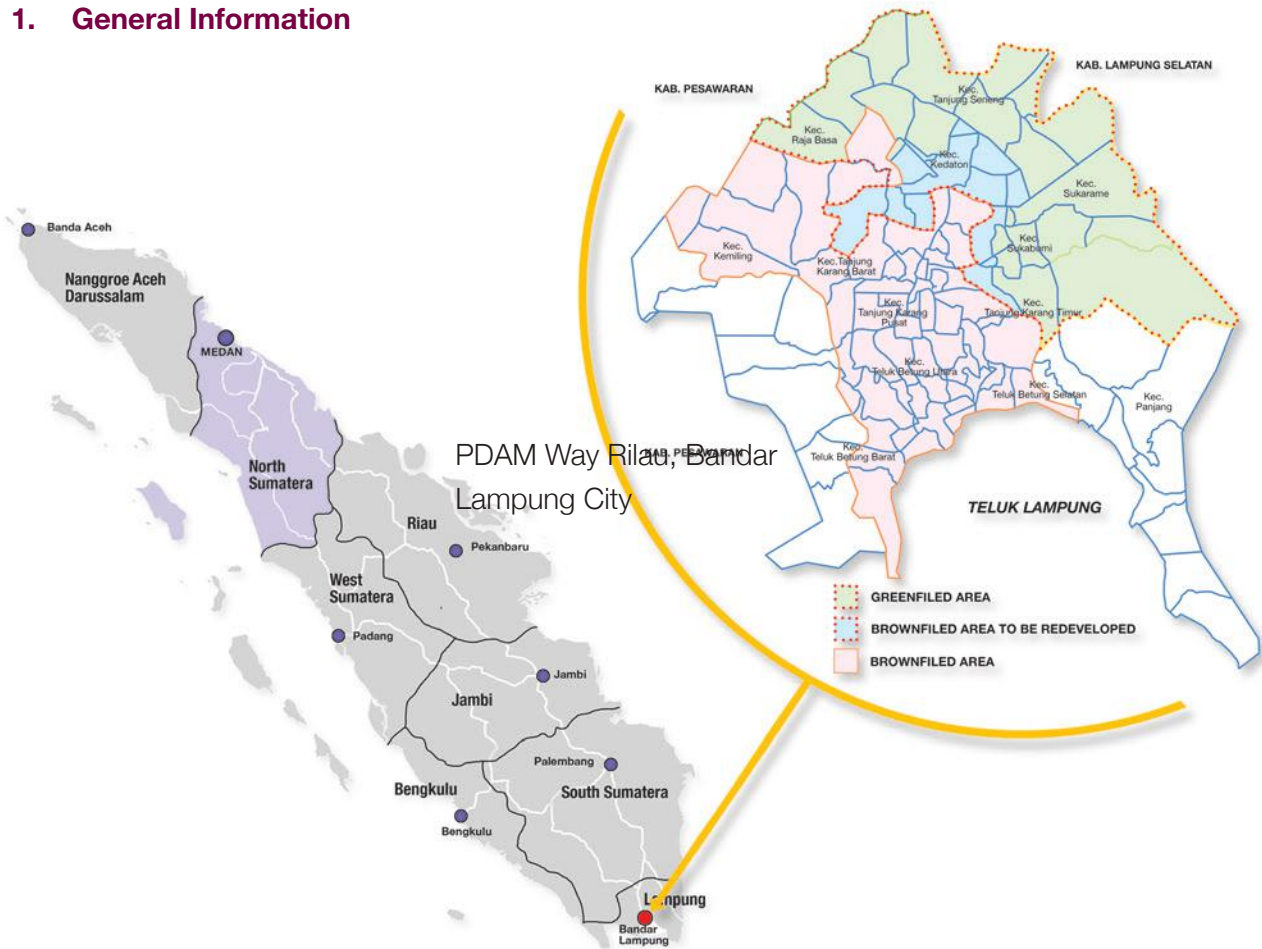


BANDAR LAMPUNG WATER SUPPLY

1. General Information



Government Contracting Agency	: PDAM Way Rilau, Bandar Lampung City
Implementing Unit	: PDAM Way Rilau, Bandar Lampung City
Preparation Agency	: PT. SMI through Project Development Facility from MoF
Estimated Project Cost	: USD 81.48 million
Estimated Concession Period	: 25 years after COD (BOT Bulk Water Supply including investment part of distribution network piping)
Location	: Bandar Lampung

2. The Opportunity

2.1. Project Background

Bandar Lampung city as the capital of Lampung province actively conducts physical development, which has implications on land use and population density. These conditions give impact to the increased of drinking water supply needs, caused by the growth of population in Bandar Lampung.

