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PT Adaro Energy, Tbk.

DELIVERING POSITIVE ENERGY

2012 ANNUAL REPORT

Welcome

Dear Sir or Madam,

Welcome to the fifth edition of Adaro Energy's Annual Report. The theme of this year's report is "Delivering Positive Energy." It is derived from an analysis of the facts of what happened in 2012, our business model and our future.

The main goal of our annual report is to build understanding of Adaro Energy by providing timely, balanced and relevant information so investors can make informed investment decisions.

It is also the mission of this annual report to improve internal disclosure, internal networks, and learning within Adaro Energy and to act as a yearbook that helps build pride and unity amongst all of our people.

This 2012 Annual Report will be distributed to all of our shareholders either in hardcopy, flash disk or through our website, www.adaro.com.

Please do not hesitate to contact us at investor.relations@ptadaro.com should you have any questions or require additional information.

Yours truthfully,

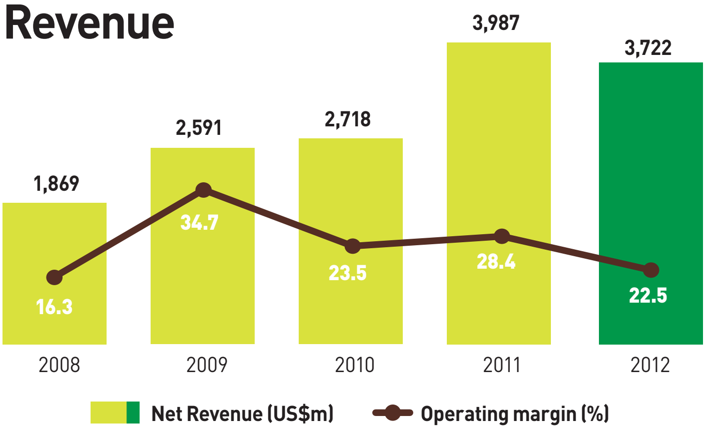
Cameron Tough
Head of Investor Relations
PT Adaro Energy, Tbk.

Our Annual Report's Mission

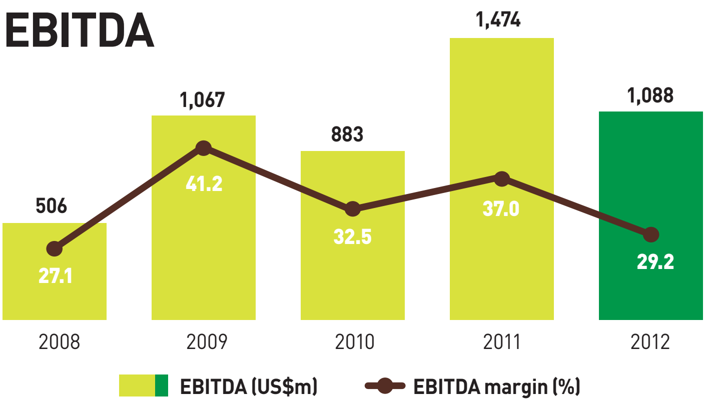
To produce a report that builds understanding of Adaro Energy with timely, balanced and relevant information.

Financial Highlights

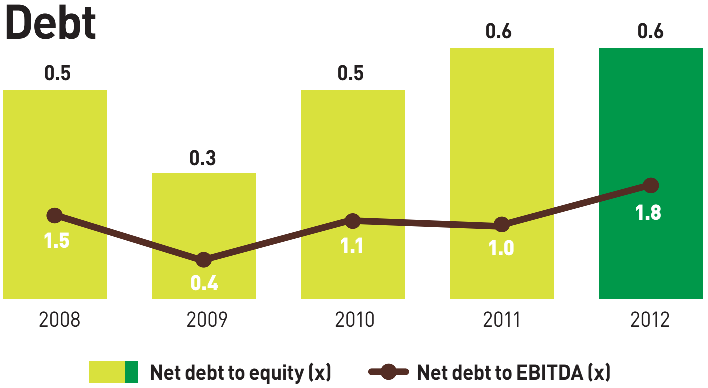
Revenue



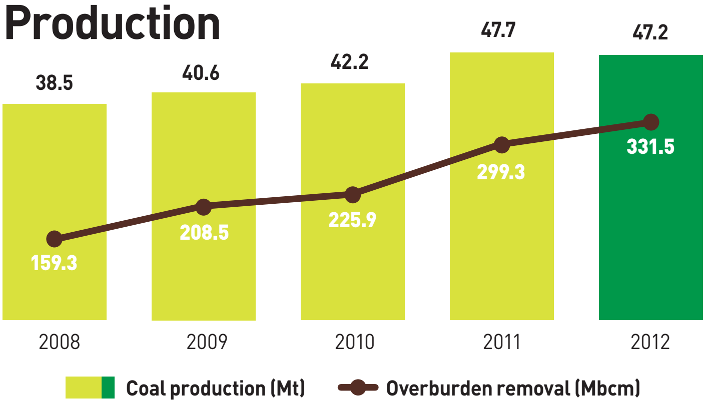
EBITDA



Debt



Production



Figures in US$ millions unless stated	2008	2009	2010	2011	2012
Financial Performance					
Net revenue	1,869	2,591	2,718	3,987	**3,722**
Cost of revenue	(1,433)	(1,534)	(1,889)	(2,559)	**(2,680)**
Gross profit	436	1,057	829	1,428	**1,043**
EBITDA	506	1,067	883	1,474	**1,088**
Operating income*	305	898	638	1,131	**836**
Net income	96	417	247	552	**383**
Basic earnings per share (EPS) (US$)	0.00392	0.01297	0.00773	0.01721	**0.01205**
Total assets	3,347	4,530	4,470	5,659	**6,692**
Total liabilities	1,824	2,648	2,438	3,217	**3,697**
Stockholders' equity	1,523	1,882	2,032	2,442	**2,995**
Interest-bearing debt	993	1,676	1,592	2,105	**2,445**
Cash and cash equivalents	221	1,199	607	559	**500**
Net debt	772	477	985	1,546	**1,945**
Capex	154	106	245	625	**490**
Free cash flow (EBITDA - Capex)	352	960	638	849	**598**
Financial Ratios					
Gross profit margin (%)	23.3	40.8	30.5	35.8	**28.0**
EBITDA margin (%)	27.1	41.2	32.5	37.0	**29.2**
Operating margin (%)	16.3	34.7	23.5	28.4	**22.5**
Return on equity (%)	10.6	24.5	12.6	24.7	**14.1**
Return on assets (%)	3.9	10.6	5.5	10.9	**6.2**
Return on invested capital (%)	9.5	16.4	9.8	15.1	**9.2**
Net debt to equity (x)	0.5	0.3	0.5	0.6	**0.6**
Net debt to EBITDA (x)	1.5	0.4	1.1	1.0	**1.8**
Cash from operations to capex (x)	0.5	6.6	1.2	1.1	**0.9**
Operating Statistics					
Coal production volume (Mt)	38.5	40.6	42.2	47.7	**47.2**
Sales volume (Mt)	41.1	41.4	43.8	50.8	**48.6**
Overburden removal (Mbcm)	159.3	208.5	225.9	299.3	**331.5**
Planned strip ratio (x)	4.3	5.0	5.5	5.9	**6.4**
Coal cash cost, excl. royalty (US$/t)	27.2	26.9	31.9	35.8	**38.9**

We expensed our 2012 deferred stripping cost of US$55.3 million as part of our strategy to manage our business and balance sheet conservatively.

Our EBITDA was in line with our 2012 guidance of US$1.0 to US$1.3 billion.

We reduced our capex spend in 2012 by purchasing less heavy equipment in order to preserve cash.

Our balance sheet remained solid with low leverage and access to cash and long-term bank facilities totaling US$920 million.

Our 2012 production was below guidance of 48-51 Mt as we decided not to sell additional volumes at a discount. As the market recovered, we produced a record quarterly volume of 13.3 Mt in 4Q12.

We achieved our planned overburden target of 321 Mbcm, even as coal production decreased, exposing more coal and aiding our ability to lower the strip ratio in 2013.

Our coal cash cost was at the bottom end of 2012 guidance of US$39 to US$42 per tonne due to below-budget fuel costs and cost reduction initiatives.

*Capital market regulations were revised in 2012 to require operating income to include "other expenses." All years have been restated to reflect this revision.

DELIVERING POSITIVE ENERGY

2012 ANNUAL REPORT

What Is Positive Energy?

Each time we send Envirocoal, the cleanest thermal coal available on the export market, on time and as ordered to our loyal customers, we deliver positive energy.

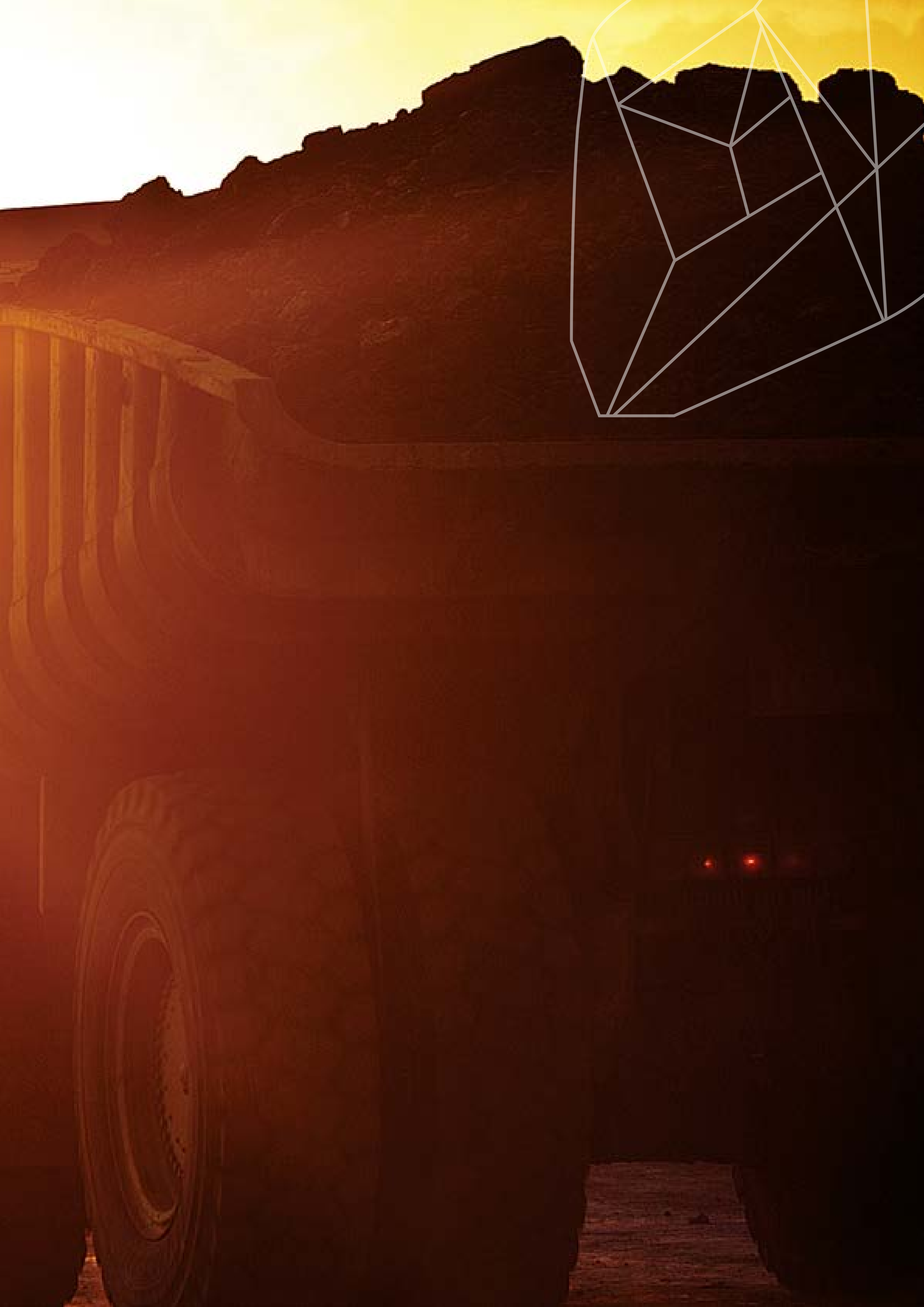
In the passionate work of each of our employees, in the way we conduct ourselves, in the impact we have on those around us and in the contributions we make to society, we deliver positive energy.

As we turn a non-renewable resource into a renewable one, as we create maximum sustainable value from Indonesian coal, we deliver positive energy.

It is time to see coal for what it really is: positive energy. And in this exciting time of growth in Indonesia and the Asia-Pacific region, it is a great honor to be able to make such a positive impact.

At Adaro, we are different from the rest in what we produce and how we behave. We are doing more than just building a great coal and energy company, we are Delivering Positive Energy.

DELIVERING POSITIVE ENERGY



Our Vision

To be a leading Indonesian mining and energy group.

Our Mission

We are in the business of mining and energy to:

- Satisfy our customers' needs.
- Develop our people.
- Partner with our suppliers.
- Support community and national development.
- Promote a safe and sustainable environment.
- Maximize shareholder value.

This Report Is Available:

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For a copy of this report in English or Indonesian, e-mail us at investor.relations @ptadaro.com

As a PDF
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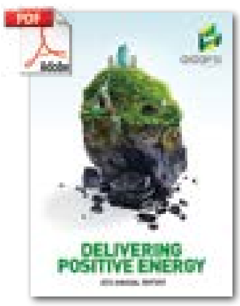
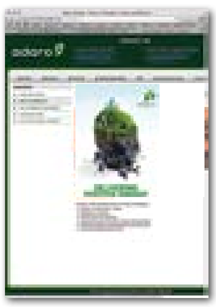


On adaro.com
See our web version of the report at www.adaro.com



On your tablet
Download the Adaro Annual Report app in the Apple app store.

Adaro Energy 2012 Annual Report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IN THIS SECTION

OUR WORLD

'I want Adaro to give the best performance it can to the nation, to the people. Why? It's very simple. If I can contribute to the country, and later the country becomes a great nation, people become prosperous. They will need more electricity, and the government will need more power plants and more coal.'

Garibaldi Thohir, President Director & Chief Executive Officer

Our Business at a Glance

'From Pit to Port to Power' — Adaro Energy's subsidiaries are vertically integrated for maximum cost efficiency

What Is Adaro?
We focus on integrated coal mining through subsidiaries. Our principal location is in South Kalimantan, where we mine Envirocoal, a sub-bituminous, moderate calorific value coal producing ultra-low sulphur, ash and NOx emissions. We are vertically integrated, with pit-to-power subsidiaries including mining, barging, shiploading, dredging, port services, marketing and power generation. Our strategy is to focus on organic growth, improve efficiency and cost control and further integrate our power generation division. In this opening section, see why Adaro is an exceptional company and an excellent prospect for investors.

