salak, Darajat and Suoh Sekincau Assets. The Bank Loan's interest rate was affected by the LIBOR rate. In order to manage the interest rate risk against the fluctuation in LIBOR rate, in 2017 and 2018 the Group entered into Interest Rate Swap transactions with Consortium Banks (Note 22) in relation to Bank Loan. By entering into the interest rate swap transactions, the interest payable of the loan facility is expected to be fixed (not affected by changes in LIBOR rates).

Capital management
The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Capital comprises of equity in the statement of financial position.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt.

As at December 31, 2018 and 2017, the Group's gearing ratio is as follows:

	2018	**2017**
Bank loans (Note 23)	1,045,268	1,127,198
Trade and other payables, and accrued expenses (Note 24)	29,687	31,604
Less: Cash and bank balances (Note 17)	(280)	(611)
Restricted cash (Note 16)	(121,112)	(91,777)
Net Debt	953,563	1,066,414
Equity attributable to the owners of the Parent Entity	974,129	886,956
Capital and net debt	1,927,692	1,953,370
Gearing ratio	49%	55%

G2. Strategic risks
Decisions made by Barito Group, its ultimate parent company, may affect the Group
The fact that the Company is part of an economic group may cause it to be affected by decisions of its ultimate shareholder PT Barito Pacific Tbk., which may take decisions that impact the Group's strategy.

The Group assesses this risk as low since there is a common team of key management personnel and the Group's strategic objectives are in line with those set by the shareholders for investment in geothermal operations.

G3. Transactions with related parties
Transactions with related parties are part of our business. Such operations must follow market standards and be conducted at arm's length, objective and documented decision-making processes, respect for competition rules and appropriate disclosing of information, in accordance with applicable laws. Possible failures in the process of identification, treatment and when required, disclosure of these situations can negatively affect the economic and financial condition of the Group, as well as lead to fines and penalties by regulators.

The Group assess this risk as low given the current level of its operations and makes efforts to mitigate it by compliance with current disclosure requirements.

G4.Remuneration policy of members of the board of directors
The members of the board of directors are not considered as permanent employees of the Group, thus no pension charges for them.

G5.Tax
The Group is exposed to changes in tax legislation and/or differences in legal interpretation related to its business.

We periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Where appropriate, the Group establishes provisions based on the amounts expected to be paid to the tax authorities or adjusts the amount of its tax loss carry forward.

G6. Operational
The Company's operational activities are limited to maintaining its investment in subsidiaries and The Group main activities are the production of geothermal energy (steam) and electricity as mentioned in section B above. No significant transactions outside the normal business of the Group have occurred.

H. Research and development information

We do not have research and development activities as at December 31, 2018.

Star Energy Geothermal (Salak - Darajat) B.V. and its Subsidiaries

Consolidated Statement of Profit or Loss
For the year ended December 31, 2018
(Expressed in thousands of United States Dollar, unless otherwise stated)

	Notes	2018	2017*
Revenue from contracts with customer	4	298,386	208,618
Finance lease income		43,699	32,536
Total revenues		**342,085**	**241,154**
Expenses			
Depreciation and amortization	9, 10, 13	(23,017)	(17,242)
Employee compensation and benefits	5	(32,268)	(19,388)
Consultants and technicians	7	(16,033)	(14,217)
Production allowance to PT Pertamina Geothermal Energy ("PGE")		(8,270)	(5,699)
Supplies and equipments	14	(9,184)	(4,370)
Transportation and logistics		(2,793)	(2,530)
Insurance		(3,748)	(2,522)
Pension cost	21	(3,801)	(2,096)
Donation and sponsorship		(1,480)	(1,306)
Others		(386)	(461)
Total expenses		(100,980)	(69,831)
Other (losses)/gains			
Finance costs	6	(71,516)	(58,458)
Interest income		5	22
Foreign exchange loss, net		(2,434)	(362)
Miscellaneous		(701)	386
Profit before tax		**166,459**	**112,911**
Income tax expense	8	(82,012)	(58,472)
Profit for the year		**84,447**	**54,439**
Attributable to:			
Owners of the parents entity		84,300	54,404
Non-controlling interests		147	35
Profit/(loss) for the year		**84,447**	**54,439**

** For the first financial year starting on December 16, 2016 and ended on December 31, 2017*

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

Star Energy Geothermal (Salak - Darajat) B.V. and its Subsidiaries

Consolidated Statement of Comprehensive Income
For the year ended December 31, 2018
(Expressed in thousands of United States Dollar, unless otherwise stated)

	Notes	2018	2017*
Profit for the year		84,447	54,439
Other Comprehensive Income			
Item that will not be reclassified to profit or loss			
Actuarial gain/(loss)		3,195	(2,197)
Item that will be reclassified to profit or loss			
Effective portion of changes in fair value of cashflow hedge	22	10,213	(3,259)
Other comprehensive income/(loss) for the years, net of tax		13,408	(5,456)
Total comprehensive income/(loss) for the years		**97,855**	**48,983**
Attributable to:			
Owners of the parent entity		97,706	48,948
Non-controlling interests		149	35
		97,855	**48,983**

** For the first financial year starting on December 16, 2016 and ended on December 31, 2017*

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

Star Energy Geothermal (Salak - Darajat) B.V. and its Subsidiaries

Consolidated Statement of Financial Position
As of December 31, 2018
(Expressed in thousands of United States Dollar, unless otherwise stated)

	Notes	2018	2017
ASSETS			
Non-current assets			
Property, plant and equipments	9	314,618	319,799
Intangible assets	10	1,684,265	1,684,879
Other receivables	11	46,748	47,896
Finance lease receivable	12	400,199	405,566
Deferred charges	13	28,705	27,561
Spareparts and supplies	14	10,057	9,449
Derivative assets	22	6,954	-
Total non-current assets		2,491,546	2,495,150
Current assets			
Inventories	14	13,055	14,957
Finance lease receivable	12	5,367	4,854
Other current assets	15	5,891	7,498
Trade and other receivables	11	70,029	77,715
Restricted cash	16	121,112	91,777
Cash on hand and in banks	17	280	611
Total current assets		215,734	197,412
Total assets		**2,707,280**	**2,692,562**
EQUITY AND LIABILITIES			
Equity attributable to owners of the Parent Entity			
Share capital	18	10	10
Additional paid-in capital	19	855,777	855,777
Other reserves	20	(10,825)	(21,038)
Retained earnings		129,168	52,207
		974,130	886,956
Non-controlling interests		758	609
Total equity		**974,888**	**887,565**

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

Consolidated Statement of Financial Position (continued)
As of December 31, 2018
(Expressed in thousands of United States Dollar, unless otherwise stated)

	Notes	2018	2017
Non-current liabilities			
Provision for long-term employee benefits	21	1,839	3,218
Derivatives liabilities	22	-	3,259
Borrowings - net of current maturities	23	973,768	1,047,698
Deferred tax liabilities	8	622,568	620,640
PLN Make-up account balances	25	13,626	-
Total non-current liabilities		1,611,801	1,674,815
Current liabilities			
Taxes payable	8	19,404	19,078
Current maturities of borrowings	23	71,500	79,500
Trade and other payables	24	3,345	1,683
Accrued expenses	24	26,342	29,921
Total current liabilities		120,591	130,182
Total liabilities		**1,732,392**	**1,804,997**
Total equity and liabilities		**2,707,280**	**2,692,562**

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

Star Energy Geothermal (Salak - Darajat) B.V. and its Subsidiaries

Consolidated Statement of Changes in Equity
For the year ended December 31, 2018
(Expressed in thousands of United States Dollar, unless otherwise stated)

		Attributable to Owners of the Parent Entity							
	Notes	Share capital	Value of conversion rights - convertible loan	Additional paid-in capital	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at January 1, 2018		10	-	855,777	(21,038)	52,207	886,956	609	887,565
Implementation IFRS 15		-	-	-	-	(10,532)	(10,532)	-	(10,532)
Balance at January 1 , 2018 (restated)		10	-	855,777	(21,038)	41,675	876,424	609	877,033
Profit for the year		-	-	-	-	84,300	84,300	147	84,447
Other comprehensive income for the year		-	-	-	10,213	3,193	13,406	2	13,408
Total comprehensive income for the year		**-**	**-**	**-**	**10,213**	**76,961**	**87,174**	**149**	**87,323**
Balance at December 31, 2018		**10**	**-**	**855,777**	**(10,825)**	**129,168**	**974,130**	**758**	**974,888**
Balance at inception – December 16, 2016		-	-	-	-	-	-	-	-
Issuance of capital	18	10	-	-	-	-	10	-	10
Profit for the year		-	-	-	-	54,404	54,404	35	54,439
Other comprehensive income for the year		-	-	-	(3,259)	(2,197)	(5,456)	-	(5,456)
Total comprehensive income for the year		**-**	**-**	**-**	**(3,259)**	**52,207**	**48,948**	**35**	**48,983**
Value of conversion rights - convertible loan	19	-	197,367	-	-	-	197,367	-	197,367
Additional paid-in capital	19	-	(197,367)	855,777	-	-	658,410	-	658,410
Acquisition of subsidiaries	25	-	-	-	-	-	-	(13)	(13)
Acquisition of subsidiary with participating interests	25	-	-	-	(17,779)	-	(17,779)	587	(17,192)
Balance at December 31, 2017		**10**	**-**	**855,777**	**(21,038)**	**52,207**	**886,956**	**609**	**887,565**

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

Star Energy Geothermal (Salak - Darajat) B.V. and its Subsidiaries

Consolidated Statement of Cash Flows
For the year ended December 31, 2018
(Expressed in thousands of United States Dollar, unless otherwise stated)

	Notes	2018	2017*
Operating activities			
Profit for the financial year		84,447	54,439
Adjustments for:			
Depreciation and amortization	9,10,13	23,017	17,242
Finance costs	6	71,516	58,458
Finance lease income		4,854	3,284
Income tax expense	8	82,012	58,472
Interest income		(5)	(22)
Provision for pension cost	21	3,801	2,096
PLN Make-up account balances	25	(2,330)	-
Operating cash flows before changes in working capital		**267,312**	**193,969**
Changes in working capital:			
Trade and other receivables		8,834	(25,203)
Inventories		1,902	383
Taxes payable		628	(13,573)
Trade and other payables		1,662	(27,599)
Accrued expenses		(3,579)	29,897
Other operating assets and liabilities		1,266	6,550
Cash generated from operations		**278,025**	**164,424**
Interest paid		(62,514)	(45,342)
Interest received		5	22
Income tax paid		(76,607)	(35,503)
Net cash provided by operating activities		**138,909**	**83,601**
Investing activities			
Additions to property, plant and equipment	9	(11,762)	(7,716)
Additions to deferred charges	13	(6,604)	(3,481)
Additions to spareparts and supplies	14	(608)	-
Net cash outflow on acquisitions of subsidiaries	25	-	(1,933,359)
Net cash outflow on acquisition of non-controlling Interests	25	-	(26,609)
Additions to intangible assets	10	-	(3,098)
Net cash used in investing activities		**(18,974)**	**(1,974,263)**

** For the first financial year starting on December 16, 2016 and ended on December 31, 2017*

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

(Expressed in thousands of United States Dollar, unless otherwise stated)

	Notes	2018	2017
Financing activities			
Repayment of borrowings	23	(90,931)	(87,775)
Increase in restricted cash	16	(29,335)	(91,777)
Proceeds from borrowings	23	-	1,250,000
Receipt from additional paid-in capital	19	-	855,777
Payment of financing costs		-	(34,952)
Net cash provided by/(used in) financing activities		**(120,266)**	**1,891,273**
Net increase in cash on hand and in banks		(331)	611
Cash on hand and in banks at beginning of years		611	-
Cash on hand and in banks at end of years	17	**280**	**611**

** For the first financial year starting on December 16, 2016 and ended on December 31, 2017*

(Expressed in thousands of United States Dollar, unless otherwise stated)

1. General

1.1 General information

Star Energy Geothermal (Salak - Darajat) B.V. ("SEG-SD B.V." or the "Company") is a limited liability company incorporated and domiciled in The Netherlands. The immediate holding Company is Star Energy Geothermal Holdings (Salak-Darajat) B.V. and the ultimate holding company is PT Barito Pacific Tbk. PT Barito Pacific Tbk. is a company listed in Indonesia Stock Exchange and located at Wisma Barito Pacific, Jl. Letjen S. Parman Kav. 62-63 Jakarta, Indonesia.

The registered office according to the Articles of Association of the Company is Strawinskylaan 3127, 8th floor, 1077ZX Amsterdam. The Company is listed in the Commercial Register of the Chamber of Commerce under the following file number: 67502601

The principal activity of the Company is financial holdings. The principal activities of its subsidiaries are disclosed in Note 1.2 to the financial statements.

1.2 Subsidiaries

As of December 31, 2018, the Company has an ownership interest of more than 50%, directly or indirectly, in the following subsidiaries:

Name of companies	Principal activities	Country of incorporation	2018 %
Held by the Company			
Star Energy Geothermal Salak, Ltd.	Geothermal energy resource and power plant	Bermuda	100.00
Star Energy Geothermal Darajat I, Limited	Geothermal energy resource and power plant	Commonwealth of the Bahamas	100.00
Star Energy Geothermal Darajat II, Limited	Geothermal energy resource and power plant	Bermuda	100.00
PT Star Energy Geothermal Suoh Sekincau	Geothermal energy resource and power plant	Indonesia	95.00
PT Darajat Geothermal Indonesia	Geothermal energy resource and power plant	Indonesia	95.00
Held by subsidiaries			
Star Energy Geothermal Salak Pratama, Ltd.	Geothermal energy power plant	Cayman Islands	100.00

The subsidiaries' principal place of business is in Indonesia. The Company and subsidiaries are collectively referred to as the "Group".

1. General (continued)

1.2 **Subsidiaries**

Star Energy Geothermal Darajat II, Ltd. ("SEGD-II"); Star Energy Geothermal Darajat I, Ltd. ("SEGD-I") and; PT Darajat Geothermal Indonesia ("PT DGI") – all together as Darajat Geothermal Operation West Java Joint Operation Contractor Group (the "Darajat Contractor Group")

SEGD-I was incorporated based on a certificate of incorporation of J.O. Liddell, public notary of the Commonwealth of Bahamas Island dated June 21, 1984 under the Laws of the Bahamas with its principal place of business in Indonesia. Most recently, it changed its name to SEGD-I on March 31, 2017 after its acquisition by SEG-SD B.V. as part of a sale and purchase agreement on December 22, 2016 between Chevron Corporation ("CVX") and the Star Energy Consortium to sell Chevron's Indonesian Geothermal assets.

SEGD-II is a Bermuda Corporation, which was incorporated under the name Texaco Darajat, Ltd. based on a certificate of incorporation dated January 10, 1984 under the Laws of Bermuda with its principal place of business in Indonesia. It changed its name to Chevron Geothermal Indonesia, Ltd ("CGI") on November 14, 2005. On March 31, 2017, CGI was fully acquired by SEG-SD B.V. and changed its name to SEGD-II.

PT DGI was established by Deed No. 160 of Notary Sutjipto, S.H. dated February 26, 1997. The deed of establishment was approved by the Minister of Laws and Human Rights of the Republic of Indonesia in his decision letter no.C2-5403.HT.01.01.TH.97 dated June 24, 1997 and was published in State Gazette of the Republic of Indonesia No. 39 dated May 15, 1998, supplement No. 2609. On September 27, 2017, 95% ownership of PT DGI was acquired by SEG-SD B.V.

<u>Darajat JOC</u>

SEGD-II and SEGD-I, entered into a Joint Operation Contract ("JOC") dated November 16, 1984 as amended on November 16, 1988, January 15, 1996 and February 7, 2003 with PERTAMINA for which geothermal operations are now managed by PT Pertamina Geothermal Energy ("PGE"), a subsidiary of PERTAMINA . The JOC provides the exploration and exploitation of geothermal energy resources in an area of approximately 49.98 square kilometres (equivalent to 4,998 hectares) in the Darajat geothermal field, West Java, as well as the generation of electricity from those resources and sale of such geothermal energy and electricity to PT Perusahaan Listrik Negara (Persero) ("PLN"), the Indonesian state-owned electricity company, through PGE, pursuant to an Energy Sales Contract ("ESC").

The term of the JOC is 564 months commencing from November 16, 1984, provided that if a production period of 360 months for any unit is not possible within the period ending 564 months following the effective date, then an extension period will be added to the term of the JOC as it pertains to such unit only to enable the supply of geothermal energy (as defined in the JOC) to such unit for a production period of 360 months.

Darajat JOC is subject to Presidential Decree No. 49 of 1991 and the Minister of Finance Decree No. 766/1992 which provides the Darajat Contractor Group with an all-inclusive tax rate of 34% of net operating income as defined in the JOC and the 1984 Indonesian Income Tax Law. In certain government regulations, this 34% is referred to as the "government share". The Darajat Contractor Group is also required to pay the PGE Production Allowance equivalent to 2.66% of net operating income calculated based on the 1984 Indonesian Income Tax Law.

1. **General (continued)**

1.2 **Subsidiaries (continued)**

Star Energy Geothermal Darajat II, Ltd. ("SEGD-II"); Star Energy Geothermal Darajat I, Ltd. ("SEGD-I") and; PT Darajat Geothermal Indonesia ("PT DGI") – all together as Darajat Geothermal Operation West Java Joint Operation Contractor Group (the "Darajat Contractor Group") (continued)

Darajat JOC (continued)

Amendment No.1 to the Darajat JOC ("Darajat Amended and Restated JOC") dated February 7, 2003 states that :

- In the event that either PLN or the Darajat Contractor Group exercises the option granted to extend the production period from 360 months to 480 months, the production period shall be automatically amended from 360 months to 480 months.
- Further, in the event that either PLN or the Darajat Contractor Group exercises the option granted to extend the ESC term from 432 months to 552 months, the term of the JOC shall be automatically amended from 564 months to 684 months from November 16, 1984.
- If the production period extends beyond the term of the Amended and Restated JOC, the JOC term will automatically be extended to coincide with the end of the production period.

Up to the date of these consolidated financial statements, the options granted above have not been exercised.

Darajat ESC

In conjunction with the Contractor Group entering into the JOC with PERTAMINA, PERTAMINA entered into an ESC with PLN whereby PLN agreed to purchase geothermal energy and electricity, delivered by the Darajat Contractor Group. The invoice is stated and payable in United States Dollar.

In accordance with the terms of the take-or-pay provisions of the Amended and Restated ESC, PLN should pay a minimum 80% of the rated capacity of each Unit in operation for the Unit owned by PLN (Unit I) and 95% of the average gross kilowatt generating capacity of the relevant units built, owned and operated by the Darajat Contractor Group (Units II and III).

On August 10, 2004, the terms of the Amended and Restated ESC were amended through Amendment Agreement No. 2 signed by PLN, PERTAMINA and the Darajat Contractor Group. The significant amendments are as follows:

- With respect to Darajat Unit III, the base resource price of geothermal energy and electricity is US$0.042336 – full amount per Kwh.
- All rights to and revenue from any and all emissions credit and trading as a result of the United Nations Framework Convention on Climate Change ("UNFCC") and Kyoto Protocol for Clean Development Mechanism ("CDM") or other Gas Emission Credit Market mechanisms related to the Darajat Contract Area are the property of and owned by the Darajat Contractor Group.

On April 28, 2014, the amended ESC section 5.2 was approved to change the Indonesian Consumer Price Index ("CPI") from base year 2007 = 100 to base year 2012 = 100, which was implemented immediately for energy transactions from the second quarter of 2014.

(Expressed in thousands of United States Dollar, unless otherwise stated)

1. **General (continued)**

1.2 **Subsidiaries (continued)**

Star Energy Geothermal Darajat II, Ltd. ("SEGD-II"); Star Energy Geothermal Darajat I, Ltd. ("SEGD-I") and; PT Darajat Geothermal Indonesia ("PT DGI") – all together as Darajat Geothermal Operation West Java Joint Operation Contractor Group (the "Darajat Contractor Group") (continued)

Darajat JOA

SEGD-I and SEGD-II entered into a Joint Operating Agreement ("JOA") dated August 23, 1997 (as amended from time to time and most recently amended on January 1, 2009) with PT DGI, whereby PT DGI was assigned a five percent participating interest in, and the rights and obligations under, the JOC and ESC for the Unit II power generating facility and all future units. SEGD-I, SEGD-II and PT DGI together form the Darajat Geothermal Operation West Java Contractor Group (hereinafter referred to as the "Darajat Contractor Group").

Amendment No. 1 to the Amended and Restated JOA was signed on January 1, 2009. The Amendment provides that all parties agree to appoint SEGD-II as the operator for the CDM Project and acting for and on behalf of the Darajat Contractor Group, to sell the Certified Emission Reductions ("CER") and receive the payments.

The Unit I Geothermal Energy Plant ("Unit I") commenced commercial operations in 1994 and has a power generation capacity of 55 MW. The Unit II Power Plant ("Unit II") was commissioned and commenced commercial operations on June 1, 2000 with a power generation capacity at commissioning of 70 MW, subsequently increased to 90 MW. The Unit III Power Plant ("Unit III") was commissioned and commenced commercial operations on July 1, 2007 with a power generation capacity at the commissioning of 110 MW, subsequently increased to 121 MW.

The respective participating interests of the participants in the Darajat Contractor Group are as follows:

	Unit I (Steam)	Units II and III (Electricity)
Star Energy Geothermal Darajat I, Limited	50.0%	47.5%
Star Energy Geothermal Darajat II, Limited	50.0%	47.5%
PT Darajat Geothermal Indonesia	–	5.0%
	100.0%	100.0%

1. **General (continued)**

1.2 **Subsidiaries (continued)**

Star Energy Geothermal Salak, Ltd. ("SEGSL") and; Star Energy Geothermal Salak Pratama, Ltd. ("SEGSPL") (the "Salak Contractor Group")

SEGSL is a Bermuda Corporation, incorporated under the original name Union Geothermal of Indonesia, Limited based on a certificate of incorporation dated November 25, 1981, under the Laws of Bermuda with its principal place of business in Indonesia. Most recently, it changed its name to SEGSL on March 31, 2017 after its acquisition by SEG-SD B.V. as part of a sale and purchase agreement on December 22, 2016 between CVX with Star Energy Consortium to sell Chevron's Indonesian Geothermal assets (Note 26).

SEGSPL (formerly known as Dayabumi Salak Pratama, Ltd. ("DSPL")) is a special purpose company formed on May 1, 1996 under the laws of the Cayman Islands, with its principal place of business in Indonesia, for the purpose of building and operating a geothermal energy fueled power generating facility (the "Power Plant"). SEGSPL is a wholly-owned subsidiary of SEGSL. It changed its name to SEGSPL on March 31, 2017 after its acquisition by SEG-SD B.V. as part of a sales and purchase agreement dated December 22, 2016 (Note 26).

<u>Salak JOC</u>

On February 11, 1982, Union Geothermal of Indonesia, Ltd., now succeeded by SEGSL entered into a JOC with PERTAMINA, for which geothermal operations are now managed by PGE, to explore and develop geothermal energy resources within the Gunung Salak contract area. The JOC governs the conduct of geothermal operations in the contract area. Under the terms of the JOC, SEGSL is required to deliver the geothermal energy produced in the contract area to PLN through PGE, pursuant to an ESC discussed below. This geothermal energy is used by PLN to generate electricity from three 55 MW power generating units (Units 1, 2 and 3) owned and operated by PLN in the contract area. The JOC was amended on November 16, 1994 and again on July 22, 2002.

On May 1, 1996, CGS established DSPL as a wholly-owned subsidiary and assigned all of its rights, interests and obligations under the JOC in respect of construction and operation of an additional three power generating units (Units 4, 5 and 6). This was confirmed in Amendment No. 2 to the Gunung Salak amended and restated JOC dated July 22, 2002. Amendment No. 2 also extended the JOC term to December 1, 2030, which was further extended to November 30, 2040.

Salak JOC is subject to Presidential Decree No. 49 of 1991 and the Minister of Finance Decree No. 766/1992 which provides the Salak Contractor Group with an all-inclusive tax rate of 34% of net operating income as defined in the JOC and the 1984 Indonesian Income Tax Law. In certain government regulations, this 34% is referred to as the "government share". The Salak Contractor Group is also required to pay the PGE Production Allowance equivalent to 4% of net operating income calculated based on the 1984 Indonesian Income Tax Law.

<u>Salak ESC</u>

In conjunction with SEGSL entering into the JOC dated February 11, 1982 with PERTAMINA, PERTAMINA entered into an ESC with PLN whereby PLN agreed to purchase geothermal energy, delivered by SEGSL.

In connection with the amendment and restatement of the JOC dated November 16, 1994, the ESC was also amended and restated ("Amended and Restated ESC").

1. General (continued)

1.2 **Subsidiaries (continued)**

Star Energy Geothermal Salak, Ltd. (“SEGSL”) and; Star Energy Geothermal Salak Pratama, Ltd. (“SEGSPL”) (the “Salak Contractor Group”) (continued)

The term of the Amended and Restated ESC is for a period ending 420 months after November 16, 1994 (the “Effective Date”) provided that should any production periods extend beyond the term of the Amended and Restated ESC, the term will be automatically extended until the end of such production period. The production period for delivery of geothermal energy to the initial unit, or electricity from each unit built, owned and operated by SEGSL, shall be at least 360 months commencing on the date of commercial generation of each unit, with the provision that if a production period ends prior to the end of the term of the Amended and Restated ESC, such production period shall be automatically extended to coincide with the end of such term.

The terms as stated in the Amended and Restated ESC were later amended through an Amendment Agreement (“Second Amendment”) signed by the Company on July 22, 2002. Significant amendments are as follows:

- SEGSPL became a party to the ESC, whereby SEGSPL shall have the right to generate and deliver electricity to PLN on behalf of PERTAMINA using any combination of Units 4, 5 and 6.
- The term of the ESC will end on December 1, 2030 and has been extended to November 30, 2040.
- With respect to all units, the base resource price of geothermal energy was decreased from US$0.04302 - full amount, kWh under the original ESC to US$0.03724 - full amount per kWh.

The terms of the Second Amendment provide that PLN shall pay PGE, who will then remit to SEGSL and SEGSPL, for the geothermal energy and electricity delivered each month based upon pricing formulas stated in the ESC. The invoice is stated and payable in United States Dollars.

In accordance with the terms of the take-or-pay provisions of the Second Amendment, PLN should pay a minimum 95.06% of the total rated capacity of Units 1, 2 and 3. For Units 4, 5 and 6, PLN should pay a minimum 90.14% of the total rated capacity.

PT Star Energy Geothermal Suoh Sekincau (“PT SEGSS”)

On April 6, 2017, SEG-SD B.V acquired PT Chevron Geothermal Suoh Sekincau. Effective on the date, PT Chevron Geothermal Suoh Sekincau was changed into PT SEGSS by Deed No. 3 of Notary Liestiani Wang, S.H., M.Kn. dated April 6, 2017. The immediate parent of PT SEGSS is SEG-SD B.V with 95% ownership.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as adopted by the EU.

The consolidated financial statements have been prepared on the accrual basis, except for the consolidated statement of cash flow, and using the historical cost concept of accounting except as disclosed in the accounting policies below.

The consolidated statement of cash flows has been prepared using the indirect method, presents cash receipts and payments classified into operating, investing and financing activities.

The presentation currency used in the preparation of the consolidated financial statements is the United States Dollars ("USD" or "US$") and all values in the tables are rounded to the nearest thousand ("US$'000") except when otherwise indicated.

2.2 Changes in accounting policies and disclosures

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except in the current financial year, the Group applied IFRS 15 and IFRS 9 for the first time starting January 1, 2018. The nature and effect of the changes as a result of the adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

- IFRS 15 *Revenue from Contracts with Customers*

  IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

  IFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

  The Group adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of January 1, 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts as at January 1, 2018.

  The cumulative effect of initially applying IFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related Interpretations.

(Expressed in thousands of United States Dollar, unless otherwise stated)

2. Summary of significant accounting policies (continued)

2.2 *Changes in accounting policies and disclosures (continued)*

<u>*New and amended standards and interpretations (continued)*</u>

- IFRS 15 *Revenue from Contracts with Customers (continued)*

Set out below, are the amounts by which each financial statement line item is affected as at January 1, 2018 as a result of the adoption of IFRS 15. The adoption of IFRS 15 did not have a material impact on OCI or the Group's operating, investing and financing cash flows.

Impact on the consolidated profit or loss

	December 31, 2017	IFRS 15 adjustment	January 1, 2018
Liabilities			
PLN Make-up account balances (Note 25)	-	15,956	15,956
Deferred tax liabilities (Note 8)	620,640	(5,425)	615,215
Total liabilities	1,804,997	10,531	1,815,528
Equity			
Retained earnings	52,207	(10,531)	41,676
Total equity	887,565	(10,531)	877,034
Total equity and liabilities	2,692,562	-	2,692,562

The Group identified all its contracts and determined that the adoption of IFRS 15 affects the timing of revenue recognition for SEGSL and SEGSPL. Before adopting IFRS 15, SEGSL and SEGSPL recognized revenue based on the invoiced amount. Under IFRS 15, the consideration received for receivable from PLN which is based on invoiced amount contains an additional performance obligation (a set off mechanism) whereby if SEGSL and SEGSPL subsequently deliver to PLN the quantities of electricity and geothermal energy that PLN previously were not able to accept, the consideration previously received from PLN will be utilized towards payment for such quantities of electricity or geothermal energy deliver by SEGSL and SEGSPL.

Upon adoption of IFRS 15, the Group adjusted the opening balance of retained earnings and recorded a PLN Make-up account balances amounting to US$15,956,000 – full amount with a corresponding deferred tax assets amount to US$5,425,000 – full amount to recognize its obligation to set off the consideration previously received for receivable from PLN against future delivery by SEGSL and SESGPL of quantities of electricity and geothermal energy to PLN. Nevertheless, the obligation to set off the consideration previously received for receivable from PLN against future transfer electricity and steam to PLN to reduce the PLN Make-up Account is subject to request from PLN and to be performed on SEGS and SEGSPL's Best Effort basis. The set-off mechanism to reduce the PLN make-up account is strictly limited to delivery of electricity or steam by SEGSL and SEGSPL. There are no financial repayment obligations under the ESC for SEGSL and SEGSPL to settle the make-up account.

The Group evaluated IFRS 15 for Darajat, and determined that the adoption of IFRS 15 did not affect the timing of revenue recognition as well as the amount of revenue to be recognized, as the contracts with customers have no variable consideration such as rights of return and volume rebates, and have no significant financing component, non-cash consideration and consideration payable to customers. Hence, no adjustment to the consolidated financial statements is necessary.

2. Summary of significant accounting policies (continued)

2.2 *Changes in accounting policies and disclosures (continued)*

New and amended standards and interpretations (continued)

- IFRS 9 *Financial Instruments*

  IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

  With the exception of hedge accounting, retrospective application is required. The Group evaluated IFRS 9 and determined that the adoption of IFRS 9 did not have a significant impact on the Group's consolidated financial statements, hence, no restatement of comparative financial statements is necessary due to the following:

  Classification and measurement

  Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortized cost, or fair value through other comprehensive income. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent solely payments of principal and interest' on the principal amount outstanding.

  The assessment of the Group's business model was made at the initial application, January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on facts and circumstances as at the initial recognition of the assets.

  The classification and measurement requirements of IFRS 9 did not have a significant impact on the Group's consolidated financial statements as all of the Group's financial assets were held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. Previously, under IAS 39, the Group's financial assets were classified as loans and receivables. Under IFRS 9, these are now classified and measured as debt instruments at amortized cost. All of the Group's financial assets, except for trade receivables, have no significant financing components.

  Impairment

  The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with forward-looking expected credit loss ("ECL") approach. IFRS 9 requires the Group to record an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

  ECL is based on provision matrix which is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. The historically observed default rates are updated and changes in the forward-looking estimates are analyzed. As of January 1, 2018, the Group's financial assets have no historical default experience, and management expects that all financial assets are collectible. Therefore, the impairment requirement of IFRS 9, which is to recognize an allowance for ECL, did not have a significant impact on the Group's consolidated financial statements.

2. Summary of significant accounting policies (continued)

2.2 ***Changes in accounting policies and disclosures (continued)***

New and amended standards and interpretations (continued)

- IFRS 9 *Financial Instruments (continued)*

  Hedge accounting

  The Group applied hedge accounting prospectively. At the date of the initial application, January 1, 2018, all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships. Consistent with prior periods, the Group has continued to designate the change in fair value of the entire interest rate swap contract in the Group's cash flow hedge relationships and, as such, the adoption of the hedge accounting requirements of IFRS 9 had no significant impact on the Group's consolidated financial statements.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

- IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

  The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Group's consolidated financial statements.

- Amendments to IAS 28: *Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice*

  The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, then it may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments do not have any impact on the Group's consolidated financial statements.

- Amendments to IFRS 1: *First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters*

  Short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose. These amendments do not have any impact on the Group's financial statements.

(Expressed in thousands of United States Dollar, unless otherwise stated)

2. Summary of significant accounting policies (continued)

2.3 ***Standards issued but not yet effective***

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

Description	*Effective for annual periods beginning on or after*
IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments*	January 1, 2019
IFRS 16 *Leases*	January 1, 2019
Amendments to IFRS 9 *Prepayment Features with Negative Compensation*	January 1, 2019
Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures*	January 1, 2019
Amendments to IAS 19 *Plan Amendment, Curtailment or Settlement*	January 1, 2019
IFRS 17 *Insurance Contracts*	January 1, 2021

The Group is still evaluating the impact of the adoption IFRS 16 *Leases* on the consolidated financial statements in the period of initial application. Based on a preliminary assessment, performed by management, implementation of IFRS 16 will affect the Company with low impact.

The directors expect that the adoption of the other standards and interpretations above will have no material impact on the consolidated financial statements in the period of initial application.

2.4 **Basis of consolidation and business combinations**

(a) **Basis of consolidation**

The consolidated financial statements comprise of the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries have been effectively consolidated starting April 1, 2017. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

Non-controlling interest represents the portion of profit or loss and net assets of subsidiaries not attributable, directly or indirectly, to the Company, which are presented in profit or loss and under the equity section in the consolidated statements of financial position, respectively, separately from the corresponding portion attributable to the equity holders of the parent entity.