BANDAR LAMPUNG WATER SUPPLY

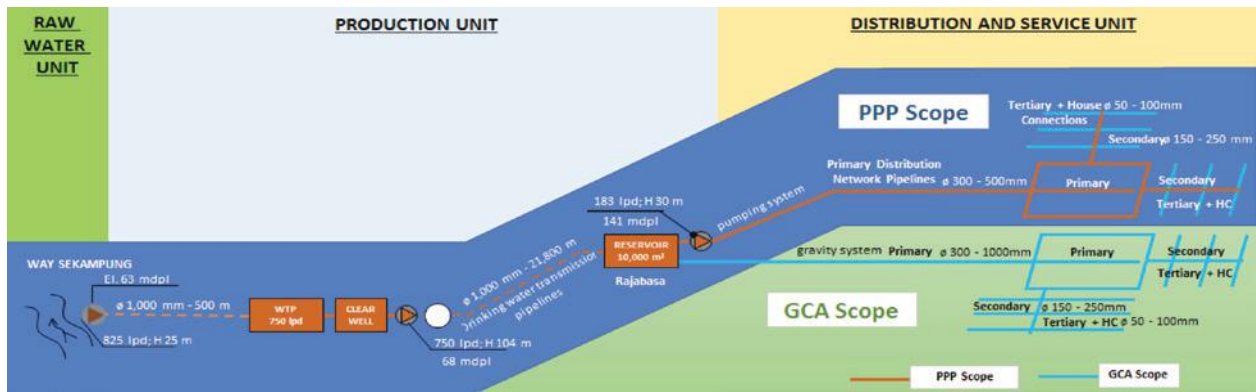


Figure of Bandar Lampung City PPP Project Scheme

Based RPJMN 2015-2019, coverage of drinking water services throughout Indonesia in 2019 must have reached 100%. While the coverage of drinking water services in the city of Bandar Lampung in 2015, especially through the pipeline, only 20%. These services are served by PDAM Way Rilau. Most of population in Bandar Lampung City still rely on groundwater for drinking water source.