Adaro Exploration & Drilling Services	Adaro Land Asset Management	Adaro Mining Assets (PT Alam Tri Abadi, 100% AE owned)		Adaro Mining Technologies
1 PT Adaro Eksplorasi Indonesia (AEI) **Mining exploration (100% owned by Adaro Energy)**	**1 PT Adaro Persada Mandiri (APM)** **Land management (100% owned by Adaro Energy)**	**1 PT Adaro Indonesia (AI)** **Mining license holder (100% owned by Adaro Energy).** Operates a coal concession in South Kalimantan currently with three mines: Tutupan, Wara and Paringin. It produced 47.2 million tonnes of Envirocoal sub-bituminous coal in 2012, mostly for blue-chip power utilities. **2 PT Mustika Indah Permai (MIP)** **Mining license holder, South Sumatra (75%).** Pre-production ongoing for sub-bituminous coal.	**3 PT Bukit Enim Energi (BEE)** **Mining license holder, South Sumatra (61.04%).** Geological studies for thermal coal mine. **4 PT Bhakti Energi Persada (BEP)** **Mining license holder, East Kalimantan (10.22% with option up to 90%).** Developing mine for low-rank coal. **5 IndoMet Coal Project (IMC)** **JV with BHP Billiton, East and Central Kalimantan (25%).** Developing metallurgical coal.	**1 PT Adaro Mining Technologies** **Coal research and development (100% owned by Adaro Energy)**

Adaro Energy Group

- Adaro Exploration & Drilling Services
- Adaro Land Asset Management
- Adaro Mining Assets
- Adaro Mining Technologies
- Adaro Mining Services
- Adaro Logistics Services
- Adaro Marketing & Trading
- Adaro Power

Adaro Mining Services

1 **PT Saptaindra Sejati (SIS)**
Mining and hauling contractor (100% owned by Adaro Energy)

2 **PT Jasapower Indonesia (JPI)**
Operator of overburden crusher and conveyor (100%)

3 **PT Servo Meda Sejahtera (SMS)**
Coal hauling road operator (35%)

Adaro Logistics Services
(PT Adaro Logistics, 100% owned by Adaro Energy)

1 **PT Maritim Barito Perkasa (MBP)**
Barging and shiploading (100%)

2 **PT Harapan Bahtera Internusa (HBI)**
Third-party barging and shiploading (100%)

3 **PT Sarana Daya Mandiri (SDM)**
Dredging contractor in Barito River mouth (51.2%)

4 **PT Puradika Bongkar Muat Makmur (PBM)**
Shiploading and barging management (100%)

5 **PT Indonesia Multi-Purpose Terminal (IMPT)**
Port operator (85%)

6 **PT Indonesia Bulk Terminal (IBT)**
Coal and fuel terminal (100%)

Adaro Marketing & Trading

1 **Coaltrade Services International Pte Ltd**
Marketing (100% owned by Adaro Energy)
Trading thermal coal, agent for Adaro and third-party coal producers and customers.

Adaro Power (PT Adaro Power, 100% owned by AE)

1 **PT Makmur Sejahtera Wisesa (MSW)**
Operator of 2x30MW coal-fired mine-mouth power plant (100%)

2 **PT Bhimasena Power Indonesia (BPI)**
Partner in 2x1,000MW power generation project in Central Java (34%)

3 **South Kalimantan Power Project**
Partner in 2x100MW power generation project (65%)

2012 as It Happened

March 22

We announced the JORC-Compliant Coal Resources and Reserves for PT Mustika Indah Permai (MIP). The JORC-Compliant Coal Resources were estimated at 286.4 million tonnes, of which 272.6 million tonnes were estimated as JORC-compliant coal reserves.

Details on page 106-108

May 29

Our barging and shiploading subsidiary, MBP, secured a US$200 million, 7-year (5.75-year average life) loan from a group of 10 foreign banks.

Details on page 253

July 25

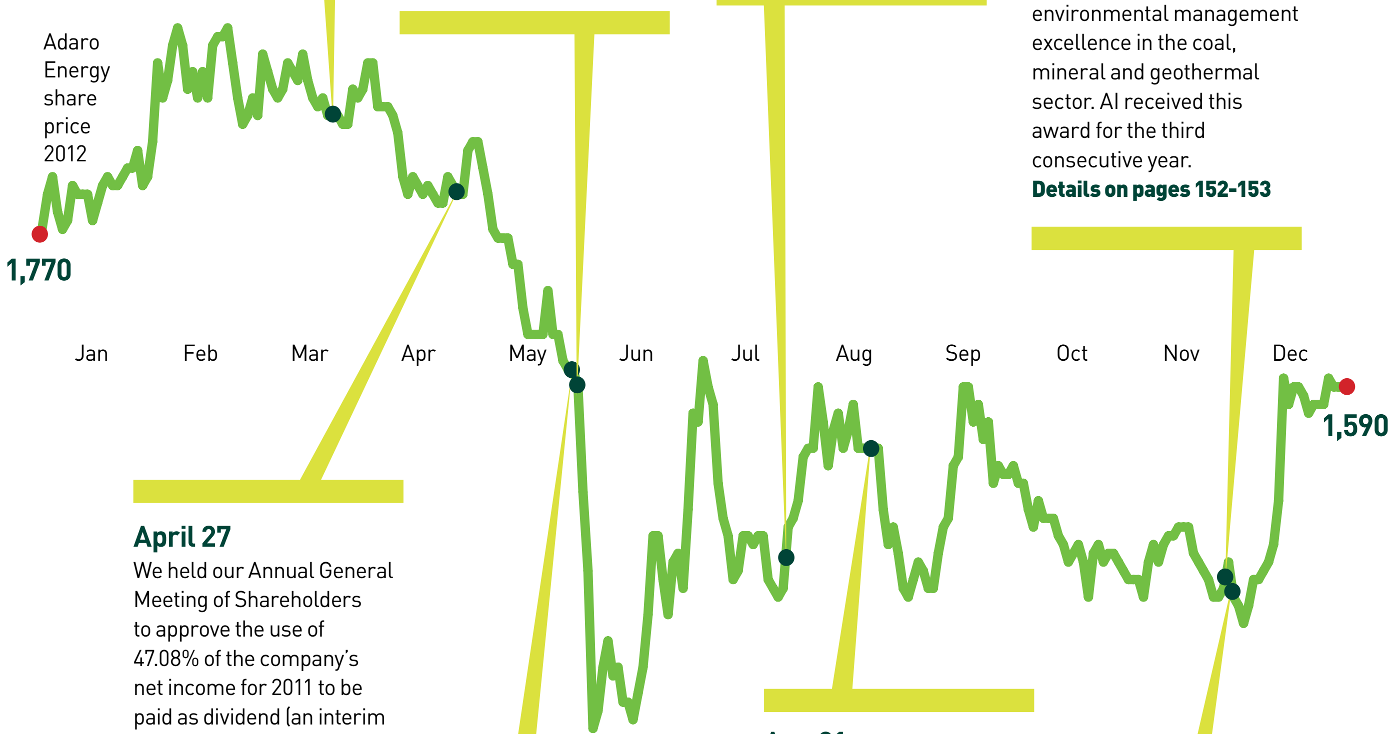
Our subsidiary, AI, received the environmental impact assessment (AMDAL) approval from the Ministry of Environment to produce 80 million tonnes of coal annually. Some of the assessments include a detailed environmental impact analysis, an environmental management plan and an environmental monitoring plan.

Details on page 153

Nov 27

Our subsidiary, AI, received the Aditama (gold) award 2012 for environmental management excellence in the coal sector. The award is given to the best performing companies for environmental management excellence in the coal, mineral and geothermal sector. AI received this award for the third consecutive year.

Details on pages 152-153



April 27

We held our Annual General Meeting of Shareholders to approve the use of 47.08% of the company's net income for 2011 to be paid as dividend (an interim amount of US$75.17 million paid on Dec. 9, 2011, and the remaining US$183.92 million on June 12, 2012).

Details on page 188

May 28

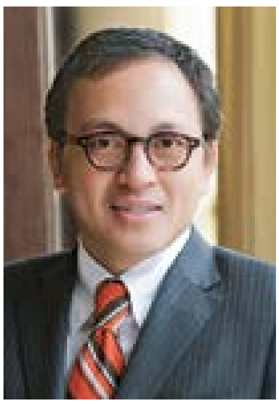
We entered into a convertible loan and share subscription agreement with the option to provide a loan to BEP for up to US$500 million, which is convertible into equity of up to 51% in BEP for a period up to three years (Option One), and an option agreement which we are granted to acquire BEP shares from the controlling shareholders of BEP by offering newly issued shares of Adaro Energy (Option Two).

Details on page 234

Aug 21

Andre Mamuaya, Director, Corporate Affairs, PT Adaro Energy, passed away.

In memoriam, page 127



Nov 29

Our subsidiary Adaro Indonesia received the Gold PROPER award, the highest standard in Indonesian environmental rehabilitation management, becoming the first mining company to do so since the award was initiated in 2002. AI previously won the Green PROPER award, one level below the Gold award, for four consecutive years.

Details on page 152

Why Invest in Adaro?
For Our Core Strengths...

1. Page 12
Our coal quality and reserves

2. Page 14
Our focus on the Asian growth story

3. Page 15
Our strategy to create long-term value

4. Page 16
Our record for production growth

5. Page 18
Our low cost of production

6. Page 19
Our financial strength

7. Page 20
Our respect for people and nature

8. Page 22
Our major shareholders and governance

9. Page 23
Our experienced management team

10. Page 24
Our vertically integrated business

1 Our Coal Quality and Reserves

Adaro controls or has options on 12 billion tonnes of coal resources — including 1.1 billion tonnes of reserves — all in full compliance with JORC standards.

We currently produce out of a single concession in South Kalimantan — the largest single-site mine in the southern hemisphere — but we have acquired assets in all of Indonesia's four key coal-producing provinces. For our core operation we have a first-generation Coal Cooperation Agreement, a secure contract with the Indonesian government.

Read More

Resources & reserves **Page 102**

About Envirocoal **Page 63**

Coal acquisitions **Pages 96-99**

Our coal is marketed as Envirocoal due to its extremely low ash, nitrogen and sulphur content with heat values ranging from 4,000 kcal/kg to 5,000 kcal/kg.

1.1 billion tonnes of coal reserves

12 billion tonnes of coal resources*

* Includes option to control 7 billion tonnes

1-2%

Envirocoal's average ash content, compared to up to 20% among other globally exported coals.

0.9%

Envirocoal's average nitrogen content, compared to up to 2.5% among other globally exported coals.

0.2%

Envirocoal's average sulphur content, compared to up to 2.0% among other globally exported coals.

2 Our Focus on the Asian Growth Story

The Asia-Pacific region will continue to drive global seaborne demand for thermal coal. Wood Mackenzie projects the region's share of demand rising to over 91% by 2030 from 76% in 2012. By 2016, more than 395GW of coal-fired power generation capacity is expected to come online, requiring an extra 1.1 billion tonnes of thermal coal a year. China is expected to account for about 240GW of new coal-fired power generation, followed by India with 75GW.

Indonesia will also continue to grow and will remain a priority for Adaro. A 2012 McKinsey study, *Unleashing Indonesia's Potential,* predicts that 90 million more Indonesians will be part of the global consuming class by 2030, so the country's energy demands will rise rapidly. Demand for electricity is expected to nearly triple to 17 quadrillion BTUs by 2030, and its supply is essential for the country to realize its growth potential.

Read More

Industry outlook and forecasts
Page 56

Fuelling the world
Page 54

Our customers
Page 64

3 Our Strategy to Create Long-Term Value

Adaro Energy focuses on creating maximum long-term value from Indonesian coal. After several years of investment in our existing operations and in greenfield coal deposits around Indonesia, we have renewed our emphasis on efficiency and cost control in line with our long-term plan for sustainable growth.

Read More
Our strategy in detail
Page 52
Investing for the future
Pages 92-101

As we expand to our medium-term coal production target of 80 million tonnes per year, we will do so with less risk, growing with customers and securing coal-supply agreements for large power generation projects. We will continue to partner with and serve blue-chip firms and allocate capital only for projects yielding the best risk-adjusted returns.

Here are the key components of our approach to value creation:

growth

1 Organic growth, secured by our current assets and customers.

efficiency

2 Focus on and improve the efficiency of our coal supply chain.

diversity

3 Increase reserves, diversify product, locations and licenses.

integration

4 Deepen integration by moving further downstream into power generation.

4 Our Record for Production Growth

Adaro Energy has a proven track record of sustainable production growth from our concession in South Kalimantan. We achieved uninterrupted annual growth from the first year of commercial operations in 1992 through to 2011. Since our major shareholders took control of Adaro in 2005, production has seen a compound annual growth rate (CAGR) of 8.5%.

In 2012, we held our production volume steady, producing less coal in the face of declining prices due to market oversupply. We made sure to fulfill all of our contracted orders, as our customers and our supply reliability remain our top priority. We witheld additional volumes and maintained margin discipline, waiting for the coal market to come back into balance.

However, we are committed to growing production with a medium-term annual target of 80 million tonnes.

Read More

Sales review
Page 62

Operations review
Page 70

Production chart
Page 72


2012
47.2Mt

5 Our Low Cost of Production

Adaro is at the curve's low end with a cost of US$46.85 (including royalty)

Adaro is consistently at the low end of **the coal cash cost curve** thanks to excellent mining conditions at our South Kalimantan concession and the cost control and efficiencies brought by our deep vertical integration into our coal supply chain. This lets us weather volatile market conditions and remain among the most profitable players in Indonesian thermal coal. In 2012 we delivered a coal cash cost of $38.95 (excluding royalty), below our guidance for the year.

Thermal coal cash cost supply curve 2012

Source: Wood Mackenzie Coal Market Service

We continue to invest in our automation and efficiency projects, including an overburden crushing and conveying system at our Tutupan mine, which will be powered by a 2x30MW mine-mouth power plant. Both will begin operation in 2013, delivering significant efficiency benefits and fuel-cost savings — equivalent to the cost of running about **100 mine dump trucks** annually.

Read More

Coal cash cost **Page 50**

Strategy to create value **Page 52**

OPCC **Page 94**

6 Our Financial Strength

OUR WORLD

$920m

in available cash and undrawn credit facilities

Mining is a long-term and capital-intensive business. We are committed to maintaining a capital structure that supports our business needs. We had a strong balance sheet with US$500 million in cash and US$420 million in undrawn funding from long-term bank credit facilities. This allows Adaro to maintain ample liquidity during downturns in the coal market. Our focus on keeping our leverage low is evident in our net debt to EBITDA ratio of 1.8x at the end of 2012.

We generated US$1.1 billion of EBITDA in 2012, in line with our guidance, and recorded an EBITDA margin of 29.2%, cementing our reputation for one of the best margins among Indonesian thermal coal producers. Pricing pressure has been industry-wide, but we minimized the impact with our focus on cost discipline and efficiency.

$1.1b

EBITDA, in line with guidance

29%

EBITDA margin, one of the best in Indonesia's thermal coal sector

Read More

A letter from the Directors
Page 34

Financial review
Page 86

7 Our Respect for People and Nature

In achieving our vision of becoming a leading Indonesian mining and energy group, it is vital that we balance economic, environmental and social considerations. Our core strategy prioritizes community development programs, the health and safety of our workforce, and sustainability of the environment in which we operate.

Community development is essential for our continued growth. In 2012, we invested US$14.4 million, 40% more than in 2011, principally in programs for educational enhancement, economic development, health improvement and socio-cultural promotion.

In our workforce, we are committed to the highest measures of health and safety. Adaro Indonesia staff worked over 63 million hours in 2012, and recorded only 18 lost-time injury incidents, equivalent to one incident per 3.5 million man hours worked.

Our exacting environmental standards were recognized in 2012 when Adaro became the first mining company to win a Gold PROPER award from the Ministry of the Environment. We also won for the third straight year a Gold Aditama award from the Ministry of Energy and Mineral Resources for environmental management in the coal, mineral and geothermal sector.

Read More

Health, safety & environment
Page 150

Engaging with our communities
Page 156

Fish farming in a rehabilitated area of our Paringin mine in South Kalimantan.

8 Our Major Shareholders and Governance

Key shareholders:
Edwin Soeryadjaya
Theodore P. Rachmat
Garibaldi Thohir
Ir Subianto
Sandiaga S. Uno

64%

We have as major shareholders five respected Indonesian families whose long and successful business relationship can be traced to the early days of the Astra Group, one of Indonesia's most respected and well-run firms. No family has outright control, but collectively they hold more than 64% of the company.

At the same time, two out of the six members of our Board of Commissioners are independent, and we have a fully independent Audit Committee. Good corporate governance is an integral part of what has made us successful and is likewise key to our long-term successful operations.

Transparency, accountability, fairness, responsibility and independence are woven into the fabric of our corporate culture, ensuring that the interests of all of our stakeholders are protected.