2. Summary of significant accounting policies (continued)

2.4 Basis of consolidation and business combinations (continued)

(a) Basis of consolidation (continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group losses control over a subsidiary, it;

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss;
- Re-classifies the Group's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

(b) Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognized as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognized in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognized on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another IFRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognized as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Where goodwill forms part of a Cash-Generating Units ("CGU") and part of the operation within that CGU is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the CGU retained.

2. Summary of significant accounting policies (continued)

2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

2.6 Foreign currency

The consolidated financial statements are presented in United States Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) **Transactions and balances**

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognized in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognized initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(b) **Consolidated financial statements**

For consolidation purpose, the assets and liabilities of foreign operations are translated into USD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in profit or loss.

In the case of partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognized in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2. Summary of significant accounting policies (continued)

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, and for qualifying assets (where applicable), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalized value of the financial lease is also included within property, plant and equipment.

The cost of an item of property, plant and equipment is recognized as an asset if and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Useful lives
Bonuses	30 - 53 years
Land rights and lease improvements	30 years
Property	43 years
Buildings and infrastructure	4 - 20 years
Machinery, telecommunication and automotive equipment	4 - 5 years
Furniture and fixtures	5 years

The balance of “producing wells and well facilities” are depreciated over the remaining life of the working interest using the units-of-production (“UoP”) method from the date of the commencement of commercial operations. The depreciation is based on estimated reserves. Depreciation of production facilities and well costs are calculated using the unit of production method based on tons of steam produced over the estimated tons of steam to be produced over the Salak and Darajat generation terms. Assets under construction are not depreciated until such time as the relevant assets are completed and production commences. When the assets concerned are brought into use, the costs are transferred to the appropriate classification and depreciated in accordance with the stated policy.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognized.

2. Summary of significant accounting policies (continued)

2.8 *Geothermal exploration and evaluation expenditures*

Geothermal exploration and evaluation expenditure in respect of each area of interest are accounted for using the successful efforts method of accounting. The successful efforts method requires all exploration and evaluation expenditures to be expensed in the period it is incurred except the costs of successful wells and the costs of acquiring interests in new exploration assets, which are capitalized as intangible exploration and evaluation expenditure. The costs of wells are initially capitalized pending the results of the well.

Pre-license costs

Pre-license costs are expensed in the period in which they are incurred.

License and property acquisition costs

Exploration license and leasehold property acquisition costs are capitalized within intangible assets. License costs paid in connection with a right to explore in an existing exploration are capitalized and amortized over the term of the permit. License and property acquisition costs are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount. This review includes confirming that exploration drilling is still under way or firmly planned, or that it has been determined, or work is under way to determine, that the discovery is economically viable based on a range of technical and commercial considerations and sufficient progress is being made on establishing development plans and timing.

If no future activity is planned or the license has been relinquished or has expired, the carrying value of the license and property acquisition costs is written off through profit or loss. Upon recognition of proved reserves and internal approval for the development, the relevant expenditure is transferred to proved properties in property, plant and equipment (Note 2.7).

Exploration and evaluation costs

Exploration and evaluation activity involves the search for geothermal energy resources, the determination of technical feasibility and the assessment of the commercial viability of an identified resource.

Once the legal right to explore has been acquired, cost directly associated with an exploration well are capitalized as exploration and evaluation intangible assets until the drilling of the well is completed and the results have been evaluated. These costs include directly attributable employee remuneration, materials and fuel used, rig costs and payments made to contractors.

If no potentially commercial geothermal energy is discovered, the exploration asset is written off as a dry hole. If extractable geothermal energy is found and, subject to further appraisal activity (e.g., the drilling of additional wells), are likely to be capable of being commercially developed, the costs continue to be carried as an intangible asset while sufficient/continued progress is made in assessing the commerciality of the geothermal energy. Costs directly associated with the appraisal activity undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of geothermal energy, including the costs of appraisal wells where geothermal energy was not found, are initially capitalized as an intangible asset.

2. Summary of significant accounting policies (continued)

2.8 *Geothermal exploration and evaluation expenditures (continued)*

Exploration and evaluation costs (continued)

All such capitalized costs are subject to technical, commercial and management review as well as review for indicators of impairment at least once a year. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off to profit or loss.

When proved reserves of steams are identified and development is sanctioned by management, the relevant /capitalized expenditure is first assessed for impairment and (if required) any impairment loss is recognized, then the remaining balance is transferred to constructions in progress (Note 2.9). Other than license costs, no amortization is charged during the exploration and evaluation phase.

2.9 Construction in progress

The accumulated costs of constructing wells and power generating expansion project are capitalized as assets under construction. These costs are initially classified in construction in progress and will be reclassified to property, plant, and equipment and deferred charges when the construction or installation is completed and the asset is ready for its intended use. Depreciation is not charged on costs carried forward in respect of assets in development stage until production commences.

Borrowings to finance the construction of long-lived assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

2.10 Unproved properties

Unproved properties represent the fair value of the unproved geothermal interest acquired.

Unproved properties are recognized separately as intangible assets (Note 2.10), tested at least annually for impairment and carried at cost less any accumulated impairment losses.

2.11 Intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following the initial acquisition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortized over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recognized in profit or loss in the expense category consistent with the function of the intangible asset.

2. Summary of significant accounting policies (continued)

2.11 **Intangible assets (continued)**

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the CGU level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s CGU that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The CGU to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that CGU may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognized in profit or loss. Impairment losses recognized for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a CGU and part of the operation within that CGU is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the CGU retained.

Software

Costs to acquire and prepare software for use are recorded as intangible assets and amortized on a straight line basis over its finite useful life of five years.

2.12 **Impairment of non-financial assets**

(a) Assets (excluding Goodwill)

The Group assesses at the end of each reporting period whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset’s recoverable amount.

An asset’s recoverable amount is the higher of an asset’s or CGU’s fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognized in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognized in other comprehensive income up to the amount of any previous revaluation.

2. Summary of significant accounting policies (continued)

2.12 Impairment of non-financial assets (continued)

(a) Assets (excluding Goodwill) (continued)

For assets excluding goodwill, an assessment is made at the end of each reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized previously. Such reversal is recognized in profit or loss unless the asset is measured at a revalued amount, in which case the reversal is treated as a revaluation increase.

(b) Goodwill

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

2.13 Joint arrangement

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement. To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

The Group recognizes in relation to its interest in a joint operation,

(i) its assets, including its share of any assets held jointly;
(ii) its liabilities, including its share of any liabilities incurred jointly;
(iii) its revenue from the sale of its share of the output arising from the joint operation;
(iv) its share of the revenue from the sale of the output by the joint operation; and
(v) its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to interest in a joint operation in accordance with the accounting policies applicable to the particular assets, liabilities, revenues and expenses.

2. Summary of significant accounting policies (continued)

2.14 **Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(a) **Financial assets**

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial assets; contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified into four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with the recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss ("FVTPL")

2. Summary of significant accounting policies (continued)

2.14 *Financial instruments (continued)*

(a) Financial assets (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at fair value through profit or loss include financial assets held for trading, Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

The Group has not designated any financial assets upon initial recognition at fair value through profit or loss.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for a separative derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Financial assets at amortized cost (debt instruments)

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified under this category. The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

2. Summary of significant accounting policies (continued)

2.14 *Financial instruments (continued)*

(a) Financial assets (continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control over the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, The Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets at amortized cost

The Group recognizes an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cashflows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral heldor other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECLs).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2. Summary of significant accounting policies (continued)

2.14 *Financial instruments (continued)*

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, financial liabilities at amortized cost or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of financial liabilities at amortized cost, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, accrued expenses, and borrowings which are classified as financial liabilities at amortized cost.

Subsequent measurement

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognized in profit or loss.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

Financial liabilities at amortized cost

After initial recognition, financial liabilities that are not carried at FVTPL are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized, and through the amortization process.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

2. Summary of significant accounting policies (continued)

2.14 ***Financial instruments (continued)***

(c) **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

(d) **Fair value of financial instruments**

The fair value of financial instruments that are actively traded in active markets is determined by reference to quoted market bid prices at the close of business at the end of the reporting period. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's-length market transaction, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, or other valuation models.

2.15 **Restricted cash**

Cash at the bank which is restricted for use as stipulated under the terms of a loan agreement is presented as "Restricted Cash".

2.16 **Inventories, spare parts and supplies**

Casings and other drilling related items as well as capital spares, are stated at cost and recognized as spare parts and supplies as part of non-current assets in the consolidated statement of financial position.

Under the terms of the Salak JOC, inventory becomes the property of the host government upon landing in the country. As the Group has paid for and has the right to use these assets and/or recover the costs, these balances have been reflected as assets in the consolidated statement of financial position in accordance with the Group's respective working interest in the Salak JOC.

Inventories comprise of materials and supplies including plant spares, consumables, casings and maintenance and drilling tools used for ongoing operations.

Material and supplies such as chemicals and other consumable materials, which is expected to be used within one year from the date of acquisition, are valued at the lower of cost or market value and presented as part of inventories. Cost is determined using the weighted-average method. Cost consists of all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Market value is defined as the current replacement cost (by purchase or by reproduction), provided that it meets both of the following conditions: (i) market value shall not exceed the net realizable value and (ii) market value shall not be less than net realizable value reduced by an allowance for an approximately normal profit margin.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2. Summary of significant accounting policies (continued)

2.17 Provisions

General

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Dismantlement, restoration and remediation cost

Under the terms of the JOC, management has been advised and believes that any future obligations for site restoration and remediation costs, including dismantling plants and abandoning properties are claimable to and/or will be borne by PERTAMINA or PGE. Accordingly, no provision in the financial statements has been recognized for the geothermal operations.

2.18 Deferred financing cost

Costs incurred to obtain financing are deferred and amortized using the effective interest method over the term of the related financing agreements. Periodic commitment fees incurred subsequent to obtain financing are expensed as incurred.

2.19 Derivative financial instruments and hedge accounting

The Group entered into interest rate swaps transactions to hedge its interest rate risks. Such derivative financial instruments are initially recognized at fair value on the date on which derivative contracts are entered into and are subsequently measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

At the inception date of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

Before January 1, 2018, the documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the hedging instrument’s fair value in offsetting the exposure to changes in the hedged item’s fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

2. Summary of significant accounting policies (continued)

2.19 *Derivative financial instruments and hedge accounting (continued)*

Beginning January 1, 2018, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements. A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument
- The effect of credit risk does not dominate the value changes that result from that economic relationship

The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge the quantity of the hedged item.

Cash flow hedge - interest rate swaps

The Group has entered into interest rate swap transactions that are cash flow hedges for the Group's exposure to interest rate risk on its borrowings. These contracts entitle the Group to receive interest at floating rates on notional principal amounts and oblige the Group to pay interest at fixed rates on the same notional principal amounts, thus allowing the Group to raise borrowings at floating rates and swap them into fixed rates.

The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge. The fair value changes on the ineffective portion of interest rate swaps are recognized immediately in profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

Before January 1, 2018, the Group designates all of the interest rate swaps transactions as hedging instrument. Any gains or losses arising from changes in fair value of derivatives were recognized in OCI and later reclassified to profit or loss when the hedge item affect profit or loss.

Beginning January 1, 2018, the Group continues to designate all of the interest rate swap transactions as a hedging instrument.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

2. Summary of significant accounting policies (continued)

2.20 Employee compensation

(a) Wages, salaries and annual leave

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within twelve months from the end of reporting period represent present obligations resulting from employees' service provided to the end of the reporting period, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at the end of the reporting period including related add on-costs.

(b) Long-term service benefits

Employee entitlements to service and compensation payments are recognized when they accrue to the employees. A provision is made for the estimated liability as a result of past services rendered by employees up to the end of the reporting period and is calculated based on the Group's policy or a minimum amount of employee entitlements in accordance with Indonesia Labour Law No. 13/2003, whichever is higher.

The defined benefits obligation is annually calculated by independent actuaries using the projected unit credit actuarial valuation 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 benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. The interest rates of government bonds are used for employees working in Indonesia.

For defined benefit plans, all actuarial gains and losses are recognized in OCI as part of remeasurement and unvested past service costs are recognized immediately in profit or loss when incurred. For long-term service benefits, the Group recognized the net total of the amounts in profit or loss.

Past service costs are recognized in profit or loss on the earlier of:
- The date of the plan amendment or curtailment, and
- The date that the Group recognizes restructuring related costs.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation (derived using a discount rate based on high quality corporate bonds) at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

2. Summary of significant accounting policies (continued)

2.20 **Employee compensation (continued)**

(b) **Long-term service benefits (continued)**

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as an expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are recognized in retained earnings within equity and are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. The fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

2.21 **Leases**

(a) **As lessee**

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalized. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss.

Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognized as a reduction of rental expense over the lease term on a straight-line basis.

2. Summary of significant accounting policies (continued)

2.21 **Leases (continued)**

(b) **As lessor**

At the inception of long-term power sales arrangements, the Company determines whether such an arrangement is or contains a lease.

Leases where the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as lease revenue. The accounting policy for lease revenue is set out in Note 2.22. Contingent rents are recognized as revenue in the period in which they are earned.

Leases where the Group transfer to counterparties substantially all the risks and rewards of ownership of assets but not necessarily legal title, are classified as finance leases. When the Company is a lessor under finance leases the amounts due under the leases, after deduction of unearned finance income, are included in lease receivable (in the statement of financial position). The finance income is recognized in finance income (in the statement of profit or loss) over the periods of the leases so as to give a constant rate of return on the new investment in the leases.

Under the terms of the Salak and Darajat JOCs and ESCs, the Company, on behalf of PGE, built and operates the power plants, and delivers all power (other than auxiliary power) generated by the power plants to PLN. At the end of the contract term, the Company will transfer its power plants to PGE which, in turn, should transfer it to PLN.

As a finance lessor, the Group recognises a finance lease receivable in the statement of financial position at an amount equal to the net investment value of the lease, which is the aggregate amount of: (i) the minimum lease payments under the finance lease; plus (ii) the unguaranteed residual values of the power plants; which are then discounted at the interest rate implicit in the lease.

The minimum lease payments represent the total guaranteed amounts that will be paid by PLN to compensate the capital cost recovery of the power plants throughout the contract period, irrespective of the extent of use. Under the ESC, the Group receives only one consideration for its services, i.e. one blended electricity rate to compensate all types of services provided by the Group to generate geothermal energy-based electricity. Thus, the Group uses the residual value method to split the consideration received from PLN into two different activities: (i) financing activities to repay the principal and interest of the finance lease receivable; and (ii) revenues for operating and maintenance activities that are recognized as the Group delievers electricity.

Management estimated the net present value of the finance lease receivable at an amount not to exceed the capital costs spent to construct and develop the power plants. The implicit interest rate is the discount rate that causes the aggregate present value of minimum guaranteed payments to be equal to the carrying value of the finance lease receivable at the initial application date.

The finance lease receivable is classified into current and non-current portions based on the expected collection periods. Amounts that are expected to be collected in one year or less are classified as part of current assets; otherwise, they are presented as non-current assets.

2. Summary of significant accounting policies (continued)

2.22 Revenue

Revenue from contracts with customers

The Group operates geothermal energy resource areas on the island of Java in Indonesia and all of the Group's electricity and steam production is sold to PLN up to the end of ESC. Management determined that the Group's contracts with PLN contain a lease and should be accounted for as a finance lease (Note 2.21). As such, revenue from contracts with PLN is allocated between electricity revenue and lease revenue based on the relative fair value of each revenue components.

Electricity revenue represents the portion of revenue that recovers the operation and maintenance of the power plants while lease revenue and finance lease income represent the portion of revenue that recovers the investment in the power plants. Electricity revenue and steam revenue are to be recognized in accordance with IFRS 15 Revenue from Contracts with Customers, while finance lease income is to be recognized in accordance with IAS 17 Leases. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

The disclosures of significant accounting judgments, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3(b).

(a) **Electricity revenue**

Electricity revenue is recognized at the point in time when the control of the electrical output is transferred to PLN which is upon delivery. Quantities delivered are determined through electrical measurement meters at the delivery point. The normal credit term is 60 days upon issuance of the invoice by the Group to PLN.

The Group considers whether there are other promises in the contract that are separate performance obligation to which a portion of the transaction price needs to be allocated. In determining the transaction price for the electricity revenue, the Group considers the effect of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to PLN (if any). Based on management's assessment, the Group's contract with PLN has no variable consideration such as rights of return and volume rebates, and has no significant financing component, non-cash consideration, and consideration payable to PLN.

(b) **Steam revenue**

Steam revenue is recognized at the point in time when control of the steam output is transferred to PLN which is upon delivery. Quantities delivered are determined through electrical measurement meters at the point of interface (for steam) with PLN or SEGDL and SEGSL (the "delivery point"). Geothermal energy sales are recorded on the basis of prices determined by certain formulas in accordance with the ESC (Note 1.2). Based on management's assessment, the Group's contract with PLN has no variable consideration such as rights of return and volume rebates, and has no significant financing component, non-cash consideration, and consideration payable to PLN.

2. Summary of significant accounting policies (continued)

2.22 **Revenue (continued)**

Finance lease income

Revenues are recognized for all the services provided by the Group under the build, own, operate and transfer arrangement for Salak and Darajat geothermal operations, which include revenues for the construction of the power plants (through the recognition of a finance lease receivable).

The Group allocates the consideration that it receives for each kWh of electricity delivered to PLN into: repayments of principal and interest of the finance lease receivable; and revenues for the production of electricity, operation and maintenance of the power plants presented as electricity revenue in profit or loss. The Group uses the residual value method to allocate the total consideration received from PLN between revenues for the financing, operating and maintenance activities. Finance income is recognized based on a pattern reflecting a constant periodic rate of return on the Group's outstanding finance lease receivable balance.

Financial lease income is recognized in accordance with IAS 17 *Leases.*

2.23 **Taxes**

(a) **Current income tax**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognized in profit or loss except to the extent that the tax relates to items recognized outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) **Deferred tax**

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. Summary of significant accounting policies (continued)

2.23 Taxes (continued)

(b) Deferred tax (continued)

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on the acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.24 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognized as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2. Summary of significant accounting policies (continued)

2.25 Joint Operation Contract ("JOC")

The primary differences between JOC accounting and IFRS are as follows:

Accounting policy	JOC basis of accounting	IFRS
Electrical revenue	Revenue recognized based on electrical output delivered to PLN	Uses the residual value method to split the consideration received from PLN into two different activities: (i) financing activities to repay the principal and interest of the finance lease receivable; and (ii) revenues for operating and maintenance activities that are recognized as the Company delivers electricity.
Amortization of capital costs	Accelerated depreciation (declining balance) using a full year's depreciation in the year of acquisition	Various depreciation methods (including units of production method) using a fraction of a year's depreciation in the year of acquisition
Obsolete stores or idle facilities	Written-off only when approved by PGE	Expensed when identified
Contingent liabilities	Recognized when settled or approved by PGE	Disclosed in the financial statements and recognized when meeting certain criteria in International Accounting Standards ("IAS") 37
Deferred taxes	Not provided	Liability method
Intangible exploration and development costs - successful wells	Expensed	Capitalized
Development dry holes	Expensed	Capitalized
Abandonment obligation	Abandonment obligation	Recognized as a liability where there is a legal obligation
Asset impairment	No write-off until proposal for abandonment approved by PGE for any impaired or abandoned assets	Write-off excess cost when impairment identified
Derivative	Not applicable	Recognized at fair value
Overhaul/major maintanance	Expensed	Capitalized

2.26 Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

- (i) Has control or joint control over the Company;
- (ii) Has significant influence over the Company; or

2. Summary of significant accounting policies (continued)

2.26 **Related parties (continued)**

(iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) The entity and the Company 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 Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
(vi) The entity is controlled or jointly controlled by a person identified in (a); and
(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).

2.27 **Contingencies**

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognized because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
(ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognized in the consolidated statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2. Summary of significant accounting policies (continued)

2.28 Deferred charges

Under the ESC, the Contractor Group is required to maintain the power plant facilities, including performing scheduled part replacement and overhaul activities. Expenditures related to part replacement and overhaul of the Power Plants that are considered to provide benefits in future periods are recorded as deferred charges and are amortised during the periods benefited using the straight-line method.

Main parts and supporting parts will be amortised over the estimated useful lives of 10 years and 5 years, respectively. Deferred charges are tested for impairment in accordance with the policy described in Note 2.11.

2.29 PLN Make-up account balances

PLN Make-up Account balances represents the cumulative amount by which the electricity and/or steam paid by PLN to the Contractors based on the take-or pay mechanism in the Salak ESC exceeds the amount of steam and/or electricity actually accepted by PLN minus electricity and/or steam delivered by the Company in pursuant to the take-or-pay amount. In accordance with IFRS 15, if PLN pays consideration before the Group transfers electricity and steam to the customer, PLN make-up account balances is recognized when the payment is made or the payment is due (whichever is earlier). When the Contractors delivers steam and/or electricity which reduces the balance of PLN make-up account in accordance with the ESC, then such delivery shall be recognized as revenue under IFRS 15.

Upon termination of Salak JOC, SEGSL's and SEGSPL's rights and obligations (i.e; including Make-up account balances to PLN), as a party to the ESC, in its role as Contractor to PGE for the delivery of geothermal energy or electricity to PLN shall terminate and PGE shall assume all the rights and obligations of SEGSL and SEGSPL pursuant to this ESC upon the date of such termination.

3. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the end of each reporting period, and the reported amounts of revenues and expenses during the reporting period. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

In particular, the Group has identified the following areas where significant judgments, estimates and assumptions are required, and where if actual results were to differ, may materiality affect the financial position or financial results reported in future periods. Further information on each of these and how they impact the various accounting policies are described in the relevant notes to the consolidated financial statements.

3. Significant accounting judgments, estimates and assumptions

Judgment

(a) Contractual arrangement assessment

Management exercises its judgment in determining whether the contractual arrangement with PLN fall within the scope of IFRIC 12 Service Concession Arrangements. Based on management evaluation of the terms of the arrangement, it determined that the arrangement is not within the scope of service concession arrangements on the basis that PLN does not control-through ownership, beneficial entitlement or otherwise-any significant residual interest in the infrastructure at the end of the term of the arrangements.

Further, management also exercises its judgment in determining whether the arrangement contains a lease and the classification of a lease. Based on such evaluation, management determined that the arrangement contains a lease as the fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset) and the arrangement conveys a right to use the asset.

Management classifies it as finance lease based on management's evaluation that the arrangement does transfer substantially all the risks and rewards incidental to ownership.

(b) Revenue from contracts with customers

The Group applied the following judgments that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Identifying performance obligations in the Group's contract with customers and determining the transaction price and the amount to be allocated to the performance obligation

As discussed in Note 2.22, the contracts with PLN contain a lease and should be accounted for as finance lease and operating lease in accordance with IAS 17 Leases. However, the electricity tariff as stipulated in the contract with PLN is not allocated between the payment consideration to cover for the use of the electricity generating facility by PLN and the payment consideration for the electrical output delivered to PLN. Therefore, management allocated the revenue from a contract with PLN between electricity revenue, finance lease income and lease revenue based on the relative fair value of each revenue components. Management concluded that the reasonable representation of the value of the electricity revenue is based on the expected cost to operate the power generating facilities to generate electricity, including the expected maintenance cost of the power generating facilities. These costs are the primarily associated costs in generating electricity, while the residual value of the revenue is considered to be the lease revenue and finance lease income to be recognized by the Group representing the payment by PLN to the Group for the use of the power generating facilities.

Determining the timing of satisfaction of performance obligation

Management concluded that electricity and steam revenue are to be recognized at a point in time when the electrical steam and output are delivered to PLN, because upon delivery, PLN obtains control over the electrical and steam output, has the ability to direct the use of the electrical and steam output, and obtain substantially all the benefits from the electrical and steam output.

3. Significant accounting judgments, estimates and assumptions (continued)

Judgment (continued)

(c) Finance lease receivable

Finance lease receivable balance of SEGSPL and SEGD is equal to the minimum lease payments plus any unguaranteed residual value accruing to the lessor discounted at the interest rate implicit in the lease. Minimum lease payments of the lease are the payments over the JOC and ESC terms that PLN is required to make, excluding contingent escalation in prices (for example, inflation adjustments), costs for production of electricity, operation and maintenance services and taxes. In essence, the minimum lease payments represent the compensation for costs of capital invested by SEGSPL and SEGD to construct and develop the Power Plant only. Under the ESC, however, SEGSPL and SEGD receives one consideration for all of its services.

(d) Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax provisions already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates.

The amount of such provisions is based on various factors, such as the experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group entity's domicile.

Significant judgment is required in determining the deductibility of certain expenses during the estimation of the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of income tax payable and deferred tax liabilities are disclosed in Note 8 to the financial statements.

All unused tax losses are recognized as deferred tax assets to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the number of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

3. Significant accounting judgments, estimates and assumptions (continued)

Estimates and assumptions

(e) Units of production depreciation of geothermal assets and field facilities

Field facilities included in property, plant and equipment are depreciated using the UoP method over the estimated tones of steam to be produced over the generation term. This results in a depreciation/amortization charge proportional to the depletion of the anticipated remaining production from the field.

Each items' life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the field at which the asset is the location. These calculations require the use of estimates and assumptions, including the number of recoverable reserves and estimates of future capital expenditure. The calculation of the UoP rate of depreciation could be impacted to the extent that actual production in the future is different from current forecast production based on proved and probable reserves, or future capital expenditure estimates changes. Changes to proved developed and undeveloped reserves could arise due to changes in factors or assumptions used in estimating reserves, including the effect on proved developed and undeveloped reserves of differences between actual commodity prices and commodity price assumptions; or unforeseen operational issues.

Changes are accounted for prospectively.

(f) Recoverability of geothermal assets

The Group assesses each asset or CGU (excluding goodwill, which is assessed annually regardless of indicators) each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of fair value less costs of disposal and value in use. These assessments require the use of estimates and assumptions such as long-term electricity prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, exploration potential, reserves and operating performance (which includes production and sales volumes).

These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value for geothermal assets is generally determined as the present value of estimated future cash flows arising from the continued use of the assets, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Management has assessed its CGUs as being an individual field, which is the lowest level for which cash inflows are largely independent of those of other assets.

3. Significant accounting judgments, estimates and assumptions (continued)

Estimates and assumptions (continued)

(g) Reserve estimates

Management determines the estimated useful lives and related depreciation charges for the Company's well-related facilities. Management uses the Company's geological reserves as the basis for depreciating its well related facilities. In order to estimate the reserves, assumptions are required about a range of geological, technical and economic factors, including contract periods, production quantities, production techniques, production costs.

Because the economic assumptions used to estimate reserves vary from period to period and because additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Company's financial results and financial position in a number of ways, including the carrying values of the well-related facilities which may be affected due to changes in depreciation charges that were calculated on a UoP basis.

Therefore, management has used the residual value method to estimate the split between the consideration received for financing activities to determine the amount applicable to the finance lease receivable and revenues for operating and maintenance activities. Management estimated the net present value of the finance lease receivable at an amount not to exceed the capital costs spent to construct and develop the Power Plant. Judgments and estimates are used to estimate the split between the different components of the consideration received from PLN; and to estimate the constant rate of return used to discount the minimum lease payments.

Once the finance lease receivable is recognized at inception, the balance does not need to be subsequently re-measured unless there are significant amendments made to the JOC and ESC, at which time management needs to re-assess its finance lease model.

(h) Employee benefits

The cost of providing long-term employee benefits is determined using actuarial valuations. An actuarial valuation involves making various assumptions, which includes the determination of the discount rate, future salary increases, mortality rates, employee turn-over rate, disability rate, and the expected rate of return on plan assets. Due to the complexity of the valuation, the underlying assumptions and its long term nature, estimated liabilities for long-term employee benefits is highly sensitive to changes in these assumptions. All assumptions are reviewed at financial year-end.

In determining the appropriate discount rate, management considers the market yields (at year end) on Indonesian rupiah government bonds with maturities corresponding to the expected duration of the obligation. The mortality rate is based on publicly available mortality tables. Future salary increases are based on the Group's long-term business plan which is also influenced by expected future inflation rates for the country.

While the Group believes that its assumptions are reasonable and appropriate, significant differences in the Company's actual experiences or significant changes in the Group's assumptions may materially affect its estimated liabilities for employee benefits and net employee benefits expense.

(Expressed in thousands of United States Dollar, unless otherwise stated)

3. Significant accounting judgments, estimates and assumptions (continued)

Estimates and assumptions (continued)

(i) Purchase Price Allocation and Goodwill Impairment

Acquisition accounting requires extensive use of accounting estimates to allocate the purchase price to the reliable fair market values of the assets and liabilities purchased, including intangible assets. Under IFRS 3, "*Business Combinations*", goodwill is not amortized and is subject to an annual impairment testing.

The impairment test is performed when certain impairment indicators are present. In case of goodwill, such asset is subject to annual impairment test and whenever there is an indication that such asset may be impaired; management uses its judgment in estimating the recoverable value and determining the amount of impairment.

(j) Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgments and estimates of the outcome of future events.

4. Revenue from contracts with customer

	2018	2017*)
Sale of products:		
Electricity	189,006	132,046
Steam	109,380	76,572
	298,386	**208,618**

5. Employee compensation and benefits

	2018	2017*)
Wages and salaries	28,013	17,487
Catering and food	1,302	1,218
Training, business travels and others	2,953	683
	32,268	**19,388**

6. Finance costs

	2018	2017*)
Interest expenses:		
- Bank borrowings	62,514	45,366
Amortization of deferred financing cost (Note 23)	9,002	13,092
	71,516	**58,458**

*) *the period from inception to December 31, 2017*

(Expressed in thousands of United States Dollar, unless otherwise stated)

7. Consultants and technicians

	2018	2017*)
Technical service	11,981	10,410
Legal service	1,739	1,442
IT service	1,056	1,351
Audit service	130	210
Other service	1,127	804
	16,033	**14,217**

8. Taxations

(a) Major components of taxes payable

	2018	2017*)
Corporate income tax and branch profit tax	18,390	18,691
Value added tax payable	297	9
Other tax payable	717	378
	19,404	**19,078**

(b) Major components of income tax expense

The major components of income tax expense for the year ended December 31, 2018 and 2017 is as follows:

	2018	2017*)
Statement of profit or loss:		
Current income tax	76,305	54,194
Deferred tax:		
- Origination and reversal of temporary differences and tax loss	5,707	4,278
Income tax expense recognized in profit or loss	**82,012**	**58,472**

*) *the period from inception to December 31, 2017*

(Expressed in thousands of United States Dollar, unless otherwise stated)

8. Taxations (continued)

(c) Relationship between tax expense and accounting profit/(loss)

A reconciliation between tax expense and the product of the accounting profit/(loss) multiplied by the applicable corporate tax rate for the year ended December 31, 2018 and 2017 is as follows:

	2018	2017*)
Accounting profit/(loss) before tax	166,459	112,931
Tax at the domestic rates applicable to profits in the countries where the Group operates	56,596	38,397
Adjustments:		
Non-deductible expenses	25,416	20,075
Income tax expense recognized in profit or loss	**82,012**	**58,472**

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

The Group is subject to income tax on an entity basis based on the profit arising or derived from the tax jurisdiction in which the Group entities are domiciled and operate. The Group's main subsidiaries operate and earn income from JOCs in Indonesia. Under the relevant Indonesian Income Tax Law, the Group is subject to income tax at 34% of taxable income of the respective subsidiaries. The Company is a Netherlands tax resident and hence files a tax return with the Netherlands tax authorities. No current income tax expense/liability for Netherlands taxation has arisen as of December 31, 2018 and for the years then ended.

Non-deductible expenses mainly comprise depreciation/amortization of fair value adjustments arising from the acquisition of subsidiaries, interest expenses and other corporate costs incurred by entities holding interests in the JOCs.

(d) Deferred taxes

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred taxes relate to the same fiscal authority.

The movement of the deferred tax assets and liabilities (prior to the offsetting of balances within the same tax jurisdiction) during the reporting period is as follows:

*) *the period from inception to December 31, 2017*

(Expressed in thousands of United States Dollar, unless otherwise stated)

8. Taxations (continued)

d. Deferred taxes (continued)

	January 1, 2018	**Effect of adoption of new accounting standard (Note 2)**	**Credited/ (charged) to profit or loss**	**Credited to OCI**	**December 31, 2018**
2018					
Deferred tax assets:					
Provision and others	1,534	-	1,176	(1,646)	1,064
Tax loss carry forward	7,166	-	(4,443)	-	2,723
PLN Make-up account balances	-	5,425	(792)	-	4,633
	8,700	5,425	(4,059)	(1,646)	8,420
Deferred tax liabilities:					
Difference in depreciation for tax purposes	(72,891)	-	(674)	-	(73,565)
Finance lease receivable	(139,543)	-	1,650	-	(137,893)
Unproved properties	(406,718)	-	-	-	(406,718)
Deferred charges	(9,365)	-	(213)	-	(9,578)
Other items	(823)	-	(2,411)	-	(3,234)
	(629,340)	-	(1,648)	-	(630,988)
Deferred tax liabilities, net	**(620,640)**	**5,425**	**(5,707)**	**(1,646)**	**(622,568)**
Deferred tax liabilities - current	**-**				**-**
Deferred tax liabilities – non current	**(620,640)**				**(622,568)**

(Expressed in thousands of United States Dollar, unless otherwise stated)

8. Taxations (continued)

d. Deferred taxes (continued)

	At inception date December 16, 2016	Acquisitions of subsidiaries	Acquisition of subsidiary with participating interests	Credited/ (charged) to profit or loss	Credited to OCI	December 31, 2017
2017						
Deferred tax assets:						
Provision and others	-	2,865	14	(2,478)	1,133	1,534
Tax loss carry forward	-	-	-	7,166	-	7,166
	-	2,865	14	4,688	1,133	8,700
Deferred tax liabilities:						
Difference in depreciation for tax purposes	-	(63,522)	(26)	(9,343)	-	(72,891)
Finance lease receivable	-	(138,329)	(2,331)	1,117	-	(139,543)
Unproved properties	-	(406,718)	-	-	-	(406,718)
Deferred charges	-	(8,990)	(454)	79	-	(9,365)
Other items	-	-	(3)	(820)	-	(823)
	-	(617,559)	(2,814)	(8,967)	-	(629,340)
Deferred tax liabilities, net	**-**	**(614,694)**	**(2,800)**	**(4,279)**	**1,133**	**(620,640)**

8. Taxations (continued)

d. Deferred taxes (continued)

	2018	**2017**
Presented as:		
Deferred tax liabilities, net	**622,568**	**620,640**

e. Others

JOC contractor is required to pay PGE a production allowance equivalent to 2.66% - 4% of net operating income calculated based on the 1984 Indonesian Income Tax Law excluding Value Added Taxes, Sales Taxes on a Luxury Goods, Taxes on Land and Buildings, Import Duty, Stamp Duty and Other Levies.

