

Sukuk Al Istisna'a Scheme for Balongan Project Case Study

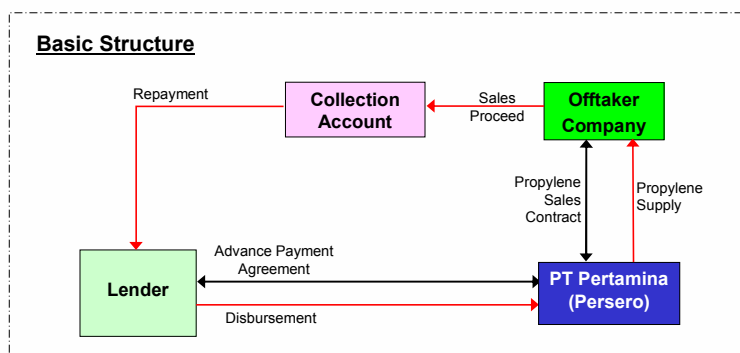
September, 2006



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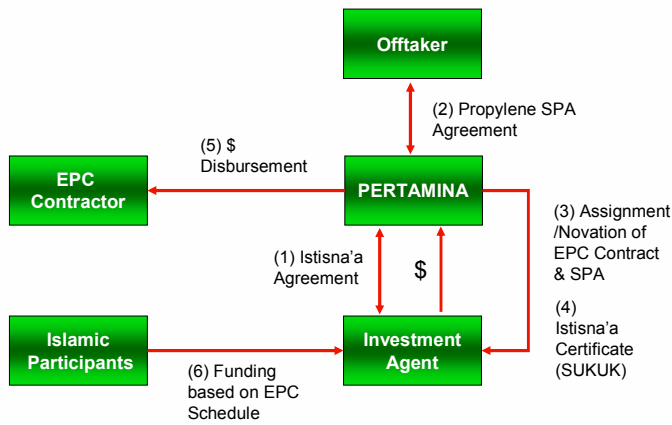
Funding Structure

- ✦ Project Financing, which will be developed in the Shariah concept "SUKUK AL ISTISNA'A"
- ✦ The structure relies on future cash flows from a specific development as the primary source of repayment, with that development's assets, rights, and interests held as collateral security.
- ✦ The repayment will be sourced from proceed under the SPA of incremental Propylene products produced from the Projects.



Sukuk Al Istisna'a (1)

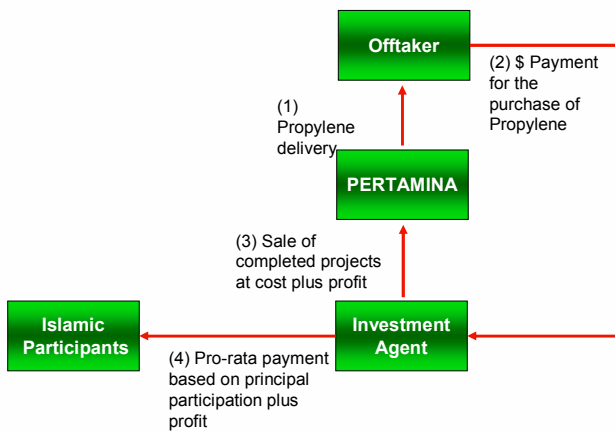
Pre-Completion of the Project



1. PERTAMINA and the Investment Agent acting on behalf of the Islamic Participants enter into an Istisna'a Agreement
2. PERTAMINA and the Offtaker enter into the Propylene SPA Agreement.
3. PERTAMINA assigns/novates the Projects under EPC Contracts to Investment Agent
4. PERTAMINA issues the Istisna'a Certificate (SUKUK) to transfer its ownership to the Investment Agent.
5. Pursuant to an Investment Agency Agreement, Islamic Participants fund PERTAMINA through the Investment Agent based on the EPC schedule.
6. Fund disbursed to PERTAMINA are utilized to make periodic payments to the EPC Contractor

Sukuk Al Istisna'a (2)

Post-Completion of the Project



1. PERTAMINA delivers Propylene to the Offtaker
2. The Offtaker pays the Propylene to the Investment Agent. This payment will be dedicated as the repayment of projects costs at cost plus profit.
3. The Investment Agent sells the completed Project to PERTAMINA at cost plus profit basis.
4. The sale proceeds are paid onwards to the Islamic Participants based on their pro-rata participation in the Projects.

Key Considerations

- ✦ Sukuk as a tradable Islamic instrument;
- ✦ Regulations i.e. The Presidential Decree No. 59 of 72 for the Negative Pledge of the security required over Pertamina assets, and etc;
- ✦ Tax Issue i.e. tax implication for the novation of assets and etc;
- ✦ Documentations i.e. no experience in the Sukuk Al Istisna'a agreement;
- ✦ Difference on the completion projects schedule.