Read More

Our shareholders' support **Page 50**

Commissioner profiles **Page 118**

Our governance **Page 164**

33%

Two of six commissioners are independent

100%

All members of our Audit Committee are independent

9 Our Experienced Management Team

Leadership continuity and experience are the keys to successfully executing Adaro's strategy and steering the company through challenging times — such as the coal market downturn during 2012. Our Board of Directors, as the company's core management team, have a combined 100 years of industry experience between them, including 64 years at Adaro Energy.

Since the buyout of Adaro by the current major shareholders in 2005, this management team has nurtured the strongest period of growth and consolidation in the company's 21 years of commercial operations.

Read More

A letter from the Directors
Page 34

Interviews with our Directors plus profiles
Pages 121-126

71%
reduction in ratio of net debt to EBITDA from 6.3x in 2005* to 1.8x in 2012

434%
increase in net revenue from US$697m in 2005* to US$3,722m in 2012

750%
rise in profit before tax from US$84m in 2005* to US$714m in 2012

76%
increase in coal production from 26.7 million tonnes in 2005* to 47.2 million in 2012

*All 2005 figures represent PT Adaro Indonesia only

10 Our Vertically Integrated Business

Back in 2004, Adaro was 100% outsourced, privately held and was only engaged in coal mining. We were in essence just landlords, as everything was done by third parties. Now we do everything ourselves: we mine our coal, move it and market it quickly, efficiently and safely. We have control over the entire supply chain.

Our business model is based on the efficiencies, cost reductions and direct control brought by vertical integration of every relevant part of the coal supply chain. We made the last acquisitions to complete 'pit to port' integration in 2010, and now we are working towards full 'pit to power' integration. This business model is integral to our future success, and we will be replicating it at our recently acquired operations in South Sumatra, East Kalimantan and Central Kalimantan.

Read More

How our vertical integration works
Page 48

Investing for the future
Page 92

- Exploring
- Mining
- Hauling
- Barging
- Ports
- Marketing
- Power

Awards for Adaro 2012
A Golden Year

Adaro Energy and its subsidiaries won more awards in 2012 than in any previous year, including:

Fortune Indonesia Most Admired Companies 2011
Adaro Energy was included in the 20 Most Admired Companies in Indonesia and won Best in Mining, Oil and Gas Industrial Sector in the magazine's annual company awards in January 2012.

Tambang Award
Adaro Energy President Director Garibaldi Thohir won Best CEO in Mining in Majalah Tambang's annual awards in May 2012.

Asia Responsible Entrepreneurship Award (Southeast Asia)
PT Adaro Indonesia won a Health Promotion Award in June 2012 for its cataract eradication program in the annual awards by Enterprise Asia recognizing Asian businesses for championing sustainable and responsible entrepreneurship.

Southeast Asia Institutional Investor Corporate Awards
Adaro Energy won three awards in June 2012 in Alpha Southeast Asia's second annual poll to find Southeast Asia's top companies. Adaro was judged to have Indonesia's Most Organized Investor Relations, Indonesia's Strongest Adherence to Corporate Governance and Indonesia's Best Annual Report

Bloomberg Businessweek Corporate Image Award 2012
Adaro scored an Excellent rating in the coal mining category of the annual awards in June 2012. Businesses were rated on quality, performance, responsibility and attractiveness.

Jewel of the Muslim World Award
Adaro Energy's President-Director Garibaldi Thohir was one of nine recipients in September 2012 of the Jewel of the Muslim World Award 2012 from the Organization for Islamic Co-operation. The award is for significant contribution and positive impact for the economic development of Muslim countries.

Social Empowerment Awards 2012
Adaro won nine awards in September 2012 in the Coordinating Ministry for People's Welfare awards honoring companies that run corporate social responsibility (CSR) programs based on the Millennium Development Goals (MDGs) and assist Indonesia in achieving its MDGs target for 2015.

For CSR Programs:
• Participation in Jobs Creation to Alleviate Poverty, platinum award for "Development of Superior Rubber Plantation."
• Co-operatives / Microfinance Institution to Eradicate Extreme Poverty and Hunger, platinum award for "Banua Bauntung microfinance institution Tanjung branch, and its role for the development of Small and Medium Enterprises."
• Empowerment of Poor Households through Micro Businesses to Eradicate Extreme Poverty and Hunger, platinum award for "Animal Village."
• Toddler and Child Health Services to Reduce Child Mortality, gold award for "Ibu Sadar Balita Class for Mother, Newborn, and Child Health in Paringin, Juai and Lampihong Districts, Balangan Regency."
• Creation of Access to Clean Water, gold award for "Increasing Access to Clean Water Facilities in Surrounding Villages."
• Recycling Products to Ensure Environmental Sustainability, gold award for "Domestic Waste Recycling by Saraba Kawa House of Learning to achieve Ecological and Economical profits."
• Women's Savings and Loans Institutions to Achieve Equality, silver award for "Women's Savings and Loans Institutions for Sukamaju Women Farmer Groups."

For Adaro individuals:
• Management Level CSR Officer, runner-up: Abdurrahman, CSR Manager
• Field-level CSR Officer, second runner-up: Supiani, CSR Officer

Adaro Energy President Director Garibaldi Thohir receives an excellence award at Platts' annual celebration of its Top 250 Global Companies. Below, the Gold PROPER award for environmental management from the Indonesian government.

Global Energy Companies Award 2012
Adaro was ranked 154th in the annual Top 250 Global Companies Award by Platts, a leading global provider of energy, petrochemicals and metals information and analysis. The ranking, announced in October 2012, was based on an assessment of asset worth, revenues, profits, and return on invested capital.

Asia's Best Borrower Awards
Adaro won two accolades in October 2012 in Finance Asia's Fixed-Income Research Poll 2012 as Indonesia's Best Borrower and Asia's Most Professional Corporate Borrower (Non-investment Grade). The result came from a poll of 863 qualified investors.

Aditama Award
Adaro Indonesia received the top-level Gold Award in the Ministry of Energy and Mineral Resources' annual occupational health and safety awards in October 2012 as a coal-sector company with the best score for environmental management in its mining operations. It was the third year in a row that Adaro won the coal mining category gold award since it started entering the Aditama Award in 2010.

Program to Plant One Billion Trees Award
Adaro Energy was among a small group of companies that received an award from Indonesian President Susilo Bambang Yudhoyono and the Ministry of Forestry in November 2012 for its contributuion towards the government's tree-planting initiative.

Indonesian Institute of Corporate Directorship Award
Adaro Energy won an award for Most Improved Governance in November in the annual Indonesian Institute of Corporate Directorship (IICD) awards recognizing companies raising corporate governance standards and practices.

PROPER Gold Award
Adaro Energy won a Gold award in December 2012 in the Indonesian Ministry of the Environment's PROPER scheme to encourage environmental management. Adaro became the first mining company to win the highest level since the awards began in in 2002. Adaro Indonesia had previously received the Green PROPER Award four times.

Most Trusted Companies 2012
Adaro Energy was included in December 2012 among the top 20 Most Trusted Companies compiled from surveys of analysts and investors by SWA Magazine and the Indonesian Institute for Corporate Governance.

DELIVERING POSITIVE ENERGY

adaro

Excavation of our new E4700 coal from a seam inside the Tutupan pit at Adaro Indonesia's South Kalimantan concession site.

IN THIS SECTION

OUR **THOUGHTS**

'Our strong control, continuous improvements to the coal supply chain and entry into the coal-fired power generation sector empowered with good teams have placed us in a better and stronger position to capitalize on the vast growth opportunities in the energy and commodity markets.'

Edwin Soeryadjaya, President Commissioner

A Letter from the Commissioners

Let's Build on Our Progress

Edwin Soeryadjaya
President Commissioner

Dear Shareholders,

The year 2012 marks another milestone in the history of Adaro Energy as we recorded our second-highest level of coal production after 2011 despite the challenging market conditions created by excess supply. We continuously strive to grow and diversify our products, locations and licenses in the Indonesian coal industry to expand our vertically integrated pit-to-power business model. In addition, we are further enhancing our coal supply chain to include downstream opportunities into the power sector that would enable us to reach our overall long-term targets.

Year-End Results

We are pleased with the management's operational and financial performance in the past year. Due to the coal market rebound towards the end of 2012 as well as the good performance of Adaro's mining contractors, the management was able to achieve a production level of 47.2 million tonnes and a sales volume of 48.6 million tonnes, just 1.0% and 4.3% lower, respectively, than in 2011. Adaro's EBITDA (earnings before interest, taxes, depreciation and amortization) of US$1,088 million was in line with our guidance of US$1,000 million to US$1,300 million and gave us a 29.2% margin — among the best in the Indonesian thermal coal industry. Due to higher mining costs, resulting from the decision to expense our 2012 deferred stripping costs, and in line with our strategy to manage our business and balance sheet conservatively, Adaro Energy's cost of revenue increased 4.7%, leading to a 26.1% decrease in operating income to US$836.4 million. Consequently, net income contracted by 30.6% to US$383.3 million.

Our company, Indonesia's second largest thermal coal producer, operates the largest single coal mine site in Indonesia and is a significant supplier of thermal coal to the global seaborne market. Adaro is vertically integrated, both directly and indirectly, and controls all aspects of its business from exploration through to marketing. The management team is currently executing plans to boost our production capacity from approximately 48 million tonnes per year to 80 million tonnes per year in the medium term. We have approximately 1.1 billion tonnes and 12 billion tonnes of coal reserves and resources, respectively.

Projects and Business Development Progress

The management team continues to develop infrastructure and other improvements along the coal supply chain to improve efficiencies and strengthen our distinctive position in the market as a low-cost producer. Some of our projects aimed at efficiency improvements and cost control, such as a 2x30MW coal-fired mine-mouth power plant, an overburden out-of-pit crushing and conveying system and the Kelanis river terminal expansion, are approaching completion.

In terms of business development, the IndoMet Coal Project (IMC) with BHP Billiton, the 2x1,000MW Central Java Power Plant, South Sumatran coal and

We are pleased with our operational and financial performance in 2012, and we're proud to have received national and international acknowledgment of our accomplishments during the year in the areas of environment, social welfare and business and financial performances. All of these achievements demonstrate our efforts to create sustainable and maximum value for all of our stakeholders.

infrastructure projects and Bhakti Energi Persada in East Kalimantan were acquired to support our long-term strategy of creating maximum and sustainable value. Through these acquisitions, Adaro will be able to grow coal production organically from our current reserve base, to increase our reserves, to diversify products, locations and licenses, and to deepen our integration into power generation.

Corporate Social Responsibility and Community Development

As a publicly listed mining and energy company, Adaro believes that good corporate governance goes hand-in-hand with corporate social responsibility (CSR). Our commitment to support the local communities and preserve the environment in which we operate have been demonstrated in the past and continue to define our business practices and methods.

Our CSR programs, guided by the Millennium Development Goals, have become critical integrated aspects of all our activities, particularly in our mine site. We realize that we must not only bring temporary benefits to our surroundings; there should be sustainable benefits that contribute to the establishment of an independent society based on a harmonious relationship with the environment. In fact, the management team is in the process of developing a mining closure model to ensure that we achieve sustainable community development.

In addition to our extensive community programs, Adaro applies strict environmental standards throughout all the stages of its operations through an Environmental Policy and Master Plan to ensure that negative impacts are minimized. Land affected by mining is reclaimed beyond what is required by regulations, including through the planting of commercial crops, the creation of fish and shrimp farms, and the development of other forms of use. Our people constantly monitor air and water quality as well as the application of strict programs for air, water and waste handling through an extensive range of monitoring and analysis equipment.

Our efforts and commitment to applying the best environmental practices have earned prestigious recognition. We are delighted that Adaro Indonesia received the PROPER Gold award from the Ministry of Environment in December 2012, making it the first mining company to win the award's highest level since it began in 2002. Adaro Indonesia has received the PROPER Green award three times before for excellence in environmental rehabilitation and social programs. Moreover, we also received awards for our CSR activities in recognition of our commitment to environmental protection and to the development of the communities we operate in.

Corporate Governance and Compliance

Along with our growth and business expansion, corporate governance must also be improved. We have already met the various regulatory requirements, but we continue to develop our corporate governance structure in line with global best practices. We currently have an Audit Committee under the Board of Commissioners, and pending the establishment of formal risk management and nomination and remuneration committees, the management team has taken on these functions.

We believe that Adaro Energy has made great progress towards aligning its corporate governance standards with global best practices, and this has been recognized through several awards from domestic and international institutions, but we realize that we still need to continuously improve.

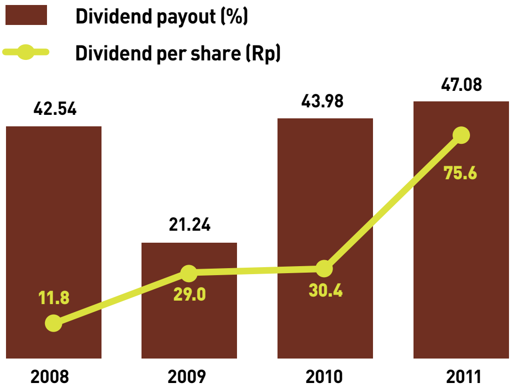
Meet Our Commissioners

Secrets of Success: For interviews with Edwin Soeryadjaya, Theodore P. Rachmat and Ir. Subianto, turn to page 116

For profiles of all commissioners and directors, see pages 118-126

Annual Bonus

Despite Adaro's strategy for growth, dividends are growing, with 2011 the highest payout so far.



We believe that good corporate governance goes beyond a list of procedures or policies set out to comply with regulations; good corporate governance is integrated in all aspects of the business. We want to establish good corporate governance as a fixture that ensures the protection of the interests of stakeholders and the sustainability of the company.

Dividend Distributions

The 2012 Annual General Meeting of Shareholders held on April 27, 2012, approved the use of 47.08% of the company's net income for the fiscal year 2011 for the final dividend payment of US$259.09 million, which was paid in rupiah in the amount of Rp 2,400 billion. This included an interim dividend payment of US$75.17 million, which was paid on December 9, 2011, while the remaining US$183.92 million was paid on June 12, 2012. The dividend payout ratio and nominal dividend were the highest since the company's IPO in 2008.

Change in the Board of Directors

While the members of the Board of Commissioners remained the same, we regret to say that Mr Andre Mamuaya, our Director for Corporate Affairs, passed away on August 21, 2012. His seat on the Board of Directors has yet to be filled.

Prospects Ahead

For 2013, we expect to see Adaro take advantage of the momentum created by the progress achieved in 2012 and the recovery of the global thermal coal market. Given the important role that coal will continue to play in the energy mix both in Indonesia and globally, Adaro has a huge potential to grow. We believe the Board of Directors has taken steps and established appropriate strategies to expand the business and generate sustainable growth. In order to achieve our desired targets and support business growth and development, the recruitment of experts and professionals will be a top priority.

In 2012, the Board of Directors worked hard to foster good relationships with all stakeholders. This is a very important factor in optimizing the performance of the company. Building better relationships is an important step in today's coal and energy industry, both in Indonesia and in the world. Therefore, we encourage the Board to continue to improve relations with the central government, provincial governments, local governments and other concerned government agencies.

Closing Remarks

Our strong control, continuous improvements to the coal supply chain and entry into the coal-fired power generation sector empowered with good teams have placed us in a better and stronger position to capitalize on the vast growth opportunities in the energy and commodity markets.

We are pleased with our operational and financial performance in 2012, and we're proud to have received national and international acknowledgment of our accomplishments during the year in the areas of environment, social welfare and business and financial performances. All of these achievements demonstrate our efforts to create sustainable and maximum value for all of our stakeholders.

Our progress and achievements over the past year would not have been possible without the strong support of our customers and partners, as well as the commitment, dedication and hard work of the Board of Directors, senior management and staff.

In closing, I would like to extend my sincere appreciation to the Board of Directors, employees and all of our stakeholders for their commitment and efforts during the year. We count on their ongoing trust and support to ensure our sustainable growth in the many years to come.