Administration

The Group submits its tax returns on the basis of self-assessment. In accordance with the latest amendments of the general taxation and procedural law, which became effective on 1 January 2008, the Tax Office may assess or amend taxes within 5 years from the date the tax becomes payable.

(Expressed in thousands of United States Dollar, unless otherwise stated)

9. Property, plant and equipment

Group	Bonuses	Land rights and lease improvements	Property	Producing wells and well facilities	Machinery equipment	Buildings and infrastructure	Furniture and fixtures	Telecommu-nication equipment	Automotive equipment	Construction in progress	Total
Cost											
At December 31, 2017	3,736	263	8,233	232,905	1,846	28,339	386	3,375	10	53,691	332,784
Additions	-	-	-	190	-	615	-	-	-	17,660	18,465
Deduction	-	-	-	-	-	-	-	(99)	-	-	(99)
Transfer to deferred charges (Note 13)	-	-	-	-	-	-	-	-	-	(6,604)	(6,604)
Transfer	-	-	-	20,783	88	4,205	-	-	-	(25,076)	-
At December 31, 2018	3,736	263	8,233	253,878	1,934	33,159	386	3,276	10	39,671	344,546
Accumulated depreciation											
At December 31, 2017	214	40	260	8,815	819	2,163	104	567	3	-	12,985
Charge for the year	179	30	347	12,449	561	2,553	113	707	4	-	16,943
At December 31, 2018	393	70	607	21,264	1,380	4,716	217	1,274	7	-	29,928
Net book value											
At December 31, 2018	**3,343**	**193**	**7,626**	**232,614**	**554**	**28,443**	**169**	**2,002**	**3**	**39,671**	**314,618**

(Expressed in thousands of United States Dollar, unless otherwise stated)

9. Property, plant and equipment (continued)

	Bonuses	Land rights and lease improvements	Property	Producing wells and well facilities	Machinery equipment	Buildings and infrastructure	Furniture and fixtures	Telecommu-nication equipment	Automotive equipment	Construction in progress	Total
Cost											
At inception date	-	-	-	-	-	-	-	-	-	-	-
Acquisitions of subsidiaries*	3,614	246	8,233	233,770	1,819	27,874	361	3,325	10	44,040	323,292
Acquisition of subsidiary with participating interests	122	17	-	1,174	-	390	1	50	-	309	2,063
Additions	-	-	-	-	27	148	24	-	-	12,972	13,171
Deduction	-	-	-	(2,188)	-	(73)	-	-	-	-	(2,261)
Transfer to deferred charges (Note 13)	-	-	-	-	-	-	-	-	-	(3,481)	(3,481)
Transfer	-	-	-	149	-	-	-	-	-	(149)	-
At December 31, 2017	3,736	263	8,233	232,905	1,846	28,339	386	3,375	10	53,691	332,784
Accumulated depreciation											
At inception date	-	-	-	-	-	-	-	-	-	-	-
Charge for the year	214	40	260	9,095	819	2,163	111	567	3	-	13,272
Deduction	-	-	-	(280)	-	-	(7)	-	-	-	(287)
At December 31, 2017	214	40	260	8,815	819	2,163	104	567	3	-	12,985
Net book value											
At December 31, 2017	**3,522**	**223**	**7,973**	**224,090**	**1,027**	**26,176**	**282**	**2,808**	**7**	**53,691**	**319,799**

** Salak – Darajat – Suoh Sekincau acquisitions*

(Expressed in thousands of United States Dollar, unless otherwise stated)

9. Property, plant and equipments (continued)

Based on the review of the recoverable amount of the property, plant and equipment, the management believes that there are no events or changes in circumstances as of December 31, 2018 and 2017, that indicate any impairment on the Group's property, plant and equipment.

Construction in progress

This account mainly represents work in progress related with the construction of Proximal South East Injection Project in Salak and the construction of the steam pipeline in Darajat.

10. Intangible assets

Group	Unproved properties	Goodwill	Software	Total
Cost:				
At inception date	-	-	-	-
Acquisitions of subsidiaries* (Note 26)	1,196,231	485,814	-	1,682,045
Acquisition of subsidiary with participating interests	-	-	10	10
Additions	-	-	3,098	3,098
At December 31, 2017 and at 1 January 2018	1,196,231	485,814	3,108	1,685,153
Additions	-	-	-	-
At December 31, 2018	1,196,231	485,814	3,108	1,685,153
Accumulated amortization				
At inception date	-	-	-	-
Charge for the year	-	-	(274)	(274)
At December 31, 2017 and at 1 January 2018	-	-	(274)	(274)
Charge for the year	-	-	(614)	(614)
At December 31, 2018	-	-	(888)	(888)
Net carrying amount:				
At December 31, 2017	**1,196,231**	**485,814**	**2,834**	**1,684,879**
At December 31, 2018	**1,196,231**	**485,814**	**2,220**	**1,684,265**

* *Salak - Darajat - Suoh Sekincau acquisitions.*

10. Intangible assets (continued)

Impairment tests for unproved properties

Unproved properties at December 31, 2018 and 2017 are allocated to the Darajat JOC and Salak JOC.

Under the provisions of IFRS 6 “Exploration for and Evaluation of Mineral Resources”, exploration and evaluation assets, including the cost of acquiring interest in new exploration assets, continue to be capitalized pending the results of the exploration activities. Management is of the view that the unproved properties as of December 31, 2018 are not impaired based on the following factors:

(a) JOC period from which the Group has the right to explore has not expired and will not expire in the near future;

(b) Significant expenditure on further exploration for and evaluation of mineral resources in the specific area are budgeted in the future; and

(c) Management continues to perform exploration and evaluation activities in the specific areas.

Impairment tests for goodwill

Goodwill at December 31, 2018 and 2017 is allocated to the Darajat JOC and Salak JOC. The Group performed the annual assessment on impairment in value at the end of reporting year. Management is of the opinion that there is no impairment indication for the years ended December 31, 2018 and 2017.

The main assumptions used in the assessment on impairment in value of goodwill as of December 31, 2018 included discounted cash flows by using the estimated discount rate of 7.39% (post tax) and annual growth rate of 2.0%. The prices for electricity and steam used in the discounted cash flows are based on the contract with PLN. As a result of analysis, there is a headroom of US$302,080,000 – full amount. The increase of 0.5% in the discount rate will decrease the recoverable amount of geothermal assets by US$107,955,000 (full amount).

Changes to the assumptions used by the management to determine the recoverable amount, in particular the discount rate, can have a significant impact on the result of the impairment assessment.

Management is of the opinion that there was no reasonably possible change in any of the key assumptions stated above that would cause the carrying amount of the CGU to materially exceed its recoverable amount.

(Expressed in thousands of United States Dollar, unless otherwise stated)

11. Trade and other receivables

	2018	2017
Trade and other receivables (current):		
Trade receivables		
- external parties	64,219	72,953
Non-trade receivable		
- production bonus (Note 24)	5,775	4,765
- related parties	35	-
	70,029	**77,715**
Other receivables (non-current):		
Non-trade receivables		
- external parties	15,257	16,127
- prepayment related to government audit claims (Note 27)	11,527	10,949
Value added tax receivables	19,964	20,820
	46,748	**47,896**
Total trade and other receivables (current and non-current)	**116,777**	**125,611**
Add:		
Cash on hand and in banks (Note 17)	280	611
Restricted cash (Note 16)	121,112	91,777
Less: Value added tax receivables	(19,964)	(20,820)
Total loans and receivables	**218,205**	**197,179**

Trade receivables

Trade receivables are non-interest bearing and are generally paid on 30 days terms. They are recognized at their original invoice amounts which represent their fair value on initial recognition.

Non-trade receivables (current)

Non-trade receivables (current) from external parties mainly pertains to amounts which will be reimbursed by Directorate General of Budget ("DGB") related with Production Bonus totalling US$2,713,000 – full amount (or equal to IDR39,289,179,177 – full amount) and remaining amounts that are still unpaid as of December 31, 2018 totalling US$3,062,288 – full amount (or equivalent to IDR44,344,992,820 – full amount) (Note 24).

Non-trade receivables (non-current)

Non trade receivables from external parties are non-interest bearing and to be settled in cash. Repayments are not expected within the 12 months from the end of the reporting period.

Value-added tax ("VAT") receivables

VAT receivables represent amounts which will be reimbursed by the Government of Indonesia (the "Government") after the Group has commenced payments for the Government's share which is defined in the geothermal tax regulation as 34% of net operating income. The Government's share will be payable after the tax loss carry forward has been either utilized or expired. Based on the Decision Letter of Ministry of Finance No. 766/KMK-04/1992 ("KMK 766") and subsequently amended by No. 209/KMK.04/1998, the Group can request for VAT refund up to the amount paid for the Government's share.

(Expressed in thousands of United States Dollar, unless otherwise stated)

11. Trade and other receivables (continued)

Related party balances

Non-current non-trade receivables from related corporations are unsecured, non-interest bearing, have no specific repayment terms and are to be settled in cash. Repayments are not expected within the 12 months from the end of the reporting period.

Trade and other receivables denominated in foreign currencies are as follows:

	2018	2017
Indonesian rupiah	34,368	30,016

At the reporting date, the Group does not have any receivables that are past due or impaired, or would otherwise be past due but not impaired.

12. Finance lease receivables

	2018	2017
Minimum finance lease receivables		
Not later than one year	48,552	48,552
Later than one year and not later than five years	194,210	242,763
Later than five years	821,165	821,165
Gross amount of finance lease receivables	1,063,927	1,112,480
(Less): Unearned finance income	(658,361)	(702,060)
Carrying amount of finance lease receivables	**405,566**	**410,420**
Present value of minimum finance lease receivables		
Not later than one year	5,367	4,854
Later than one year and not later than five years	27,831	33,198
Later than five years	372,368	372,368
Total	**405,566**	**410,420**
Of which:		
Current portion	5,367	4,854
Non-current portion	400,199	405,566
Total	**405,566**	**410,420**

As of December 31, 2018 and 2017, the finance lease receivables were recognized based on the terms of the JOC and ESC of Darajat and Salak, that falls within the scope of IFRIC 4 guidance on Interpretation of IAS 17. The contracts convey an exclusive right to use the power plants which are built, owned and operated by the Group until the end of the contract maturity date.

(Expressed in thousands of United States Dollar, unless otherwise stated)

13. Deferred charges

	2018	2017
Cost at inception date	31,257	-
Acquisitions of subsidiaries	-	26,441
Acquisition of subsidiary with participating interests	-	1,335
Transfers from construction in progress (Note 9)	6,604	3,481
Cost at end of year	37,861	31,257
Accumulated amortization at beginning of year	(3,696)	-
Amortisation for the year	(5,460)	(3,696)
Accumulated amortization at end of year	(9,156)	(3,696)
Net carrying amount	**28,705**	**27,561**

14. Inventories, sparepart and supplies

	2018	2017
Statement of financial position:		
Spareparts and supplies	10,057	9,449
Materials and supplies	14,345	16,247
Allowance for inventory obsolescence	(1,290)	(1,290)
Total	**23,112**	**24,406**
Statement of profit or loss:		
Cost of inventories recognized as an expense in "supplies and equipments"	9,184	4,370

Additions to spareparts and supplies amounted to US$608,000 – full amount and US$nil for the years ended 31 December 2018 and 2017 respectively.

15. Other assets

	2018	2017
Deposits	1,764	2,324
Prepayments	3,197	2,336
Others	930	2,838
	5,891	**7,498**

(Expressed in thousands of United States Dollar, unless otherwise stated)

16. Restricted cash

As of December 31, 2018 and 2017, restricted cash comprises of balance in bank accounts maintained with MUFG Bank (Europe) N.V., Holland, DBS Bank - Indonesia and DBS Bank - Singapore related to Bank Loan (Note 23).

The restricted cash were mainly denominated in U.S. dollar .

As of December 31, 2018 and 2017, the carrying amount of restricted cash approximates its fair value.

17. Cash on hand and in banks

	2018	2017
Cash on hand and in banks	280	611

Cash in banks earn interest at floating rates based on daily bank deposit rates.

Cash on hand and in banks denominated in foreign currencies are as follows:

	2018	2017
Indonesian rupiah	269	110

As at December 31, 2018 and 2017, the carrying amounts of cash on hand and in banks approximate their fair values.

18. Share capital

	2018		2017	
	No. of shares '000	US$'000	No. of shares '000	US$'000
Issued and fully paid:				
Star Energy Geothermal Holdings (Salak - Darajat) B.V	8	8	8	8
ACEHI Netherlands B.V.	2	2	2	2
Total	**10**	**10**	**10**	**10**

The holders of ordinary shares are entitled to receive dividend as and when declared by the Company. All ordinary shares carry one vote per share.

(Expressed in thousands of United States Dollar, unless otherwise stated)

19. Additional paid-in capital

	2018	2017
Additional paid-in capital	**855,777**	**855,777**

On December, 22 2016 the Company entered into Convertible Loan Agreements for a maximum amount of US$710,000,000 - full amount and US$180,000,000 - full amount with Star Energy Geothermal Holdings (Salak - Darajat) B.V and ACEHI Netherlands B.V. (hereinafter referred to as the “Lenders”), respectively. The Company utilised the loan amounts of US$197,366,895 - full amount million for payment deposit in December 2016 for acquisitions under Sale and Purchase Agreements between the Company and Chevron Group.

On January, 10 2017, the Company executed the second utilisation request amounted to US$12,500,000 - full amount to pay the outstanding obligation of upfront fee to under the Secured Term Loan Facility Agreement.

On March, 2 2017, the Lenders of the Convertible Loans and the Company agreed to convert the loans outstanding as of December 31, 2016 and additional draw down on January 10, 2017 to share premium, offset by the outstanding other receivable of US$10,000 - full amount in relation to the initial issuance of share capital, recorded as part of equity in the consolidated statement of financial position.

On March, 2 2017, the Company has converted the Convertible Loan as paid-in capital amounted to US$209,856,895 - full amount.

On March, 27 2017 The Company entered into share premium contribution agreement with Star Energy Geothermal Holdings (Salak - Darajat) B.V and ACEHI Netherlands B.V. (hereinafter referred to as the “Shareholders”) with total amount US$503,335,331 - full amount and US$124,264,833 - full amount, respectively, to pay the final payment for the acquisition of the Salak and Darajat block.

On March, 31 2017 The Company entered into share premium contribution agreement with the Shareholders with total amount US$10,796,346 - full amount and US$2,665,432 - full amount, respectively, to pay the final payment for the acquisition of the Suoh Sekincau block.

On September 22, 2017 The Company entered into share premium contribution agreement with the Shareholders with total amount US$3,896,272 - full amount and US$961,922 - full amount, respectively, to pay the final payment for the acquisition of the PT Darajat Geothermal Indonesia.

(Expressed in thousands of United States Dollar, unless otherwise stated)

20. Other reserves

	Premium paid on acquisition of subsidiary with participating interests	Hedging reserve	Total
At inception date	-	-	-
Acquisition of subsidiary with participating interests (Note 26)	(17,779)	-	(17,779)
Effective portion of changes in fair value of cashflow hedge	-	(3,259)	(3,259)
Balance at December 31, 2017	**(17,779)**	**(3,259)**	**(21,038)**
Effective portion of changes in fair value of cashflow hedge	-	10,213	10,213
Balance at December 31, 2018	**(17,779)**	**6,954**	**(10,825)**

Premium paid on acquisition of subsidiary with participating interests relates to the difference arising from the acquisition of PT DGI which did not result in a change of control in Darajat Geothermal block (Note 26).

21. Provision for long-term employee benefits

	2018	2017
Defined benefit obligations	24,244	27,917
Fair value of plan assets	(22,405)	(24,699)
Liability in the statement of financial position	**1,839**	**3,218**

The Group's subsidiaries recognized their share in recognizing the employee benefit liability and the related expenses.

The Group has defined a benefit pension plan covering substantially all employees. These defined benefit plans are primarily based on the employees' years of service and their compensation on or near their date of retirement or voluntary resignation.

(Expressed in thousands of United States Dollar, unless otherwise stated)

21. Provision for long-term employee benefits (continued)

Changes in the long−term employee benefits liability are as follows:

	2018	2017
At beginning of the year	3,218	-
Pension cost charged to profit or loss :		
Current service cost	3,670	2,084
Net Interest expense	140	12
Actuarial gain	(9)	-
Sub−total	3,801	2,096
Remeasurement loss in other comprehensive income :		
Actuarial loss/(gain) from changes in financial assumptions	(3,261)	1,741
Experience adjustments	(1,484)	1,430
Return on plan assets	(96)	160
Sub−total	(4,841)	3,331
Acquisitions of subsidiaries	-	(1,942)
Acquisition of subsidiary with participating interests	-	41
Benefit paid	(110)	-
Contribution by employer	-	(265)
Change in foreign currency exchange rate	(229)	(43)
At end of the year	1,839	3,218

The changes in defined benefit obligation:

	2018	2017
Defined benefit obligation, beginning	27,917	-
Pension cost charged to profit or loss :		
Current service cost	3,670	2,084
Interest cost	1,607	1,298
Actuarial gain	(9)	-
Sub−total	5,268	3,382
Remeasurement loss in OCI :		
Actuarial loss/(gain) from changes in financial assumptions	(3,261)	1,741
Experience adjustments	(1,484)	1,430
Sub−total	(4,745)	3,171
Acquisitions of subsidiaries	-	21,589
Acquisition of subsidiary with participating interests	-	546
Benefits paid	(2,387)	(316)
Change in foreign currency exchange rate	(1,809)	(455)
Defined benefit obligation, ending	24,244	27,917

(Expressed in thousands of United States Dollar, unless otherwise stated)

21. Provision for long-term employee benefits (continued)

The fair value of plan assets at the end of the reporting period are as follows:

	2018	**2017**
Fair value of plan assets, beginning	24,699	-
Attributable to acquisitions of subsidiaries	-	23,531
Acquisition of subsidiary with participating interests	-	505
Recorded in profit or loss:		
Net interest income	1,467	1,286
Foreign currency exchange rate loss	(1,580)	(412)
Total	24,586	24,910
Recorded in other comprehensive income:		
Return on plan assets (excluding amounts included in net interest income)	96	(160)
Benefits paid	(2,277)	(316)
Contributions by the employer	-	265
Net fair value of plan assets, ending	**22,405**	**24,699**

The major category of plan assets at the end of the reporting period are as follows:

	2018	**2017**
Cash equivalents	**22,405**	**24,699**

The actual return in plan assets for 2018 and 2017 amounted to US$1,563,000 – full amount and US$1,126,000 - full amount, respectively. The plan assets are quoted in active markets (money market investments) in 2018 and 2017 amounted to US$22,405,000 – full amount and US$24,699,000 - full amount, respectively.

Long−term employee benefits liability are calculated every year by PT Padma Radya Aktuaria using the "Projected Unit Credit" method. The following are the assumptions used to calculate the employee benefits liability as per actuarial valuation report dated February 11, 2019:

Salary increment rate	5% p.a.
Discount rate	6.5% - 8.25% p.a.
Mortality rate	100% TMI 3
Disability rate	10% TMI 3
Resignation rate	10% p.a until age 25 then decrease linearly into 1% at age 40 then increase linearly into 3.5% at age 46 for SEGSL 2% p.a until age 25 then decrease linearly into 0.5% p.a at age 45 and 0.5% p.a flat from age 46 to 48 for SEGSD
Proportion of normal retirement	100%

(Expressed in thousands of United States Dollar, unless otherwise stated)

21. Provision for long-term employee benefits (continued)

The benefits expected to be paid in each of the next five years and the aggregate for five years thereafter are as follows:

	Amount
Within the next 12 months (next annual reporting period)	1,809
Between 2 and 5 years	8,457
Beyond 5 years	84,589
Total	**94,855**

The sensitivity analysis below has been determined based on the reasonably possible changes of each significant assumption on the defined benefit pension plan as at the end of the reporting period, assuming if all other assumptions were held constant:

		December 31, 2018	**December 31, 2017**
Discount rates	Base discount rate plus by 1%	(1,714)	(2,246)
	Base discount rate minus by 1%	1,902	2,575
Future Salary Increases	Base discount rate plus by 1%	1,973	2,697
	Base discount rate minus by 1%	(1,803)	(2,386)

The average duration of the defined benefit pension plan at the end of the reporting period ranges from 8.97 years to 10.51 years.

The defined benefit pension plan is managed by the Dana Pensiun Lembaga Keuangan ("DPLK") Bank Negara Indonesia (“BNI”). Total funded of employee benefit as of December 31, 2018 and 2017 is US$22,405,000 – full amount (equivalent with IDR324,433,795,023 - full amount) and US$24,699,000 - full amount (equivalent with IDR334,609,368,372 – full amount), respectively.

Other than the defined benefit pension plan, the Group’s subsidiaries have a defined contribution plan which is contributed by both employees and the Group’s subsidiaries for a fixed contribution of 2% - 4% from the Group and a contribution of 2% from the employees. This program is managed by the Dana Pensiun Lembaga Keuangan ("DPLK") Manulife. For the year ended December 31, 2018 and 2017, the Group’s contribution amounted to US$230,000 – full amount and US$176,000 – full amount, respectively, which is included as part of employees compensation and benefits’ in the consolidated statement of profit or loss.

(Expressed in thousands of United States Dollar, unless otherwise stated)

22. Derivatives

	2018	2017
Asset		
Interest Rate Swap related to:		
Borrowing	6,954	-
Liability		
Interest Rate Swap related to:		
Borrowing	-	3,259
Total	**6,954**	**3,259**

SEGD-II and SEGSL entered into interest rate swap agreements with Bangkok Bank Public Company Limited ("Bangkok Bank"), Bank of China Ltd. ("BOC"), BPI Capital Corporation ("BPI"), DBS Bank Ltd. ("DBS"), RCBC Capital Corporation ("RCBC"), Sumitomo Mitsui Banking Corporation - Singapore Branch ("SMBC"), and MUFG Bank, Ltd. (previously the Bank of Tokyo-Mitsubishi UFJ, Ltd - "MUFG") to hedge the financial risk related to the interest rate movements on its borrowings as follows:

Type	Signed Date	Effective Date until Termination Date	Counterparties	Notional Amount (US$ - full amount)	Terms and Conditions
Interest Swap Agreements for first utilization of Bank Loan - SEGSL	April 26, 2017	March 30, 2017 - December 22, 2021	DBS Bank	27,814,330.19	SEGSL shall receive variable 3-month LIBOR and pay fixed (2.03%) with quarterly settlement through December 22, 2021.
			Bangkok Bank	129,800,207.58	
			SMBC	23,936,170.21	
			MUFG	27,814,330.19	
			BPI	91,463,414.63	
			RCBC	46,357,216.99	
			BOC	27,814,330.19	
Interest Swap Agreements for first utilization of Bank Loan - SEGD-II	April 26, 2017	March 30, 2017 - December 22, 2021	DBS Bank	17,801,171.32	SEGD-II shall receive variable 3-month LIBOR and pay fixed (2.03%) with quarterly settlement through December 22, 2021.
			Bangkok Bank	83,072,132.85	
			SMBC	15,319,148.94	
			MUFG	17,801,171.32	
			BPI	58,536,585.37	
			RCBC	29,668,618.87	
			BOC	17,801,171.32	
Interest Swap Agreements for second utilization of Bank Loan - SEGD-II	September 25, 2017	September 26, 2017 - December 22, 2021	DBS Bank	793,715.00	SEGD-II shall receive variable 3-month LIBOR and pay fixed (2.01%) with quarterly settlement through December 22, 2021.
			Bangkok Bank	3,704,000.00	
			SMBC	644,000.00	
			MUFG	793,715.00	
			BPI	2,000,000.00	
			RCBC	1,322,855.00	
			BOC	741,716.00	

(Expressed in thousands of United States Dollar, unless otherwise stated)

22. Derivatives (continued)

On June 7, 2018, SEGD-II and SEGSL entered into additional interest rate swap agreements with notional amount of US$130,586,000 – full amount and US$195,883,000 – full amount, respectively, with Bangkok Bank, BOC, DBS, RCBC and MUFG to hedge the financial risk related to the interest rate movements on its borrowings as follows:

Type	Signed Date	Effective Date until Termination Date	Counterparties	Notional Amount (US$ - full amount)	Terms and Conditions
Interest Swap Agreements for first utilization of Bank Loan II - SEGSL	June 7, 2018	June 30, 2018 - December 22, 2021	DBS Bank	20,988,000	SEGSL shall receive variable 3-month LIBOR and pay fixed (2.9735%) with quarterly settlement through December 22, 2021.
			Bangkok Bank	97,940,000	
			MUFG	20,988,000	
			RCBC	34,979,000	
			BOC	20,988,000	
Interest Swap Agreements for first utilization of Bank Loan II - SEGD-II	June 7, 2018	June 30, 2018 - December 22, 2021	DBS Bank	13,991,000	SEGD-II shall receive variable 3-month LIBOR and pay fixed (2.9735%) with quarterly settlement through December 22, 2021.
			Bangkok Bank	65,294,000	
			MUFG	13,991,000	
			RCBC	23,319,000	
			BOC	13,991,000	

Interest rate swap agreements are designated as effective cash flow hedge. The change in fair value of derivative contracts recognized in OCI. The related asset/(liabilities) arising from the derivative contracts are presented under 'Derivative asset/(liabilities)' in the statement of financial position.

The full fair value of a hedging derivative is classified as non-current asset or liability when the remaining hedged item is more than twelve months, and as a current asset or liability when the remaining maturity of the hedged item is within twelve months.

The amount that was recognised in other comprehensive income during the period from interest rate swap bank loan is US$10,213,000 – full amount (2017: US$3,259,000 - full amount).

(Expressed in thousands of United States Dollar, unless otherwise stated)

23. Borrowings

	2018	2017
Current		
Bank loans	71,500	79,500
Non-current		
Bank loans	973,768	1,047,698
Total borrowings	**1,045,268**	**1,127,198**

The remaining contractual maturities of the total borrowings are as follows:

	2018	2017
Not later than 1 year	71,500	79,500
Between 1 and 5 years	999,794	1,082,725
	1,071,294	1,162,225
Less: Unamortized finance charges	(26,026)	(35,027)
Total borrowings	**1,045,268**	**1,127,198**

Included in the borrowings are amounts relating to deferred financing costs, which are as follows:

	2018	2017
Cost	48,119	48,119
Accumulated amortization	(22,093)	(13,092)
Net carrying amount	**26,026**	**35,027**
Movements of deferred financing costs are as follows:		
At beginning / inception date	35,027	-
Addition	-	48,119
Amortization	(9,001)	(13,092)
Net carrying amount	**26,026**	**35,027**

On December 22, 2016, the Company entered into a Secured Term Loan Facility Agreement with Bangkok Bank Public Company Limited, Bank of China Ltd., BPI Capital Corporation, BDO Unibank, Inc., DBS Bank Ltd., RCBC Capital Corporation, Sumitomo Mitsui Banking Corporation - Singapore Branch, and The Bank of Tokyo-Mitsubishi UFJ, Ltd. (whether acting individually, or collectively, the "Mandated Lead Arranger") for facilities commitment of Tranche A and Tranche B amounting to US$1,250,000,000 - full amount and US$700,000,000 - full amount, respectively. The Loan will be due 5 years after utilization date, which is December 22, 2021 and December 22, 2026 for Tranche A and Tranche B, respectively.

23. Bank loans (continued)

Followings are the purposes of the Bank Loan:

- Tranche A first utilization, (i) to fund, in part, the purchase price for the Acquisition (Controlling Interest), (ii) to fund the Reserve Accounts, and (iii) to pay fees, costs and expenses in relation to the Facility and Acquisition Costs and shall be in an amount not to exceed US$1,230,000,000 - full amount.
- Tranche A second utilization, to fund, in part, the purchase price for the Acquisition (Minority Interest) and shall be in an amount not to exceed US$20,000,000 - full amount
- Tranche B, (i) to finance the repayment of all outstanding Tranche A Loans in 2021 and (ii) to fund the Reserve Accounts. The cancellation fees at the rate of 1.25% will be applied, if (1) the Tranche A Loan is repaid from the proceeds of any refinancing facility entered into by the Borrowers other than the Tranche B Facility (2) as a result of the re-allocation of the total commitment with respect to Tranche B under the Facility Agreement to any other Lender who was only committed to provide the Tranche A facility as at the date of the Facility Agreement, and (3) Following the Tranche B Utilization Date but before the first anniversary of the Tranche B Utilization Date, if the Borrower refinances Tranche B with a new facility. Following the first anniversary of the Tranche B utilization date and every anniversary thereafter, the Tranche B cancellation fee shall be reduced by 0.25% such that on the Tranche B maturity date, the Tranche B cancellation fee shall be zero .

With reference to the loan agreement, the Company caused SEGD-II and SEGSL to each become an Additional Borrower on the relevant Debt Push Down Date.

The Bank Loan is secured by:

(i) the Offshore Account Charges (other than PT CGSS and PT DGI)
(ii) the Account Pledge (SEG-SD B.V.)
(iii) the Share Pledge (SEG-SD B.V.)
(iv) the Share Pledges (Target Companies) (other than PT CGSS and PT DGI)
(v) the English Assignment of Contract Rights (SEG-SD B.V., SEGSL and SEGD-II)
(vi) the Onshore Account Pledges (other than PT CGSS)
(vii) the Fiduciary Security of SEGSL and SEGD-II
(viii) the Assignment of Contract Rights (Indonesian Law) of SEGSL and SEGD-II

The 1% upfront fee for Bank Loan totaling US$12,500,000 – the full amount was paid on January 10, 2017, by the SEGHPL, SEGPL, Phoenix Power B.V., and AC Energy International Holdings Pte. with respect to their effective ownership. The total payment made by SEGHPL and SEGPL amounting US$3,426,294 - full amount and US$5,112,750 - full amount were considered as a convertible loan.

On March 23, 2017, the Amended and Restated Secured Term Loan Facility Agreement was signed with the changes on the finalization date (i.e.; March 23, 2017) and repayment schedules.

The Bank Loan first utilization was on March 30, 2017 amounting to US$1,230,000,000 - full amount. The total cash received was US$1,195,319,160 - full amount after taking into account the financing costs of US$34,680,840 - full amount. Such fund was used to settle up the acquisition of Chevron’s shares on Darajat, Salak and Suoh Sekincau Geothermal blocks.

On April 26, 2017, the Bank Loan was effectively pushed down to SEGSL and SEGD-II with the total amount to be novated of US$750,000,000 - full amount and US$480,000,000 - full amount, respectively.

(Expressed in thousands of United States Dollar, unless otherwise stated)

23. Bank loans (continued)

Followings are the Bank Loan original lenders:

	In US$ - full amount	
Lenders	**SEGD-II**	**SEGSL**
Bangkok Bank Public Company Limited	134,400,000	210,000,000
Bank of China Limited - Grand Cayman Branch	23,040,000	36,000,000
Bank of China Limited - Manila Branch	5,760,000	9,000,000
Bank of the Philippines Islands	153,600,000	240,000,000
BDO Unibank, Inc.	28,800,000	45,000,000
DBS Bank Ltd.	28,800,000	45,000,000
Rizal Commercial Banking Corporation	48,000,000	75,000,000
Sumitomo Mitsui Banking Corporation - Singapore Branch	28,800,000	45,000,000
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	28,800,000	45,000,000
TOTAL	480,000,000	750,000,000

The Bank Loan second utilization was sent on September 19, 2017 amounting to US$20,000,000 - full amount. Such fund was used to settle up the acquisition of 95% PT Austindo Nusantara Jaya Tbk's shares on PT DGI.

The Facility Agreement bears interest per annum at 3.25% margin plus LIBOR, and is payable on the end of each quarter.

The Group, under its loan agreements, is subject to various covenants, among others to obtain written approval from the lenders before entering into certain transactions such as mergers, acquisitions, liquidation or change in status and Articles of Association, reducing the authorized, issued and fully paid capital; restrictions on lending money to third parties; negative pledges, with certain exceptions; restrictions on change in core business activities; declaring and paying dividends; redeem, repurchase, defease, retire or repay any of its share capital or resolve to do so; restriction on allowing guarantees and indemnities in respect of any obligation of any person and requirement to comply with certain financial ratios.

The Bank Loan also requires the Company to maintain certain financial ratios such as:

a. Leverage ratio shall not exceed:
   (i) 6.00 : 1 from the initial Testing date until the Testing Date falling immediately after the first anniversary
   (ii) 5.50 : 1 from the Testing Date immediately after the first anniversary until the Testing Date falling immediately after the third anniversary
   (iii) 4.50 : 1 thereafter until the final Semi-Annual Date
b. Debt Service Coverage Ratio shall not be less than 1.20 : 1
c. Senior Interest Cover shall not be less than 3 : 1
d. Debt to Equity Ratio shall be no greater than 70 : 30, after the final Tranche A repayment date, 50 : 50.

As of December 31, 2018, the Company has complied with all financial ratios required to be maintained under the loan agreements.

The unamortized issuance cost as at December 31, 2018 and 2017 amounted to US$26,026,000 - full amount and US$35,027,000 – full amount respectively, and is treated as a deduction of non-current Bank Loan.

(Expressed in thousands of United States Dollar, unless otherwise stated)

23. Borrowings (continued)

In Q1-Q4 2018, the Group made a repayment on Bank Loan amounting to US$16,250,000 – full amount, US$16,250,000 – full amount, US$20,000,000 – full amount and US$38,431,000 – full amount.

24. Trade and other payables, and accrued expenses

	2018	2017
Trade and other payables, and accrued expenses (current):		
Trade payables		
- External parties	1,645	132
Other payables:		
- Related corporations	555	514
- External parties	1,145	1,037
Accrued expenses:		
- Others - third parties	26,342	29,921
Trade and other payables, and accrued expenses (current)	**29,687**	**31,604**
Add/(less):		
Total borrowings (Note 23)	1,045,268	1,127,198
Total financial liabilities at amortized cost:	**1,074,955**	**1,158,802**

Trade payables and other payables are non-interest bearing and are normally settled on 30-days terms.