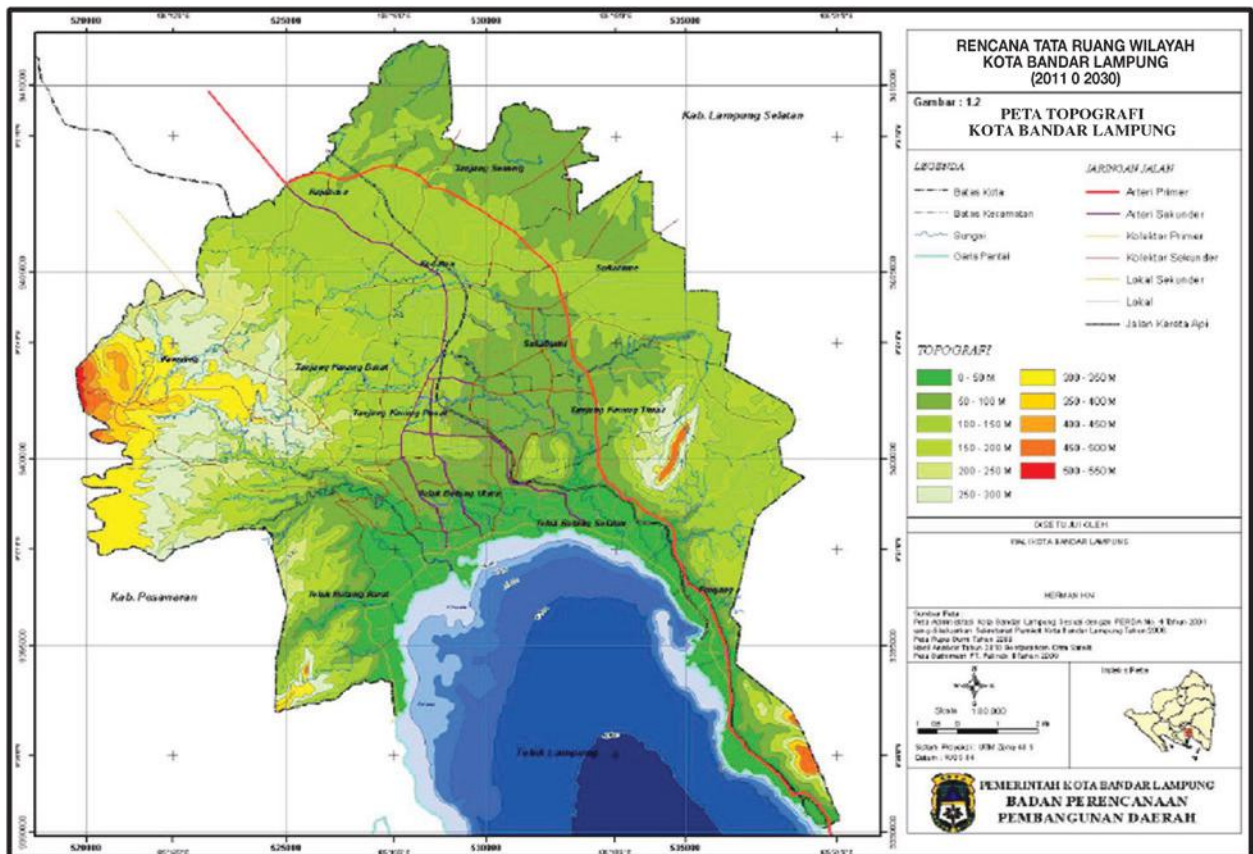


Figure Map of Administration Area Bandar Lampung

2.2. Project Description

Bandar Lampung City Water Supply PPP Project was developed to improve water service to the community of Bandar Lampung City. Most of the households in the area use groundwater to cover their daily needs.

With this project, the management of bulk water supply water in the city of Bandar Lampung will be conducted by PDAM Way Rilau and Project Company. All the distribution network will be operated by PDAM Way Rilau. The level of services is expected to be increased from 20% in 2015 to 46% in 2024 with sustainable access to safe drinking water. The capacity of the system is 750 l / sec and the system will serve 60,000 household connections

The service area will cover 8 districts in Bandar Lampung namely Rajabasa, Labuan Ratu, Way Halim, Kedaton, Tanjung Senang, Sukarame, Sukabumi and Kedamaian District.

Raw water from the intake in Way Sekampung River will be pumped into the Water Treatment Plant (WTP) located in Rulung Helok village, approximately 500 m from the intake site. Furthermore, raw water will be distributed through the transmission pipeline for approximately 21 km to the reservoir in Rajabasa District in Bandar Lampung as the offtake point from Project Company to GCA. The GCA will purchase bulk water using Take or Pay Mechanism and distribute the water to the customers in the service area using pumping and gravitation distribution systems.

The total length of transmission pipes is \pm 21 km using steel pipes 1.000 mm diameter. The total length of distribution pipes is \pm 425 km with varying diameters of 50-1.000 mm using steel and HDPE pipes.

2.3. Project Objectives

The general objectives of the project are as follows:

- To expand the service coverage of the water supply system in Bandar Lampung to approximately 46% of Bandar Lampung total population in 2024.
- To improve PDAM Way Rilau quality of service.

The purpose of the project is to provide a reliable water supply in accordance with the technical standards in order to meet people's needs and support economic activities in Bandar Lampung City. Provision of drinking water through PPP scheme will reduce the financial burden of the municipal government in financing the water sector.

3. Business Entity's Opportunity

The proposed project scheme is Build – Operate - Transfer. Therefore the private partner shall be responsible:

- Build, finance and operate raw water and production unit.
 - Build and finance part of the distribution network that will be operated by PDAM Way Rilau Bandar Lampung.
-

4. Project Technical Specification

The technical specifications for Bandar Lampung Water Supply are as follows:

- Water intake with 750 l/sec capacity
- Water Treatment Plant with 750 l/sec capacity
- Transmission pipe from WTP to Reservoir with \pm 21 km length
- 1 (one) reservoir with 10,000 m³ capacity
- Distribution network with approximately 425 km length (including tertiary network). Project Company will responsible to construct \pm 9 km main distribution network and \pm 32 km carrier distribution network using pumping system. GCA will be responsible for constructing the other part of the distribution network

5. Environmental Impact Assessment (AMDAL) Findings

The project is classified to require an Environmental Impact Assessment (AMDAL). Initial environmental examinations have indicated that the project should not face any significant problems from an environmental point of view. Until December 2016, AMDAL and Environmental License are being under process.

6. Land Acquisition and Resettlement Action Plan

No Land Acquisition needed for the Project. Land for Intake, WTP and Reservoir will be acquired as GCA's responsibility.

7. Project Structure

Estimated project cost	USD 81.48 million
Indicative debt to equity ratio	
- Debt level	70%
- Equity level	30%

8. Government Support and Government Guarantee

The Project will need VGF from the Ministry of Finance, financial project support from the Ministry of Public Works and Housing and the City Government of Bandar Lampung. To mitigate the project's risks, project guarantee from Indonesia Infrastructure Guarantee Fund (IIGF) may be required. In this regard, the level of risk perceived from investors will be determined at market sounding.

Indicated VGF Requirement	± USD 22.22 million (under process)
Indicated State Budget Requirement	± USD 11.85 million (under process)
Indicated City Budget Requirement	± USD 11.11 million (committed)

9. Project Implementation Schedule



10. Contact Information

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