On behalf of the Board of Commissioners,

Edwin Soeryadjaya
President Commissioner

OUR THOUGHTS

Adaro Energy's Commissioners, pictured in our offices in the Tempo Scan Building in Kuningan, Jakarta. In the background are the Group's main offices in Menara Karya.

Lim Soon Huat Commissioner | **Edwin Soeryadjaya** President Commissioner | **Ir Subianto** Commissioner | **Ir Raden Pardede** Independent Commissioner | **Theodore Permadi Rachmat** Vice President Commissioner | **Ir Palgunadi Tatit Setyawan** Independent Commissioner

Our Commissioners: A Dynamic Approach to Corporate Governance

Our approach to corporate governance is based the premise that good governance is a good business decision. We are not majority owned by a single family, but by a group of five families and individuals. Three, Edwin Soeryadjaya, Theodore P. Rachmat and Ir. Subianto, are Commissioners, while the other two, Garibaldi Thohir and Sandiago S. Uno, are Directors. Adaro Energy is unique because of the character of its founders.

They are complimentary and there is a great camaraderie amongst the owners. Having such a close-knit group intimately involved in decision-making, without a single controlling shareholder, naturally creates checks and balances to make sure decisions are made in the best interests of Adaro Energy and its varied stakeholders. Also, way ahead of time, Adaro's Boards established the rules of engagement, to ensure we always did what was best for the company. We view improving corporate governance as an ongoing and dynamic endeavor and believe that there is no single formula. The Board of Commissioners includes members who founded and operated PT Astra International Tbk, one of Indonesia's most respected corporations, and their knowledge helps to instill best practices in Adaro Energy.

A Letter from the Directors
Staying on Top In Testing Times

Garibaldi Thohir
President Director &
Chief Executive Officer

Dear Shareholders,

The year 2012 reminds us of certain economic truths. It showed us that what goes up most always comes down; that thermal coal prices will not always go up. It reminded us that the coal business is cyclical. As a long-term coal miner, we have always known these things to be true. However, this would be new to investors who have not been through a cycle.

In 2012, we had a fundamentally healthy market correction. The decline in prices was caused by undisciplined supply growth, not by demand destruction. Perhaps in 2012 the Indonesian coal industry got ahead of itself. Many aggressive entrepreneurs came in, quickly opening up small mines and selling to traders, without consideration of supply and demand.

Excess coal supply, slower growth of the Chinese economy and other macroeconomic concerns continued to dominate market sentiment during 2012. Despite challenging market conditions, however, we believe that the fundamentals of the coal market remain intact and the sector will provide attractive returns in the long term. In times like these, our business model and the thesis upon which it is designed are tested. We believe, as we have seen before, that the demand for moderate- and low-rank coal will continue to grow in the medium term to fuel growing economies in the Asia-Pacific region.

It is not unusual for coal prices to cool, which is part of the normal commodity cycle. While we will be able to cut costs and spending and continue to earn attractive margins and profits, short-term or peripheral miners will be discouraged from entering the sector. All our efforts will continue to focus on creating maximum sustainable long-term value from Indonesian coal.

The key is that we must not waiver. This is a marathon, not a sprint. Like a supertanker cutting through rough seas, we will weather bad times and carry on, consistently delivering positive energy.

How We Did in 2012

Despite the challenging market conditions, we remained on track to deliver on our long-term strategies to grow and create value. Our response to economic downturns is not to get distracted but to focus on our core business, in areas such as continued operational excellence, customer satisfaction, cost reduction, improved efficiency, cash preservation and maintaining a strong capital structure. As the industry went back to normal, we went back to basics.

Coal Volumes. Our sales and marketing result is a reflection of the market conditions in 2012, as Adaro Energy's sales volumes decreased 4.3% to 48.6 million tonnes. Adaro Indonesia managed to increase sales volumes slightly, by 1.0% to 47.41 million tonnes, keeping its record of uninterrupted sales growth every year since operations began in 1992. Our production volumes were flat at 47.2 million tonnes, although had the market conditions been good, we could have produced more and our margins remained strong. We did not achieve our revised target of 48 million tonnes because we did not want to overly

Our response to economic downturns is not to get distracted but to focus on our core business, in areas such as continued operational excellence, customer satisfaction, cost reduction, improved efficiency, cash preservation and maintaining a strong capital structure. As the industry went back to normal, we went back to basics.

discount our coal to traders to make a sale. The year 2012 proved that we have a fundamentally solid and strong customer base as all our customers honored their contracts. We feel the company did a good job in terms of production and sales, despite the conditions.

Overburden Volume. We find that most investors focus on the coal volumes, but we must remember that hitting our overburden targets is just as important. In terms of volume, we excavate and transport considerably more overburden than we do coal. We kept our overburden removal target the same throughout 2012, despite lowering our production target, to achieve a record high of 331.48 million bank cubic meters for the year, exceeding our target of 321.15 million. To give you an idea of how much overburden that is, turn to our Tower of Overburden graphic in this report [see page 74]. Our focus on overburden removal resulted in a new record in 3Q12, which helped pave the way for record coal production of 13.3 million tonnes in 4Q12.

Price, Revenue, Costs and Profit. Our average selling price (ASP) declined by 3.1% in 2012, and so together with lower sales volumes, our net revenue declined 6.6% to US$3.7 billion. Due to higher overburden removal costs, associated with increased volume and hauling distance, our cost of revenue increased 4.7% to US$2.7 billion, and our coal cash cost, excluding royalty, increased 8.9% to US$38.95 per tonne. Our cost reduction initiatives and lower-than-budgeted fuel prices, thanks to our fuel hedging activities, allowed us to keep our coal cash cost (excluding royalties) below our guidance of US$39 to US$42 per tonne. Our cost performance allowed us to deliver on our EBITDA guidance of US$1.0 billion to US$1.3 billion. We again proved last year that we are a cost leader, and again delivered an EBITDA margin among the industry's highest at 29.2%. Due largely to higher coal mining costs and our decision to expense deferred stripping costs that accumulated during 2012, our net income in 2012 declined 30.6% to US$383.3 million.

Capital Structure, Liquidity and Returns. In 2012, we managed our finances well and provided good returns. Our balance sheet remained strong, ready to support the growth of the company and to safeguard the firm during downturns. Our net debt to EBITDA increased to 1.79x, but was still within the leverage we are comfortable with. Our liquidity was strong with access to cash of nearly US$920 million (including US$420 million of undrawn funds from long-term committed bank facilities). Our access to capital remained good, as evidenced by the success of the loan secured by MBP, our barging and shiploading subsidiary. In May 2012, MBP secured a US$200 million, 7-year loan from a group of 10 foreign banks, at attractive rates, and the deal was oversubscribed.

In 2012, we completed a three-year period of making large investments in infrastructure as well as buying new coal deposits to grow a sustainable and profitable business. During a period like this, returns tend to decline. As such, our return on equity declined to 14.1% in 2012. However, this is a respectable number and we anticipate that returns will increase as our initiatives come online and deliver value starting in mid-2013, when we switch on our overburden out-of-pit crusher and conveyor (OPCC) and our 2x30MW mine-mouth power plant.

Cash Dividends and Total Return to Shareholders. We paid a cash dividend of 47.08% of the company's 2011 net income for 2011 (an interim amount of US$75.17 million paid on December 9, 2011, and the remaining US$183.92 million on June 12, 2012). We will always return cash to shareholders. The specific amount is based on the company's cash holdings and requirements. During periods of investment, or during downturns when cash preservation is a high priority, the amount of dividend may decline.

We are cognizant that our share price declined in 2012 from Rp1,770 to Rp1,590 per share. However, this performance is in line with the market, as international coal spot prices declined. Mining is a long-term investment. As such, if you look at total shareholder returns over the long term, which includes dividend payments, we exceed our peers. For example, total returns from the four years of 2009-2012 resulted in total shareholder returns of 236%, outpacing the Jakarta Composite Index and other mining indices.

Outlook 2013

From our perspective, discipline has returned to Indonesian coal and the growth will likely come from the big, established miners. We understand that the banks are now very concerned about funding new and smaller miners. If this is true, there is little likelihood of small, short-term miners causing undisciplined supply growth once again, and we hope this means that coal prices will stabilize.

Meet Our Directors

For an interview and short biography of each member of our Board of Directors, turn to pages 121-126

For the President Director's Message for 2013, see page 42

Pressure Points

Coal prices have swung wildly over the past five years. This is the McCloskey Newcastle Steam Coal Spot Price (6,700Kcal gad), weekly closing prices.

SOURCE: BLOOMBERG

In keeping with our President's Message 2013, "Consolidate Strength Towards Efficiency for Excellence," (see page 42), and because of the market conditions, we are going to focus on consolidation and efficiency. We view 2013 as a year of consolidation to focus on growing and improving our business. We will strengthen the supply chain and improve processes. We will improve our organization and systems. We will reduce costs by improving collaboration with all our contractors to have effective, efficient and safe operations. We also aim to improve our mining plan and standard operating procedures throughout the coal supply chain to obtain optimum hauling distance, stripping ratio, fuel usage and cycle time to increase total productivity. We want to see continuous improvements in all aspects, across all the companies of Adaro Energy.

Our main focus in 2013 is not to pivot in a new direction or get distracted, but to stay on track and focus on core strengths. While we are always interested in a quality asset at the right price, 2013 will be less about growing through acquisitions than in the past three years. We want to deliver the best EBITDA margins in the business once again. We will manage our finances carefully and deliver good returns. We feel we have the best business model and the most exciting long-term growth plan in the business, and we will focus on execution and delivering at or above expectations.

Official 2013 Guidance. Our guidance for 2013 is conservative. We believe it is reasonable and achievable and in line with our sector. Based on our customers' demand, we plan to increase production by up to 12% to between 50 million and 53 million tonnes. We will reduce the volume of overburden to 305 million bank cubic meters, resulting in a lower planned strip ratio of 5.75x. This lower strip ratio is not below the life-of-mine strip ratio and will not involve any changes to our long-term plans or reserves estimates. This, together with other efforts to improve efficiency and lower costs, will reduce our coal cash cost of production (excluding royalties) to a range of US$35 to US$38 per tonne. In terms of pricing, we anticipate a slight reduction in our ASP, but we will maintain our position at the top of the industry in terms of our EBITDA margin. We forecast 25% to 35% of our tonnage will use index-linked pricing. We are forecasting EBITDA of US$850 million to US$1,000 million.

Our Strategy of Long-Term Value Creation

Everything we do comes down to creating maximum sustainable value from Indonesian coal. While we will increase focus on efficiency and cost reduction to offset contracting margins in 2013, we will not jeopardize our long-term growth. We are here for the long term and have an exciting growth story of value creation. If the technology becomes commercially viable and following a rigorous due diligence, we hope to include coal enhancement and coal liquefaction and gasification facilities.

1) Grow Organically from Our Current Reserve Base. We will continuously ramp up production and constantly improve our mine-planning to ensure steady and reliable growth. In the medium term, including through acquisitive growth, we hope to achieve 80 million tonnes of production. As well as for the unique characteristics of our coal, our customers buy our coal for our greater reliability. We will continue to build on our track record of strong continuous growth over the past 20 years so as to satisfy our customers' needs.

2) Improve Efficiency, Coal Supply Chain and Cost Control. The second component of our strategy is all about leveraging our long track record of efficiency and our vertically integrated coal supply chain to create maximum efficiency and safe, reliable, low-cost operations. Drawing on our history, as one of the furthest-inland low-heat-value coal mines in Indonesia that also has consistently delivered one of the best EBITDA margins in the business, we have always been very mindful of keeping costs down. We plan to continue to improve our operations by increasing automation. Each year we focus on particular segments of the coal supply chain to improve efficiency and increase control.

Adaro Energy's Directors, pictured in our offices in the Tempo Scan Building in Kuningan, Jakarta. In the background are the Group's main offices in Menara Karya.

Chia Ah Hoo
Director & Chief Operating Officer

Christian Ariano Rachmat
Vice President Director & Deputy Chief Executive Officer

M. Syah Indra Aman
Director & Chief Legal Officer

David Tendian
Director & Chief Finance Officer

Garibaldi Thohir
President Director & Chief Executive Officer

Sandiaga S. Uno
Director, General Affairs

Our Directors: Creative Ideas Through Collaboration

Our management style encourages debate and discussion. A horizontal structure encourages regular interaction in creating and implementing our growth strategies. Our owners take a hands-off approach, not putting any pressure on the company. The owners trust the company and the managers. As managers, we must do what is best for the company. It is all about our proper processes, systems and procedures.

The Board of Directors includes a member who has been with Adaro since the first tonne of Envirocoal and experienced professionals, some of whom have served with international firms abroad. A wealth of experiences and complementary skills and the presence on the Board of Directors of three of our major shareholders ensures the best decisions are made to keep creating value and delivering positive energy.

Heading home: A haul truck sets off along the hauling road from our Kelanis terminal back to our South Kalimantan mine site 80km away after dropping its load of coal. In 2013, a cost focus will be on improving the road quality and efficiency of hauling along the route.

3) Increase Reserves, Diversify Products, Locations and Licenses. Any miner will tell you that, at the end of the day, it all boils down to the reserves. The larger and better quality your reserves, the more likely you will be able to run a sustainable and profitable mining operation. Although Adaro Indonesia has huge reserves, coal is a non-renewable resource and we plan to be in business, serving our customers, for many more decades to come. While we have taken the strategic decision to focus on Indonesia, we do recognize the single-site concentration risk of having one concession. Thus, we are implementing a strategy, within Indonesia, of diversification. After a three-year initiative, we now have a foothold in all four major coal provinces within Indonesia: Central, South and East Kalimantan and South Sumatra. South Sumatra has huge deposits that by some measurements total half of Indonesia's coal reserves. It is located right next to the populous island of Java, and one day transmission lines will be built connecting power generated at mine-mouth power plants in South Sumatra to the power grid of Java. We will have a product range from low-rank coal in East Kalimantan to metallurgical coal from Central Kalimantan, and will be a one-stop shop for our customers. In each of the locations, we will deliberately replicate the business model of vertical integration that has worked so well for Adaro Indonesia in South Kalimantan. Although it is difficult to open a new mine and takes longer to generate cash, we prioritize acquiring undeveloped deposits of coal as it leverages our strengths and is less expensive than buying cashflow-producing mines. Also, the price of acquiring deposits is less affected by prevailing market conditions, so the risk of overpaying during a peak of the cycle is greatly reduced.

4) Deepen Vertical Integration. Moving downstream into the power business is a key part of our long-term strategy. When coal markets were really hot and prices were sky high, we used to get some pushback about this strategy from certain segments of the equity market, who were concerned about the potential impact on our future returns. As we know, the coal business is cyclical and the price movements can be volatile. To create long-term, sustainable, high-quality earnings that are less cyclical, we have established a power division, Adaro Power, that will contribute about 30% of our revenues in the long term. This strategy allows us to leverage our existing pit-to-port vertically integrated coal supply chain; it creates markets for our coal, thus stabilizing demand; the power plants we own and operate become a showcase to the coal markets of the benefits of our kind of coal; and it helps create new relationships with power plant manufacturers who were previously less willing to design power plants that can use our kind of coal. Finally, it is the best way we know how to contribute even more to the development of our country, and therefore helps cultivate even more harmonious relationships with Indonesian governments at all levels, local communities and the general public. We become essential to the development of the country and so become an asset of the nation.

Our Cost Strategy

We will do all we can to improve efficiency, raise productivity and lower costs in 2013. As well as lowering the strip ratio, we will focus on consolidation, efficiency and improving capacity utilization. We must concentrate on Adaro Indonesia being a cost-effective, reliable producer on the mining side and the infrastructure side.