Other payables to related corporations are non-trade in nature, unsecured, non-interest bearing, payable upon demand and are to be settled in cash. Other payables to external parties are non−interest bearing and have an average term of 60 days.

Included in accrued expenses are accrual for goods and services of US$21,124,054 - full amount (2017: US$23,507,837 - full amount), accrual for royalty to PGE amounting US$2,158,536 - full amount (2017: US$1,652,000 - full amount).

Production bonus

Based on the Laws of Republic of Indonesia (UU) No.21 year 2014, regarding "Geothermal", a geothermal permit holder is required to provide production bonus amounting to 0.5% - 1% of gross revenues to local governments that regulate its geothermal territories, which will be reimbursed subsequently from central government through DGB.

As of December 31, 2018, the subsidiaries have paid the production bonuses relating to partially 2015, partially 2016, 2017 and Q1 – Q2 2018 totalling US$5,088,000 – full amount (or equivalent to IDR71,220,729,144 – full amount).

As of 31 December 2018, the subsidiaries have received the cash refund related to production bonuses above totalling US$2,286,000 - full amount (or equivalent to IDR31,931,550,027- full amount. The remaining unpaid balance representing the production bonuses for partially 2015, partially 2016 and Q3 – Q4 2018 totalling US$3,062,288 – full amount (or equivalent to IDR44,344,992,820 – full amount) has been recognized by the Group as part of "Accrued expenses" and debited to "other receivables" (Note 11).

Trade and other payables denominated in foreign currencies are as follows:

	2018	2017
Indonesian rupiah	22,114	22,529
Japanese yen	-	188

(Expressed in thousands of United States Dollar, unless otherwise stated)

25. PLN Make-up account balances

The PLN Make-up Account balances in 2018 represents the cumulative amount by which the electricity and/or steam paid by PLN to the Contractors based on the take-or pay mechanism in the Salak ESC exceeds the amount of steam and/or electricity actually accepted by PLN ("PLN Make-up Amount") minus electricity and/or steam delivered by the Company in pursuant to the take-or-pay amount under Section 5.1.1.3 and Section 5.1.2.3 of the Salak ESC. The PLN Make-up Account is a temporary account setting out the PLN Make-up Amount paid by PLN, which shall be set off against delivery of future electricity or steam by the Company which exceeds the required Take or Pay amount of such period, provided that such delivery shall be subject to request from PLN and to be performed on SEGS and SEGSPL's Best Effort basis. The set-off mechanism to reduce the PLN make-up account is strictly limited to delivery of electricity or steam by SEGSL and SEGSPL. There are no financial repayment obligations under the ESC for SEGSL and SEGSPL to settle the make-up account. As of December 31, 2018, the PLN Make-up Amount in the PLN Make-Up Account amounted to 211 GWh electricity and 56 GWh steam, which is equivalent to US$13,626,000 – full amount.

Set out below is the amount of revenue recognized from:

	Group	
	2018	**2017**
Amounts included in PLN make-up account balance at the beginning of the year	2,330	-

26. Significant acquisitions

In 2017, the Group made several acquisitions of subsidiaries and performed a provisional valuation analysis of the provisional fair value of identifiable assets and liabilities assumed. Using a number of judgments and estimation on the acquisitions, the Group has estimated the allocation of the assets and liabilities. In December 2018, the Group has finalized the purchase price allocation during the measurement period and determined that no change to the fair value is necessary.

The fair values of the identifiable assets and liabilities of SEGSL, SEGD-II, SEGD-I and PT SEGSS as at the date of acquisition were:

	Fair Value
Cash and bank balances	50,905
Inventories	24,445
Trade and other receivables	54,724
Finance lease receivables	406,849
Other current assets	31,753
Deferred charges	26,441
Property, plant and equipments	279,012
Developed geothermal resources	44,280
Undeveloped geothermal resources	1,196,231
Other non-current assets	27,301
Trade and other payables	(15,638)
Taxes payable	(13,172)
Deferred tax liabilities	(614,694)
Total identifiable net assets at fair values	1,498,437
Non-controlling interest measured at the non-controlling interest's proportionate share of SEGSL, SEGD-II, SEGD-I and PT SEGSS's net identifiable assets	13
Goodwill	485,814
Purchase consideration transferred	**1,984,264**
Net cash of the acquired subsidiaries	(50,905)
Acquisitions of subsidiaries net of cash acquired	**1,933,359**

(Expressed in thousands of United States Dollar, unless otherwise stated)

26. Significant acquisitions (continued)

On September 27, 2017, the Company acquired 95% shares of PT DGI which holds 5% participating interests in Darajat Unit 2-3 and future units.

	Fair value
Carrying Value of net assets acquired	11,743
Non-controlling interest measured at the non-controlling interest's proportionate share of PT DGI's net assets	(587)
Acquisition of a subsidiary net of cash acquired	**11,156**
Premium paid on acquisition of subsidiary with participating interests in joint operations	17,779
Purchase consideration transferred on PT DGI acquisition	**28,935**
Net cash of the acquired subsidiary	(2,326)
Acquisition of a subsidiary net of cash acquired	**26,609**

As the increase in the parent's (i.e; SEG-SD B.V) ownership does not result in a change of control in Darajat Geothermal block, the PT DGI acquisition is accounted for as an equity transaction (Note 20).

27. Commitments and contingencies

(a) Government audit claims

The accounting records and reports of the Joint Venture and JOC are subjected to an audit by PGE and/or the Government. Findings arising from these audits are either agreed by the Group and recorded in its accounting records, or are disputed. Resolution of disputed claims may require a lengthy negotiation process extending over a number of years.

Darajat Contractor Group

As of the completion date of these consolidated financial statements, the Darajat Contractor group has various audit findings from the Government auditors amounting to US$10,460,975 - full amount for the period of 2004-2015. This amount includes Pertamina Production Allowance findings ("PPA") for period of 2004-2015 and production bonus for period of 2004-2014 amounting to US$5,709,540 - full amount. The Darajat Contractor group claimed PPA and production bonus as a deduction in its government share calculation (34%). If these findings materialize, the income tax expense will increase by US$3,556,731 – full amount.

2006 and 2010 Audit

In 2013 and 2014, Directorate General of Tax ("DGT") issued tax assessment regarding PPA audit claims for fiscal year 2006 and 2010. The Darajat Contractor group filed an objection to this tax assessment, which was rejected by DGT. In this regard, the Darajat Contractor group filed appeals to the tax court on June 22, 2015 which result was in favor to the Darajat Contractor group for fiscal year 2006 amounting to US$115,057 – full amount. DGT filed reconsideration against the result to the Supreme Court on May 23, 2017 and is still awaiting the Supreme Court decision for this reconsideration.

27. Commitments and contingencies (continued)

(a) Government audit claims (continued)

Darajat Contractor Group (continued)

2006 and 2010 Audit (continued)

The Darajat Contractor group received tax court verdict dated February 19, 2018 in relation to PPA audit finding for the fiscal year 2010 amounting to US$186,115 – full amount, which approved the DGT decision. On May 18, 2018, the Darajat Contractor group re-submitted an appeal to the Supreme Court related to this matter.

2013-2014 Audit

On September 5, 2016, the Darajat Contractor group received audit findings assessment letter claiming an underpayment of the government share amounting to US$1,042,819 - full amount, related to the year 2013-2014 findings. The Darajat Contractor group paid the amount and submitted the letter to DGB on December 1, 2016. The Darajat Contractor group then sent a submission letter for new proof on January 25, 2018 in accordance with PP No. 34 Year 2010. On January 26, 2018, DGB issued decision letter for overpayment of government share for the year 2013-2014. Based on the a decision letter, DGB approved this objection amounting to US$15,353 – full amount.

On April 25, 2018, the Darajat Contractor group filed a claim against the Ministry of Finance at the *Pengadilan tata usaha negara* ("PTUN")/Administrative Court to dispute the Decision Letter.

On November 26, 2018, PTUN pronounced the verdicts in favor of the Darajat Contractor group. The verdicts are as follow:

1) Grant all of the lawsuits
    a. The Ministry of Finance has no authority to collect the PNBP;
    b. The Ministry of Finance has no authority to request an audit to BPKP on the Darajat Contractor group PNBP obligations;
    c. The Ministry of Finance has no authority to decide the overpayment or underpayment of the Darajat Contractor group PNBP based on BPKP audit result;
    d. The objects of the dispute violated the PNBP law; and
    e. The objects of the dispute were in contrary to the general principles of good governance
2) Declare null and void the Decision Letter
3) Require the Ministry of Finance to revoke the Decision Letter
4) The Ministry of Finance to pay all of the court fees of IDR282,000 – full amount

On February 6, 2019, the Ministry of Finance has submitted a memorandum of appeal to *Pengadilan tinggi tata usaha negara* ("PTTUN")/high administrative court in response to the decision issued by PTUN regarding 2013 – 2014 audit reports. On February 21, 2019, the Darajat Contractor group submitted a contra memorandum of appeal to PTTUN.

27. Commitments and contingencies (continued)

(a) Government audit claims (continued)

Darajat Contractor Group (continued)

2015 Audit

On September 15, 2017, BPKP issued their 2015 audit report with findings totaling US$884,848 – full amount. Most of the findings pertain to the PPA and the completeness of documentation amounting to US$625,609 – full amount and US$128,508 – full amount, respectively. On March 13, 2018, the Darajat Contractor group received from DGB the assessment letter of underpayment for the government share amounting to US$88,141 – full amount. On April 12, 2018, the Darajat Contractor group paid this amount and submitted an objection letter to DGB on June 7, 2018. Management believes such audit findings are without merit, therefore no accrual has been recognized in relation to the remaining findings in the accompanying consolidated financial statements.

SEGSL

As of the completion date of these consolidated financial statements, SEGSL has various audit findings from the Government auditors amounting to US$50,676,913 - full amount for the period of 2004-2015. This amount includes PPA amounting to US$15,231,933 - full amount. SEGSL claimed PPA and production bonus as a deduction in its government share calculation (34%). If these findings materialize, the income tax expense will increase by US$17,230,150 - full amount.

2013-2014 Audit

On September 5, 2016, SEGSL received audit findings assessment letter claiming an underpayment of the government share amounting to US$9,906,077 - full amount, related to year the 2013-2014 findings. SEGSL paid the amount and submitted an objection letter to DGB on December 1, 2016. SEGSL sent a submission letter for new proof on January 26, 2018. DGB has issued a decision letter for overpayment of government share for the year 2013-2014. Based on the decision letter, DGB approved the objection amounting to US$7,018 – full amount.

On April 25, 2018, SEGSL filed a claim against the Ministry of Finance at PTUN to dispute the Decision Letter.

On November 26, 2018, PTUN pronounced the verdicts in favor of SEGSL. The verdicts are as follow:

1) Grant all of the lawsuits
    a. The Ministry of Finance has no authority to collect the PNBP;
    b. The Ministry of Finance has no authority to request an audit to BPKP on the SEGSL PNBP obligations;
    c. The Ministry of Finance has no authority to decide the overpayment or underpayment of the SEGSL PNBP based on BPKP audit result;
    d. The objects of the dispute violated the PNBP law; and
    e. The objects of the dispute were in contrary to the general principles of good governance
2) Declare null and void the Decision Letter
3) Require the Ministry of Finance to revoke the Decision Letter
4) The Ministry of Finance to pay all of the court fees of IDR282,000 – full amount

27. Commitments and contingencies (continued)

(a) Government audit claims (continued)

SEGSL (continued)

2013-2014 Audit (continued)

On February 6, 2019, the Ministry of Finance submitted a memorandum of appeal to PTTUN in response to the decision issued by PTUN regarding 2013 – 2014 audit reports. On February 21, 2019, SEGSL has submitted a contra memorandum of appeal to PTTUN.

2015 Audit

On September 15, 2017, BPKP issued their 2015 audit report with findings totaling US$3,933,042 – full amount. Most of the findings pertain to the PPA and the parent company overhead amounting to US$1,512,318 – full amount and US$1,007,570 – full amount, respectively. On March 12, 2018, SEGSL received from DGB the assessment letter of underpayment for the government share amounting to US$487,947 – full amount. On April 12, 2018, SEGSL paid this amount and submitted an objection letter to DGB on June 7, 2018. Management believes such audit findings are without merit, therefore no accrual has been recognized in relation to the remaining findings in the accompanying consolidated financial statements.

SEGSPL

As of the completion date of these consolidated financial statements, SEGSPL has various audit findings from the Government auditors amounting to US$738,082 - full amount for the period of 2004-2015 transaction. This amount includes PPA and other findings amounting to US$730,514 - full amount and US$7,568 - full amount. SEGSPL claiming PPA and production bonus as a deduction in its government share calculation (34%). If these findings materialize, the income tax expense will increase by US$255,943 - full amount.

2015 Audit

On September 15, 2017, BPKP issued their 2015 audit report with findings totaling US$117,172 – full amount. Most of the findings pertain to the PPA amounting to US$110,627 – full amount. On March 13, 2018, SEGSPL received from DGB the assessment letter of underpayment for the government share amounting to US$2,225 – full amount.

On April 12, 2018, SEGSPL paid this amount and submitted an objection letter to DGB on June 7, 2018.

Management believes such audit findings are without merit, therefore no accrual has been recognized in relation to the remaining findings in the accompanying consolidated financial statements.

27. Commitments and contingencies (continued)

(b) Outstanding invoices to PT Indonesia Power ("PT IP") – a subsidiary of PLN

Between the period from March 18, 2018 to September 29, 2018, an unplanned shutdown occurred to the Darajat Unit-1 due to turbine breakdown. PT IP, as the operator of the power plant, indicated that the steam quality delivered by SEGD-II was the main factor that caused the turbine damage eventhough the Darajat ESC does not regulate the parameter of the steam quality which has to be delivered by the Darajat Contractors Group. After several discussions, PT IP agreed to pay the March 2018 and April 2018 invoices, but PT IP did not agree to pay the invoices for the periods from May 2018 to September 2018 amounting to US$7,865,338 – full amount. Such balances have been recognized as "trade receivables" in the Group's consolidated statement of financial position as of December 31, 2018.

According to Article 5.1 and Article 11.3 of the Darajat ESC, during period where PLN is unable to take all steam that could be delivered from SEGD-II, PLN shall pay the "Take or Pay" obligation amount to SEGD-II and during any time of dispute, both parties shall continue to carry out their responsibilities pursuant to the Darajat ESC. Hence, the management believes that SEGD-II is entitled to the full payments from PT IP for the outstanding invoices from May 2018 to September 2018.

As of the completion date of these consolidated financial statements, SEGD-II, PT IP, and PLN are still in the negotiation process to resolve this matter. Based on the latest discussion, all parties agreed to appoint an independent consultant to analyze and determine the cause of Unit-1 turbine damage, as a basis for the settlement of the payment of the pending invoices.

The management believes that SEGD-II has a strong legal basis to receive full payments for the outstanding invoices, therefore no allowance has been recognized in relation to the uncollectible accounts in the consolidated financial statements.

(c) Guarantees of Salak-Darajat acquisitions

On 22 December 2016, the Company signed a Share Sale and Purchase Agreement ("Salak-Darajat SPA") with Chevron Darajat Holdings, Ltd., Chevron Geothermal Indonesia Holdings, Ltd., and Chevron Geothermal Salak Holdings, Ltd. to acquire 100% Chevron's shares in Chevron Darajat, Limited, Chevron Geothermal Indonesia, Ltd., and Chevron Geothermal Salak, Ltd. The Buyer Direct Shareholder Guarantors of the transaction are SEGHPL, Star Energy Geothermal Holding (Salak-Darajat) B.V., and ACEHI Netherlands B.V, for which the guarantees are unlimited.

The Buyer Group Guarantors are SEGHPL, SEGPL, EGCO, and AC Energy Holdings, Inc., for which the aggregate maximum liability until 31 December 2057 is capped with a total amount of US$200,000,000 – full amount. SEGHPL's and SEGPL's guarantees are capped at US$55,211,150 – full amount and US$82,413,500 – full amount, respectively, up to 31 December 2049, and US$54,800,000 – full amount and US$81,800,000 – full amount, respectively, up to 31 December 2057, representing the Buyer Group Equity Proportion of each SEGHPL and SEGPL.

The Buyer Direct Shareholder Guarantors and the Buyer Group Guarantors are collectively referred to as Buyer Guarantors.

27. Commitments and contingencies (continued)

(a) Guarantees of Salak-Darajat acquisitions (continued)

The guarantee covers all amounts which the Company as the buyer is liable to pay under or in relation to the transaction documents, which primarily relates to the "clean-break" indemnity provision under clause 8 of the share sale and purchase agreement dated December 22, 2016. Under this provision, the Company shall indemnify Chevron for all losses resulting from or in connection with the target companies (Chevron Darajat Limited, Chevron Geothermal Indonesia, Ltd., Chevron Geothermal Salak, Ltd.) and their operations. An example of a claim that Chevron may make would be a claim under the indemnity provision if Chevron is required to pay any taxes, decommissioning costs or any other costs or losses pertaining to the group companies and their operation.

SEGHPL will receive US$5,000,000 – full amount from Phoenix Power B.V during the year 2040 to the year 2047, and US$5,000,000 – full amount from AC Energy Holdings, Inc., after the year 2058 in accordance with the relevant consortium agreement, if Chevron makes a claim against any or all of the Buyer Guarantors.

(d) Guarantees of Sekincau acquisitions

On December 22, 2016, the Company signed a Share Sale and Purchase Agreement (“Sekincau SPA”) with Chevron Global Energy, Inc. to acquire 100% Chevron’s shares in PT Chevron Geothermal Suoh Sekincau (i.e; represent 95% ownership). The Buyer Direct Shareholder Guarantors of the transaction are Star Energy Geothermal Holding (Salak-Darajat) B.V. and ACEHI Netherlands B.V, for which the guarantees are unlimited. The Buyer Group Guarantors are SEGHPL, SEGPL, EGCO and AC Energy Holdings, Inc. The aggregate maximum liability until 31 December 2037 is capped with total amount of US$1,500,000 – full amount. SEGHPL’s and SEGPL’s guarantees are capped at US$411,150 – full amount and US$613,500 – full amount, respectively, up to 31 December 2037, representing the Buyer Group Equity Proportion of each SEGHPL and SEGPL.

The guarantee covers all amounts which the Company as the buyer is liable to pay under or in relation to the transaction documents, which primarily relates to the "clean-break" indemnity provision under clause 8 of the share sale and purchase agreement dated 22 December 2016. Under this provision, which the Company shall indemnify Chevron for all losses resulting from or in connection with the target company (PT Chevron Geothermal Suoh Sekincau) and their operations. An example of a claim that Chevron may make would be a claim under the indemnity provision if Chevron is required to pay any taxes, decommissioning costs or any other costs or losses pertaining to the group company and its operation.

The Buyer Direct Shareholder Guarantors and the Buyer Group Guarantors, collectively referred to as Buyer Guarantors.

(e) Assignment of Preliminary Survey and Exploration (Pelaksanaan Penugasan Survei Pendahuluan dan Eksplorasi (“PSPE”)) of South Suoh Sekincau in Sumatera

On 21 June 2018, the Ministry of Energy and Mineral Resources approved PSPE of South Suoh Sekincau. In relation with these PSPE PT SEGSS is required to perform at least 1 (one) drilling for an exploration well within the period (i.e; 3 years) in South Suoh Sekincau.

(Expressed in thousands of United States Dollar, unless otherwise stated)

28. Fair value of assets and liabilities

A. Fair value hierarchy

The Group categorizes fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly unobservable ..

Fair value measurements that use inputs of different hierarchy levels are categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

B. Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
	US$'000	US$'000	US$'000	US$'000
Assets:				
Derivatives				
Interest rate swap	–	6,954	–	6,954

	Fair value measurements at the end of the reporting period using			
2017	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Liabilities:				
Derivatives				
Interest rate swap	–	3,259	–	3,259

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

Derivatives

Interest rate swap contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include swap models, using present value calculations. The models incorporate various inputs including the interest rate curves and forward rate curves.

(Expressed in thousands of United States Dollar, unless otherwise stated)

28. Fair value of assets and liabilities (continued)

C. Assets and liabilities not carried at fair value but for which fair value is disclosed

The following table shows an analysis of the Group's assets and liabilities not measured at fair value but for which fair value is disclosed:

	December 31, 2018				
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total	Carrying amount
Assets:					
Other receivables (non-current)	-	-	26,007	26,007	26,784
Finance lease receivables	-	-	382,768	382,768	400,199

	December 31, 2017				
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total	Carrying amount
Assets:					
Other receivables (non-current)	–	–	26,403	26,403	27,076
Finance lease receivables	–	–	405,566	405,566	405,566

Determination of fair value

The fair values as disclosed in the table above are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending at the end of the reporting period.

(Expressed in thousands of United States Dollar, unless otherwise stated)

28. Fair value of assets and liabilities (continued)

D. Fair value of financial instruments by classes that are not carried out at fair value and whose carrying amounts are not a reasonable approximation of fair value

The fair value of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not a reasonable approximation of fair value are as follows:

	2018	
Group	**Carrying amount**	**Estimated fair value**
Financial assets:		
Other receivables (non-current)	26,784	26,007
Finance lease receivables	400,199	382,768

	2017	
Group	**Carrying amount**	**Estimated fair value**
Financial assets:		
Other receivables (non-current)	27,076	26,403
Finance lease receivables	405,566	405,566

Determination of fair value

The fair values as disclosed in the table above are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending at the end of the reporting period.

E. Assets and liabilities whose carrying amounts approximate the fair value

The management assessed that the fair values of cash on hand and in banks, restricted cash, trade and other receivables, trade and other payables, and accrued expenses approximate their carrying amounts largely due to the short-term maturities of these instruments.

29. Financial risks management

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency risk and commodity price risk. The Group's overall risk management strategy focuses on the unpredictability of financial markets and seeks to minimize adverse effects on the Group's financial performance.

Risk management is carried out by the corporate finance department under the supervision of the Board of Directors. The corporate finance department identifies, evaluates and hedges financial risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash on hand and in banks, restricted cash, finance lease receivables and derivatives), the Group minimize credit risk by dealing exclusively with high credit rating counterparties. The Group's corporate finance department also regularly monitors the financial condition of banks and financial institutions where cash is placed.

Exposure to credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognized in the statement of financial position, including derivatives with positive fair values.

Credit risk concentration profile

Credit risk is the risk that one party of financial instruments will fail to discharge its obligation and will incur a financial loss to an other party. The Group's corporate finance department regularly monitors the financial condition of banks and financial institutions where cash is deposited. As of 31 December 2018, the Group is subject to concentration of credit risk as 99% of its bank deposits are placed in one bank. With respect to credit risk arising from trade receivables, the Group is subject to concentration of credit risk as its entire electricity and steam sales are solely through PGE and PLN, two Indonesian state-owned enterprises. The Group did not hold any collateral to secure PLN payments to the Group under the ESC.

As of the reporting date, the carrying amounts of financial asset represent the Group's maximum exposure to credit risk.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and short-term deposits and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions with no history of default.

(Expressed in thousands of United States Dollar, unless otherwise stated)

29. Financial risk management (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to a shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Corporate finance department aims to maintain flexibility in funding by keeping committed credit facilities available.

Analysis of financial instruments by remaining contractual maturities

The table below summarizes the maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations:

	One year or less	One to five years	Above five years	Total
2018				
Trade and other payables	3,345	-	-	3,345
Accrued expenses	26,342	-	-	26,342
Bank loans	71,500	973,768	-	1,045,268
	101,187	973,768	-	1,074,955

	One year or less	One to five years	Above five years	Total
2017				
Trade and other payables	1,683	-	-	1,683
Accrued expenses	29,921	-	-	29,921
Bank loans	79,500	1,047,698	-	1,127,198
	111,104	1,047,698	-	1,158,802

(c) Interest rate risk

In order to manage the interest rate risk against the fluctuation in LIBOR rate, in 2018 the Group entered into Interest Rate Swap transactions with Consortium Banks (Note 22) in relation to Bank Loan. By entering into the interest rate swap transactions, the interest payable of the loan facility is expected to be fixed (not affected by changes in LIBOR rates).

The following table shows the sensitivity to a reasonably possible change in interest rates on the borrowings which are not hedged.

	Change in LIBOR rate	Effect on post-tax profit
2018	+5%	301
	-5%	(301)

(Expressed in thousands of United States Dollar, unless otherwise stated)

29. Financial risk management (continued)

(d) Foreign currency risk

The Group has transactional currency exposures arising from purchases denominated in a currency other then the functional currency of the Group entities, which is United States dollar. The foreign currency in which these transactions are denominated is mainly in Indonesian rupiah as the Group's major operations are in Indonesia. The Group does not enter into foreign currency exchange contracts to mitigate foreign currency risk. The Group's currency exposure is disclosed in Notes 11, 17 and 24 to the consolidated financial statements.

Sensitivity analysis for foreign currency risk

If Indonesian rupiah strengthened/weakened by 10% against the United States dollar, with all other variables held constant, profit before tax would have been lower/higher by US$1,784,913 - full amount.

(e) Commodity price risk

No issue for the commodity price risk for geothermal business due to the price has been agreed in the electricity sales contract (Note 1.2).

(f) Changes in liabilities arising from financing activities

	2017	Cash flows	Amortization	Other	2018
Bank loan					
- Current	79,500	(90,931)	–	82,931	71,500
- Non-current	1,082,725	–	–	(82,931)	999,794
Deferred financing cost	(35,027)	–	9,001	–	(26,026)
Total	**1,127,198**	**(90,931)**	**9,001**	–	**1,045,268**

	At inception date	Cash flows	Amortization	Other	2017
Bank loan					
- Current	–	(87,775)	–	167,275	79,500
- Non-current	–	1,250,000	–	(167,275)	1,082,725
Deferred financing cost	–	(34,952)	13,092	(13,167)	(35,027)
Total	–	**1,127,273**	**13,092**	**(13,167)**	**1,127,198**

(Expressed in thousands of United States Dollar, unless otherwise stated)

30. Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2018 and 2017.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, loans and borrowings, trade and other payables, and accrued expenses less cash on hand and in banks and restricted cash excluding discontinued operations. Capital includes equity attributable to the owners of the Company.

Capital includes debt and equity items as disclosed in the table below.

	2018	2017
Bank loans (Note 23)	1,045,268	1,127,198
Trade and other payables, and accrued expenses (Note 24)	29,686	31,604
Less: Cash and bank balances (Note 17)	(280)	(611)
Restricted cash (Note 16)	(121,112)	(91,777)
Net Debt	953,562	1,066,414
Equity attributable to the owners of the Parent Entity	974,129	886,956
Capital and net debt	1,927,691	1,953,370
Gearing ratio	49%	55%

31. Related party transactions

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the following significant transactions between the Group and the related parties took place at terms agreed between the parties during the year.

Significant balances with related parties are as follows:

Other receivables (Note 11)

	2018	2017
Star Energy Geothermal Holding (Salak-Darajat) B.V	19	–
Star Phoenix Geothermal J.V B.V	16	–
Total	**35**	**–**

(Expressed in thousands of United States Dollar, unless otherwise stated)

31. Related party transactions (continued)

Other payables (Note 24)

	2018	2017
Star Energy Geothermal Holding Pte. Ltd.	408	369
Star Energy Geothermal Pte. Ltd.	135	134
Star Energy Geothermal Wayang Windu Ltd.	12	11
Total	**555**	**514**

Compensation of key management personnel

	2018	2017
Wages and salaries	257	97
Comprise amount paid to:		
Directors of the Company and Subsidiaries	257	97

32. Events occurring after the reporting period

On January 14, 2019, SEGD-II received the Supreme Court reconsideration verdict related to PPA's audit finding period 2010 which rejected the reconsideration request from SEGD-II (Note 27).

On February 18, 2019, there was a land slide in Salak area impacting brine pipeline. To manage the situation, SEGSL has to shut down a brine pump at AWI 10 well-pad. Management has performed an operation recovery plan and preliminary repair plan. On February 21, 2019, the steam supply of SEGSL has returned to its normal operation.

On March 31, 2019, there was a land slide in Salak area (located at AWI 18). Management has checked the situation and concluded that there was no impact to the operation of SEGSL's steam supply.

On 29 April 2019, PTTUN issued its appeal decision in favor of the *Ministry of Finance* as defendant. In its exception, PTTUN accepted the exception of the defendant on the absolute competence of the court and declared that the PTUN has no authority to adjudicate such *a quo* case. In the principal case, the appeal decisions are as follow:

1) Declaring that the objections from Darajat Contractor group and SEGSL, as the plaintiffs are not acceptable
2) Convicting the plaintiffs to pay the court fees in the two level of courts which in this appeal examination is determined in the amount of IDR250,000 – full amount

Prior to the filing of such claims to PTUN, the company had sent a clarification request letter about the interpretation of authority to solve the dispute. On 10 August 2018, PTTUN replied the Group's request through a letter stating that in accordance with the Supreme Court Circular Letter No. 4 year 2016, and after the issuance of Law No. 30 year 2014 regarding the state administration, the authority to solve the dispute related to the state administrative would be under PTUN. Based on such letter, management believes that the PTTUN decisions above are without merit. On 23 May 2019, the Group submitted a memorandum of cassation to the Supreme Court. As of the completion date of the financial statements, the Group is still waiting for the decision from the Supreme Court.

33. Authorization of financial statements for issue

The financial statements as at December 31, 2018 and for the year then ended were authorized for issue in accordance with a resolution of the directors on June 17, 2019.

Star Energy Geothermal (Salak - Darajat) B.V.

Company's Profit and Loss account
For the year ended December 31, 2018
(Expressed in thousands of United States Dollar, unless otherwise stated)

	Note	2018	2017
Loss after tax	34	(49)	(710)
Share in total comprehensive income of participating interests		97,755	49,658
Total comprehensive income for the years, net of tax		**97,706**	**48,948**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Star Energy Geothermal (Salak - Darajat) B.V.

Company's Balance sheet after appropriation of result
As at December 31, 2018
(Expressed in thousands of United States Dollar, unless otherwise stated)

	Note	2018	2017*
ASSETS			
Non-current assets			
Intangible fixed assets	35	373	487
Financial fixed assets	36	2,132,301	2,045,078
Total non-current assets		2,132,674	2,045,565
Current assets			
Other receivables	37	27,337	44,290
Restricted cash	38	456	454
Other current assets		19	-
Total current assets		27,812	44,744
Total assets		**2,160,486**	**2,090,309**
EQUITY AND LIABILITIES			
Equity			
Share capital	40	10	10
Legal reserve	42	10	10
Additional paid in capital	41	855,777	855,777
Accumulated losses		129,158	52,197
Other reserve		(10,825)	(21,038)
Total equity		974,130	886,956
Current liabilities			
Other payables	39	1,186,106	1,203,333
Accrued expenses	39	250	20
Total current liabilities		1,186,356	1,203,353
Total liabilities		**1,186,356**	**1,203,353**
Total equity and liabilities		**2,160,486**	**2,090,309**

* For the first financial year starting on December 16, 2016 and ended on December 31, 2017

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Star Energy Geothermal (Salak - Darajat) B.V.

Company statement of changes in equity
For the year ended December 31, 2018
(Expressed in thousands of United States Dollar, unless otherwise stated)

	Share capital	Legal reserve	Value of conversion rights -convertible loan	Retained Earning/ Accumulated Loss	Other Reserves	Additional Paid in Capital	Total equity
Balance at inception – January 1, 2018	**10**	**10**	**-**	**52,197**	**(21,038)**	**855,777**	**886,956**
Profit for the year	-	-	-	84,300	-	-	84,300
Other comprehensive income for the year	-	-	-	3,193	10,213	-	13,406
Implementation IFRS 15	-	-	-	(10,532)	-	-	(10,532)
Total comprehensive income for the year	**-**	**-**	**-**	76,961	10,213	**-**	**87,174**
Balance at December 31, 2018	**10**	**10**	**-**	**129,158**	**(10,825)**	**855,777**	**974,130**
Opening balance at December 16, 2016	-	-	-	-	-	-	-
Issuance of capital	10	10	-	(10)	-	-	10
Value of conversion rights - convertible loan	-	-	197,367	-	-	-	197,367
Loss for the year	-	-	-	(710)	-	-	(710)
Share in profit of participating interest	-	-	-	55,114	-	-	55,114
Share in OCI of participating interest				(2,197)	(3,259)	-	(5,456)
Additional paid in capital	-	-	(197,367)	-	-	855,777	658,410
Acquisition of subsidiary with participating interests	-	-	-	-	(17,779)	-	(17,779)
Closing balance at December 31, 2017	**10**	**10**	**-**	**52,197**	**(21,038)**	**855,777**	**886,956**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

General

General information

Star Energy Geothermal (Salak - Darajat) B.V. (the "Company") was established on December 16, 2016 as a limited liability company incorporated and domiciled in the Netherlands. The immediate holding Company is Star Energy Geothermal Holdings (Salak-Darajat) B.V. ("SEGHSD") and the ultimate holding company is PT Barito Pacific Tbk. PT Barito Pacific Tbk. is a company listed in Indonesia Stock Exchange and located at Wisma Barito Pacific, Jl. Letjen S. Parman Kav. 62-63 Jakarta, Indonesia.

Its registered office is Atrium Building, 8th floor Strawinskylaan 3127, 1077 ZX Amsterdam, the Netherlands and is registered at the Chamber of Commerce under number 67502601.

The principal activity of the Company is financial holdings.

For the accounting policies, please refer to the accounting policies of the consolidated financial statements, unless stated otherwise below.

Since the entity's profit and loss account for 2017 of Star Energy Geothermal (Salak – Darajat) B.V. is recognized in the consolidated financial statements, the company presents a condensed profit and loss account in accordance with Section 402 of Book 2 of the Dutch Civil Code.

The balance sheet has been prepared after the proposed appropriation of the result.

Basis of preparation

Significant accounting policies
The financial statements of the Company included in this section are prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code. The Company has prepared these company financial statements using the provision of section 362:8, Book 2, Dutch Civil Code. This provision allows companies that apply IFRS as adopted by the European Union in their consolidated financial statements to use the same measurement principles in their company financial statements. The principles for the valuation of assets and liabilities and the determination of the result are the same as those applied to the consolidated profit and loss account, with the exception of the following principles:

Investments in subsidiaries
Investments in subsidiaries are accounted for in the company financial statements using the equity accounting method.

Share of result of participating interests
This item concerns the Company's share of the profit or loss of these participating interests. Results on transactions involving the transfer of assets and liabilities between the Company and its participating interests and mutually between participating interests themselves, are eliminated to the extent that they can be considered as not realized.

(Expressed in thousands of United States Dollar, unless otherwise stated)

34. Audit fee

The costs of the Group for the external auditor and the audit organization and the entire network to which the audit organization belongs charged to the financial year are set out below.

	2018		
	Ernst & Young Accountants LLP	Other EY	Total
Audit of the financial statements	130	-	130

	2017		
	Ernst & Young Accountants LLP	Other EY	Total
Audit of the financial statements	-	230	230

The fees stated above for the audit of the financial statements are based on the procedures performed during the financial year.

35. Intangible fixed assets

	2018	2017
Beginning of period	487	-
Addition of software	-	573
Amortisation	(114)	(86)
Ending of period	373	487

36. Financial fixed assets - Investments in subsidiaries

	2018	2017*
Equity investments at beginning December 16, 2016	2,045,078	-
Acquisition Salak Darajat	-	2,013,199
Comprehensive loss for the year	87,542	52,917
Implementation IFRS 15	(10,532)	-
Other reserve (Note 20)	10,213	(21,038)
Equity investments at ending December 31, 2017	2,132,301	2,045,078

Details of subsidiaries are included in Note 1.2.

* For the first financial year starting on December 16, 2016 and ended on December 31, 2017

(Expressed in thousands of United States Dollar, unless otherwise stated)

37. Other receivables

	2018	2017
Non-trade receivables (current):		
- related parties	27,337	44,290
Add: Restricted cash (Note 38)	456	454
Total loans and receivables	**27,793**	**44,744**

Non-trade receivables

Non trade receivables from related parties are non-interest bearing and to be settled in cash. Repayments are not expected within the 12 months from the end of the reporting period.

All other receivables are denominated in US$.

At the reporting date, the Company does not have any receivables that are past due or impaired, or would otherwise be past due but not impaired.

38. Restricted cash

As of December 31, 2018 and 2017, restricted cash comprises of balance in bank accounts maintained with MUFG Bank (Europe) N.V., Holland.

All restricted cash was used as a covenant for a bank loan and denominated in U.S. dollar.

As of December 31, 2018 and 2017, the carrying amount of restricted cash approximates its fair value.

39. Other payables, and accrued expenses

	2018	2017
Other payables and accrued expenses (current):		
Other payables:		
- Related corporations	554	514
- External parties	-	-
- Subsidiaries	1,185,552	1,202,819
Accrued expenses:		
- Others - third parties	250	20
Trade and other payables, and accrued expenses (current):	**1,186,356**	**1,203,353**
Total financial liabilities at amortized cost:	**1,186,356**	**1,203,353**

Other payables are non-interest bearing and are normally settled on 30-days terms.

Other payables to subsidiaries due to push down safari loan to SEGSL and SEGD II amounting to US$721 million and US$482 million respectively. Other payables to related corporations and subsidiaries are non-trade in nature, unsecured, non-interest bearing, payable upon demand and are to be settled in cash.

Other payables to external parties are non−interest bearing and have an average term of 60 days.

Other payables and accrued expense are denominated in US$.

(Expressed in thousands of United States Dollar, unless otherwise stated)

40. Share capital

	2018		2017	
	No. of shares '000	US$'000	No. of shares '000	US$'000
Issued and fully paid:				
Star Energy Geothermal Holdings (Salak - Darajat) B.V	8	8	8	8
ACEHI Netherlands B.V.	2	2	2	2
Total	**10**	**10**	**10**	**10**

The holders of ordinary shares are entitled to receive dividend as and when declared by the Company. All ordinary shares carry one vote per share.

41. Additional paid-in capital

	2018	2017
Additional paid-in capital	**855,777**	**855,777**

On December, 22 2016 the Company entered into Convertible Loan Agreements for a maximum amount of US$710,000,000 - full amount and US$180,000,000 - full amount with Star Energy Geothermal Holdings (Salak - Darajat) B.V and ACEHI Netherlands B.V. (hereinafter referred to as the "Lenders"), respectively. The Company utilised the loan amounts of US$197,366,895 - full amount million for payment deposit in December 2016 for acquisitions under Sale and Purchase Agreements between the Company and Chevron Group.

On January, 10 2017, the Company executed the second utilisation request amounted to US$12,500,000 – the full amount to pay the outstanding obligation of upfront fee to under the Secured Term Loan Facility Agreement.

On March 2, 2017, the Lenders of the Convertible Loans and the Company agreed to convert the loans outstanding as of December 31, 2016 and additional draw down on January 10, 2017 to share premium, offset by the outstanding other receivable of US$10,000 - full amount in relation to the initial issuance of share capital, recorded as part of equity in the consolidated statement of financial position.

On March 2, 2017, the Company has converted the Convertible Loan as paid-in capital amounted to US$209,856,895 - full amount.

On March 27, 2017, the Company entered into share premium contribution agreement with Star Energy Geothermal Holdings (Salak - Darajat) B.V and ACEHI Netherlands B.V. (hereinafter referred to as the "Shareholders") with total amount US$503,335,331 - full amount and US$124,264,833 - full amount, respectively, to pay final payment for acquisition of Salak and Darajat block.

On March 31, 2017, the Company entered into share premium contribution agreement with the Shareholders with total amount US$10,796,346 - full amount and US$2,665,432 - full amount, respectively, to pay the final payment for the acquisition of Suoh Sekincau block.

On September 22, 2017, the Company entered into share premium contribution agreement with the Shareholders with total amount US$3,896,272 - full amount and US$961,922 - full amount, respectively, to pay the final payment for the acquisition of PT Darajat Geothermal Indonesia.

(Expressed in thousands of United States Dollar, unless otherwise stated)

42. Legal reserves and limitations in the distribution of shareholders' equity

As at December 31, 2018, certain limitations existed relating to the distribution of shareholders' equity of US$10,000 - full amount. Such limitations relate to ordinary shares of US$10,000 - full amount and unrealized currency and hedge gains and losses. The unrealized losses related to cash flow hedges although qualifying as a legal reserve, reduce the distributable amount by their nature.

43. Financial risks management

The Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks is liquidity risk. The Company's overall risk management strategy focuses on the unpredictability of financial markets and seeks to minimize adverse effects on the Company's financial performance.

Risk management is carried out by the corporate finance department under the supervision of the Board of Directors. The corporate finance department identifies, evaluates and hedges financial risks.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to a shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. Prudent liquidity risk management implies maintaining the availability of funding through the support of related parties, including the shareholders. All of the Company's liabilities are payable to related parties and repayable within a year.

44. Capital management

The primary objective of the Company's capital management is to safeguard the Company's ability to continue as a going concern and to maintain an optimal capital structure so as to maximize shareholders' value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue years ended December 31, 2018.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt, loans and borrowings, trade and other payables, and accrued expenses less cash and bank balances and restricted cash excluding discontinued operations. Capital includes equity attributable to the owners of the Company.

Capital includes debt and equity items as disclosed in the table below.

	2018	2017
Other payables	1,186,106	1,203,333
Accrued expenses	250	20
Net Debt	1,186,356	1,203,353
Equity attributable to the owners of the Company	974,130	886,956
Capital and net debt	2,160,486	2,090,309
Gearing ratio	55%	59%

45. Workforce

The average number of staff employed by the company in 2018 was nil. The average number of staff employed by the group outside the Netherlands was nil in 2018.

46. Remuneration of members of the board of directors

The remuneration, including pension charges and other benefits, of current and former members of the board of directors charged to the company in the financial year amounted to nil.

47. Arrangements and commitments not shown in the balance sheet

There are no arrangements and commitments not shown in the Company's balance sheet in 2018.

48. Events after the balance sheet date

There are no events after the balance sheet data that affected the Company's balance sheet in 2018.

Signatories to the financial statements

Amsterdam, June 17, 2019

Board of Directors:

Hendra Soetjipto Tan (Director A)	Rudy Suparman (Director A)
Danuja Simasathien (Director A)	Yvonne Maria Wimmers-Theuns (Director B)
Nehemia Santosa Lo (Director B)	Wouter Bastiaan Swierstra (Director B)
Patrice Rene Clausse (Director A)	Djonie Maria Angela Spreeuwers (Director B)
Bundit Sapianchai (Director A)	Pravienkoemar Mahabier (Director B)

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Other information

Articles of Association provisions governing appropriation of result
Result for the year is appropriated in accordance with article 21 of the Articles of Association, which states that the result for the year shall be at the disposal of the General Meeting.

Special voting rights under the Articles of Association
The Company has not granted special voting rights.

Non-voting shares and similar rights
The Company has not issued non-voting shares or similar rights.

Building a better working world

Independent auditor's report

To: the shareholders and management of Star Energy Geothermal (Salak - Darajat) B.V.

Report on the audit of the financial statements 2017 included in the annual report

Our opinion

We have audited the financial statements 2017 of Star Energy Geothermal (Salak - Darajat) B.V., based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Star Energy Geothermal (Salak - Darajat) B.V. as at 31 December 2017, and of its result and its cash flows for 2017 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- The accompanying company financial statements give a true and fair view of the financial position of Star Energy Geothermal (Salak - Darajat) B.V. as at 31 December 2017, and of its result for 2017 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

- The consolidated statement of financial position as at 31 December 2017
- The following statements for 2017: the consolidated statement of profit and loss, the consolidated statements of comprehensive income, changes in equity and cash flows
- The notes comprising a summary of the significant accounting policies and other explanatory information

The company financial statements comprise:

- The company balance sheet as at 31 December 2017
- The company profit and loss account for 2017
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Star Energy Geothermal (Salak - Darajat) B.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The management report
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management board's report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities for the financial statements

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Amsterdam, 24 December 2018

Ernst & Young Accountants LLP

signed by J. Tunggalwidjaja

2017 Financial Statements

of

Star Energy Geothermal (Salak - Darajat) B.V.

and its subsidiaries

Strawinskylaan 3127
1077 ZX Amsterdam
The Netherlands

Star Energy Geothermal (Salak – Darajat) B.V. and its Subsidiaries
Consolidated Financial Statements
As of December 31, 2017
and for the first financial year starting on December 16, 2016 and ended on December 31, 2017
with Independent Auditors' Report

Index

Directors' Report

The management herewith presents to the shareholders, the financial statements of Star Energy Geothermal (Salak - Darajat) B.V. (the "Company") and its subsidiaries (collectively, the "Group") for the first financial year, starting on December 16, 2016 and ended on December 31, 2017.

A. General information

The Company's shareholders are Star Energy Geothermal Holdings (Salak-Darajat) B.V. and ACEHI Netherlands B.V., both incorporated under the laws of the Netherlands.

The Company is a limited liability company incorporated under the laws of Netherlands. The Company has several subsidiaries as at December 31, 2017. For more details, please see the Note 1.2 to the financial statements

B. Overview of activities

The Company's main business activity is as a holding company for geothermal operations located in Indonesia. The Group main activities is producer of geothermal energy (steam) and electricity.

The Group expects to develop several projects in Salak and Darajat for the coming reporting year. Power development projects for the Salak Geothermal Operations include (i) the Salak binary and (ii) Salak Unit 7. Expand The Darajat Geothermal Operations from current utilization of 85.7 hectares and with a further future utilization of 118.7 hectares to cover future drilling programs. Various facilities have been built in the aforementioned area, including wells, access roads, offices, warehouse facilities, and pipelines.

C. Acquisition

On 22 December 2016 the Company entered into two Sale and Purchase Agreements ("SPA")with Chevron Group to acquire their geothermal operations in Indonesia. The first SPA was signed with Chevron Darajat Holdings, Ltd., Chevron Geothermal Indonesia Holdings, Ltd. and Chevron Geothermal Salak Holdings, Ltd. (hereinafter referred to as the "Sellers" or any one of them as a "Seller") to acquire shares in the entities operating the geothermal power operations in Darajat and Gunung Salak geothermal fields, West Java, Indonesia. The second SPA was signed with Chevron Global Energy Inc. (hereinafter also referred to as a "Seller") to acquire the shares in the entity holding the Suoh Sekincau geothermal exploration rights in Lampung, South Sumatra, Indonesia. The acquisitions were completed on 31 March 2017 and 6 April 2017.On July 14, 2017, the Company and Barito signed a Share Sale and Purchase Agreement ("SPA") with PT Austindo Nusantara Jaya Tbk ("PT Austindo"), to acquire 99.998% of its shares in PT Darajat Geothermal Indonesia ("PT DGI"). On the same date, Barito acquired the remaining 0.002% of George Tahija's shares in PT DGI. Effective on September 27, 2017, the Company and Barito became the shareholders of PT DGI with an effective ownership of 95% and 5%, respectively.

For more details, please see the Note 25 to the financial statements.

D. Environmental and personnel-related information

We, as a part of the Star Energy Group, adhere to social and environmental responsibility as a strategic and direct form of relationship with our stakeholders.

The Star Energy Group has established policies and guidelines to conduct the activities, aiming at establishing the safety, health, and environment matters, so as to involve our customers, suppliers, neighboring communities, society, government, partners and stakeholders.

E. Information regarding financial instruments

As at December 31, 2017, the Group's financial instruments include finance lease receivables, trade and other receivables, restricted cash, cash on hand and in banks, accrued expenses, trade and other payables and bank loans. The risks arising from these financial instruments are managed in close conjunction with the Group's financial risk management policies, as described in the notes to the financial statements.

F. Financial data

The Group's total comprehensive income for the financial year starting on December 16, 2016 and ended on December 31, 2017 are amounted to US$48,983 (in thousands of United States Dollar).

Financial result of the Group for the financial year starting on December 16, 2016 and ended on December 31, 2017 are contributed by newly acquired subsidiaries' operations on March 31, 2017. profit for the year of the Group mainly represent results of operations from Star Energy's Salak and Darajat Geothermal Operations for the nine months ended December 31, 2017.

Significant increase in finance costs are due to utilisation of Tranche A for Secured Term Loan Facility Agreement in 2017 to acquire Salak and Darajat Geothermal operation. The amount utilisation of Tranche A are US$1,250,000,000 - full amount. For the details of bank loans please refer to note 23 of the financial statement.

The equity balance consists of the issuance of share capital, additional paid-in capital, other reserves and retained earnings.

On December 22, 2016 the Company entered into Convertible Loan Agreements for a maximum amount of US$890 million with SEGHSD and ACEHI. The Company utilised the convertible loan amount of US$197 million for payment of 10% deposit under the SPAs, as described above and also subsequently utilised additional US$12.5 million to pay the outstanding financing fees as of 31 December 2016. On March 2, 2017, the Lenders of the Convertible Loans and the Company agreed to convert the loans outstanding as of December 31, 2016 and additional draw down on January 10, 2017 to share premium, offset by the outstanding other receivable of US$10,000 - full amount in relation to the initial issuance of share capital, recorded as part of equity in the consolidated statement of financial position. On March 2017, the Company entered into share premium contribution agreement with Star Energy Geothermal Holdings (Salak - Darajat) B.V and ACEHI Netherlands B.V. with total amount US$641,061,942 - full amount to pay final payment for acquisition of Salak and Darajat Geothermal operation and acquisition of Suoh Sekincau block. On September 22, 2017, the Company entered into share premium contribution agreement with the Shareholders with total amount US$4,858,194 - full amount, respectively, to pay final payment for acquisition of PT Darajat Geothermal Indonesia.

G. Code of Conduct and Corruption Prevention Program

The Directors shall act and behave in accordance with the Star Energy Group's Code of Conduct, Code of Ethics and Corruption Prevention Program.

H. Risk management

The Company adopts Star Energy Group's Business Risks Management Policy, which describes authorities, responsibilities, principles and guidelines, and the several initiatives related to Risk Management. The Company's current Business Risks Management Policy is similar with the good corporate governance practice across the industry and the country.

A highlight of this Policy is a wider approach to the Management of Company Risks, which associates the traditional economic-financial vision to elements of management against threats to safety, health and environment (SHE), of protection of the Company's patrimony and information (Patrimonial Security) and fight against fraud and corruption (Legal Compliance), among other business risks.

The Policy, which is a starting point and integrating element of the actions related to the Company's risk management, is aimed at embedding a risk-aware culture in all decision-making, and a commitment to manage the Business Risks which the Company is exposed to.

The Company is exposed to a variety of risks arising from its operations and the main risks are presented in accordance with the categories of the Business Risks Management Policy, which structure is in line with the Star Energy Group.

H1. Financial risks

The Group is exposed to foreign exchange risk from purchases denominated in currency other than United States Dollar, arising from the volatility of currency markets
The Group has transactional currency exposures arising from purchases denominated in a currency other the function currency of the Group entities, which is United States dollar. The foreign currency in which these transactions are denominated are mainly in Indonesian rupiah as the Group's major operations are in Indonesia. The Group does not enter into foreign currency exchange contracts to mitigate foreign currency risk.

The Company has a low risk appetite and manages foreign exchange risk to low level.

The Group is exposed to credit risk on its trade and other receivable
The Group's exposure to credit risk arises primarily from trade and other receivables which mainly arises from electricity sales made to a single counterparty through PGE and PLN, two Indonesian state-owned enterprises.

For other financial assets (including cash and short-term deposits and derivatives), the Group and the Company minimize credit risk by dealing exclusively with high credit rating counterparties. The Group has a credit risk concentration from cash and bank placements where as at December 31, 2017 of 80% was placed in one bank. The Group's corporate finance department also regularly monitors the financial condition of banks and financial institutions where cash and short-term deposits are placed.

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognized in the statement of financial position, including derivatives with positive fair values.

The Company has a low risk appetite and manages credit risk to low level.

The Group is exposed to liquidity risk on its cash flows
Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Corporate finance department aims to maintain flexibility in funding by keeping committed credit facilities available.

The Company has low risk appetite and manages liquidity risk to a low level.

A maturity analysis of the total liabilities to related and third parties, is set out in the following table.

	One year or less	**One to five years**	**Total**
2017			
Trade and other payables	1,683	-	1,683
Accrued expenses	29,921	-	29,921
Bank loans	79,500	1,047,698	1,127,198
	111,104	1,047,698	1,158,802

The Group is exposed to Interest rate risk on its Bank Loan
The Company utilised its bank loan on 2017 in order to acquire Salak, Darajat and Suoh Sekincau Assets. The Bank Loan's interest rate was affected by LIBOR rate. In order to manage the interest rate risk against the fluctuation in LIBOR rate, in 2017 and 2018 the Group entered into Interest Rate Swap transactions with Consortium Banks (Note 22) in relation to Bank Loan. By entering into the interest rate swap transactions, the interest payable of the loan facility is expected to be fixed (not affected by changes in LIBOR rates).

Capital management
The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Capital comprises of equity in the statement of financial position.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt.
As at December 31, 2017, the Group's gearing ratio is as follows:

	2017
Bank loans (Note 23)	1,127,198
Trade and other payables, and accrued expenses (Note 24)	31,604
Less: Cash and bank balances (Note 17)	(611)
Restricted cash (Note 16)	(91,777)
Net Debt	1,066,414
Equity attributable to the owners of the Parent Entity	886,956
Capital and net debt	1,953,370
Gearing ratio	55%

H2. Strategic risks
Decisions made by SEGHPL, its ultimate parent company, may affect the Group
The fact that the Company is part of an economic group may cause it to be affected by decisions of its ultimate shareholder, SEGHPL, which may take decisions that impact the Group's strategy.

The Group assesses this risk as low since there is a common team of key management personnel and the Group's strategic objectives are in line with those set by the shareholders for investment in geothermal operations.

H3. Transactions with related parties
Transactions with related parties are part of our business. Such operations must follow market standards and be conducted at arm's length, objective and documented decision-making processes, respect for competition rules and appropriate disclosing of information, in accordance with applicable laws. Possible failures in the process of identification, treatment and when required, disclosure of these situations can negatively affect the economic and financial condition of the Group, as well as lead to fines and penalties by regulators.

The Group assess this risk as low given the current level of its operations and makes efforts to mitigate it by compliance with current disclosure requirements.

H4.Remuneration policy of members of the board of directors
The members of the board of directors are not considered as permanent employees of the Group, thus no pension charges for them.

H5.Tax

The Group is exposed to changes in tax legislation and/or differences in legal interpretation related to its business.

We periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Where appropriate, the Group establishes provisions based on the amounts expected to be paid to the tax authorities or adjusts the amount of its tax loss carry forward.

H6. Operational

The Company's operational activities are limited to maintaining its investment in subsidiaries and The Group main activities is producer of geothermal energy (steam) and electricity as mentioned in section B above. No significant transactions outside the normal business of the Group have occurred.

I. Research and development information

We do not have research and development activities as at December 31, 2017.

Star Energy Geothermal (Salak - Darajat) B.V. and its Subsidiaries

Consolidated Statement of Profit or Loss
For the period December 16, 2016 until December 31, 2017
(Expressed in thousands of United States Dollar, unless otherwise stated)

	Notes	2017
Revenue	4	241,154
Expenses		
Depreciation and amortization	9, 10, 13	(17,242)
Employee compensation and benefits	5	(19,388)
Consultants and technicians	7	(14,217)
Production allowance to PT Pertamina Geothermal Energy ("PGE")		(5,699)
Supplies and equipments	14	(4,370)
Transportation and logistics		(2,530)
Insurance		(2,522)
Pension cost	21	(2,096)
Donation and sponsorship		(1,306)
Others		(461)
Total expenses		(69,831)
Other (losses)/gains		
Finance costs	6	(58,458)
Interest income		22
Foreign exchange loss, net		(362)
Miscellaneous		386
Profit/(loss) before tax		**112,911**
Income tax expense	8	(58,472)
Profit/(loss) for the year		**54,439**
Attributable to:		
Owners of the parents entity		54,404
Non-controlling interests		35
		54,439

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

Star Energy Geothermal (Salak - Darajat) B.V. and its Subsidiaries

Consolidated Statement of Comprehensive Income
For the period December 16, 2016 until December 31, 2017
(Expressed in thousands of United States Dollar, unless otherwise stated)

	Notes	2017
Profit for the year		54,439
Other Comprehensive Income		
Item that will not be reclassified to profit or loss		
Actuarial loss		(2,197)
Item that will be reclassified to profit or loss		
Effective portion of changes in fair value of cashflow hedge	22	(3,259)
Other comprehensive income for the years, net of tax		(5,456)
Total comprehensive income/(loss) for the years		**48,983**
Attributable to:		
Owners of the parent entity		48,948
Non-controlling interests		35
		48,983

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

Star Energy Geothermal (Salak - Darajat) B.V. and its Subsidiaries

Consolidated Statement of Financial Position
As of December 31, 2017
(Expressed in thousands of United States Dollar, unless otherwise stated)

	Notes	2017
ASSETS		
Non-current assets		
Property, plant and equipment	9	319,799
Intangible assets	10	1,684,879
Other receivables	11	32,305
Finance lease receivables	12	405,566
Deferred charges	13	27,561
Spareparts and supplies	14	9,449
Total non-current assets		2,479,559
Current assets		
Inventories	14	14,957
Finance lease receivables	12	4,854
Other current assets	15	23,089
Trade and other receivables	11	77,715
Restricted cash	16	91,777
Cash on hand and in banks	17	611
Total current assets		213,003
Total assets		**2,692,562**
EQUITY AND LIABILITIES		
Equity attributable to owners of the Parent Entity		
Share capital	18	10
Additional paid-in capital	19	855,777
Other reserves	20	(21,038)
Retained earnings/(accumulated losses)		52,207
		886,956
Non-controlling interests		609
Total equity		**887,565**

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

Consolidated Statement of Financial Position (continued)
As of December 31, 2017
(Expressed in thousands of United States Dollar, unless otherwise stated)

	Notes	2017
Non-current liabilities		
Long-term employee benefits liability	21	3,218
Derivatives liabilities	22	3,259
Long-term loans - net of current maturities	23	1,047,698
Deferred tax liabilities	8	620,640
Total non-current liabilities		1,674,815
Current liabilities		
Taxes payable	8	19,078
Current maturities of long-term loans	23	79,500
Trade and other payables	24	1,683
Accrued expenses	24	29,921
Total current liabilities		130,182
Total liabilities		**1,804,997**
Total equity and liabilities		**2,692,562**

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

Star Energy Geothermal (Salak - Darajat) B.V. and its Subsidiaries

Consolidated Statement of Changes in Equity
For the period December 16, 2016 until December 31, 2017
(Expressed in thousands of United States Dollar, unless otherwise stated)

		Attributable to Owners of the Parent Entity							
	Notes	Share capital	Value of conversion rights - convertible loan	Additional paid-in capital	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at inception – December 16, 2016		-	-	-	-	-	-	-	-
Issuance of capital	18	10	-	-	-	-	10	-	10
Profit for the year		-	-	-	-	54,404	54,404	35	54,439
Other comprehensive income for the year		-	-	-	(3,259)	(2,197)	(5,456)	-	(5,456)
Total comprehensive income for the year		**-**	**-**	**-**	**(3,259)**	**52,207**	**48,948**	**35**	**48,983**
Value of conversion rights - convertible loan	19	-	197,367	-	-	-	197,367	-	197,367
Additional paid-in capital	19	-	(197,367)	855,777	-	-	658,410	-	658,410
Acquisition of subsidiaries	25	-	-	-	-	-	-	(13)	(13)
Acquisition of non-controlling interests	25	-	-	-	(17,779)	-	(17,779)	587	(17,192)
Balance at December 31, 2017		**10**	**-**	**855,777**	**(21,038)**	**52,207**	**886,956**	**609**	**887,565**

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

Star Energy Geothermal (Salak - Darajat) B.V. and its Subsidiaries

Consolidated Statement of Cash Flows
For the period December 16, 2016 until December 31, 2017
(Expressed in thousands of United States Dollar, unless otherwise stated)

	Notes	2017
Operating activities		
Profit for the financial year		54,439
Adjustments for:		
Depreciation and amortization	9,10,13	17,242
Finance costs	6	58,458
Income tax expense	8	58,472
Interest income		(22)
Provision for pension cost	21	2,096
Operating cash flows before changes in working capital		**190,685**
Changes in working capital:		
Trade and other receivables		(25,203)
Inventories		383
Finance lease receivable		3,284
Taxes payable		(13,573)
Trade and other payables		(27,599)
Accrued expenses		29,897
Other operating assets and liabilities		6,550
Cash generated from operations		**164,424**
Interest paid		(45,342)
Interest received		22
Income tax paid		(35,503)
Net cash provided by operating activities		**83,601**
Investing activities		
Net cash outflow on acquisitions of subsidiaries	25	(1,933,359)
Net cash outflow on acquisition of non-controlling interests	25	(26,609)
Additions to property, plant and equipment	9	(7,716)
Additions to deferred charges	13	(3,481)
Additions to intangible assets	10	(3,098)
Net cash used in investing activities		**(1,974,263)**

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

Consolidated Statement of Cash Flows (continued)
For the year ended 31 December 2017
(Expressed in thousands of United States Dollar, unless otherwise stated)

	Notes	2017
Financing activities		
Proceeds from borrowings	23	1,250,000
Receipt from additional paid-in capital	19	855,777
Repayment of borrowings	23	(87,775)
Increase in restricted cash	16	(91,777)
Payment of financing costs		(34,952)
Net cash provided by financing activities		**1,891,273**
Net increase in cash on hand and in banks		611
Cash on hand and in banks at beginning of years		-
Cash on hand and in banks at end of years	17	**611**

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

(Expressed in thousands of United States Dollar, unless otherwise stated)

1. General

1.1 General information

Star Energy Geothermal (Salak - Darajat) B.V. ("SEG-SD B.V." or the "Company") is a limited liability company incorporated and domiciled in The Netherlands. The immediate holding Company is Star Energy Geothermal Holdings (Salak-Darajat) B.V. and the ultimate holding company is Star Energy Investment Limited. However in December 2017, the ultimate shareholder has been transferred to Mr. Prajogo Pangestu and subsequently in June 2018 has been transferred to PT Barito Pacific Tbk. PT Barito Pacific Tbk. is located at Wisma Barito Pacific, Jl. Letjen S. Parman Kav. 62-63 Jakarta, Indonesia.

The registered office according to the Articles of Association of the Company is Strawinskylaan 3127, 8th floor, 1077ZX Amsterdam. The Company is listed in the Commercial Register of the Chamber of Commerce under the following file number: 67502601

According to the articles of association, the Company's first financial year is ended on December 31, 2017 and therefore the first financial year is an extended financial year for the period of December 16, 2016 up to and including December 31, 2017. Therefore no comparative figures are applicable. 2016 accounts are deposited on a voluntary basis and not on a legal basis.

The principal activity of the Company is financial holdings. The principal activities of its subsidiaries are disclosed in Note 1.2.

1.2 Subsidiaries

As of December 31, 2017, the Company has ownership interest of more than 50%, directly or indirectly, in the following subsidiaries:

Name of companies	Principal activities	Country of incorporation	Equity 2017 %
Held by the Company			
Star Energy Geothermal Salak, Ltd.	Geothermal energy resource and power plant	Bermuda	100.00
Star Energy Geothermal Darajat I, Limited	Geothermal energy resource and power plant	Commonwealth of the Bahamas	100.00
Star Energy Geothermal Darajat II, Limited	Geothermal energy resource and power plant	Bermuda	100.00
PT Star Energy Geothermal Suoh Sekincau	Geothermal energy resource and power plant	Indonesia	95.00
PT Darajat Geothermal Indonesia	Geothermal energy resource and power plant	Indonesia	95.00
Held by subsidiaries			
Star Energy Geothermal Salak Pratama, Ltd.	Geothermal energy power plant	Cayman Islands	100.00

The subsidiaries' principal place of business is in Indonesia. The Company and subsidiaries are collectively referred to as the "Group".

1. General (continued)

1.2 Subsidiaries

Star Energy Geothermal Darajat II, Ltd. ("SEGD-II") and; Star Energy Geothermal Darajat I, Ltd. ("SEGD-I") and; PT Darajat Geothermal Indonesia ("PT DGI") – altogether as Darajat Geothermal Operation West Java Joint Operation Contractor Group (the "Contractor Group")

SEGD-I was incorporated based on a certificate of incorporation of J.O. Liddell, public notary of the Commonwealth of Bahamas Island dated June 21, 1984 under the Laws of the Bahamas with its principal place of business in Indonesia. Most recently, it changed its name to SEGD-I on March 31, 2017 after its acquisition by SEG-SD B.V. as part of a sale and purchase agreement on December 22, 2016 between Chevron Corporation ("CVX") and the Star Energy Consortium to sell Chevron's Indonesian Geothermal assets.

SEGD-II is a Bermuda Corporation, which was incorporated under the name Texaco Darajat, Ltd. based on a certificate of incorporation dated January 10, 1984 under the Laws of Bermuda with its principal place of business in Indonesia. It changed its name to Chevron Geothermal Indonesia, Ltd ("CGI") on November 14, 2005. On March 31, 2017, CGI was fully acquired by SEG-SD B.V. and changed its name to SEGD-II.

PT DGI was established by Deed no. 160 of Notary Sutjipto, S.H. dated February 26, 1997. The deed of establishment was approved by the Minister of Law and Human Rights of the Republic of Indonesia in his decision letter no.C2-5403.HT.01.01.TH.97 dated June 24, 1997 and was published in State Gazette of the Republic of Indonesia No. 39 dated May 15, 1998, supplement No. 2609. On September 27, 2017, 95% ownership of PT DGI was acquired by SEG-SD B.V.

<u>Darajat JOC</u>

SEGD-II and SEGD-I, entered into a Joint Operation Contract ("JOC") dated November 16, 1984 as amended on November 16, 1988, January 15, 1996 and February 7, 2003 with PERTAMINA for which geothermal operations are now managed by PT Pertamina Geothermal Energy ("PGE"), a subsidiary of PERTAMINA . The JOC provides the exploration and exploitation of geothermal energy resources in an area of approximately 49.98 square kilometres (equivalent to 4,998 hectares) in the Darajat geothermal field, West Java, as well as the generation of electricity from those resources and sale of such geothermal energy and electricity to PT Perusahaan Listrik Negara (Persero) ("PLN"), the Indonesian state-owned electricity company, through PGE, pursuant to an Energy Sales Contract ("ESC"). The term of the JOC is 564 months commencing from November 16, 1984, provided that if a production period of 360 months for any unit is not possible within the period ending 564 months following the effective date, then an extension period will be added to the term of the JOC as it pertains to such unit only to enable the supply of geothermal energy (as defined in the JOC) to such unit for a production period of 360 months.

Darajat JOC is subject to Presidential Decree No. 49 of 1991 and the Minister of Finance Decree No. 766/1992 which provides the Contractor Group with an all-inclusive tax rate of 34% of net operating income as defined in the JOC and the 1984 Indonesian Income Tax Law. In certain government regulations, this 34% is referred to as the "government share". The Contractor Group is also required to pay the Pertamina Production Allowance equivalent to 2.66% of net operating income calculated based on the 1984 Indonesian Income Tax Law.

1. **General (continued)**

1.2 **Subsidiaries (continued)**

Star Energy Geothermal Darajat II, Ltd. ("SEGD-II") and; Star Energy Geothermal Darajat I, Ltd. ("SEGD-I") and; PT Darajat Geothermal Indonesia ("PT DGI") – altogether as Darajat Geothermal Operation West Java Joint Operation Contractor Group (the "Contractor Group") (continued)

Darajat JOC (continued)

Amendment No.1 to the Darajat JOC ("Darajat Amended and Restated JOC") dated February 7, 2003 states that :

- In the event that either PLN or the Contractor Group exercises the option granted to extend the production period from 360 months to 480 months, the production period shall be automatically amended from 360 months to 480 months.
- Further, in the event that either PLN or the Contractor Group exercises the option granted to extend the ESC term from 432 months to 552 months, the term of the JOC shall be automatically amended from 564 months to 684 months from November 16, 1984.
- If the production period extends beyond the term of the Amended and Restated JOC, the JOC term will automatically be extended to coincide with the end of the production period.

Up to the date of these consolidated financial statements, the options granted above have not been exercised.

Darajat ESC

In conjunction with the Contractor Group entering into the JOC with PERTAMINA, PERTAMINA entered into an ESC with PLN whereby PLN agreed to purchase geothermal energy and electricity, delivered by the Contractor Group. The invoice is stated and payable in United States dollar.