53 million

tonnes of coal as the top production estimate in 2013, 12% more than in 2012

305 million

bank cubic meters of overburden removal planned for 2013, 8% less than in 2012

We will lower our strip ratio from 6.4x to 5.75x. This is by the far the biggest "moving part" we can use to lower costs. However, we must balance the need to enhance short-term profits with the need to preserve and in no way harm our long-term plans. It is not always about a lower strip ratio: sometimes it may be possible to reduce the strip ratio further but doing so requires a longer hauling distance such that there is no cost reduction.

In mid-2013, we will switch on the OPCC and the mine-mouth power plant, which should save around US$1.00-US$1.20 per bank cubic meter, or US$34 million per year. In 2013, we will likely remove about 17 million bank cubic meters using the OPCC. The mine-mouth power plant will also allow us to convert our diesel-powered pit dewatering operations to coal, reducing electricity charges by 50% and saving US$16 million per year.

In terms of continuously improving the coal supply chain, our cost focus in 2013 will be on our hauling road, as we have finished a three-year project to improve the efficiency of the river section of the coal supply chain from the Kelanis river port to the Taboneo open anchorage. On the hauling road, we must speed up the trucks and improve road conditions, driver discipline and the dispatch system. We are also looking into staggering shifts and starting shifts at different locations along the road. We will also look at using fewer contractors on the hauling road. We want to work with the contractors to share in the cost improvements.

With the above initiatives, we aim to improve our hauling road cycle time to five trips per day. We want to improve the capacity utilization of the mobile fleet to 85%. All of these efforts will amount to a 30% improvement and will mean that we can use the existing mobile fleet, which has a capacity of 55 million tonnes, to get a theoretical 71.5 million tonnes of capacity. In addition to the operating cost savings, these initiatives will reduce our capital expenditures.

Assuming the fuel price stays at US$0.90 per liter in 2013, we expect the above initiatives will allow us to lower our coal cash cost before royalties to US$35-US$38 per tonne.

Our Marketing Strategy

Over the past few years, before we introduced coal from our Wara pit to the markets, we were focused on getting the best price from our existing customers. In 2012, we also began focusing on broadening our customer base. We have been surprised to note just how strong the demand for Wara has been, which at today's prices is very competitive.

Our pricing strategy in 2012 was not to compete with small, short-term miners that may be liquidating their inventories as they exit the business. We do not want to give away our margin. Once the coal is sold, it is not coming back; coal is a non-renewable resource. We must always keep our long-term objectives in mind. Price is a factor, but not the only factor, and we prefer to deal with reliable customers.

Our marketing strategy starts with the idea that our buyers need a bankable coal supplier with large reserves, a good reputation and a proven track record. We want high-quality customers and to sell directly to the end user. We are working with new independent power producer (IPP) projects in Indonesia, India and Vietnam, which are all areas where Adaro will be competitive. Most of these IPP projects are sizeable and need very large quantities of coal. Not many other large companies can offer very large volumes over the long term, so this is where we feel we have a competitive advantage and this is where we focus our marketing efforts.

By moving downstream into the IPP business, we have, in a sense, partly become the customer. In volatiles times like this, the wisdom of moving downstream into power is much more obvious.

To maintain close relationships, we reach out to our customers from the very highest levels, including visits from the President Director and other Adaro Energy Board members.

A Strong Capital Structure

We believe we have one of the strongest capital structures in Indonesian coal and we aim to further strengthen this in 2013. A strong capital structure is more than using the right amount of leverage and having a strong balance sheet, it is also the quality of the balance sheet in terms of the type and duration of the borrowings and how they are matched to the underlying asset.

Without such a solid balance sheet, the firm cannot stay on track, it cannot ride out the storm. The balance sheet must be matched to the business model and to strategy, and this is what we have done. We believe it is not about having no debt, or

Read More

being net cash; what is most important is having a strong capital structure to support the strategy and sustainability of the firm. Companies that are sitting on a pile of cash, meaning that they are net cash, usually do not have a clear long-term strategy.

If we did not have a strong balance sheet we would be scrambling today. We have seen how even major companies have struggled with too much debt and have had to write off or sell recently acquired assets.

In 2013, we will reduce our costs and expenditures. In fact, for 2013 and 2014, we will be capex light. We hope by reducing our capital expenditures we will be free cash flow positive in 2013. Our good cash management and discipline results in an annual cash dividend.

Our Coal Acquisitions

Mining is a long-term, capital-intensive, slow-yielding, risky business that requires specialized knowledge. But if you get it right — and we have been getting it right since we started Adaro Indonesia in 1992 — mining provides significant long-term returns.

All the acquisitions we made in the past three years, starting with the IndoMet Coal Project (IMC) in March 2010 and ending with the PT Bhakti Energi Persada (BEP) options in May 2012, were always very focused, not done just because of the attractive value or to achieve glory from becoming very big. They were not opportunistic; they were all very focused on vertical integration and increasing our reserves base. Our business development and exploration teams went through dozens of opportunities focused on our core strength: Indonesian coal. We must have said "no" 10 times for every time we gave the go-ahead to conduct further due diligence. We are very selective.

In March 2012, we published the JORC-compliant reserves and resources of our deposit in South Sumatra, PT Mustika Indah Permai, which we acquired in August 2011. The resources were estimated at 286.4 million tonnes, of which 272.6 million were estimated as JORC-compliant reserves.

Another highlight of 2012 was signing the BEP options on May 28, 2012, which give us three years to develop their very large deposits of low-rank coal in East Kalimantan to determine whether or not we want to invoke Option B and acquire 79.8% of the company to add to the 10.22% we already own.

For our coal acquisitions, in line with our reduced capital expenditures and the less-than-favorable market conditions, the priority in 2013 will be mining readiness. This includes getting the land, permits and engineering all in place. We will start executing when the time is right. Our first acquisition, IMC, is closer to achieving mining readiness as one of its mines is due to begin operations in 2013.

After spending US$744 million and acquiring five assets since 2010, we have largely completed our acquisition program. However, as we believe in the long-term fundamentals of our industry, we are always open to acquire assets that fit with our business model, if the price is right and it does not strain the balance sheet.

The IndoMet Coal Project (IMC) with BHP Billiton. The Haju mine, which is within the concession area held by PT Lahai Coal in Central Kalimantan, is due to begin mining in the third quarter of 2013. PT Lahai Coal is one of seven Coal Contracts of Work owned by Adaro Energy and BHP Billiton. The seven projects in East and Central Kalimantan are collectively known as the IndoMet Coal Project (IMC) and are each owned 25% by Adaro Energy and 75% by BHP Billiton. The Haju mine will have a capacity of 1 million tonnes per year. Construction is under way on mine-site accommodations, port-site accommodations, administrative offices and an industrial area. The coal will be transported along a hauling road from the mine to a port on the Barito River, from where it will be barged to the coast for loading onto customer vessels for export.

Downstream Power Projects

In 2012, efforts to achieve financial closure for the Central Java Power Project (CJPP) met with some delays due to not uncommon challenges, such as those related to acquiring land. The US$4 billion project, a 2x1,000MW coal-fired power plant, is an IPP in which we have a 34% interest. Our partners are two blue-chip Japanese corporations: J-Power, Japan's largest utility, and Itochu, a Fortune 500 firm. We hope to achieve financial closure by the end of 2013. The CJPP has a government guarantee from the Republic of Indonesia, will be project-financed by the Japanese Bank for International Co-operation and will take four years to build, such that our contribution will not be a strain on our capital structure. Once the CJPP is up and running we will be responsible for coal procurement. The project will likely require around seven million tonnes of coal per year.

We are Indonesian, so we want to contribute to the development of Indonesia. We believe that if we make a contribution, we will also generate good returns and long-term shareholder value. We believe that coal brings great benefits to society and that environmental costs can be mitigated through technology and good business practices.

We also have a 65% interest in a South Kalimantan Power Project together with South Korean partners. In 2012, we made progress towards signing the Power Purchase Agreement (PPA) for this 2x100MW IPP. We expect to sign the PPA in 2013. Like the CJPP, the project will also be project-financed by an export credit agency, therefore greatly reducing the financial exposure to Adaro Energy.

In 2012, we also looked at other opportunities in the IPP sector, specifically in South Sumatra. We hope in 2013 that we may be successful in winning a tender in South Sumatra, which is a region of tremendous potential for the coal and IPP sectors. In 2011, we established a foothold in South Sumatra by acquiring two coal deposits and a hauling road operator.

The Rise of ASEAN, the Rise of Indonesia and Building the Nation

We are lucky to be in Indonesia and to be part of the Indonesian growth story. We are Indonesian, so we want to contribute to the development of Indonesia. We believe that if we make a contribution, we will also generate good returns and long-term shareholder value. We believe that coal brings great benefits to society and that environmental costs can be mitigated through technology and good business practices.

Indonesia is a very big market; the middle class is rising and the potential for growth is impressive. Indonesia has many advantages over its neighbors: a huge population, advantageous geographical location and huge reserves of coal. For this reason, and because it is our home, we have made a strategic choice to focus only on Indonesian coal.

The ASEAN region presents a big opportunity for us. ASEAN represents a market of 600 million people. We are positioning ourselves for the right growth at the right time. We want to be a driving force of the growth of Indonesia and this dynamic region.

Similar to what our key shareholders achieved when they built PT Astra International, one of Indonesia's top blue-chip corporations, we want Adaro to become an asset of the nation. If we contribute and Indonesia becomes a more prosperous country, this will increase demand for electricity. Therefore, if we build the nation we also build the company and make good returns.

The government spends a lot on fuel subsidies. Some of that fuel is imported and used in diesel-fired power stations. We have to do our part in encouraging the construction of more coal-fired power stations and by building more power stations ourselves.

Our Governance

In terms of safeguarding good corporate governance, the separation between the ownership and management is the key. It is not just that the company is owned and controlled by a group of investors and no single family has outright majority control. It is all about the process and procedures. We made our standard operating procedures concerning governance and how decisions are to be made well ahead of time, at the beginning, before there was any potential conflict. We established these rules of engagement to ensure we always did what was best for the company. The owners trust the company and the managers. As managers, we must do what is best for the company and so we can all proudly build a great company.

We believe also that we have exerted our best efforts to monitor and comply with all regulations.

Andre Mamuaya

It is with heavy hearts that we must report the sad news of the death of our fellow Director, partner and friend, Mr Andre Mamuaya, on August 21. He made a great contribution to the building of this company and was taken from us far too soon.

Thank You

Finally, we would like to thank all those involved in making 2012 another great year for Adaro Energy, despite the difficult market conditions. Most importantly are our people. We cannot thank you enough. You are Adaro Energy and what make it a unique and great family. We look forward to a strong 2013 of consolidating our strengths towards efficiency for excellence.

On behalf of the Board of Directors,

Garibaldi Thohir
President Director &
Chief Executive Officer

President Director's Message for 2013
Strength, Efficiency, Excellence

November 6, 2012

My fellow management of Adaro Group:
First, let us extend our heartfelt gratitude to almighty God, who has given us the strength and blessings to sustain our business and maintain its privilege despite the challenges faced by the world economy.

Since the beginning of 2012, coal prices have been on a downward trend and, like many other players in the sector, our business cannot avoid the impact of this condition. So we need to respond to the situation by staying alert, especially in anticipation of the threats posed by the global crisis. Although the economy always follows a cycle and many have been optimistic that the economic condition will recover in the relatively near future, we must take a conservative stance and prepare ourselves against all possibilities.

Entering 2013, I would like to use this edition of the President Director's Message to address our new theme for the year: "Consolidate Strength Towards Efficiency for Excellence." The tough market conditions have inspired me to prioritize this subject since the current industrial down cycle has called for two crucial aspects of business: consolidation and efficiency. So our group has to dedicate its focus to these issues.

> I am optimistic that if we can get through the year 2013 successfully, a great future will be there for us to harvest. It is not impossible for us to climb to be the number one company in Indonesia.

Let's start with consolidation. When the market is slowing down, it is really the best time for us to consolidate internally and use the opportunity to strengthen the institution that embraces our business. Behind an excellent business, there is always a strong organization. Therefore, to be a strong organization we need to be mindful of the following guidelines.

An effective organization must be streamlined. Its structure must be aligned with the business process; there should not be any unnecessary bureaucracy that hinders any process. The same vision, missions and values must be shared across the organization and goals must be determined and disseminated clearly. Communication and co-ordination among business units must be run effectively for the organization to deliver optimum performance.

The only thing that is constant is change. All of our employees need to have the correct mindset and be aware that this is not the time for business as usual. We must prepare a set of plans or scenarios that will enable us to adapt to the changes we face within our environment. A lot of large companies have failed to adapt to the evolution in their environment as they may have been too confident over past successes.

Strength in Our People

Another very important aspect to be carefully guarded is human resources. Even in times of crisis, human resources must always be taken seriously, as failures in human resources management pose very dangerous threats to a company. At the end of the day, the most significant aspect of a company is its people. For us, this means that, no matter what, employee development cannot be delayed. It must not be treated as a burden; rather, we must look at it as a great investment for a great future. So, we need to continue the efforts dedicated to improving the competence of our employees, especially those handling strategic roles and the core businesses, and prepare future leaders for the company's sustainable existence.

We should learn from successful companies like Toyota, which has survived many crises by undertaking internal consolidation. In 2008, Toyota seized GM's position as the top automotive producer in the world. In 2010, Toyota faced a big problem when it had to recall nine million cars worldwide and return the largest producer title to GM. Several analysts at the time expressed pessimism over Toyota's future, since the mega auto company was losing customer trust and many lawsuits were being filed against it in the United States. A short while later, Toyota was hit hard by two major catastrophes, the earthquake in Japan and flooding in Thailand, which forced the company to temporarily halt production. But impressively, after executing several effective strategies with internal consolidation being a significant part of them, Toyota managed to rebound and climb back to the top as the world's number one automotive producer.

So I stress it once again: At the end of the day, the key to a company's success is its people. Last year, we focused on building a winning team. And we must not stop here. We must continue building our people, the future leaders of Adaro.

The Importance of Efficiency

The second crucial aspect I want to address here is efficiency. Our business is strongly driven by the condition of the global coal market, which is beyond

our control. During a period of low coal prices such as we are facing now, coal companies have no choice other than to cope with the tough times. Adaro is no exception. In such a situation, efficiency becomes more crucial and we must ensure that awareness of efficiency is instilled in every person at all levels of the organization. I command all of you to give more careful attention to all processes, from planning and budgeting to the detailed execution of operations, and make sure that we operate with a high level of efficiency.

The increasingly fierce competition has made efficient operations an aspect of doing business on which we cannot compromise. History shows that inefficiency has often been blamed for the fall of many companies that were once dominant players in their industries, to the point that they had to close down their entire business. The old paradigm of "just run the business and worry about the efficiency later" can no longer be tolerated, we must now anticipate all aspects carefully from the beginning of any activity. And cost efficiency is one of the most crucial aspects.

We must also embed efficiency as the standard value or culture across all levels of the organization, and must not tolerate inefficient operations. We must foster efficiency awareness among all employees to create a shared perspective that each activity they undertake must produce useful outcomes and anything useless must be avoided. When we succeed in getting everyone used to operating efficiently, we will have much greater power and ability to face future challenges. What doesn't kill you makes you stronger. I always believe that each crisis will create resilience. We can always learn a lesson from any crisis, as we are forced to look inside, identify our areas of weakness, conduct internal consolidation and, ultimately, work more efficiently.

Every cloud has a silver lining. I am optimistic that if we can get through the year 2013 successfully, a great future will be there for us to harvest. It is not impossible for us to climb to be the number one company in Indonesia, similar to the story of Toyota. Of course, all of this will only come true if we work very hard and operate beyond standard compliance.

I also hold high optimism over the future of the Indonesian economy. McKinsey has predicted that by 2030, Indonesia will be the seventh strongest economy in the world, with its middle-class population reaching 135 million people. Such a large population will require a considerable amount of energy, and this should be translated into a great market potential for energy companies like Adaro. So I am also confident that Adaro Group will make an ever-greater contribution to the economy of this beloved country, God willing.

Have a great day at work. May God Almighty bless us always.