In accordance with the terms of the take-or-pay provisions of the Amended and Restated ESC, PLN should pay a minimum 80% of the rated capacity of each Unit in operation for the Unit owned by PLN (i.e; Unit I) and 95% of the average gross kilowatt generating capacity of the relevant units built, owned and operated by the Contractor Group (Units II and III).

On August 10, 2004, the terms of the Amended and Restated ESC were amended through Amendment Agreement No. 2 signed by PLN, PERTAMINA and the Contractor Group. The significant amendments are as follows:

- With respect to Darajat Unit III, the base resource price of geothermal energy and electricity is US$0.042336 – full amount per Kwh.
- All rights to and revenue from any and all emissions credit and trading as a result of the United Nations Framework Convention on Climate Change ("UNFCCC") and Kyoto Protocol for Clean Development Mechanism ("CDM") or other Gas Emission Credit Market mechanisms related to the Darajat Contract Area are the property of and owned by the Contractor Group.

On April 28, 2014, the amended ESC section 5.2 was approved to change the Indonesian Consumer Price Index ("CPI") from base year 2007 = 100 to base year 2012 = 100, which was implemented immediately for energy transactions from the second quarter of 2014.

(Expressed in thousands of United States Dollar, unless otherwise stated)

1. **General (continued)**

1.2 **Subsidiaries (continued)**

Star Energy Geothermal Darajat II, Ltd. ("SEGD-II") and; Star Energy Geothermal Darajat I, Ltd. ("SEGD-I") and; PT Darajat Geothermal Indonesia ("PT DGI") – altogether as Darajat Geothermal Operation West Java Joint Operation Contractor Group (the "Contractor Group") (continued)

Darajat JOA

SEGD-I and SEGD-II entered into a Joint Operating Agreement ("JOA") dated August 23, 1997 (as amended from time to time and most recently amended on January 1, 2009) with PT DGI, whereby PT DGI was assigned a five percent participating interest in, and the rights and obligations under, the JOC and ESC for the Unit II power generating facility and all future units. SEGD-I, SEGD-II and PT DGI together form the Darajat Geothermal Operation West Java Contractor Group (hereinafter referred to as the "Contractor Group").

Amendment No. 1 to the Amended and Restated JOA was signed on January 1, 2009. The Amendment provides that all parties agree to appoint SEGD-II as the operator for the CDM Project and acting for and on behalf of the Contractor Group, to sell the Certified Emission Reductions ("CER") and receive the payments.

The Unit I Geothermal Energy Plant ("Unit I") commenced commercial operations in 1994 and has a power generation capacity of 55 MW. The Unit II Power Plant ("Unit II") was commissioned and commenced commercial operations on June 1, 2000 with a power generation capacity at commissioning of 70 MW, subsequently increased to 90 MW. The Unit III Power Plant ("Unit III") was commissioned and commenced commercial operations on July 1, 2007 with a power generation capacity at commissioning of 110 MW, subsequently increased to 121 MW.

The respective participating interests of the participants in the Contractor Group are as follows:

	Unit I (Steam)	Units II and III (Electricity)
Star Energy Geothermal Darajat I, Limited	50.0%	47.5%
Star Energy Geothermal Darajat II, Limited	50.0%	47.5%
PT Darajat Geothermal Indonesia	–	5.0%
	100.0%	100.0%

1. **General (continued)**

1.2 **Subsidiaries (continued)**

Star Energy Geothermal Salak, Ltd. ("SEGSL") and; Star Energy Geothermal Salak Pratama, Ltd. ("SEGSPL")

SEGSL is a Bermuda Corporation, incorporated under the original name Union Geothermal of Indonesia, Limited based on a certificate of incorporation dated November 25, 1981, under the Laws of the Bermuda with its principal place of business in Indonesia. Most recently, it changed its name to SEGSL on March 31, 2017 after its acquisition by SEG-SD B.V. as part of a sale and purchase agreement on December 22, 2016 between Chevron Corporation ("CVX") with Star Energy Consortium to sell Chevron's Indonesian Geothermal assets (Note 25).

SEGSPL (formerly known as Dayabumi Salak Pratama, Ltd. ("DSPL")) is a special purpose company formed on 1 May 1996 under the laws of the Cayman Islands, with its principal place of business in Indonesia, for the purpose of building and operating a geothermal energy fueled power generating facility (the "Power Plant"). SEGSPL is a wholly-owned subsidiary of SEGSL. It changed its name to SEGSPL on March 31, 2017 after its acquisition by SEG-SD B.V. as part of a sales and purchase agreement dated December 22, 2016 (Note 25).

Salak JOC

On February 11, 1982, Union Geothermal of Indonesia, Ltd., now succeeded by SEGSL entered into a JOC with PERTAMINA, for which geothermal operations are now managed by PGE, to explore and develop geothermal energy resources within the Gunung Salak contract area. The JOC governs the conduct of geothermal operations in the contract area. Under the terms of the JOC, SEGSL is required to deliver the geothermal energy produced in the contract area to PLN through PGE, pursuant to an Energy Sales Contract ("ESC") discussed below. This geothermal energy is used by PLN to generate electricity from three 55 MW power generating units (Units 1, 2 and 3) owned and operated by PLN in the contract area. The JOC was amended on November 16, 1994 and again on July 22, 2002.

On May 1, 1996, CGS established DSPL as a wholly-owned subsidiary and assigned all of its rights, interests and obligations under the JOC in respect of construction and operation of an additional three power generating units (Units 4, 5 and 6). This was confirmed in Amendment No. 2 to the Gunung Salak amended and restated JOC dated July 22, 2002. Amendment No. 2 also extended the JOC term to December 1, 2030, which was further extended to November 30, 2040.

Salak JOC is subject to Presidential Decree No. 49 of 1991 and the Minister of Finance Decree No. 766/1992 which provides the Contractor Group with an all-inclusive tax rate of 34% of net operating income as defined in the JOC and the 1984 Indonesian Income Tax Law. In certain government regulations, this 34% is referred to as the "government share". The Contractor Group is also required to pay the Pertamina Production Allowance equivalent to 4% of net operating income calculated based on the 1984 Indonesian Income Tax Law.

Salak ESC

In conjunction with SEGSL entering into the JOC dated February 11, 1982 with PERTAMINA, PERTAMINA entered into an ESC with PLN whereby PLN agreed to purchase geothermal energy, delivered by SEGSL.

In connection with the amendment and restatement of the JOC dated November 16, 1994, the ESC was also amended and restated ("Amended and Restated ESC").

1. General (continued)

1.2 Subsidiaries (continued)

Star Energy Geothermal Salak, Ltd. ("SEGSL") and; Star Energy Geothermal Salak Pratama, Ltd. ("SEGSPL") (continued)

The term of the Amended and Restated ESC is for a period ending 420 months after November 16, 1994 (the "Effective Date") provided that should any production periods extend beyond the term of the Amended and Restated ESC, the term will be automatically extended until the end of such production period. The production period for delivery of geothermal energy to the initial unit, or electricity from each unit built, owned and operated by SEGSL, shall be at least 360 months commencing on the date of commercial generation of each unit, with the provision that if a production period ends prior to the end of the term of the Amended and Restated ESC, such production period shall be automatically extended to coincide with the end of such term.

The terms as stated in the Amended and Restated ESC were later amended through an Amendment Agreement ("Second Amendment") signed by the Company on July 22, 2002. Significant amendments are as follows:

- SEGSPL became a party to the ESC, whereby SEGSPL shall have the right to generate and deliver electricity to PLN on behalf of PERTAMINA using any combination of Units 4, 5 and 6.
- The term of the ESC will end on December 1, 2030 and has been extended to November 30, 2040.
- With respect to all units, the base resource price of geothermal energy was decreased from US$0.04302 - full amount, per kilowatt hour ("kWh") under the original ESC to US$0.03724 - full amount per kWh.

The terms of the Second Amendment provide that PLN shall pay PGE, who will then remit to SEGSPL, for the geothermal energy delivered each month based upon pricing formulas stated in the ESC. The invoice is stated and payable in US Dollars.

In accordance with the terms of the take-or-pay provisions of the Second Amendment, PLN should pay a minimum 95.06% of the total rated capacity of Units 1, 2 and 3. For Units 4, 5 and 6, PLN should pay a minimum 90.14% of the total rated capacity.

PT Star Energy Geothermal Suoh Sekincau ("PT SEGSS")

On April 6, 2017, SEG-SD B.V acquired PT Chevron Geothermal Suoh Sekincau. Effective on the date, PT Chevron Geothermal Suoh Sekincau's name was changed into PT SEGSS by Deed no. 3 of Notary Liestiani Wang, S.H., M.Kn. dated April 6, 2017. The immediate parent of PT SEGSS is SEG-SD B.V with 95% ownership.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as adopted by the EU.

The consolidated financial statements have been prepared using the accrual method, except for consolidated statement of cash flow, and using the historical cost basis except as disclosed in the accounting policies below.

The consolidated statement of cash flows has been prepared using the indirect method.

(Expressed in thousands of United States Dollar, unless otherwise stated)

2. Summary of significant accounting policies

2.1 Basis of preparation (continued)

The consolidated financial statements are presented in United States Dollars ("USD" or "US$") and all values in the tables are rounded to the nearest thousand ("US$'000") except when otherwise indicated.

2.2 Changes in accounting policies and disclosures

New and amended standards and interpretations

The accounting policies have been consistently applied by the Group except that the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after January 1, 2017. The adoption of these standards did not have any effect on the financial performance or position of the Group.

- Amendments to IAS 7 *Statement of Cash Flows: Disclosure Initiative*
- Amendments to IAS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses*
- Amendments to IFRS 12 *Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12*

2.3 Accounting Standards issued but not yet effective

The Group has not yet adopted the following standards and interpretations that have been issued but are not yet effective:

Description	*Effective for annual periods beginning on or after*
IFRS 9 *Financial Instruments*	January 1, 2018
IFRS 15 *Revenue from Contracts with Customers*	January 1, 2018
IFRS 16 *Leases*	January 1, 2019
IFRS 17 *Insurance contracts*	January 1, 2021
Amedments to IFRS 2 *Classification and Measurement of Share-Based Payment Transactions*	January 1, 2018
IFRIC 22 *Foreign Currency Transactions and Advance Consideration*	January 1, 2018
IFRIC 23 *Uncertainty over Income Tax Treatments*	January 1, 2019
Amendments to IAS 40 *Transfer of investment property*	January 1, 2018
Improvements to IFRSs (2014-2016)	
(a) Amendments to IFRS 1 *First-time adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters*	January 1, 2018
(b) Amendments to IAS 28 *Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment - by - investment choice*	January 1, 2018

The Group is still evaluating the impact of the adoption of IFRS 15 *Revenue from Contracts with Customers* on the financial statements in the period of initial application.

Based on the preliminary assessment performed by management, implementation of IFRS 15 will affect revenue recognition in SEGSD BV with moderate impact.

2. Summary of significant accounting policies (continued)

2.3 Accounting Standards issued but not yet effective (continued)

Transition

As of January 1, 2018, Star Energy will adopt IFRS 15 using the cumulative effect method, whereby comparative figures are not restated, but instead retained as reported under the previous standards. The cumulative effect of applying IFRS 15 will be accounted for as an adjustment to the opening balance of equity as at the date of initial application (January 1, 2018).

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

The consolidated financial statements comprise of the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries have been effectively consolidated starting April 1, 2017. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

Non-controlling interest represents the portion of profit or loss and net assets of subsidiaries not attributable, directly or indirectly, to the Company, which are presented in profit or loss and under the equity section in the consolidated statements of financial position, respectively, separately from the corresponding portion attributable to the equity holders of the parent entity.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group losses control over a subsidiary, it;

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss;
- Re-classifies the Group's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

(b) Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognized as expenses in the periods in which the costs are incurred and the services are received.

2. Summary of significant accounting policies (continued)

2.4 **Basis of consolidation and business combinations (continued)**

(b) **Business combinations and goodwill (continued)**

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognized in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognized on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another IFRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognized as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Where goodwill forms part of a Cash-Generating Units ("CGU") and part of the operation within that CGU is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the CGU retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operation are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.6.

2.5 **Transactions with non-controlling interests**

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Parent Entity, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Parent Entity.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Parent Entity.

2.6 **Foreign currency**

The consolidated financial statements are presented in United States Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

2. Summary of significant accounting policies (continued)

2.6 Foreign currency (continued)

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognized in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognized initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into USD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognized in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2.7 Property, plant and equipment

Property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, and for qualifying assets (where applicable), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalized value of financial lease is also included within property, plant and equipment.

The cost of an item of property, plant and equipment is recognized as an asset if and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

2. Summary of significant accounting policies (continued)

2.7 Property, plant and equipment (continued)

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Useful lives
Bonuses	23 - 46 years
Land rights and lease improvements	30 years
Property	43 years
Buildings and infrastructure	4 - 20 years
Machinery, telecommunication and automotive equipment	4 - 5 years
Furniture and fixtures	5 years

The balance of “producing wells and well facilities” are depreciated over the remaining life of the working interest using the units-of-production (“UoP”) method from the date of the commencement of commercial operations. The depreciation is based on estimated reserves. Depreciation of production facilities and well costs are calculated using the unit of production method based on steam produced during the current reporting period over the total estimated proved developed and undeveloped reserves to be produced during the Salak Darajat JOC terms.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

Property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognized.

2.8 Assets under construction

The accumulated costs of constructing wells project are capitalized as assets under construction. These costs are initially classified in assets under construction and will be reclassified to producing wells and well facilities when the construction or installation is completed and the asset is ready for its intended use. Depreciation is not charged on costs carried forward in respect of assets in development stage until production commences.

Borrowings to finance the construction of long-lived assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

2.9 Unproved properties

Unproved properties represent the fair value of unproved geothermal interest acquired.

Unproved properties are recognized separately as intangible assets (Note 2.10), tested at least annually for impairment and carried at cost less any accumulated impairment losses.

2. Summary of significant accounting policies (continued)

2.10 Intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortized over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recognized in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the CGU level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

<u>Goodwill</u>

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s CGU that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The CGU to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that CGU may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognized in profit or loss. Impairment losses recognized for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a CGU and part of the operation within that CGU is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the CGU retained.

2. Summary of significant accounting policies (continued)

2.10 Intangible assets (continued)

Software

Costs to acquire and prepare software for use are recorded as intangible assets and amortized on a straight line basis over its finite useful life of five years.

2.11 Impairment of non-financial assets

(a) Assets (excluding Goodwill)

The Group assesses at the end of each reporting period whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognized in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognized in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at the end of each reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized previously. Such reversal is recognized in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

(b) Goodwill

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

2. Summary of significant accounting policies (continued)

2.12 **Joint arrangement**

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement. To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

The Group recognizes in relation to its interest in a joint operation,

(i) its assets, including its share of any assets held jointly;
(ii) its liabilities, including its share of any liabilities incurred jointly;
(iii) its revenue from the sale of its share of the output arising from the joint operation;
(iv) its share of the revenue from the sale of the output by the joint operation; and
(v) its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to interest in a joint operation in accordance with the accounting policies applicable to the particular assets, liabilities, revenues and expenses.

2.13 **Financial instruments**

(a) **Financial assets**

Initial recognition and measurement

Financial assets are recognized when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognized initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification.

(i) **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group. Derivatives, including separated embedded derivatives are also classified as held for trading.

2. Summary of significant accounting policies (continued)

2.13 **Financial instruments (continued)**

(a) **Financial assets (continued)**

Subsequent measurement (continued)

(i) **Financial assets at fair value through profit or loss (continued)**

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognized in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognized in profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

(ii) **Loans and receivables**

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less impairment. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, and through the amortization process.

De-recognition

A financial asset is de-recognized where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognized or derecognized on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

(b) **Financial liabilities**

Initial recognition and measurement

Financial liabilities are recognized when and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

2. Summary of significant accounting policies (continued)

2.13 **Financial instruments (continued)**

(b) **Financial liabilities (continued)**

Initial recognition and measurement (continued)

All financial liabilities are recognized initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

(i) **Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognized in profit or loss.

(ii) **Financial liabilities at amortized cost**

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized, and through the amortization process.

De-recognition

A financial liability is de-recognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

(c) **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is presented in the consolidated statement of financial position, when and only when, there is a currently enforceable legal right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

2. Summary of significant accounting policies (continued)

2.14 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired.

For financial assets carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of the loss is measured as 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. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognized in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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 recognized, the previously recognized impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date. The amount of reversal is recognized in profit or loss.

2.15 Restricted cash

Cash at bank which is restricted for use as stipulated under the terms of a loan agreement is presented as “Restricted Cash”.

2.16 Inventories, spare parts and supplies

Casings and other drilling related items as well as capital spares, are stated at cost and recognized as spare parts and supplies as part of non-current assets in the consolidated statement of financial position.

Under the terms of the Salak JOC, inventory becomes the property of the host government upon landing in the country. As the Group has paid for and has the right to use these assets and/or recover the costs, these balances have been reflected as assets in the consolidated statement of financial position in accordance with the Group's respective working interest in the Salak JOC.

Inventories comprise of materials and supplies including plant spares, consumables, casings and maintenance and drilling tools used for ongoing operations.

2. Summary of significant accounting policies (continued)

2.16 **Inventories, spare parts and supplies (continued)**

Material and supplies such as chemicals and other consumable materials, which is expected to be used within one year from the date of acquisition, are valued at the lower of cost or market value and presented as part of inventories. Cost is determined using the weighted-average method. Cost consists of all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Market value is defined as the current replacement cost (by purchase or by reproduction), provided that it meets both of the following conditions: (i) market value shall not exceed the net realizable value and (ii) market value shall not be less than net realizable value reduced by an allowance for an approximately normal profit margin.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realizable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.17 **Provisions**

General

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Dismantlement, restoration and remediation cost

Decommissioning provisions are recognized where there is a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made.

Under the terms of the JOC, management has been advised and believes that any future obligations for site restoration and remediation costs, including dismantling plants and abandoning properties are claimable to and/or will be borne by PERTAMINA or PGE. Accordingly, no provision in the financial statements has been recognized for the geothermal operations.

2.18 **Deferred financing cost**

Costs incurred to obtain financing are deferred and amortized using the effective interest method over the term of the related financing agreements. Periodic commitment fees incurred subsequent to obtain financing are expensed as incurred.

2. Summary of significant accounting policies (continued)

2.19 Borrowing costs

Borrowing costs are capitalized as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalization of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalized until the assets are substantially completed for their intended use or sale. Where funds are borrowed specifically for a qualifying asset, actual borrowing costs incurred are capitalized. Where a qualifying asset is funded through general borrowing, borrowing costs are capitalized based on the weighted average borrowing rate during the relevant period. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.20 Derivative financial instruments and hedge accounting

A derivative financial instrument is initially recognized at its fair value on the date the contract is entered into and is subsequently remeasured at its fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Gains and losses arising from changes in the fair value of derivatives that are not designated as effective hedging instruments are recognized in profit or loss.

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategies for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, on whether the derivatives designated as hedging instruments are highly effective in offsetting changes in fair value or cash flows of the hedged items.

Cash flow hedge - Interest rate swaps

The Group has entered into interest rate swap transactions that are cash flow hedges for the Group's exposure to interest rate risk on its borrowings. These contracts entitle the Group to receive interest at floating rates on notional principal amounts and oblige the Group to pay interest at fixed rates on the same notional principal amounts, thus allowing the Group to raise borrowings at floating rates and swap them into fixed rates.

The fair value changes on the effective portion of interest rate swaps designated as cash flow hedges are recognized in the account of cash flow hedging reserve and transferred to profit or loss when the interest expense on the borrowings is recognized in profit or loss. The fair value changes on the ineffective portion of interest rate swaps are recognized immediately in profit or loss.

2.21 Employee compensation

(a) Wages, salaries and annual leave

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within twelve months from the end of reporting period represent present obligations resulting from employees' service provided to the end of the reporting period, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at the end of the reporting period including related add on-costs.

2. Summary of significant accounting policies (continued)

2.21 **Employee compensation (continued)**

(b) **Long-term service benefits**

Employee entitlements to service and compensation payments are recognized when they accrue to the employees. A provision is made for the estimated liability as a result of past services rendered by employees up to the end of the reporting period and is calculated based on the Group's policy or a minimum amount of employee entitlements in accordance with Indonesia Labour Law No. 13/2003, whichever is higher.

The defined benefits obligation is annually calculated by independent actuaries using the projected unit credit actuarial valuation 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 benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

For defined benefit plans, all actuarial gains and losses are recognized in other comprehensive income ("OCI") as part of remeasurement and unvested past service costs are recognized immediately in profit or loss when incurred. For long-term service benefits, the Company recognized the net total of the amounts in profit or loss.

Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognizes restructuring related costs.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation (derived using a discount rate based on high quality corporate bonds) at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

2. Summary of significant accounting policies (continued)

2.21 Employee compensation (continued)

(b) Long-term service benefits (continued)

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are recognized in retained earnings within equity and are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group’s right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

2.22 Leases

(a) As lessee

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalized. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss.

Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognized as a reduction of rental expense over the lease term on a straight-line basis.

2. Summary of significant accounting policies (continued)

2.22 **Leases (continued)**

(b) **As lessor**

At inception of long-term power sales arrangements, the Company determines whether such an arrangement is or contains a lease.

Leases where the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as lease revenue. The accounting policy for lease revenue is set out in Note 2.23(a). Contingent rents are recognized as revenue in the period in which they are earned.

Leases where the Group transfer to counterparties substantially all the risks and rewards of ownership of assets but not necessarily legal title, are classified as finance leases. When the Company is a lessor under finance leases the amounts due under the leases, after deduction of unearned finance income, are included in lease receivable (in the statement of financial position). The finance income is recognized in finance income (in the statement of profit or loss) over the periods of the leases so as to give a constant rate of return on the new investment in the leases.

Under the terms of the Salak and Darajat JOCs and ESCs, the Company, on behalf of PGE, built and operates the power plants, and delivers all power (other than auxiliary power) generated by the power plants to PLN. At the end of the contract term, the Company will transfer its power plants to PGE which, in turn, should transfer it to PLN.

As a finance lessor, the Group recognises a finance lease receivable in the statement of financial position at an amount equal to the net investment value of the lease, which is the aggregate amount of: (i) the minimum lease payments under the finance lease; plus (ii) the unguaranteed residual values of the power plants; which are then discounted at the interest rate implicit in the lease.

The minimum lease payments represent the total guaranteed amounts that will be paid by PLN to compensate the capital cost recovery of the power plants throughout the contract period, irrespective of the extent of use. Under the ESC, the Group receives only one consideration for its services, i.e. one blended electricity rate to compensate all types of services provided by the Group to generate geothermal energy-based electricity. Thus, the Group uses the residual value method to split the consideration received from PLN into two different activities: (i) financing activities to repay the principal and interest of the finance lease receivable; and (ii) revenues for operating and maintenance activities that are recognized as the Group delievers electricity.

Management estimated the net present value of the finance lease receivable at an amount not to exceed the capital costs spent to construct and develop the power plants. The implicit interest rate is the discount rate that causes the aggregate present value of minimum guaranteed payments to be equal to the carrying value of the finance lease receivable at the initial application date.

The finance lease receivable is classified into current and non-current portions based on the expected collection periods. Amounts that are expected to be collected in one year or less are classified as part of current assets; otherwise, they are presented as non-current assets.

2. Summary of significant accounting policies (continued)

2.23 **Revenue recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

(a) **Electricity revenue**

Electricity revenues are allocated based on the relative fair values of each revenue component. Electricity revenue represents the portion of revenue that recovers the operation and maintenance of the power plant.

Electricity revenues are recorded for the quantity of electrical output delivered or capable of being delivered to the buyers. Quantities delivered are determined through electrical measurement meters at the delivery point.

(b) **Steam revenue**

Revenue from providing geothermal energy is determined through electrical measurement meters at the point of interface (for steam) with PLN or SEGSPL (the “delivery point”). Geothermal energy sales are recorded on the basis of prices determined by certain formulas in accordance with the ESC (Note 1.2).

(c) **Finance lease income**

Revenues are recognized for all the services provided by the Group under the build, own, operate and transfer arrangement for Salak and Darajat geothermal operations, which include revenues for the construction of the power plants (through the recognition of a finance lease receivable).

The Group allocates the consideration that it receives for each kWh of electricity delivered to PLN into: repayments of principal and interest of the finance lease receivable; and revenues for the production of electricity, operation and maintenance of the power plants presented as electricity revenue in profit or loss. The Group uses the residual value method to allocate the total consideration received from PLN between revenues for the financing, operating and maintenance activities. Finance income is recognized based on a pattern reflecting a constant periodic rate of return on the Group’s outstanding finance lease receivable balance.

(d) **Interest income**

Interest income is recognized using the effective interest method.

2.24 **Taxes**

(a) **Current income tax**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

2. Summary of significant accounting policies (continued)

2.24 **Taxes (continued)**

(a) **Current income tax (continued)**

Current income taxes are recognized in profit or loss except to the extent that the tax relates to items recognized outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) **Deferred tax**

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

2. Summary of significant accounting policies (continued)

2.24 Taxes (continued)

(b) Deferred tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.25 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognized as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.26 Joint Operation Contract ("JOC")

The primary differences between JOC accounting and IFRS are as follows:

Accounting policy	JOC basis of accounting	IFRS
Electrical revenue	Revenue recognized based on electrical output delivered to PLN	Uses the residual value method to split the consideration received from PLN into two different activities: (i) financing activities to repay the principal and interest of the finance lease receivable; and (ii) revenues for operating and maintenance activities that are recognized as the Company delivers electricity.
Amortization of capital costs	Accelerated depreciation (declining balance) using a full year's depreciation in the year of acquisition	Various depreciation methods (including units of production method) using a fraction of a year's depreciation in the year of acquisition
Obsolete stores or idle facilities	Written-off only when approved by PGE	Expensed when identified
Contingent liabilities	Recognized when settled or approved by PGE	Disclosed in the financial statements and recognized when meeting certain criteria in International Accounting Standards ("IAS") 37
Deferred taxes	Not provided	Liability method

2. Summary of significant accounting policies (continued)

2.26 Joint Operation Contract ("JOC") (continued)

Accounting policy	JOC basis of accounting	IFRS
Intangible exploration and development costs – successful wells	Expensed	Capitalized
Development dry holes	Expensed	Capitalized
Abandonment obligation	Abandonment obligation	Recognized as a liability where there is a legal obligation
Asset impairment	No write-off until proposal for abandonment approved by PGE for any impaired or abandoned assets	Write-off excess cost when impairment identified
Derivative	Not applicable	Recognized at fair value
Overhaul/major maintanance	Expensed	Capitalized

2.27 Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

- (i) Has control or joint control over the Company;
- (ii) Has significant influence over the Company; or
- (iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

- (i) The entity and the Company 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 Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
- (vi) The entity is controlled or jointly controlled by a person identified in (a); and
- (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).

2. Summary of significant accounting policies (continued)

2.28 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognized because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
(ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognized in the consolidated statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2.29 Deferred charges

Under the ESC, the Contractor Group is required to maintain the power plant facilities, including performing scheduled part replacement and overhaul activities. Expenditures related to part replacement and overhaul of the Power Plants that are considered to provide benefits in future periods are recorded as deferred charges and are amortised during the periods benefited using the straight-line method.

Main parts and supporting parts will be amortised over the estimated useful lives of 10 years and 5 years, respectively. Deferred charges are tested for impairment in accordance with the policy described in Note 2.11.

3. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the end of each reporting period, and the reported amounts of revenues and expenses during the reporting period. The Group based its assumptions and estimates on parameters available when the consolidated financial statements was prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

In particular, the Group has identified the following areas where significant judgements, estimates and assumptions are required, and where if actual results were to differ, may materiality affect the financial position or financial results reported in future periods. Further information on each of these and how they impact the various accounting policies are described in the relevant notes to the consolidated financial statements.

3. Significant accounting judgments, estimates and assumptions (continued)

(a) Units of production depreciation of geothermal assets and field facilities

Geothermal assets and field facilities included in Property, plant and equipment are depreciated using the UoP method over total proved and probable mineral reserves and, in the case of field facilities, the estimated tones of steam to be produced over the generation term. This results in a depreciation/amortization charge proportional to the depletion of the anticipated remaining production from the field.

Each items' life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the field at which the asset is location. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The calculation of the UoP rate of depreciation could be impacted to the extent that actual production in the future is different from current forecast production based on total proved and probable reserves, or future capital expenditure estimates changes. Changes to proved developed and undeveloped reserves could arise due to changes in factors or assumptions used in estimating reserves, including:

- The effect on proved developed and undeveloped reserves of differences between actual commodity prices and commodity price assumptions; or

- Unforeseen operational issues.

Changes are accounted for prospectively.

(b) Recoverability of geothermal assets

The Group assesses each asset or CGU (excluding goodwill, which is assessed annually regardless of indicators) each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of fair value less costs of disposal and value in use. These assessments require the use of estimates and assumptions such as long-term electricity prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, exploration potential, reserves and operating performance (which includes production and sales volumes). These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value for geothermal assets is generally determined as the present value of estimated future cash flows arising from the continued use of the assets, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Management has assessed its CGUs as being an individual field, which is the lowest level for which cash inflows are largely independent of those of other assets.

3. Significant accounting judgments, estimates and assumptions (continued)

(c) Contractual arrangement assessment

Management exercises its judgment in determining whether the contractual arrangement with PLN fall within the scope of IFRIC 12 Service Concession Arrangements. Based on management evaluation of the terms of the arrangement, it determined that the arrangement is not within the scope of service concession arrangements.

Further, management also exercises its judgment in determining whether the arrangement contains a lease and the classification of lease. Based on such evaluation, management determined that the arrangement contains a lease as fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset) and the arrangement conveys a right to use the asset. Management classifies it as finance lease based on management's evaluation that the arrangement does transfer substantially all the risks and rewards incidental to ownership.

(d) Finance lease receivable

Finance lease receivable balance of SEGSPL and SEGD is equal to the minimum lease payments plus any unguaranteed residual value accruing to the lessor discounted at the interest rate implicit in the lease. Minimum lease payments of the lease are the payments over the JOC and ESC terms that PLN is required to make, excluding contingent escalation in prices (for example, inflation adjustments), costs for production of electricity, operation and maintenance services and taxes. In essence, the minimum lease payments represent the compensation for costs of capital invested by SEGSPL and SEGD to construct and develop the Power Plant only. Under the ESC, however, SEGSPL and SEGD receives one consideration for all of its services.

(e) Reserve estimates

Management determines the estimated useful lives and related depreciation charges for the Company's well-related facilities. Management uses the Company's geological reserves as the basis for depreciating its well related facilities. In order to estimate the reserves, assumptions are required about a range of geological, technical and economic factors, including contract periods, production quantities, production techniques, production costs.

Because the economic assumptions used to estimate reserves vary from period to period and because additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Company's financial results and financial position in a number of ways, including the carrying values of the well-related facilities which may be affected due to changes in depreciation charges that were calculated on a UoP basis.

3. Significant accounting judgments, estimates and assumptions (continued)

(e) Reserve estimates (continued)

Therefore, management has used the residual value method to estimate the split between the consideration received for financing activities to determine the amount applicable to the finance lease receivable and revenues for operating and maintenance activities. Management estimated the net present value of the finance lease receivable at an amount not to exceed the capital costs spent to construct and develop the Power Plant. Judgements and estimates are used to estimate the split between the different components of the consideration received from PLN; and to estimate the constant rate of return used to discount the minimum lease payments.

Once the finance lease receivable is recognized at inception, the balance does not need to be subsequently re-measured unless there are significant amendments made to the JOC and ESC, at which time management needs to re-assess its finance lease model.

(f) Employee benefits

The cost of providing long-term employee benefits is determined using actuarial valuations. An actuarial valuation involves making various assumptions, which includes the determination of the discount rate, future salary increases, mortality rates, employee turn-over rate, disability rate, and the expected rate of return on plan assets. Due to the complexity of the valuation, the underlying assumptions and its long term nature, estimated liabilities for long-term employee benefits is highly sensitive to changes in these assumptions. All assumptions are reviewed at financial year-end.

In determining the appropriate discount rate, management considers the market yields (at year end) on Indonesian rupiah government bonds with maturities corresponding to the expected duration of the obligation. The mortality rate is based on publicly available mortality tables. Future salary increases is based on the Group's long-term business plan which is also influenced by expected future inflation rates for the country.

While the Group believes that its assumptions are reasonable and appropriate, significant differences in the Company's actual experiences or significant changes in the Group's assumptions may materially affect its estimated liabilities for employee benefits and net employee benefits expense.

(g) Purchase Price Allocation and Goodwill Impairment

Acquisition accounting requires extensive use of accounting estimates to allocate the purchase price to the reliable fair market values of the assets and liabilities purchased, including intangible assets. Under IFRS 3, "*Business Combinations*", goodwill is not amortized and is subject to an annual impairment testing.

Impairment test is performed when certain impairment indicators are present. In case of goodwill, such asset is subject to annual impairment test and whenever there is an indication that such asset may be impaired; management uses its judgment in estimating the recoverable value and determining the amount of impairment.

3. Significant accounting judgments, estimates and assumptions (continued)

(h) Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgments and estimates of the outcome of future events.

(i) Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax provisions already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group entity's domicile.

Significant judgment is required in determining the deductibility of certain expenses during the estimation of the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of income tax payable and deferred tax liabilities are disclosed in Note 8 to the financial statements.