Garibaldi Thohir
President Director &
Chief Executive Officer

Adaro Energy President Director Garibaldi Thohir sets out his 2013 message in Jakarta, November 2012.

DELIVERING POSITIVE ENERGY

A haul truck being loaded at our South Kalimantan mine site ready to take coal to our river barging terminal at Kelanis. Each truck can carry up to 130 tonnes.


075
adaro

IN THIS SECTION

OUR BUSINESS

'For success, we must focus on being a leaner and more competitive coal producer, make best use of our considerable reserves and remain resilient during periods of downturn. Continuous improvement must define our culture.'

Chia Ah Hoo, Director & Chief Operating Officer

Corporate Overview
From Pit to Port to Power: The Key to Our Efficiency

Adaro's commercial story began in 1992, when we began producing our trademark Envirocoal from our 358km² concession at Tabalong in South Kalimantan under a first-generation Coal Cooperation Agreement (CCA) with the Government of Indonesia.

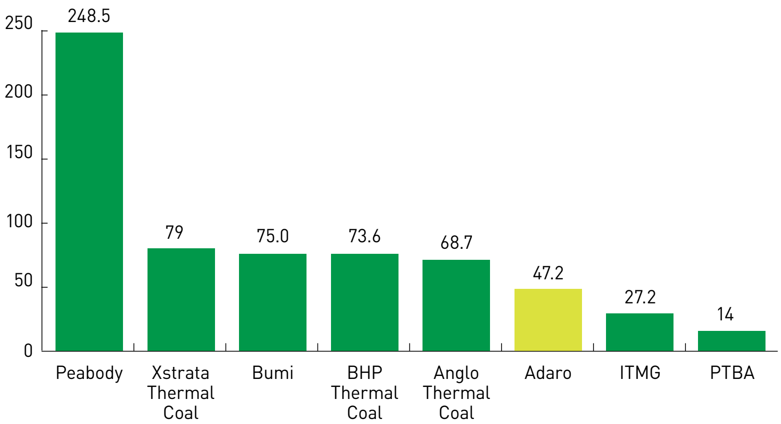
We have come a long way since then. What started out as a company producing 1 million tonnes of coal two decades ago is now one of the top five exporters in the global seaborne thermal coal market and the largest supplier to the domestic market. At the end of 2012, with a market capitalization of US$5.3 billion, we were the largest mining company listed on the Indonesia Stock Exchange.

In 2012, we produced 47.2 million tonnes of Envirocoal, bringing our total production to date from our three pits at the site in South Kalimantan to 467 million tonnes. With 921 million tonnes of reserves and 4.7 billion tonnes of resources in this concession, according to the latest JORC-compliant study in 2012, we are well positioned to achieve our medium-term production target of 80 million tonnes per annum and realize our vision of becoming a leading Indonesian mining and energy group.

Read More

Aiming High

Adaro's production volume of thermal coal in 2012 compared to selected industry peers. Figures are in millions of tonnes.



SOURCE: COMPANY REPORTS

Our Business Model

Our success is anchored on our robust business model: a vertically integrated supply chain from pit to power, with subsidiaries involved in almost all aspects of the operations. It is focused on our South Kalimantan CCA area, owned and operated by PT Adaro Indonesia (AI). This center of our established operations accounted for 92% of our revenue in 2012.

At the CCA site, AI and Adaro Mining Services handle work from mining activities to building and operating a conveyor system, haul road and barge-loading river port. Our mining services business accounted for 6% of our revenue in 2012.

After the coal is mined and transferred to barges, Adaro Logistics Services takes care of transportation, handling our river and marine logistics activities in South Kalimantan. Afterwards, Adaro Marketing and Trading brings our product to the market, carrying out coal trading activities for AI.

The sub-bituminous coal produced by AI is sold as two main products: Envirocoal 5000 (E5000), produced from the Tutupan and Paringin pits, with a calorific value (CV) of 5,000 kcal/kg, and Envirocoal 4000 (E4000), from the site's third pit, Wara, with a CV of 4,000 kcal/kg. With its consistently ultra-low sulphur, ash and nitrogen contents, Envirocoal is widely used in Europe, Asia, the Americas and domestically for power generation, cement manufacturing and industrial applications where environmental restrictions are stringently controlled. It is also used as a blending coal with more common high-ash, high-sulphur coals.

The final part of our vertical integration is Adaro Power. With the goal of delivering positive energy to help fuel Indonesia's growth, Adaro Power aims to participate in various power generation projects and, supplied with coal from our own concessions, be a major contributor to the country's electricity generation sector. We expect Adaro Power to play a key role in the Group as we continue to seek growth without taking unnecessary risks.

This vertically integrated model that has already proven to be extremely successful will be replicated in our new acquisitions in other areas of Indonesia (see pages 96-99). As our business model gives us better control over our costs and risks, we are able to offer a better reliability of supply to our customers, which in turn improves the marketability of our

Structural Strength

Adaro Energy's vertically integrated "pit to power" business model gives it efficiencies and levels of transparency unique to its sector.

- ● Operating and revenue-generating entities
- ● Ventures and investments under development for future revenue

Adaro Energy Group (AE)

Parent holding company

Adaro Exploration & Drilling Services

- ● **PT Adaro Eksplorasi Indonesia (AEI)** Mining exploration, 100% owned by AE

Adaro Land Asset Management

- ● **PT Adaro Persada Mandiri (APM)** Land management, 100% owned by AE

Adaro Mining Technologies

- ● **PT Adaro Mining Technologies (AMT)** Coal research and development, 100% owned by AE

Adaro Mining Assets

PT Alam Tri Abadi, 100% owned by AE

- ● **PT Adaro Indonesia (AI)** Coal mining, 100% owned by AE
- ● **PT Mustika Indah Permai (MIP)** Coal mining, 75% owned by AE
- ● **PT Bukit Enim Energi (BEE)** Coal mining, 61.04% owned by AE
- ● **PT Bhakti Energi Persada (BEP)** Coal mining, 10.2% owned and controlled by AE (see page 98 &106 for concession details).
- ● **IndoMet Coal Project (IMC)** Coal mining joint venture. 75% owned by BHP Billiton, 25% owned by AE (see page 243 for concession details).

Adaro Mining Services

- ● **PT Saptaindra Sejati (SIS)** Coal mining and hauling contractor, 100% owned by AE
- ● **PT Jasapower Indonesia (JPI)** Overburden crusher/conveyor operator, 100% owned by AE
- ● **PT Servo Meda Sejahtera (SMS)** Coal hauling road operation, 35% owned by AE

Adaro Logistics Services

PT Adaro Logistics, 100% owned by AE

- ● **PT Maritim Barito Perkasa (MBP)** Coal barging and shiploading operator, 100% owned by AE
- ● **PT Harapan Bahtera Internusa (HBI)** Third-party barging and shiploading, 100% owned by AE
- ● **PT Sarana Daya Mandiri (SDM)** Channel dredging contractor, 51.2% owned by AE
- ● **PT Puradika Bongkar Muat Makmur (PBM)** Barging and shiploading management , 100% owned by AE
- ● **PT Indonesia Multi-Purpose Terminal (IMPT)** Offshore anchorage monitoring, 85% owned by AE
- ● **PT Indonesia Bulk Terminal (IBT)** Coal and fuel terminal, 100% owned by AE

Adaro Marketing & Trading

- ● **Coaltrade Services International Pte Ltd** Coal export marketing, 100% owned by AE

Adaro Power

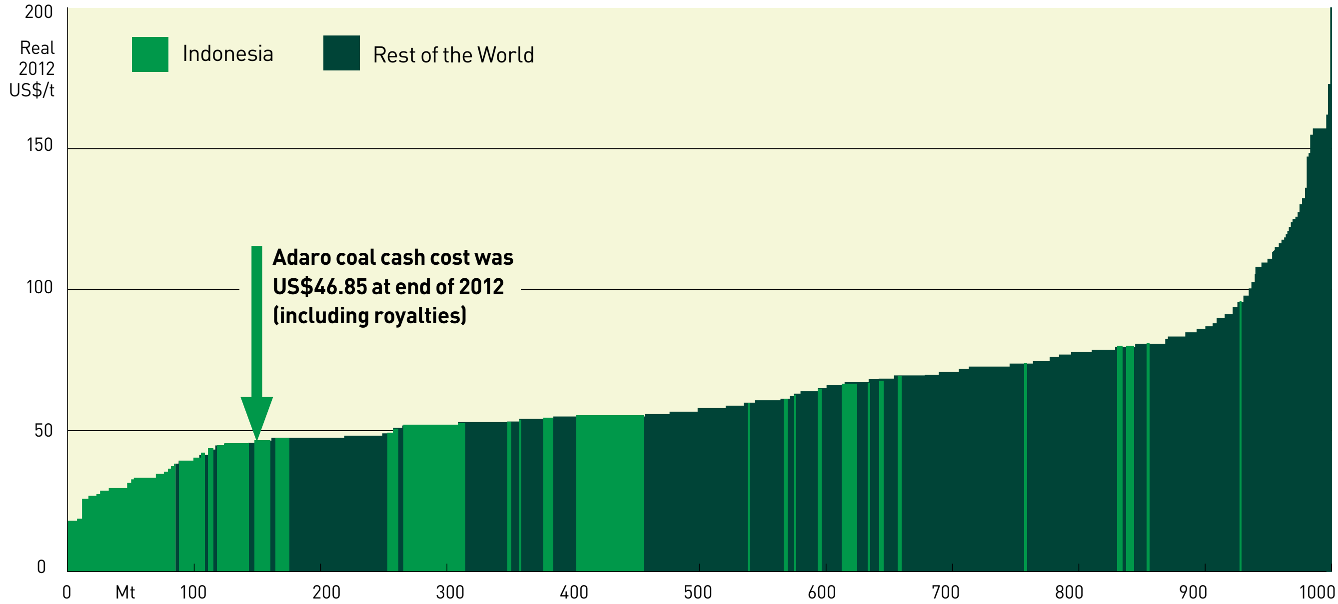
PT Adaro Power, 100% owned by AE

- ● **PT Makmur Sejahtera Wisesa (MSW)** Mine-mouth power plant operation, 100% owned by AE
- ● **PT Bhimasena Power Indonesia (BPI)** Power plant operator, 34% owned by AE
- ● **South Kalimantan Power Project** Power plant operator, 65% owned by AE

VERTICAL INTEGRATION

At the Low End

Thermal coal cash cost supply curve 2012



SOURCE: WOOD MACKENZIE COAL MARKET SERVICE, THERMAL TRADE, SUPPLY, INFRASTRUCTURE AND FREIGHT, NOVEMBER 2012

coal. By having one of our subsidiaries involved in each segment of the supply chain, we are reducing counterparty risk and the likelihood of disruptions to our operations and expansion plans.

Control over the supply chain also means we have been able to make continuous improvements in our quest for better efficiency and productivity. Our strategic decision to invest in an overburden crusher and conveyor system and mine-mouth power plant is expected to further improve our operational efficiency.

Having better control over our costs also means we are at the bottom end of the global cost curve. In addition, being located in Indonesia is a strategic advantage as it gives us close proximity to emerging economies in the Southeast Asia region, India and China. This allows us to supply coal to our primary markets in Asia at lower freight costs compared to coal producers in other countries such as Australia and South Africa. At the end of 2012, our coal cash cost (excluding royalties) was US$38.95.

Our subsidiaries are also positioned as independent profit centers, continuously helping us in achieving our objective of creating maximum long-term value from Indonesian coal. If it is determined that taking our subsidiaries public would create shareholder value, we may list them on a public exchange in the future.

Our Supportive Shareholders

One of our unique characteristics is we are not owned or controlled by a single family, but by a group of five well-respected Indonesian families — Edwin Soeryadjaya, Theodore Permadi Rachmat, Garibaldi Thohir, Ir. Subianto and Sandiaga S. Uno — who collectively owns 64.55% of our shares, with no one having outright control.

They acquired Adaro in 2005 through the largest leveraged buyout in Indonesian history, with approximately US$923 million of debt funding and US$50 million of equity. In 2008 they listed 35% of the company, or 11 billion shares, raising Rp 12.2 trillion, or around US$1.3 billion.

Given that each party operates individually, there is a natural system of checks and balances in place, ensuring decisions are made with great

Milestones in Adaro's History

1982	1990	1992	2005	2006	2008
Adaro received a Coal Cooperation Agreement (CCA) from the Indonesian Government, with a validity period until 2022.	Adaro obtained international trademarks for Envirocoal because of its ultra-low ash and sulphur and low NOx.	Adaro started commercial production of the E5000 coal from Paringin pit – producing 1 million tonnes.	The majority shareholders acquired Adaro through a leveraged buyout in June 2005. The buyout entailed debt funding of US$923 million and equity of US$50 million.	Adaro increased production by more than 28% from the previous year to 34.4 million tonnes.	Adaro Energy IPO on the Indonesia Stock Exchange raising Rp 12.2 trillion (US$1.3 billion) and listed 35% of the company to fund acquisitions to simplify the corporate structure into a single holding company with independent operating subsidiaries.

Good and Bad

A classic SWOT matrix analyzing some of the internal strengths and weaknesses of Adaro's business as well as external opportunities and threats, affirming the company's strategic direction.

	HELPFUL	HARMFUL
INTERNAL	**Strengths** • Vast resource base with a wide range of low-pollutant coal products. • Low-cost producer with proven track record of production growth. • Supportive shareholders and experienced management team. • Focus on community development and environmental initiatives. • Vertically integrated from pit to power. • Long-term contracts with diversified blue-chip customers. • Financial strength.	**Weaknesses** • Adaro's operations are located far inland and can be in remote locations. • Mine development is long-term and capital-intensive. • The mining business is slow-yielding and requires specialized knowledge. • Our coal has medium heat value with relatively high moisture content. • Single-site concession risk.
EXTERNAL	**Opportunities** • Positive economic outlook on emerging Asia economies: Indonesia, ASEAN, China, and India. • Scarcity of high-rank coal promotes structural change in coal industry. • New boiler technology able to take low-rank coal as fuel, plus research and development on low-rank coal enhancement technologies. • Slowdown in nuclear power plant development	**Threats** • Increased competition from other energy sources. • Continued challenges in acquiring land rights in Indonesia. • Commodity prices are subject to fluctuation. • Growing concern on environmental impact of carbon emissions. • Mining is a highly regulated industry. • Development in China, India and Mongolia allows for greater coal supply.

consideration for the best interests of Adaro Energy and long-term value creation. It is difficult to overstate how supportive our controlling shareholders are of the company and our growth plans. They view themselves not as owners but as partners in implementing strategies to create positive energy from Indonesian coal.

Further, among this group of controlling shareholders are the founders and past executives of PT Astra International, one of Indonesia's most respected and well-governed corporations with a history of excellent performance and management track record. Astra was sold in 1998, and these shareholders have made Adaro Energy their new flagship company, their new home, bringing with them a wealth of knowledge and experience.

The idea of owning and controlling the coal supply chain, for example, was based on their experience in building and developing Astra. The shareholders' familiarity with Astra's successful supply chain system — a low-cost, low-capex, vertically integrated supply chain that allows for better cost control and offers better reliability to customers — encouraged them to use the same approach in building Adaro.

Our controlling shareholders are in for the long haul, helping build a bigger and stronger company that can become an ever-bigger asset to the nation.

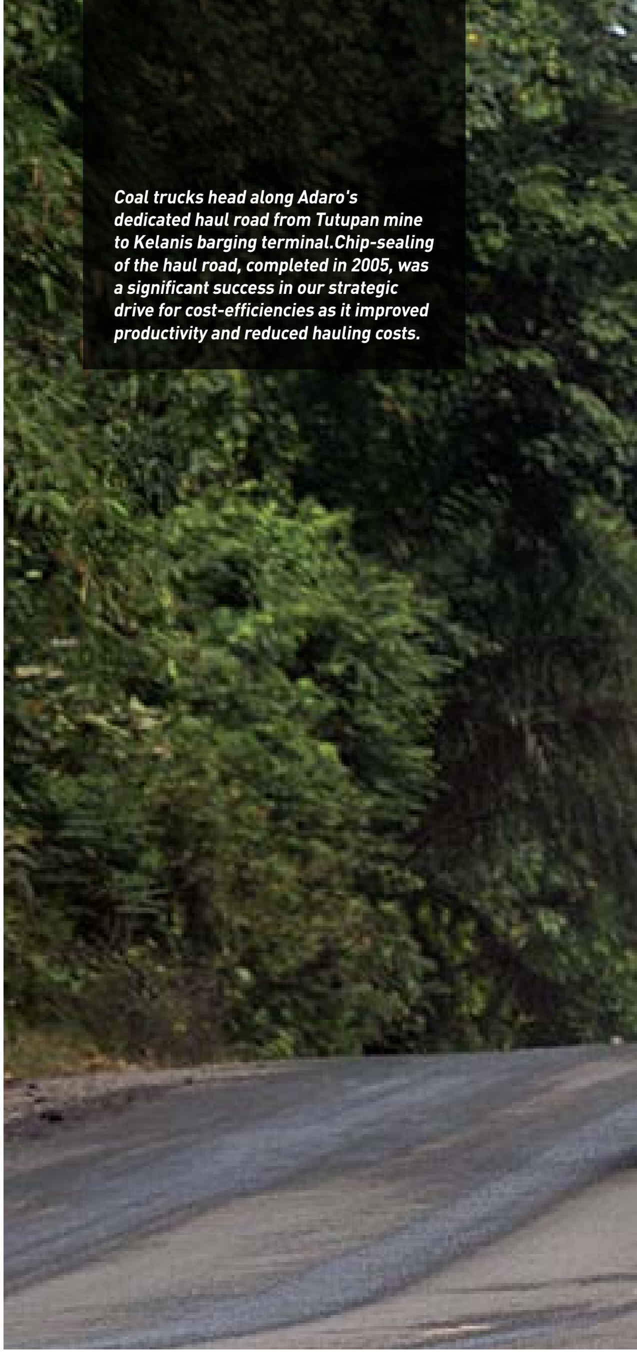
2009
Received ratings upgrade by Moody's to Ba1. To increase financial strength and provide funds to grow, Adaro issued US$800 million bond with semi-annual coupon of 7.625%. The first ever 10-year corporate bond from Indonesia after the Asian Financial Crisis, and the largest 10-year US$ private sector corporate bond out of Indonesia.

2010
Adaro's first venture out of South Kalimantan through acquisition of 25% of IndoMet Coal Project, a JV with BHP Billiton located in Central Kalimantan.

2011
Adaro established its foothold in South Sumatra through acquisition of two coal concessions, MIP and BEE, and a hauling road and barge-loading port operator, SMS.

Adaro signed a PPA for 2x1,000MW power project in Central Java, further integrating the supply chain from pit to power.

2012
Adaro signed option agreements to acquire up to 90% of BEP, a coal concession in East Kalimantan.



Coal trucks head along Adaro's dedicated haul road from Tutupan mine to Kelanis barging terminal.Chip-sealing of the haul road, completed in 2005, was a significant success in our strategic drive for cost-efficiencies as it improved productivity and reduced hauling costs.

Organic growth from current reserve base

>> Increase production levels in South Kalimantan and focus on mine planning.
>> Majority of organic growth will come from Wara mine, with contribution from Paringin mine.

Focus on efficiency of coal supply chain and improve cost control

>> Start operating overburden crusher and conveyor and mine-mouth power plant in South Kalimantan.
>> Complete expansion and upgrading of Kelanis barge terminal.

Increase reserves, diversify product, locations and licenses

>> Explore and prepare new coal concessions in Kalimantan and Sumatra for mining.
>> Continue developing metallurgical coal venture with partner BHP Billiton

Continue to deepen integration into power generation

>> Progress and realize current power ventures in Kalimantan and Java totalling 2,260MW.
>> Continue looking for investments as an independent power producer (IPP), including partnering with reputable global players in the power sector.

Our Strategy to Create Value

Our strategy is creating maximum value from Indonesian coal. We focus on developing our business in Indonesia. Our strategy is premised on growth — of Indonesia, Southeast Asia, China and India. We believe that as these countries see their electricity demand increase as a result of population and economic growth, the fuel of choice will remain affordable, abundant coal. We are strategically positioned to meet the growing energy needs of a developing region and participate in the economic growth of Indonesia and others emerging in Asia. The industry and outlook for these regions are discussed on pages 56-60.

We have a multi-pronged approach to growth, summarized in the table above:

1. Organic growth from our current reserve base: We are looking to continue growing organically from our reserves base at Adaro Indonesia's South Kalimantan concession. With detailed mine planning, we aim to continue ramping up production from this site. As our Tutupan pit matures, our Wara pit is expected to be the major driver of organic growth, with contribution from Paringin.

2. Focus on efficiency and productivity improvements to our coal supply chain: Making continual efficiency and productivity improvements to our coal supply chain, which allow us to better manage our costs and improve our reliability, is also a key strategic focus. Past initiatives such as dredging the Barito River channel and chip-sealing the hauling road were proven to improve efficiency and productivity along the supply chain. Dredging the channel reduced travel time and improved our barges' cycle time, which lowered capital expenditure for barges. In 2013, our focus is to improve the cycle time and productivity in coal hauling.

We have also invested in making our overburden removal — a major challenge in an open-pit mine — more efficient by building an out-of-pit overburden crusher and conveyer. This will let us bring overburden to a dumping area 10km from the Tutupan pit, a distance uneconomical for dump trucks, allowing us to operate safely and reliably from Tutupan for many years to come. Coal from our Wara pit will power a mine-mouth power plant, which will be used to power this system. Electricity generated at

OUR BUSINESS

the plant will also reduce our operation's dependency on diesel-powered generation.

Once these investments are fully operational, we expect to save about US$50 million per year.

3. Increase reserves, diversify products, locations and licenses: Our business depends on non-renewable resources, so enlarging our reserves and resources base by acquiring greenfield coal deposits in Indonesia is essential to our sustainability. Our team of experienced geologists is encouraged to explore coal potential in Indonesia, which we then meticulously assess based on asset quality, size and location.

We only acquire high-quality deposits with sizable reserves that we will develop following the same strategy used in Adaro Indonesia: low-cost, low-capex growth, with control over the supply chain and incremental production growth linked to consumer demand.

With up to 12 billion tonnes in resources, we are one of a few coal producers in the world capable of providing reliable, long-term coal supply to blue-chip power utilities as they build coal-fired power plants throughout Asia. Having a long-term supply agreement with these power utilities will allow us to achieve our production target of 80 million tonnes per year. We will focus on expanding our current customer base and work with them to develop power plants that will use our coal.

4. Continue to deepen our vertical integration: Our vision to be a leading Indonesian mining and energy group is exemplified in our move further down the coal supply chain into power generation. Power generation is also one of our key approaches to ensuring growth without taking unnecessary risks. In addition to providing us with good returns and diversifying and generating more stable and predictable cash flows, it will improve our bargaining power with boiler manufacturers, create a captive demand for our coal and give us the chance to create positive energy that will help fuel the growth of Indonesia.

Going forward, we expect power to become a significant part of our business model, contributing approximately 30% of revenue. In developing our power generation business, we would like to team up with blue-chip power utilities and will only consider commercially sensible power projects. ■

Fueling the World
Coal: A Rough Guide

Where Does It Come From?
Coal is a combustible, sedimentary, organic rock composed mainly of carbon along with hydrogen, sulphur, oxygen and nitrogen.

It is a fossil fuel formed over millions of years from the decomposed remains of plant matter that originally accumulated in swamps and peat bogs. The build-up of silt and other sediments, together with tectonic movements in the Earth's crust buried these swamps and peat bogs, often to great depths.

With burial, the plant material was consolidated between other rock strata and subjected to high temperatures and pressures. This caused physical and chemical changes in the vegetation, transforming it into peat and eventually into coal.

Coal formation began in the Carboniferous Period, known as the first coal age, which spanned 360 million to 290 million years ago. Coal reserves formed in many parts of the Earth's crust, and today are found in almost every corner of the world, with recoverable reserves in around 70 countries.

The quality of each coal deposit is determined by temperature and pressure and by the length of time in formation, which is referred to as its "organic maturity." Initially the peat was converted into lignite or "brown coal," coal types with low organic maturity. Lignite can range from dark black to various shades of brown.

Over many more millions of years, the continuing effects of temperature and pressure produces further change in the lignite, progressively increasing its organic maturity and transforming it into the range known as "sub-bituminous" coals.

As further chemical and physical changes occur, these coals became harder and blacker, forming the "bituminous" or "hard" coals. Under the right conditions, the progressive increase in the organic maturity can continue, finally forming anthracite.

What Types of Coal Are There?
The degree of change undergone by a coal as it matures from its starting point as peat — a process known as coalification — defines its physical and chemical properties and is measured by reference to the "rank" of the coal.

Low-rank coals, such as lignite and sub-bituminous coals (the type that comprises the bulk of Adaro's production), are typically friable materials with a dull, earthy appearance. They are characterised by high moisture levels and low carbon content, and therefore a low energy content.

High-rank coals are generally harder and stronger and often have a black, vitreous lustre. They contain more carbon, have lower moisture content, and produce more energy.

Anthracite is at the top of the rank scale and has a correspondingly higher carbon and energy content and a lower level of moisture

How Much Coal Do We Use?
The world currently consumes more than 7.5 billion tonnes of coal every year. Coal provides over a quarter of global primary energy needs and generates about 40% of the world's electricity.

While coal is used in many sectors, including power generation, iron and steel production, cement manufacturing and as a liquid fuel, the majority is either used in power generation (thermal coal or lignite) or in iron and steel production (coking coal, also called metallurgical coal).

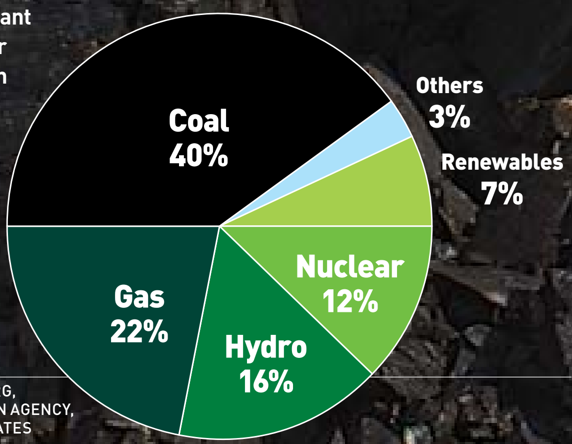
The largest coal-producing countries are not confined to one region, the top five producers are China, the United States, India, Australia and Indonesia (based on 2011 data). Coal production has grown fastest in Asia in recent years, while Europe has seen a decline in production.

Global coal production is expected to grow to up to 10 billion tonnes a year by 2030, with China accounting for around half the increase.

How Is Coal Bought and Sold?
Although coal is traded all over the world, with coal shipped long distances by sea to reach markets, much of global coal production is used in the country in which it is produced. Only around 20% of hard coal production reaches the international coal market, but seaborne trade in thermal coal has been increasing by 8% each year over the past quater of a century.

Transportation costs account for a large share of the total delivered price of coal, so international trade in thermal coal is effectively divided into two regional markets, the Atlantic and the Pacific. The Atlantic market is made up of importing countries in western Europe, notably the United Kingdom,

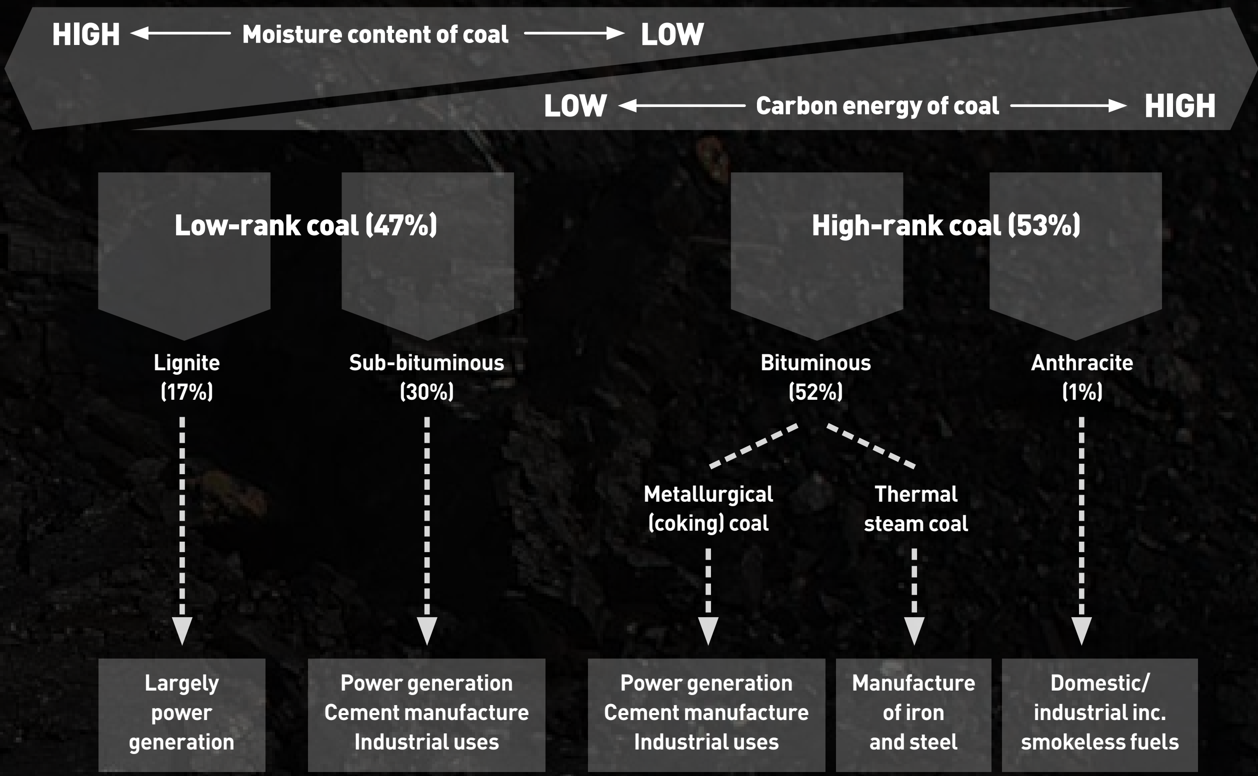
The Future of Power
Coal is the dominant energy source for power generation in estimates of the energy mix by 2020.



SOURCES: BLOOMBERG, ENERGY INFORMATION AGENCY, GS RESEARCH ESTIMATES

Coal Types and Uses

The key indicators of coal quality and what it can be used for. Figures in brackets are percentage of world production.



Germany, Holland, Spain and Italy. Exporting countries include Colombia, Venezuela, the US, Russia and South Africa. The Pacific market consists of importers including Japan, South Korea, Taiwan, China, Malaysia and India and exporters comprising Indonesia, Australia, Canada and China.

The Pacific market currently accounts for about 70% of world thermal coal trade, a figure that is growing steadily. Inter-regional trade occurs primarily due to inter-regional price variances, so South African coal can be found in the Pacific area, especially India, while Indonesian and Australian coal can be found in the Atlantic region.

How Is Coal Priced?

The forces affecting coal pricing within the Pacific and Atlantic regions are different, though pricing in one region does affect the other. Both markets are highly competitive, with many coal suppliers and traders from a large number of supply countries vying for market share. In addition, in most markets coal competes against nuclear power and increasingly against gas as the fuel for power generation, the major market for thermal coal.

Most of the thermal coal is sold in term contracts of one year or longer, with only about 5% to 10% sold on the spot market. The coal is sold either "FOB" (free on board, meaning with no delivery included in the price) or on a delivered basis, depending on the customers' requirements. The international trade in coal is almost always priced in US dollars.