All unused tax losses are recognized as deferred tax assets to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

4. Revenue

	2017*)
Sale of products:	
Electricity	132,046
Steam	76,572
Rendering of services:	
Finance lease income	32,536
	241,154

**) the period from inception to December 31, 2017*

(Expressed in thousands of United States Dollar, unless otherwise stated)

5. Employee compensation and benefits

	2017*)
Wages and salaries	17,487
Catering and food	1,218
Training, business travels and others	683
	19,388

6. Finance costs

	2017*)
Interest expenses:	
- Bank borrowings	45,366
Amortization of deferred financing cost (Note 23)	13,092
	58,458

7. Consultants and technicians

	2017*)
Technical service	10,410
Legal service	1,442
IT service	1,351
Audit service	210
Other service	804
	14,217

8. Taxations

(a) Major components of taxes payable

	2017
Corporate income tax and branch profit tax	18,691
Value added tax payable	9
Other tax payable	378
	19,078

*) *the period from inception to December 31, 2017*

(Expressed in thousands of United States Dollar, unless otherwise stated)

8. Taxations (continued)

(b) Major components of income tax expense

The major components of income tax expense for the year ended December 31, 2017 is as follows:

	2017*)
Statement of profit or loss:	
Current income tax	54,194
Deferred tax:	
- Origination and reversal of temporary differences and tax loss	4,278
Income tax expense recognized in profit or loss	**58,472**

(c) Relationship between tax expense and accounting profit/(loss)

A reconciliation between tax expense and the product of the accounting profit/(loss) multiplied by the applicable corporate tax rate for the year ended December 31, 2017 is as follows:

	2017*)
Accounting profit/(loss) before tax	112,931
Tax at the domestic rates applicable to profits in the countries where the Group operates	38,397
Adjustments:	
Non-deductible expenses	20,075
Income tax expense recognized in profit or loss	**58,472**

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

The Group is subject to income tax on an entity basis based on profit arising or derived from the tax jurisdiction in which the Group entities are domiciled and operate. The Group's main subsidiaries operate and earn income from JOCs in Indonesia. Under the relevant Indonesian Income Tax Law, the Group is subject to income tax at 34% of taxable income of the respective subsidiaries. The Company is a Netherlands tax resident and hence files a tax return with the Netherlands tax authorities. No current income tax expense/liability for Netherlands taxation has arisen as of December 31, 2017 and for the years then ended.

Non-deductible expenses mainly comprise interest expenses and other corporate costs incurred by entities holding interests in JOCs.

(d) Deferred taxes

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred taxes relate to the same fiscal authority.

The movement of the deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the reporting period is as follows:

*) *the period from inception to December 31, 2017*

(Expressed in thousands of United States Dollar, unless otherwise stated)

8. Taxations (continued)

d. Deferred taxes (continued)

	At inception date December 16, 2016	Acquisitions of subsidiaries	Acquisition of non-controlling interests	Credited/ (charged) to profit or loss	Credited to OCI	December 31, 2017
2017						
Deferred tax assets:						
Employee benefits liability	-	2,865	14	(2,478)	1,133	1,534
Deferred tax liabilities:						
Property, plant and equipment, and intangible assets	-	(48,466)	(26)	(8,796)	-	(57,288)
Finance lease receivable	-	(74,494)	(2,331)	570	-	(76,255)
Fair value adjustments on acquisitions of subsidiaries	-	(485,609)	-	-	-	(485,609)
Tax loss	-	-	-	7,166	-	7,166
Other items	-	(8,990)	(457)	(741)	-	(10,188)
	-	(617,559)	(2,814)	(1,801)	-	(622,174)
Deferred tax liabilities, net	**-**	**(614,694)**	**(2,800)**	**(4,279)**	**1,133**	**(620,640)**

e. Others

JOC contractor is required to pay PGE a production allowance equivalent to 2.66%-4% of net operating income calculated based on the 1984 Indonesian Income Tax Law excluding Value Added Taxes, Sales Taxes on a Luxury Goods, Taxes on Land and Buildings, Import Duty, Stamp Duty and Other Levies.

(Expressed in thousands of United States Dollar, unless otherwise stated)

9. Property, plant and equipment

	Bonuses	Land rights and lease improvements	Property	Producing wells and well facilities	Machinery equipment	Buildings and infrastructure	Furniture and fixtures	Telecommu-nication equipment	Automotive equipment	Construction in progress	Total
Cost											
At inception date	-	-	-	-	-	-	-	-	-	-	-
Acquisitions of subsidiaries*	3,614	246	8,233	233,770	1,819	27,874	361	3,325	10	44,040	323,292
Acquisition of non-controlling interests	122	17	-	1,174	-	390	1	50	-	309	2,063
Additions	-	-	-	-	27	148	24	-	-	12,972	13,171
Deduction	-	-	-	(2,188)	-	-	(73)	-	-	-	(2,261)
Transfer to deferred charges	-	-	-	-	-	-	-	-	-	(3,481)	(3,481)
Transfer	-	-	-	149	-	-	-	-	-	(149)	-
At December 31, 2017	3,736	263	8,233	232,905	1,846	28,412	313	3,375	10	53,691	332,784
Accumulated depreciation											
At inception date	-	-	-	-	-	-	-	-	-	-	-
Charge for the year	214	40	260	9,095	819	2,163	111	567	3	-	13,272
Deduction	-	-	-	(280)	-	-	(7)	-	-	-	(287)
At December 31, 2017	214	40	260	8,815	819	2,163	104	567	3	-	12,985
Carrying amount											
At December 31, 2017	**3,522**	**223**	**7,973**	**224,090**	**1,027**	**26,249**	**209**	**2,808**	**7**	**53,691**	**319,799**

** Salak – Darajat – Suoh Sekincau acquisitions*

Construction in progress

This account mainly represents work in progress related with moving out hot brine from reservoir to maintain production rate in Salak, development of steam pipeline in Darajat and work for Darajat condensate handling.

(Expressed in thousands of United States Dollar, unless otherwise stated)

10. Intangible assets

	Unproved properties	Goodwill	Software	Total
Cost:				
At inception date	-	-	-	-
Acquisitions of subsidiaries* (Note 25)	1,196,231	485,814	-	1,682,045
Acquisition of non-controlling interest	-	-	10	10
Additions	-	-	3,098	3,098
At December 31, 2017	1,196,231	485,814	3,108	1,685,153
Accumulated amortization				
At inception date	-	-	-	-
Charge for the year	-	-	(274)	(274)
At December 31, 2017	-	-	(274)	(274)
Net carrying amount:				
At December 31, 2017	**1,196,231**	**485,814**	**2,834**	**1,684,879**

* *Salak - Darajat - Suoh Sekincau acquisitions.*

<u>Impairment tests for unproved properties</u>

Unproved properties at December 31, 2017 are allocated to the Darajat JOC and Salak JOC.

Under the provisions of IFRS 6 “Exploration for and Evaluation of Mineral Resources”, exploration and evaluation assets, including cost of acquiring interest in new exploration assets, continue to be capitalized pending the results of the exploration activities. Management is of the view that the unproved properties as of December 31, 2017 are not impaired based on the following factors:

(a) JOC period from which the Group has the right to explore has not expired and will not expire in the near future;

(b) Significant expenditure on further exploration for and evaluation of mineral resources in the specific area are budgeted in the future; and

(c) Management continues to perform exploration and evaluation activities in the specific areas.

<u>Impairment tests for goodwill</u>

Goodwill at December 31, 2017 is allocated to the Darajat and Salak JOC. The Group performed an annual assessment on impairment in value at the end of the reporting year. During the reporting period, there was no impairment in value of goodwill recorded to reduce the carrying amount of goodwill.

(Expressed in thousands of United States Dollar, unless otherwise stated)

10. Intangible assets (continued)

Impairment tests for goodwill (continued)

The main assumptions used in the assessment on impairment in value of goodwill included discounted cash flows by using the estimated discount rate of 8.4% (post tax) and annual growth rate of 2.4% - 2.8%. The prices for electricity and steam used in the discounted cash flows are based on the contract with PLN. The increase of 0.5% in discount rate will decrease the recoverable amount of geothermal assets by US$96,770,000 - full amount.

Changes to the assumptions used by the management to determine the recoverable amount, in particular the discount rate, can have significant impact on the result of the impairment assessment. Management is of the opinion that there was no reasonably possible change in any of the key assumptions stated above that would cause the carrying amount of the CGU to materially exceed its recoverable amount.

11. Trade and other receivables

	2017
Trade and other receivables (current):	
Trade receivables	
- external parties	72,953
Non-trade receivables	
- external parties	4,762
- related parties	-
	77,715
Other receivables (non-current):	
Non-trade receivables	
- External parties	4,723
Value added tax receivables	27,582
	32,305
Total trade and other receivables (current and non-current)	**110,020**
Add:	
Cash on hand and in banks (Note 17)	611
Restricted cash (Note 16)	91,777
Less: Value added tax receivables	(27,582)
Total loans and receivables	**174,826**

Trade receivables

Trade receivables are non-interest bearing and are generally paid on 30 days terms. They are recognized at their original invoice amounts which represent their fair value on initial recognition.

Non-trade receivables

Non trade receivables from external parties are non-interest bearing and to be settled in cash. Repayments are not expected within the 12 months from the end of the reporting period.

(Expressed in thousands of United States Dollar, unless otherwise stated)

11. Trade and other receivables (continued)

Value-added tax ("VAT") receivables

VAT receivables represent amounts which will be reimbursed by the Government of Indonesia (the "Government") after the Group has commenced payments for the Government's share which is defined in the geothermal tax regulation as 34% of net operating income. The Government's share will be payable after the tax loss carry forward has been either utilized or expired. Based on the Decision Letter of Ministry of Finance No. 766/KMK-04/1992 ("KMK 766") and subsequently amended by No. 209/KMK.04/1998, the Group can request for VAT refund up to the amount paid for the Government's share.

Trade and other receivables denominated in foreign currencies are as follows:

	2017
Indonesian rupiah	30,016

At the reporting date, the Group does not have any receivables that are past due or impaired, or would otherwise be past due but not impaired.

12. Finance lease receivables

	2017
Minimum finance lease receivables	
Not later than one year	48,552
Later than one year and not later than five years	242,763
Later than five years	821,165
Gross amount of finance lease receivables	1,112,480
Less: Unearned finance income	(702,060)
Carrying amount of finance lease receivables	**410,420**
Present value of minimum finance lease receivables	
Not later than one year	4,854
Later than one year and not later than five years	33,198
Later than five years	372,368
Total	**410,420**
Of which:	
Current portion	4,854
Non-current portion	405,566
Total	**410,420**

As of December 31, 2017, the finance lease receivables were recognized based on the terms of the JOC and ESC of Darajat and Salak, that falls within the scope of IFRIC 4 guidance on Interpretation of IAS 17. The contracts convey an exclusive right to use the power plants which are built, owned and operated by the Group until the end of the contract maturity date.

(Expressed in thousands of United States Dollar, unless otherwise stated)

13. Deferred charges

	2017
Cost at inception date	-
Acquisitions of subsidiaries	26,441
Acquisition of non-controlling interests	1,335
Transfers from construction in progress (Note 9)	3,481
Cost at end of year	31,257
Accumulated amortization at beginning of year	-
Amortisation for the year	(3,696)
Accumulated amortization at end of year	(3,696)
Net carrying amount	**27,561**

14. Inventories, sparepart and supplies

	2017
Statement of financial position:	
Spareparts and supplies	9,449
Materials and supplies	16,247
Allowance for inventory obsolescence	(1,290)
Total	**24,406**
Statement of profit or loss:	
Cost of inventories recognized as an expense in “supplies and equipments”	4,370

15. Other assets

	2017
<u>Current</u>	
Deposits	2,324
Prepayments	2,336
Others	18,429
	23,089

(Expressed in thousands of United States Dollar, unless otherwise stated)

15. Other assets (continued)

Deposit for acquisition of subsidiaries represents 10% of total base consideration in relation with acquisition of geothermal assets under Sale and Purchase Agreements between the Company and Chevron Group. The deposit is not interest bearing and non-refundable except under certain circumstances relating to completion of the acquisition transaction.

Deferred financing costs represents financing fees related with Secured Term Loan Facility Agreement. From the total amount of deferred financing costs, US$407 thousand were paid by and are payable to Star Energy Geothermal Pte. Ltd. ("SEGPL") an indirect shareholder of the Company, whilst the remaining US$12.8 million is recorded as other payable to third party (Note 24).

16. Restricted cash

As of December 31, 2017, restricted cash comprises of balance in bank accounts maintained with MUFG Bank (Europe) N.V., Holland, DBS Bank, Indonesia and DBS Bank, Singapore for the Debt Service Reserved Account ("DSRA") and Debt Service Accrual Account ("DSAA") related to Bank Loan.

All restricted cash were used as covenant for bank loan and denominated in U.S. dollar and IDR.

As of December 31, 2017, the carrying amount of restricted cash approximates its fair value.

17. Cash on hand and in banks

	2017
Cash on hand and in banks	611

Cash in banks earn interest at floating rates based on daily bank deposit rates.

Cash on hand and in banks denominated in foreign currencies are as follows:

	2017
Indonesian rupiah	110

As of the reporting date, the carrying amounts of cash on hand and in banks approximate their fair values.

18. Share capital

	2017	
	No. of shares '000	US$'000
Issued and fully paid:		
Star Energy Geothermal Holdings (Salak – Darajat) B.V	8	8
ACEHI Netherlands B.V.	2	2
Total	**10**	**10**

The holders of ordinary shares are entitled to receive dividend as and when declared by the Company. All ordinary shares carry one vote per share.

(Expressed in thousands of United States Dollar, unless otherwise stated)

19. Additional paid-in capital

	2017
Additional paid-in capital	**855,777**

On December, 22 2016 the Company entered into Convertible Loan Agreements for a maximum amount of US$710,000,000 - full amount and US$180,000,000 - full amount with Star Energy Geothermal Holdings (Salak - Darajat) B.V and ACEHI Netherlands B.V. (hereinafter referred to as the “Lenders”), respectively. The Company utilised the loan amounts of US$197,366,895 - full amount million for payment deposit in December 2016 for acquisitions under Sale and Purchase Agreements between the Company and Chevron Group.

On January, 10 2017, the Company executed the second utilisation request amounted to US$12,500,000 - full amount to pay the outstanding obligation of upfront fee to under the Secured Term Loan Facility Agreement.

On March 2, 2017, the Lenders of the Convertible Loans and the Company agreed to convert the loans outstanding as of December 31, 2016 and additional draw down on January 10, 2017 to share premium, offset by the outstanding other receivable of US$10,000 - full amount in relation to the initial issuance of share capital, recorded as part of equity in the consolidated statement of financial position.

On March 2, 2017, the Company has converted the Convertible Loan as paid-in capital amounted to US$209,856,895 - full amount.

On March 27, 2017 The Company entered into share premium contribution agreement with Star Energy Geothermal Holdings (Salak - Darajat) B.V and ACEHI Netherlands B.V. (hereinafter referred to as the “Shareholders”) with total amount US$503,335,331 - full amount and US$124,264,833 - full amount, respectively, to pay final payment for acquisition of Salak and Darajat block.

On March 31, 2017 The Company entered into share premium contribution agreement with the Shareholders with total amount US$10,796,346 - full amount and US$2,665,432 - full amount, respectively, to pay final payment for acquisition of Suoh Sekincau block.

On September 22, 2017 The Company entered into share premium contribution agreement with the Shareholders with total amount US$3,896,272 - full amount and US$961,922 - full amount, respectively, to pay final payment for acquisition of PT Darajat Geothermal Indonesia.

(Expressed in thousands of United States Dollar, unless otherwise stated)

20. Other reserves

	Premium paid on acquisition of subsidiary with participating interests	Hedging reserve	Total
At inception date	-	-	-
Acquisition of non-controlling interests (Note 25)	(17,779)	-	(17,779)
Effective portion of changes in fair value of cashflow hedge	-	(3,259)	(3,259)
Balance at December 31, 2017	**(17,779)**	**(3,259)**	**(21,038)**

Premium paid on acquisition of subsidiary with participating interests at December 31, 2017 relates to the difference arising from the acquisition of PT DGI which did not result in a change of control in Darajat Geothermal block (Note 25).

21. Long-term employee benefits liability

	2017
Defined benefit obligations	27,917
Fair value of plan assets	(24,699)
Liability in the statement of financial position	**3,218**

The Group's subsidiaries recognized their share in recognizing the employee benefit liability and the related expenses.

The Group has defined a benefit pension plans covering substantially all employees. These defined benefit plans are primarily based on the employees' years of service and their compensation on or near their date of retirement or voluntary resignation.

Changes in the net long−term employee benefits liability are as follows:

	2017
At beginning of the year	-
Pension cost charged to profit or loss	
Current service cost	2,084
Net Interest expense	12
Sub−total	2,096
Remeasurement loss in other comprehensive income	
Actuarial loss from changes in financial assumptions	1,741
Experience adjustments	1,430
Return on plan assets	160
Sub−total	3,331
Acquisitions of subsidiaries	(1,942)
Acquisition of non-controlling interests	41
Contribution by employer	(265)
Change in foreign currency exchange rate	(43)
At end of the year	**3,218**

(Expressed in thousands of United States Dollar, unless otherwise stated)

21. Long-term employee benefits liability (continued)

The changes in defined benefit obligation:

	2017
Defined benefit obligation, beginning	-
Pension cost charged to profit or loss	
Current service cost	2,084
Interest cost	1,298
Sub−total	3,382
Remeasurement loss in OCI	
Actuarial loss/(gain) from changes in financial assumptions	1,741
Experience adjustments	1,430
Sub−total	3,171
Acquisitions of subsidiaries	21,589
Acquisition of non-controlling interests	546
Benefits paid	(316)
Change in foreign currency exchange rate	(455)
Defined benefit obligation, ending	**27,917**

The fair value of plan assets at the end of the reporting period are as follows:

	2017
Fair value of plan assets, beginning	-
Attributable to acquisitions of subsidiaries	23,531
Acquisition of non-controlling interests	505
<u>Recorded in profit or loss:</u>	
Net interest income	1,286
Foreign currency exchange rate loss	(412)
Total	24,910
<u>Recorded in other comprehensive income:</u>	
Return on plan assets (excluding amounts included in net interest income)	(160)
Benefits paid	(316)
Contributions by the employer	265
Net fair value of plan assets, ending	**24,699**

The major category of plan assets at the end of the reporting period are as follows:

	2017
Cash equivalents	**24,699**

(Expressed in thousands of United States Dollar, unless otherwise stated)

21. Long-term employee benefits liability (continued)

The actual return in plan assets for 2017 amounted to US$1,126,000 - full amount. The plan assets are quoted in active markets (money market investments) amounted to US$24,699,000 - full amount.

Long−term employee benefits liability are calculated every year by Towers Watson using the "Projected Unit Credit" method. The following are the assumptions used to calculate the employee benefits liability as per actuarial valuation report dated February 5, 2018:

Salary increment rate	5% p.a.
Discount rate	6.5% - 6.73% p.a.
Mortality rate	100% TMI 3
Disability rate	10% TMI 3
Resignation rate	10% p.a. at age 25, decrease linearly into 1% at age 40 then increasing linearly to 3.5% at age 46 for SEGSL 2% p.a. at age 25 then decrease linearly into 0.5% p.a at age 45 and 0.5% p.a. flat from age 46 to 48 for SEGD-II
Proportion of normal retirement	3.5% p.a flat from age 46 to 50 and 2% flat from age 51 to 58 for SEGSL 0.5% p.a flat from age 48 to 58 for SEGD-II

The benefits expected to be paid in each of the next five years and the aggregate for five years thereafter are as follows:

	Amount
Within the next 12 months (next annual reporting period)	2,283
Between 2 and 5 years	9,780
Beyond 5 years	120,103
Total	**132,166**

The sensitivity analysis below has been determined based on the reasonably possible changes of each significant assumption on the defined benefit pension plan as at the end of the reporting period, assuming if all other assumptions were held constant:

		December 31, 2017
Discount rates	Base discount rate plus by 1%	(2,246)
	Base discount rate minus by 1%	2,575
Future Salary Increases	Base discount rate plus by 1%	2,697
	Base discount rate minus by 1%	(2,386)

The average duration of the defined benefit pension plan at the end of the reporting period ranges from 8.13 years to 10.21 years.

The defined benefit pension plan is managed by the Dana Pensiun Lembaga Keuangan ("DPLK") Bank Negara Indonesia ("BNI"). Total funded of employee benefit as of December 31, 2017 is US$24,699,000 - full amount (equivalent with IDR334,609,368,372 – full amount).

(Expressed in thousands of United States Dollar, unless otherwise stated)

21. Long-term employee benefits liability (continued)

Other than the defined benefit pension plan, the Group's subsidiaries have a defined contribution plan which is contributed by both employees and the Group's subsidiaries for a fixed contribution of 2% - 4% from the Group and a contribution of 2% from the employees. This program is managed by the Dana Pensiun Lembaga Keuangan ("DPLK") Manulife. For the year ended December 31, 2017, the Group's contribution amounted to US$176,000, which is included as part of 'employees compensation and benefits' in the consolidated statement of profit or loss.

22. Derivatives

	2017
Derivative liabilities	3,259

SEGD-II and SEGSL entered into interest rate swap agreements with Bangkok Bank Public Company Limited ("Bangkok Bank"), Bank of China Ltd. ("BOC"), BPI Capital Corporation ("BPI"), DBS Bank Ltd. ("DBS"), RCBC Capital Corporation ("RCBC"), Sumitomo Mitsui Banking Corporation - Singapore Branch ("SMBC"), and The Bank of Tokyo-Mitsubishi UFJ, Ltd. ("BTMU") to hedge the financial risk related to the interest rate movements on its borrowings as follows:

Type	Signed Date	Effective Date until Termination Date	Counterparties	Notional Amount (US$ - full amount)	Terms and Conditions
Interest Swap Agreements for first utilization of Bank Loan - SEGSL	April 26, 2017	March 30, 2017 - December 22, 2021	DBS Bank	27,814,330.19	SEGSL shall receive variable 3-month LIBOR and pay fixed (2.03%) with quarterly settlement through December 22, 2021.
			Bangkok Bank	129,800,207.58	
			SMBC	23,936,170.21	
			BTMU	27,814,330.19	
			BPI	91,463,414.63	
			RCBC	46,357,216.99	
			BOC	27,814,330.19	
Interest Swap Agreements for first utilization of Bank Loan - SEGD-II	April 26, 2017	March 30, 2017 - December 22, 2021	DBS Bank	17,801,171.32	SEGD-II shall receive variable 3-month LIBOR and pay fixed (2.03%) with quarterly settlement through December 22, 2021.
			Bangkok Bank	83,072,132.85	
			SMBC	15,319,148.94	
			BTMU	17,801,171.32	
			BPI	58,536,585.37	
			RCBC	29,668,618.87	
			BOC	17,801,171.32	
Interest Swap Agreements for second utilization of Bank Loan - SEGD-II	September 25, 2017	September 26, 2017 - December 22, 2021	DBS Bank	793,715.00	SEGD-II shall receive variable 3-month LIBOR and pay fixed (2.01%) with quarterly settlement through December 22, 2021.
			Bangkok Bank	3,704,000.00	
			SMBC	644,000.00	
			BTMU	793,715.00	
			BPI	2,000,000.00	
			RCBC	1,322,855.00	
			BOC	741,716.00	

The Group's interest rate swap agreements are designated as effective cash flow hedge. The change in fair value of derivative contracts is recognized in the consolidated statement of comprehensive income. The related liabilities arising from the derivative contracts are presented under 'Derivative liabilities' in the consolidated statement of financial position.

The full fair value of a hedging derivative is classified as non-current asset or liability when the remaining hedged item is more than twelve months, and as a current asset or liability when the remaining maturity of the hedged item is within twelve months.

The amount that was recognized in other comprehensive income during the period from interest rate swap bank loan are US$3,259,000 - full amount.

(Expressed in thousands of United States Dollar, unless otherwise stated)

23. Bank loans

	2017
Current	
Bank loans	79,500
Non-current	
Bank loans	1,047,698
Total borrowings	**1,127,198**

The remaining contractual maturities of the total borrowings are as follows:

	2017
Not later than 1 year	79,500
Between 1 and 5 years	1,082,725
	1,162,225
Less: Unamortized finance charges	(35,027)
Total borrowings	**1,127,198**

Included in the borrowings are amounts relating to deferred financing costs, which are as follows:

	2017
Cost	48,119
Accumulated amortization	(13,092)
Net carrying amount	**35,027**

Movements of deferred financing costs are as follows:	
At inception date	-
Addition	48,119
Amortization	(13,092)
Net carrying amount	**35,027**

On December 22, 2016, the Company entered into a Secured Term Loan Facility Agreement with Bangkok Bank Public Company Limited, Bank of China Ltd., BPI Capital Corporation, BDO Unibank, Inc., DBS Bank Ltd., RCBC Capital Corporation, Sumitomo Mitsui Banking Corporation - Singapore Branch, and The Bank of Tokyo-Mitsubishi UFJ, Ltd. (whether acting individually, or collectively, the “Mandated Lead Arranger”) for facilities commitment of Tranche A and Tranche B amounting to US$1,250,000,000 - full amount and US$700,000,000 - full amount, respectively. The Loan will be due 5 years after utilization date, which is December 22, 2021 and December 22, 2026 for Tranche A and Tranche B, respectively.

23. Bank loans (continued)

Followings are the purposes of the Bank Loan:

- Tranche A first utilization, (i) to fund, in part, the purchase price for the Acquisition (Controlling Interest), (ii) to fund the Reserve Accounts, and (iii) to pay fees, costs and expenses in relation to the Facility and Acquisition Costs and shall be in an amount not to exceed US$1,230,000,000 - full amount.
- Tranche A second utilization, to fund, in part, the purchase price for the Acquisition (Minority Interest) and shall be in an amount not to exceed US$20,000,000 - full amount
- Tranche B, (i) to finance the repayment of all outstanding Tranche A Loans in 2021 and (ii) to fund the Reserve Accounts. The cancellation fees at the rate of 1.25% will be applied, if (1) the Tranche A Loan is repaid from the proceeds of any refinancing facility entered into by the Borrowers other than the Tranche B Facility (2) as a result of the re-allocation of the total commitment with respect to Tranche B under the Facility Agreement to any other Lender who was only committed to provide the Tranche A facility as at the date of the Facility Agreement, and (3) Following the Tranche B Utilization Date but before the first anniversary of the Tranche B Utilization Date, if the Borrower refinances Tranche B with a new facility. Following the first anniversary of the Tranche B utilization date and every anniversary thereafter, the Tranche B cancellation fee shall be reduced by 0.25% such that on the Tranche B maturity date, the Tranche B cancellation fee shall be zero .

With reference to the loan agreement, the Company caused SEGD-II and SEGSL to each become an Additional Borrower on the relevant Debt Push Down Date.

The Bank Loan is secured by:

(i) the Offshore Account Charges (other than PT CGSS and PT DGI)
(ii) the Account Pledge (SEG-SD B.V.)
(iii) the Share Pledge (SEG-SD B.V.)
(iv) the Share Pledges (Target Companies) (other than PT CGSS and PT DGI)
(v) the English Assignment of Contract Rights (SEG-SD B.V., SEGSL and SEGD-II)
(vi) the Onshore Account Pledges (other than PT CGSS)
(vii) the Fiduciary Security of SEGSL and SEGD-II
(viii) the Assignment of Contract Rights (Indonesian Law) of SEGSL and SEGD-II

The 1% upfront fee for Bank Loan totaling US$12,500,000 - full amount was paid on January 10, 2017, by the SEGHPL, SEGPL, Phoenix Power B.V., and AC Energy International Holdings Pte. with respect to their effective ownership. The total payment made by SEGHPL and SEGPL amounting US$3,426,294 - full amount and US$5,112,750 - full amount were considered as convertible loan.

On March 23, 2017, the Amended and Restated Secured Term Loan Facility Agreement was signed with the changes on the finalization date (i.e.; March 23, 2017) and repayment schedules.

The Bank Loan first utilization was on March 30, 2017 amounting to US$1,230,000,000 - full amount. The total cash received was US$1,195,319,160 - full amount after taking into account the financing costs of US$34,680,840 - full amount. Such fund was used to settle up the acquisition of Chevron’s shares on Darajat, Salak and Suoh Sekincau Geothermal blocks.

On April 26, 2017, the Bank Loan was effectively pushed down to SEGSL and SEGD-II with total amount to be novated of US$750,000,000 - full amount and US$480,000,000 - full amount, respectively.

(Expressed in thousands of United States Dollar, unless otherwise stated)

23. Bank loans (continued)

Followings are the Bank Loan original lenders:

	In US$ - full amount	
Lenders	**SEGD-II**	**SEGSL**
Bangkok Bank Public Company Limited	134,400,000	210,000,000
Bank of China Limited - Grand Cayman Branch	23,040,000	36,000,000
Bank of China Limited - Manila Branch	5,760,000	9,000,000
Bank of the Philippines Islands	153,600,000	240,000,000
BDO Unibank, Inc.	28,800,000	45,000,000
DBS Bank Ltd.	28,800,000	45,000,000
Rizal Commercial Banking Corporation	48,000,000	75,000,000
Sumitomo Mitsui Banking Corporation - Singapore Branch	28,800,000	45,000,000
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	28,800,000	45,000,000
TOTAL	480,000,000	750,000,000

The Bank Loan second utilization was sent on September 19, 2017 amounting to US$20,000,000 - full amount. Such fund was used to settle up the acquisition of 95% PT Austindo Nusantara Jaya Tbk's shares on PT DGI.

The Facility Agreement bears interest per annum at 3.25% margin plus LIBOR, and is payable on end of each quarter.

The Company, under its loan agreements, is subject to various covenants, among others to obtain written approval from the lenders before entering into certain transactions such as mergers, acquisitions, liquidation or change in status and Articles of Association, reducing the authorized, issued and fully paid capital; restrictions on lending money to third parties; negative pledges, with certain exceptions; restrictions on change in core business activities; declaring and paying dividends; redeem, repurchase, defease, retire or repay any of its share capital or resolve to do so; restriction on allowing guarantees and indemnities in respect of any obligation of any person and requirement to comply with certain financial ratios.

The Bank Loan also requires the Company to maintain certain financial ratios such as:

a. Leverage ratio shall not exceed:
   (i) 6.00 : 1 from the initial Testing date until the Testing Date falling immediately after the first anniversary
   (ii) 5.50 : 1 from the Testing Date immediately after the first anniversary until the Testing Date falling immediately after the third anniversary
   (iii) 4.50 : 1 thereafter until the final Semi-Annual Date
b. Debt Service Coverage Ratio shall not be less than 1.20 : 1
c. Senior Interest Cover shall not be less than 3 : 1
d. Debt to Equity Ratio shall be no greater than 70 : 30, after the final Tranche A repayment date, 50 : 50.

As of December 31, 2017, the Company has complied with all financial ratios required to be maintained under the loan agreements.

The unamortized issuance cost as at December 31, 2017 amounted to US$35,027,000 - full amount and is treated as deduction of to non-current Bank Loan.

(Expressed in thousands of United States Dollar, unless otherwise stated)

24. Trade and other payables, and accrued expenses

	2017
Trade and other payables, and accrued expenses (current):	
Trade payables	
- External parties	132
Other payables:	
- Related corporations	514
- External parties	1,037
Accrued expenses:	
- Others - third parties	29,921
Trade and other payables, and accrued expenses (current)	**31,604**
Add/(less):	
Total borrowings (Note 23)	1,127,198
Total financial liabilities at amortized cost:	**1,158,802**

Trade payables and other payables are non-interest bearing and are normally settled on 30-days terms.

Other payables to related corporations are non-trade in nature, unsecured, non-interest bearing, payable upon demand and are to be settled in cash. Other payables to external parties are non−interest bearing and have an average term of 60 days.

Included in accrued expenses are accrual for goods and services of US$13,955,920 - full amount, accrual for royalty to PGE amounting US$1,652,000 - full amount.

In 2017, SEGD II and SEGSL received decision letters issued by the Ministry of Energy and Resources of the Republic of Indonesia, stating the total production bonus to be paid by the Company for the years 2015, 2016 and 2017. Such production bonus is required under the Geothermal Law No. 21 year 2014, which stipulates that a geothermal permit holder is obliged to pay production bonus to the local government in which the entity operates.

On December 21, 2017, the Ministry of Finance ("MoF") issued a regulation letter no. 201/PMK.02/2017 regarding reimbursement mechanism of the production bonus, which stipulates that it will only be reimbursed after payment of the production bonus. However, such regulation does not stipulate how long it will take to reimburse the geothermal companies upon payment of the production bonus, and the MoF has yet to issue a new regulation governing this.

As such, the production bonuses that had been paid relating to Q1 2017 and Q2 2017 totaling US$925,092 - full amount (or equal to IDR12,533,150,256 – full amount). The remaining unpaid balance representing the production bonuses for 2015, 2016 and Q3 2017 totalling US$4,761,163 – full amount has been recognized by the Company under "Accrued expenses" as of December 31, 2017.

Trade and other payables denominated in foreign currencies are as follows:

	2017
Indonesian rupiah	22,529
Japanese yen	188

(Expressed in thousands of United States Dollar, unless otherwise stated)

25. Significant acquisitions

Between 2016 until December 31, 2017, the Group made several acquisitions of subsidiaries.

The Group has performed a provisional valuation analysis of the provisional fair value of identifiable assets and liabilities assumed. Using a number of judgments on the acquisitions, the Group has estimated allocation of the assets and liabilities.

The review of the fair value of the assets and liabilities acquired will be completed within 12 months of the acquisition.

This provisional purchase price allocation has been used in the statements of financial position and statement of profit or loss and other comprehensive income. The final purchase price allocation will be determined when the Group has completed the detailed valuations and necessary calculations. The final allocation could differ materially from the provisional allocation. The final allocation may include; (1) changes in fair values of power plants; (2) changes in allocations to intangible assets such as technology and customer relationships as well as goodwill; and (3) other changes to assets and liabilities. The following are significant acquisitions:

i. On July 8, 2016, Star Energy Group Holdings Pte. Ltd. ("SEGHPL"), Star Energy Geothermal Pte. Ltd. ("SEGPL"), Diamond Generating Asia, Limited ("DGAL"), Electricity Generating Public Company Limited ("EGCO"), Tohoku Electric Power Co., Inc. ("TOHOKU"), and AC Energy Holdings, Inc. ("AC Energy") signed a Consortium Bid Agreement. All parties intended to form a consortium and worked together in connection with the possible bid to acquire Chevron's geothermal power and steam assets in Indonesia ("the Indonesia Transaction") and Chevron's geothermal power steam assets in the Philippines ("the Philippines Transaction"). The Consortium has agreed to establish the Indonesia BidCo and Philippines BidCo to acquire the Target Shares of the Indonesia Transaction and Philippines Transaction.

ii. On August 12, 2016, DGA and TOHOKU each served a notice in writing to each other Consortium Party, of their respective withdrawals from the Consortium.

iii. In connection with the DGA and TOHOKU exit, SEGHPL, SEGPL, EGCO and AC Energy signed an Amended and Restated Consortium Bid Agreement on October 28, 2016. Followings are the ownership of BidCos in accordance with the Amended and Restated Consortium Bid Agreement:

   a. SEGHPL and EGCO intend to establish a special purpose corporate entity ("NewCo 3") with a view to it in turn acquiring a stake in NewCo 1 as follows:

SEGHPL	69.75%
EGCO	30.25%
Total interest of NewCo 3	100.00%

   b. SEGHPL and EGCO, through NewCo 3, and SEGPL intend to establish a special purpose corporate entity ("NewCo 1") with a view to it in turn acquiring a stake in the Indonesia BidCo. The respective economic interests in NewCo 1 will be in the following proportions:

SEGPL	51.00%
NewCo 3	49.00%
Total interest of NewCo 1	100.00%

(Expressed in thousands of United States Dollar, unless otherwise stated)

25. Significant acquisitions (continued)

c. AC Energy intends to establish (or has already established) a special purpose corporate entity ("Newco 2") with a view to it in turn acquiring a stake in the Indonesia Bidco. AC Energy, through its direct wholly owned subsidiary AC Energy International Pte. Ltd., intends to hold 100% of the economic interest in Newco 2.

d. The parties intend that the respective economic interests of Newco 1 and Newco 2 in the Indonesia Bidco will be in the following proportions:

NewCo 1	80.20%
NewCo 2	19.80%
Total interest of Indonesia BidCo	100.00%

e. In light of the parties' respective economic interests in NewCo 1, NewCo 2, and NewCo 3 above, the respective economic interests in the Indonesia BidCo will be in the following proportions:

SEGPL	40.90%
SEGHPL	27.41%
AC Energy	19.80%
EGCO	11.89%
Total interest of Indonesia BidCo	100.00%

f. The parties intend that their respective economic interests in the Philippines BidCo will be in the following proportions:

AC Energy	80.00%
SEGHPL	20.00%
Total interest of Philippines BidCo	100.00%

iv. On December 15, 2016, the NewCo1, NewCo 2, NewCo 3 were established and on December 16, 2016 Indonesia BidCo and Philippines BidCo were established. Followings are the name of each entity:

Indonesia BidCo	Star Energy Geothermal (Salak – Darajat) B.V.
NewCo 1	Star Energy Geothermal Holdings (Salak – Darajat) B.V. (“Holdings B.V.”)
NewCo 2	ACEHI Netherlands B.V.
NewCo 3	Star Phoenix Geothermal JV B.V.
Philippines BidCo	ACEHI-Star Holdings, Inc.

v. On December 22, 2016, SEG-SD B.V. signed a Share Sale and Purchase Agreement (“SPA”) with Chevron Darajat Holdings, Ltd., Chevron Geothermal Indonesia Holdings, Ltd., and Chevron Geothermal Salak Holdings, Ltd. to acquire 100% Chevron’s shares in Chevron Darajat Limited, Chevron Geothermal Indonesia, Ltd., and Chevron Geothermal Salak, Ltd. The Buyer Direct Shareholder Guarantors of the transaction are SEGHPL, Star Energy Geothermal Holdings B.V. and ACEHI Netherlands B.V, for which the guarantees are unlimited. The Buyer Group Guarantors are SEGHPL, SEGPL, EGCO and AC Energy Holdings, Inc., for which the aggregate maximum liability until December 31, 2057 is capped with total amount of US$200,000,000 – full amount. SEGHPL’s and SEGPL’s guarantees are capped at US$55,211,150 and US$82,413,500, respectively, up to December 31, 2049, and US$54,800,000 and US$81,800,000, respectively, up to December 31, 2057, representing the Buyer Group Equity Proportion of each SEGHPL and SEGPL.

The Buyer Direct Shareholder Guarantors and the Buyer Group Guarantors, collectively as Buyer Guarantors.

(Expressed in thousands of United States Dollar, unless otherwise stated)

25. Significant acquisitions (continued)

SEGHPL will receive US$5,000,000 – full amount from Phoenix Power B.V. during year 2040 to year 2047, and US$5,000,000 – full amount from AC Energy Holdings, Inc., after year 2058 in accordance with the relevant consortium agreement, if Chevron makes an claim against any or all of the Buyer Guarantors.

vi. On December 22, 2016, SEG-SD B.V. signed a Share Sale and Purchase Agreement (“SPA”) with Chevron Global Energy Inc. to acquire 100% Chevron’s shares in PT Chevron Geothermal Suoh Sekincau (i.e; represent 95% ownership). The Buyer Direct Shareholder Guarantors of the transaction are Holdings B.V. and ACEHI Netherlands B.V, for which the guarantees are unlimited. The Buyer Group Guarantors are SEGHPL, SEGPL, EGCO and AC Energy Holdings, Inc. The aggregate maximum liability until December 31, 2037 is capped with total amount of US$1,500,000 – full amount. SEGHPL’s and SEGPL’s guarantees are capped at US$411,150 – full amount and US$613,500 – full amount , respectively, up to December 31, 2037, representing the Buyer Group Equity Proportion of each SEGHPL and SEGPL.

The Buyer Direct Shareholder Guarantors and the Buyer Group Guarantors, collectively as Buyer Guarantors.

vii. On December 22, 2016, total deposit paid to Chevron for Indonesia transaction by SEGHPL and SEGPL was US$54,098,997 - full amount and US$80,727,127 - full amount respectively. Those amount paid represent the effective ownership as agreed in the consortium agreement above (i.e; the Company 27.41% and SEGPL 40.9%).

viii. On March 31, 2017, the acquisition of Chevron’s shares on Darajat and Salak Geothermal blocks was completed. SEGPL and SEGHPL became the shareholder of the Company, with an effective ownership of 40.90% and 27.41%, respectively.

Followings are the new names of the acquired entities:

Before	***After***
Chevron Geothermal Salak, Ltd.	Star Energy Geothermal Salak, Ltd.
Dayabumi Salak Pratama Ltd.	Star Energy Geothermal Salak Pratama, Ltd.
Chevron Geothermal Indonesia, Ltd.	Star Energy Geothermal Darajat II, Limited.
Chevron Darajat Ltd.	Star Energy Geothermal Darajat I, Limited.

ix. On April 6, 2017, the acquisition of Chevron’s shares on Suoh Sekincau block (i.e.; represent 95% ownership) was completed. Effective on the date, PT Chevron Geothermal Suoh Sekincau was changed into PT SEGSS.

x. On July 14, 2017, Barito completed the acquisition of the remaining 5% of Chevron’s shares on Suoh Sekincau. Effective on the date, the Company and Barito became the shareholders of PT SEGSS with an effective ownership of 95% and 5%, respectively.

xi. On July 14, 2017, the Company and Barito signed a Share Sale and Purchase Agreement (“SPA”) with PT Austindo Nusantara Jaya Tbk (“PT Austindo”), to acquire 99.998% of its shares in PT Darajat Geothermal Indonesia (“PT DGI”). The Company holds 95% ownership and Barito holds 4.998% ownership.

xii. On the same date, under the 2nd SPA, Barito acquired the remaining 0.002% of George Tahija’s shares in PT DGI. Barito then became the shareholder of PT DGI with 5% ownership.

xiii. Effective on September 27, 2017, the Company and Barito became the shareholders of PT DGI with an effective ownership of 95% and 5%, respectively.

(Expressed in thousands of United States Dollar, unless otherwise stated)

25. Significant acquisitions (continued)

The provisional fair values of the identifiable assets and liabilities of SEGSL, SEGD-II, SEGD-I and PT SEGSS as at the date of acquisition (i.e; March 31, 2017 and April 6, 2017) were:

	Provisional Fair Value
Cash and bank balances	50,905
Inventories	24,445
Trade and other receivables	54,724
Finance lease receivables	406,849
Other current assets	31,753
Deferred charges	26,441
Property, plant and equipment	279,012
Developed geothermal resources	44,280
Undeveloped geothermal resources	1,196,231
Other non-current assets	27,301
Trade and other payables	(15,638)
Taxes payable	(13,172)
Deferred tax liabilities	(614,694)
Total identifiable net assets at fair values	1,498,437
Non-controlling interest measured at the non-controlling interest's proportionate share of SEGSL, SEGD-II, SEGD-I and PT SEGSS's net identifiable assets	13
Goodwill	485,814
Purchase consideration transferred	**1,984,264**
Net cash of the acquired subsidiaries	(50,905)
Acquisitions of subsidiaries net of cash acquired	**1,933,359**

On September 27, 2017, the Company acquired 95% shares of PT DGI which holds 5% participating interests in Darajat Unit 2-3 and future units.

	Carrying value
Carrying Value of net assets acquired	11,743
Non-controlling interest measured at the non-controlling interest's proportionate share of PT DGI's net assets	(587)
Acquisition of a subsidiary net of cash acquired	**11,156**
Premium paid on acquisition of subsidiary with participating interests in joint operations	17,779
Purchase consideration transferred on PT DGI acquisition	**28,935**
Net cash of the acquired subsidiary	(2,326)
Acquisition of a subsidiary net of cash acquired	**26,609**

As the increase in the parent's (i.e; SEG-SD B.V) ownership does not result in a change of control in Darajat Geothermal block, the PT DGI acquisition is accounted for as an equity transaction (Note 20).

26. Commitments and contingencies

Government audit claims

The accounting records and reports of the Joint Venture and JOC are subjected to an audit by PGE and/or the Government. Findings arising from these audits are either agreed by the Group and recorded in its accounting records, or are disputed. Resolution of disputed claims may require a lengthy negotiation process extending over a number of years.

As of December 31, 2017, Darajat's Contractor group has various audit findings by the Government auditors amounting to US$10,460,975 - full amount for the period of 2004-2015 transactions. This amount included Pertamina Production Allowance findings (PPA) for period of 2004-2015 and Production bonus for year 2004-2015 amounting to US$5,709,540 - full amount. Darajat's Contractor group claiming PPA and production bonus as a deduction in its government share calculation (34%). If these findings materialize, the income tax expense will increase by US$3,556,731 - full amount.

In 2013 and 2014, Directorate General of Tax (DGT) issued tax assessment regarding PPA audit claims for fiscal year 2006 and 2010. Darajat's Contractor group filed the objection to these tax assesment in which rejected by DGT. In this regard, Darajat's Contractor Group filed appeals to the tax court on June 22, 2015 with result was in favor to Darajat's Contractor group for fiscal year 2006. DGT filed reconsideration againts the result to Supreme Court on May 23, 2017 and is still awaiting the Supreme Court decision for this reconsideration. As at the date of these financial statements, the appeal result for fiscal year 2006 has not yet been received.

Darajat Contractor's group received tax court verdict dated February 19, 2018 relates PPA's audit finding for fiscal year 2010, which approved the DJP decision. Darajat Contractor's group re-submited an appeal to the Supreme Court related to this matter on May 18, 2018. As at the date of these financial statements, the appeal result for fiscal year 2010 has not yet been received.

On September 5, 2016, Darajat Contractor's group received Government of Indonesia ("GOI") audit findings assesment letter claiming an underpayment of the government share amounting to US$1,042,819 - full amount, related to year 2013-2014 findings. The Contractor group has paid the amount and submitted objection letter to Directorate General of Budget ("DGB") on December 1, 2016. Darajat Contractor's group has sent the submission letter for new proof on January 24, 2018 in accordance with PP No. 34 Year 2010 dated January 25, 2018. On January 26, 2018, DGB has issued decision letter for overpayment of government share for the year 2013-2014. Based on the decision letter, DGB is in company's favor related to objection letter amounting to US$15,353.05 – full amount. Considering to DGB's final decision on the objection letter, Darajat Contractor's group filed lawsuit to the State Administrative Court on April 25, 2018 with registered number 91/G/2018/PTUN.JKT.

On November 26, 2018 the judge has granted claim from SEGD and revoke objection letter issued by DGB on January 2018 with consideration that there was an incompliance for DGB's audit procedure period 2013-2014.

On September 15, 2017, BPKP issued their 2015 audit report with findings totaling US$884,848 - full amount. Most of the findings pertain to the PPA and the completeness of documentation amounting to US$625,609 - full amount and US$128,508 - full amount, respectively. On March 13, 2018, Darajat's Contractor group received from DGB the assesment letter of underpayment for the government share amounting to US$88,141 - full amount.

As of December 31, 2017, SEGSL has various audit findings by the Government auditors amounting to US$50,676,913- full amount for the period of 2004-2015 transactions. This amount included PPA amounting to US$15,231,933 - full amount. SEGSL claiming PPA and production bonus as a deduction in its government share calculation (34%). If these findings materialize, the income tax expense will increase by US$17,230,150 - full amount.

26. Commitments and contingencies (continued)

Government audit claims (continued)

On September 5, 2016, SEGSL received audit findings assesment letter claiming an underpayment of the government share amounting to US$9,906,077 (full amount), related to year 2013-2014 findings. The Contractor group has paid the amount and submitted objection letter to DGB on December 1, 2016. Salak's Contractor group has sent the submission letter for new proof on January 25, 2018 in accordance with PP No. 34 Year 2010. On January 26, 2018, DGB has issued decision letter for overpayment of government share for the year 2013-2014. Based on the decision letter, DGB approved the objection amounting to US$7,017.90 (full amount). Considering to DGB's final decision on the objection letter, SEGSL filed lawsuit to the State Administrative Court on April 25, 2018 with registered number 91/G/2018/PTUN.JKT.

On November 26, 2018 the judge has granted claim from SEGSL and revoke objection letter issued by DGB on January 2018 with consideration that there was an incompliance for DGB's audit procedure period 2013-2014.

On September 15, 2017, BPKP issued their 2015 audit report with findings totaling US$3,933,042 - full amount. Most of the findings pertain to the PPA and the parent company overhead amounting to US$1,512,318 - full amount and US$1,007,570 - full amount, respectively. On March 12, 2018, Salak's Contractor group received from DGB the assesment letter of underpayment for the government share amounting to US$487,947 - full amount.

As of December 31, 2017, SEGSPL has various audit findings by the Government auditors amounting to US$752,774 - full amount for the period of 2004-2015 transactions. This amount included PPA amounting to US$730,514 - full amount. SEGSPL claiming PPA and production bonus as a deduction in its government share calculation (34%). If these findings materialize, the income tax expense will increase by US$255,943 - full amount.

On September 15, 2017, BPKP issued their 2015 audit report with findings totaling US$117,172 - full amount. Most of the findings pertain to the PPA amounting to US$110,627 - full amount. On March 13, 2018, SEGSPL received from DGB the assesment letter of underpayment for the government share amounting to US$2,225 - full amount.

On November 26, 2018 the judge has granted claim from SEGD and SEGSL (Note 26) and revoke objection letter issued by DGB on January 2018 with consideration that there was an incompliance for DGB's audit procedure period 2013-2014.

Management believes that all the remaining claims are without merit, therefore no accrual has been recognized in relation to the remaining findings in consolidated financial statements.

27. Fair value of assets and liabilities

A. Fair value hierarchy

The Group categorizes fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(Expressed in thousands of United States Dollar, unless otherwise stated)

27. Fair value of assets and liabilities (continued)

B. Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
	US$'000	US$'000	US$'000	US$'000
Liabilities:				
Derivatives				
Interest rate swap	–	3,259	–	3,259

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

Derivatives

Interest rate swap contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves.

C. Assets and liabilities not carried at fair value but for which fair value is disclosed

The following table shows an analysis of the Group's assets and liabilities not measured at fair value but for which fair value is disclosed:

	December 31, 2017				
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total	Carrying amount
	US$'000	US$'000	US$'000	US$'000	US$'000
Assets:					
Other receivables (non-current)	–	–	4,050	4,050	4,723
Finance lease receivables	–	–	405,566	405,566	405,566
Liabilities:					
Bank loans	–	–	1,003,735	1,003,735	1,047,698

Determination of fair value

The fair values as disclosed in the table above are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending at the end of the reporting period.

(Expressed in thousands of United States Dollar, unless otherwise stated)

27. Fair value of assets and liabilities (continued)

D. Fair value of financial instruments by classes that are not carried out at fair value and whose carrying amounts are not reasonable approximation of fair value

The fair value of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value are as follows:

	2017	
Group	**Carrying amount** US$'000	**Estimated fair value** US$'000
Financial assets:		
Other receivables (non-current)	4,723	4,050
Finance lease receivables	405,566	405,566
Financial liabilities:		
Bank loans	1,047,698	1,003,735

Determination of fair value

The fair values as disclosed in the table above are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending at the end of the reporting period.

E. Assets and liabilities whose carrying amounts approximate the fair value

The management assessed that the fair values of cash on hand and in banks, restricted cash, trade and other receivables, trade and other payables, and accrued expenses approximate their carrying amounts largely due to the short-term maturities of these instruments.

28. Financial risks management

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency risk and commodity price risk. The Group's overall risk management strategy focuses on the unpredictability of financial markets and seeks to minimize adverse effects on the Group's financial performance.

Risk management is carried out by the corporate finance department under supervision of the Board of Directors. The corporate finance department identifies, evaluates and hedges financial risks.

28. Financial risks management (continued)

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and short-term deposits and derivatives), the Group and the Company minimize credit risk by dealing exclusively with high credit rating counterparties. The Group's corporate finance department also regularly monitors the financial condition of banks and financial institutions where cash and short-term deposits are placed.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognized in the statement of financial position, including derivatives with positive fair values.

Credit risk concentration profile

The Group's electricity sales are made to a single counterparty through PGE and PLN, two Indonesian state-owned enterprises. These electricity sales are supported by letters of support from the Ministry of Energy and Mineral Resources and the Ministry of Finance of the Indonesian Government (Note 1.2).

The Group has a credit risk concentration from cash and bank placements where as at December 31, 2017 of 80% was placed in one bank.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and short-term deposits and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions with no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 11 (Trade and other receivables) to the financial statements.

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Corporate finance department aims to maintain flexibility in funding by keeping committed credit facilities available.

(Expressed in thousands of United States Dollar, unless otherwise stated)

28. Financial risk management (continued)

(b) Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities

The table below summarizes the maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations:

	One year or less	One to five years	Total
2017			
Trade and other payables	1,683	-	1,683
Accrued expenses	29,921	-	29,921
Bank loans	79,500	1,047,698	1,127,198
	111,104	1,047,698	1,158,802

(c) Interest rate risk

In order to manage the interest rate risk against the fluctuation in LIBOR rate, in 2017 the Group entered into Interest Rate Swap transactions with Consortium Banks (Note 22) in relation to Bank Loan. By entering into the interest rate swap transactions, the interest payable of the loan facility is expected to be fixed (not affected by changes in LIBOR rates).

The following table shows the sensitivity to a reasonably possible change in interest rates on the borrowings which are not hedged.

	Change in LIBOR rate	Effect on post-tax profit
2017	+5%	370
	-5%	(370)

(d) Foreign currency risk

The Group has transactional currency exposures arising from purchases denominated in a currency other the function currency of the Group entities, which is United States dollar. The foreign currency in which these transactions are denominated are mainly in Indonesian rupiah as the Group's major operations are in Indonesia. The Group does not enter into foreign currency exchange contracts to mitigate foreign currency risk. The Group's currency exposure is disclosed in Notes 11, 17 and 24 to the consolidated financial statements.

(Expressed in thousands of United States Dollar, unless otherwise stated)

28. Financial risk management (continued)

(d) Foreign currency risk (continued)

Sensitivity analysis for foreign currency risk

If Indonesian rupiah strengthened/weakened by 10% against the United States dollar, with all other variables held constant, profit before tax would have been lower/higher by US$5,265,500 - full amount.

(e) Commodity price risk

No issue for the commodity price risk for geothermal business due to the price has been agreed in the electricity sales contract (Note 1.2).

29. Capital management

Capital includes debt and equity items as disclosed in the table below.

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2017.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, loans and borrowings, trade and other payables, and accrued expenses less cash and bank balances and restricted cash excluding discontinued operations. Capital includes equity attributable to the owners of the Parent Entity.

	2017
Bank loans (Note 23)	1,127,198
Trade and other payables, and accrued expenses (Note 24)	31,604
Less: Cash and bank balances (Note 17)	(611)
Restricted cash (Note 16)	(91,777)
Net Debt	1,066,414
Equity attributable to the owners of the Parent Entity	886,956
Capital and net debt	1,953,370
Gearing ratio	55%

30. Related party transactions

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the following significant transactions between the Group and the related parties took place at terms agreed between the parties during the year.

(Expressed in thousands of United States Dollar, unless otherwise stated)

30. Related party transactions (continued)

Compensation of key management personnel

	2017
Wages and salaries	97
Comprise amount paid to:	
Directors of the Company and Subsidiaries	97

31. Events occurring after the reporting period

On February 6, 2018, the Group paid the production bonus related to Q3 2017 totalling US$545,678 – full amount (or equivalent to IDR7,319,184,665 - full amount), In April 2018, the Group paid the production bonus related to Q4 2017 totalling US$ 521,049 – full amount (or equivalent to IDR 7,172,241,053 - full amount).

On April 1, 2018, The Bank of Tokyo-Mitsubishi UFJ, Ltd effectively changed its name to MUFG Bank, Ltd.

On March 2018, the Group has fully received the refund for the production bonuses for Q1 and Q2 of 2017 that had been paid by the Group totaling US$925,092 - full amount (or equal to IDR12,533,150,256 – full amount). On April 30, 2018, the Group has received the refund for the production bonuses for Q3 of 2017 totalling US$531,685 - full amount (or equal to IDR7,319,184,665 - full amount).

On June 7, 2018, SEGD-II and SEGSL entered into additional interest rate swap agreements with notional amount of US$195,883,000 - full amount and US$130,586,000 - full amount, respectively, with Bangkok Bank, BOC, DBS, RCBC and MUFG to hedge the financial risk related to the interest rate movements on its borrowings. SEGD-II and SEGSL shall receive variable 3-month LIBOR and pay fixed (2.9735%) with quarterly settlement starting from June 30, 2018 through December 22, 2021.

On November 26, 2018 the judge has granted claim from SEGD and SEGSL (Note 26) and revoke objection letter issued by DGB on January 2018 with consideration that there was an incompliance for DGB's audit procedure period 2013-2014.

32. Authorization of financial statements for issue

The financial statements as at December 31, 2017 and for the period December 16, 2016 until December 31, 2017 were authorized for issue in accordance with a resolution of the directors on December 24, 2018.

Star Energy Geothermal (Salak - Darajat) B.V.

Company's Profit and Loss account
For the period December 16, 2016 until December 31, 2017
(Expressed in thousands of United States Dollar, unless otherwise stated)

	Note	2017
Profit/(loss) after taxation	33	(710)
Share in total comprehensive income of participating interests		49,658
Total comprehensive income for the years, net of tax		48,948

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Star Energy Geothermal (Salak - Darajat) B.V.

Company's Balance sheet after appropriation of result
As at December 31, 2017
(Expressed in thousands of United States Dollar, unless otherwise stated)

	Note	2017
ASSETS		
Non-current assets		
Intangible fixed assets	34	487
Financial fixed assets	35	2,045,078
Total non-current assets		2,045,565
Current assets		
Other receivables	36	44,290
Restricted cash	37	454
Total current assets		44,744
Total assets		**2,090,309**
EQUITY AND LIABILITIES		
Equity		
Share capital	39	10
Legal reserve	41	10
Additional paid in capital	40	855,777
Accumulated losses		52,197
Other reserve		(21,038)
Total equity		886,956
Current liabilities		
Other payables	38	1,203,333
Accrued expenses	38	20
Total current liabilities		1,203,353
Total liabilities		**1,203,353**
Total equity and liabilities		**2,090,309**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Star Energy Geothermal (Salak - Darajat) B.V.

Company statement of changes in equity
For the period December 16, 2016 until December 31, 2017
(Expressed in thousands of United States Dollar, unless otherwise stated)

	Share capital	Legal reserve	Value of conversion rights - convertible loan	Retained Earning/ Accumulated Loss	Other Reserves	Additional Paid in Capital	Total equity
Opening balance at December 16, 2016	-	-		-		-	-
Issuance of capital	10	10	-	(10)		-	10
Value of conversion rights - convertible loan	-	-	197,367	-		-	197,367
Loss for the year	-	-	-	(710)		-	(710)
Share in profit of participating interest	-	-	-	55,114		-	55,114
Share in OCI of participating interest				(2,197)	(3,259)		(5,456)
Additional paid in capital	-	-	(197,367)	-		855,777	658,410
Acquisition of non-controlling interest					(17,779)		(17,779)
Closing balance at December 31, 2017	10	10	-	52,197	(21,038)	855,777	886,956

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

General

General information

Star Energy Geothermal (Salak - Darajat) B.V. (the "Company") was established on December 16, 2016 as a limited liability company incorporated and domiciled in Netherlands. The immediate holding Company is Star Energy Geothermal Holdings (Salak-Darajat) B.V. ("SEGHSD") and the ultimate holding company is Star Energy Investment Limited. However in December 2017, the ultimate shareholder has been transferred to Mr. Prajogo Pangestu and subsequently in June 2018, has been transferred to PT Barito Pacific Tbk. PT Barito Pacific Tbk. is located at Wisma Barito Pacific, Jl. Letjen S. Parman Kav. 62-63 Jakarta, Indonesia.

Its registered office is Atrium Building, 8th floor Strawinskylaan 3127, 1077 ZX Amsterdam, the Netherlands and is registered at the Chamber of Commerce under number 67502601.

The principal activity of the Company is financial holdings.

For the accounting policies, please refer to the accounting policies of the consolidated financial statements, unless stated otherwise below.

According to the articles of association, the Company first year ended is December 31, 2017 and therefore the first financial year is a extended financial year for the period December 16, 2016 until December 31, 2017. Therefore no comparative figures are applicable.

Since the entity's profit and loss account for 2017 of Star Energy Geothermal (Salak – Darajat) B.V. is recognized in the consolidated financial statements, the company presents a condensed profit and loss account in accordance with Section 402 of Book 2 of the Dutch Civil Code.

The balance sheet has been prepared after the proposed appropriation of the result.

Basis of preparation

Significant accounting policies
The financial statements of the Company included in this section are prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code. The Company has prepared these company financial statements using the provision of section 362:8, Book 2, Dutch Civil Code. This provision allows companies that apply IFRS as adopted by the European Union in their consolidated financial statements to use the same measurement principles in their company financial statements. The principles for the valuation of assets and liabilities and the determination of the result are the same as those applied to the consolidated profit and loss account, with the exception of the following principles:

Investments in subsidiaries
Investments in subsidiaries are accounted for in the company financial statements using the equity accounting method.

Share of result of participating interests
This item concerns the Company's share of the profit or loss of these participating interests. Results on transactions involving the transfer of assets and liabilities between the Company and its participating interests and mutually between participating interests themselves, are eliminated to the extent that they can be considered as not realized.

(Expressed in thousands of United States Dollar, unless otherwise stated)

33. Audit fee

The costs of the Group for the external auditor and the audit organization and the entire network to which the audit organization belongs charged to the financial year are set out below.

	2017		
	Ernst & Young Accountants LLP	Other EY	Total
Audit of the financial statements	-	230	230

The fees stated above for the audit of the financial statements are based on the procedures performed during the financial year.

34. Intangible fixed assets

	2017
Beginning of period	-
Addition of software	573
Amortisation	(86)
Ending of period	487

35. Financial fixed assets - Investments in subsidiaries

	2017
Equity investments at beginning December 16, 2016	-
Acquisition Salak Darajat	2,013,199
Comprehensive loss for the year	52,917
Other reserve (Note 20)	(21,038)
Equity investments at ending 31 December 2017	2,045,078

Details of subsidiaries are included in Note 1.2.

(Expressed in thousands of United States Dollar, unless otherwise stated)

36. Other receivables

	2017
Non-trade receivables (current):	
- related parties	44,290
Add: Restricted cash (Note 37)	454
Total loans and receivables	**44,744**

Non-trade receivables

Non trade receivables from related parties are non-interest bearing and to be settled in cash. Repayments are not expected within the 12 months from the end of the reporting period.

All other receivables are denominated in US$.

At the reporting date, the Group does not have any receivables that are past due or impaired, or would otherwise be past due but not impaired.

37. Restricted cash

As of December 31, 2017, restricted cash comprises of balance in bank accounts maintained with MUFG Bank (Europe) N.V., Holland.

All restricted cash were used as covenant for bank loan and denominated in U.S. dollar.

As of December 31, 2017, the carrying amount of restricted cash approximates its fair value.

38. Other payables, and accrued expenses

	2017
Other payables and accrued expenses (current):	
Other payables:	
- Related corporations	514
- External parties	-
- Subsidiaries	1,202,819
Accrued expenses:	
- Others - third parties	20
Trade and other payables, and accrued expenses (current):	**1,203,353**
Total financial liabilities at amortized cost:	**1,203,353**

Other payables are non-interest bearing and are normally settled on 30-days terms.

Other payables to subsidiaries due to push down safari loan to SEGSL and SEGD II amounting to US$721 million and US$482 million respectively. Other payables to related corporations and subsidiaries are non-trade in nature, unsecured, non-interest bearing, payable upon demand and are to be settled in cash.

Other payables to external parties are non−interest bearing and have an average term of 60 days.

Other payables and accrued expense are denominated in US$.

(Expressed in thousands of United States Dollar, unless otherwise stated)

39. Share capital

	2017 No. of shares '000	US$'000
Issued and fully paid:		
Star Energy Geothermal Holdings (Salak – Darajat) B.V	8	8
ACEHI Netherlands B.V.	2	2
	10	10

The holders of ordinary shares are entitled to receive dividend as and when declared by the Company. All ordinary shares carry one vote per share.

40. Additional paid-in capital

	2017
Additional paid-in capital	**855,777**

On December, 22 2016 the Company entered into Convertible Loan Agreements for a maximum amount of US$710,000,000 - full amount and US$180,000,000 - full amount with Star Energy Geothermal Holdings (Salak - Darajat) B.V and ACEHI Netherlands B.V. (hereinafter referred to as the "Lenders"), respectively. The Company utilised the loan amounts of US$197,366,895 - full amount million for payment deposit in December 2016 for acquisitions under Sale and Purchase Agreements between the Company and Chevron Group.

On January, 10 2017, the Company executed the second utilisation request amounted to US$12,500,000 - full amount to pay the outstanding obligation of upfront fee to under the Secured Term Loan Facility Agreement.

On March 2, 2017, the Lenders of the Convertible Loans and the Company agreed to convert the loans outstanding as of December 31, 2016 and additional draw down on January 10, 2017 to share premium, offset by the outstanding other receivable of US$10,000 - full amount in relation to the initial issuance of share capital, recorded as part of equity in the consolidated statement of financial position.

On March 2, 2017, the Company has converted the Convertible Loan as paid-in capital amounted to US$209,856,895 - full amount.

On March 27, 2017, the Company entered into share premium contribution agreement with Star Energy Geothermal Holdings (Salak - Darajat) B.V and ACEHI Netherlands B.V. (hereinafter referred to as the "Shareholders") with total amount US$503,335,331 - full amount and US$124,264,833 - full amount, respectively, to pay final payment for acquisition of Salak and Darajat block.

On March 31, 2017, the Company entered into share premium contribution agreement with the Shareholders with total amount US$10,796,346 - full amount and US$2,665,432 - full amount, respectively, to pay final payment for acquisition of Suoh Sekincau block.

On September 22, 2017, the Company entered into share premium contribution agreement with the Shareholders with total amount US$3,896,272 - full amount and US$961,922 - full amount, respectively, to pay final payment for acquisition of PT Darajat Geothermal Indonesia.

(Expressed in thousands of United States Dollar, unless otherwise stated)

41. Legal reserves and limitations in the distribution of shareholders' equity

As at December 31, 2017, certain limitations existed relating to the distribution of shareholders' equity of US$10,000 – full amount. Such limitations relate to ordinary shares of US$10,000 – full amount and unrealized currency and hedge gains and losses. The unrealized losses related to cash flow hedges although qualifying as a legal reserve, reduce the distributable amount by their nature.

42. Financial risks management

The Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks is liquidity risk. The Company's overall risk management strategy focuses on the unpredictability of financial markets and seeks to minimize adverse effects on the Company's financial performance.

Risk management is carried out by the corporate finance department under supervision of the Board of Directors. The corporate finance department identifies, evaluates and hedges financial risks.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. Prudent liquidity risk management implies maintaining availability of funding through the support of related parties, including the shareholders. All of the Company's liabilities are payable to related parties and repayable within a year.

43. Capital management

Capital includes debt and equity items as disclosed in the table below.

The primary objective of the Company's capital management is to safeguard the Company's ability to continue as a going concern and to maintain an optimal capital structure so as to maximize shareholders' value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue years ended December 31, 2017.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt, loans and borrowings, trade and other payables, and accrued expenses less cash and bank balances and restricted cash excluding discontinued operations. Capital includes equity attributable to the owners of the Company.

	2017
Other payables	1,203,333
Accrued expenses	20
Net Debt	1,203,353
Equity attributable to the owners of the Company	839,131
Capital and net debt	2,042,484
Gearing ratio	59%

44. Workforce

The average number of staff employed by the company in 2017 was nil. The average number of staff employed by the group outside the Netherlands was nil in 2017.

45. Remuneration of members of the board of directors

The remuneration, including pension charges and other benefits, of current and former members of the board of directors charged to the company in the financial year amounted to nil.

46. Arrangements and commitments not shown in the balance sheet

There are no arrangements and commitments not shown in the Company's balance sheet in 2017.

47. Events after the balance sheet date

There are no events after the balance sheet data that affected Company's balance sheet in 2017.

Signatories to the financial statements

Amsterdam, 24 December 2018,

Board of Directors:

Hendra Soetjipto Tan
(Director A)

Rudy Suparman
(Director A)

Niwat Adirek
(Director A)

Yvonne Maria Theuns-Wimmers
(Director B)

Nehemia Santosa Lo
(Director B)

Wouter Bastiaan Swierstra
(Director B)

Patrice Rene Clausse
(Director A)

Djonie Maria Angela Spreeuwers
(Director B)

Bundit Sapianchai
(Director A)

Pravienkoemar Mahabier,
(Director B)

Other information

Articles of Association provisions governing appropriation of result
Result for the year is appropriated in accordance with article 21 of the Articles of Association, which states that the result for the year shall be at the disposal of the General Meeting.

Special voting rights under the Articles of Association
The Company has not granted special voting rights.

Non-voting shares and similar rights
The Company has not issued non-voting shares or similar rights.

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