In the Atlantic market considerable use is made of indices to set prices. Several are available and suitable. Often the buyers hedge their thermal coal buying with power sales to reduce their exposure to price movements in both markets.

In the Asia-Pacific market pricing on indices is also used, but a lot of pricing is negotiated on an annual basis and often related to the Australia-to-Japan price, which is set through annual negotiations between a major Japanese power utility and a large Australian coal producer.

The exact price and other details are often not revealed, but a ballpark price or price range becomes available to the market which is then accepted as the reference price for Japan/Australia thermal coal contracts. This price is then used as the starting point for setting annual pricing, notably in Taiwan, Malaysia and Korea as well as Japan.

The actual price is dependant on a number of features such as the coal quality, payment terms, method of delivery and the tonnage involved.

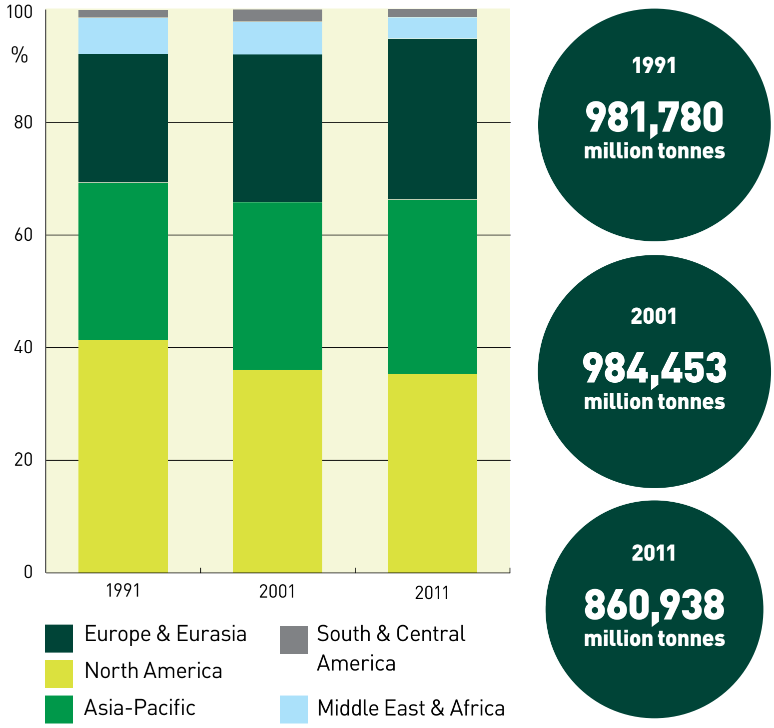
Tenders for coal supply are also used in both regions, though more often in the Asia Pacific region and particularly in Korea and Taiwan.

The tender results are usually made public and thereby also become a factor in price negotiations and price setting. ■

SOURCES: WORLD COAL INSTITUTE, BARLOW JONKERS, WOOD MACKENZIE, BP STATISTICAL REVIEW OF WORLD ENERGY 2008, INTERNATIONAL ENERGY AGENCY

Where in the World?

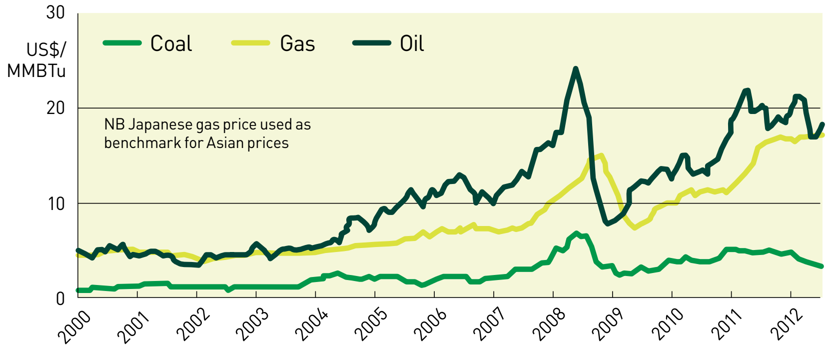
Proved coal reserves are widely distributed around the world, but have declined by 12% during the past decade.



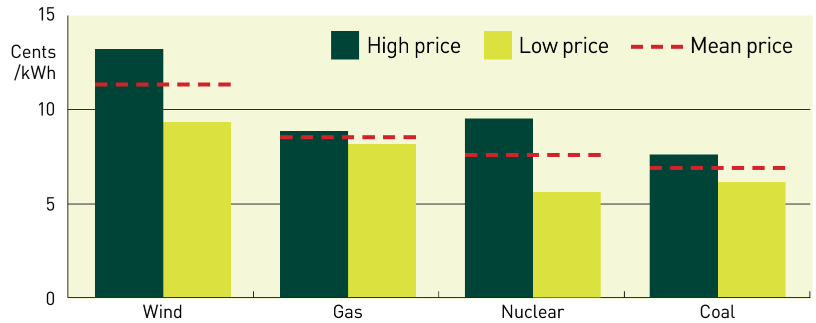
SOURCE: BP STATISTICAL REVIEW OF WORLD ENERGY 2012

The Cheap Choice

Coal does well in comparisons of electricity generation costs. The top chart compares historical coal prices to gas and oil, while the bottom chart compares current coal prices to wind, gas and nuclear power.



SOURCE: BLOOMBERG, UBS ESTIMATES



SOURCE: INTERNATIONAL ENERGY AGENCY: NUCLEAR ENERGY AGENCY

Adaro and the Outlook for the Global Coal Industry

Coal is the world's most abundant and widely distributed fossil fuel (see page 54). According to the International Energy Agency (IEA), coal accounts for 82% of the world's non-renewable energy resources. With proved global reserves of nearly 900 billion tonnes, at current production levels, coal reserves would be able to meet the world's energy needs for 150 years, by far the largest reserves-to-production ratio for any fossil fuel.

BP estimates that global energy consumption grew 2.5% in 2011, while coal consumption increased by 5.4% in the same period, making coal the fastest-growing fossil fuel. It now accounts for 30.3% of global energy consumption, its highest share since 1969, and will remain as the dominant source of energy worldwide. The World Economic Forum predicts that coal-fired power-generation capacity will continue to rise globally, even as renewable-energy installations increase and energy-efficiency measures reduce the need for new capacity. Economic growth, and the improved living standards it enables, craves more energy supply. According to the IEA's *World Energy Outlook 2010*, an additional 5,900GW of capacity is needed to support an 80% growth in electricity demand by 2035.

For emerging economies, the use of coal will be driven by its advantages of affordability and wide availability. Global coal consumption reached 7.5 billion tonnes in 2011, and the IEA expects another 4.4 billion tonnes will be consumed annually by 2035.

Macro and Industry Outlook

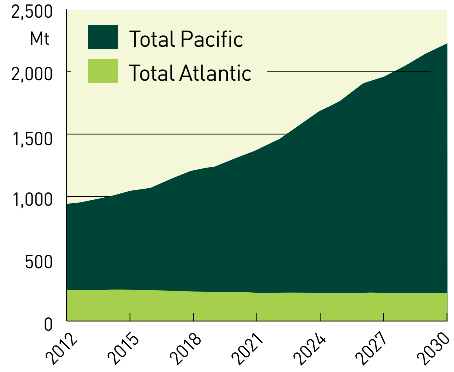
Despite price underperformance, a weaker market and general economic pessimism in 2012, the total seaborne market volume increased by about 100 million tonnes, driven primarily by demand from the Asia-Pacific. Looking ahead, all forecasts point to the Asia-Pacific region continuing to drive global seaborne demand for thermal coal, as European and American economies diversify away from it. Wood Mackenzie projects that the Asia-Pacific region's share in the global seaborne thermal coal market will rise to over 91% by 2030 from 76% in 2012. Demand in the Pacific basin is expected to grow from 694 million tonnes in 2012 to over 1.98 billion tonnes in 2030, while demand in the Atlantic basin will decline from 215 million tonnes in 2012 to 184 million tonnes in 2030.

China and India

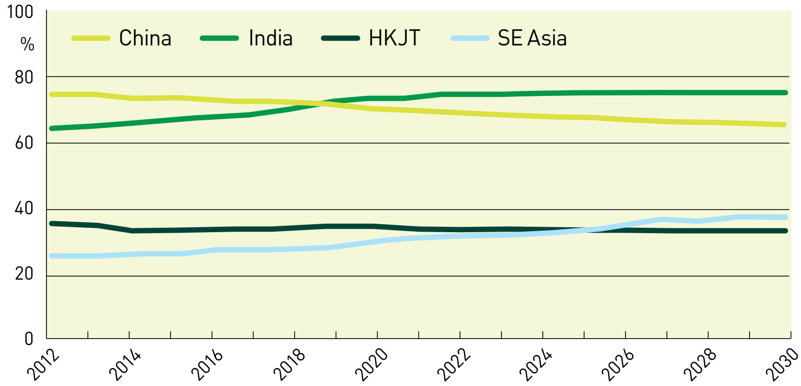
Demand in the Asia-Pacific region is going to be largely supported by China, India and Southeast Asian countries. According to World Research Institute estimates, there are more than 1,000 coal-fired power plants with a total capacity of more than 1,400GW currently proposed across 59 countries worldwide, and India and China together account for 76% of them. China expects 240GW of coal-fired power generation to come online by 2016, which is likely to increase its thermal coal imports substantially to 350 million tonnes per year from 227 million tonnes in 2012. India, on the other hand, anticipates 75GW of coal-fired

Meeting Asia's Needs

The Pacific basin will account for the large rise in global thermal coal import demand in coming decades (left chart). China and India will account for much of coal's large share of total electricity generation in the Asia-Pacific (right chart).



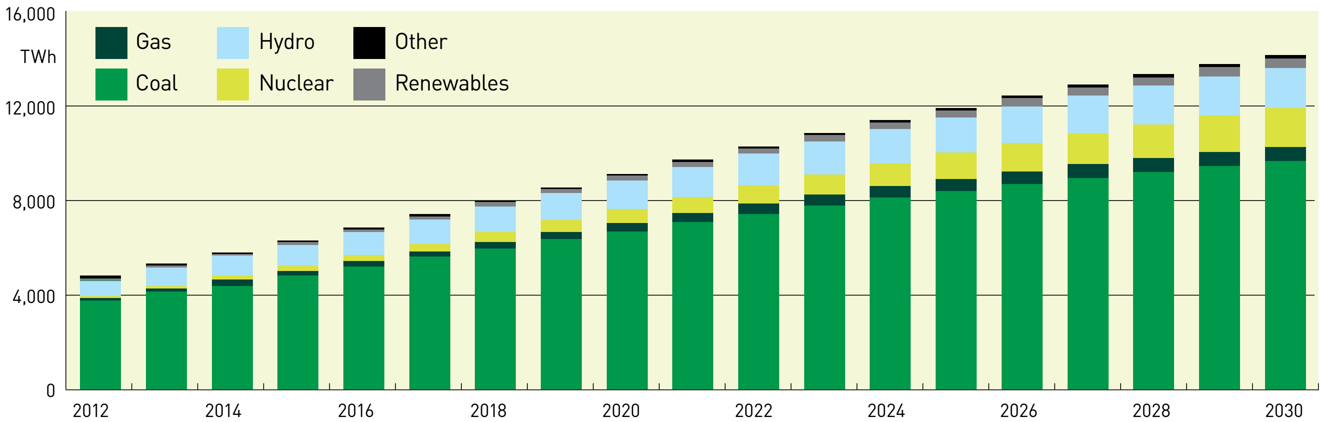
SOURCE: SOURCE: WOOD MACKENZIE COAL MARKET SERVICE, THERMAL TRADE DEMAND NOV 2012



SOURCE: SOURCE: WOOD MACKENZIE COAL MARKET SERVICE, THERMAL TRADE DEMAND NOV 2012

China's Rise

Coal will account for the bulk of power generation increases in China over the next two decades.



SOURCE: WOOD MACKENZIE COAL MARKET SERVICE THERMAL TRADE DEMAND NOV 2012

power generation to come online over the next five years, which would require about 150 million tonnes per year of thermal coal imports within the period from 108 million tonnes in 2012.

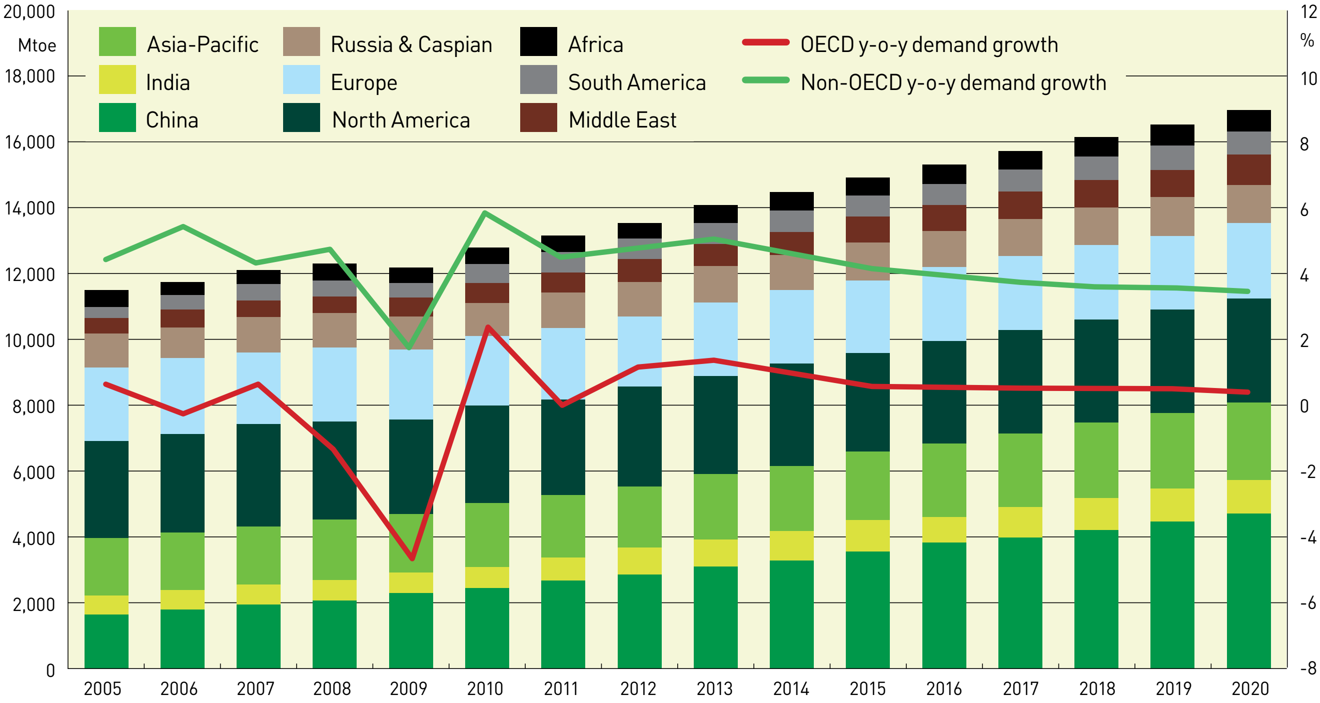
China's heavy reliance on coal — its coal-fired electricity generators made up 78% of its 1,000GW installed capacity in 2011 — made it a net coal importer in 2009. Without developing other types of energy sources, for example nuclear, China's coal demand is likely to exceed 4 billion tonnes in 2015 and account for more than half of the global total. Even if its current nuclear, gas and renewables targets are met, China is projected to remain a highly coal-dependent economy for the next two decades.

Concerns about China's use of unconventional gas to replace coal have been lingering since the US increased power generation from unconventional gas in the middle of 2012, which altered the expected growth in coal demand. However, we are not worried as we believe that unconventional gas will remain US-centric until 2020 and beyond, and that it will be difficult for other countries to catch up with the US's unconventional gas industry. In addition, China's

Without developing other types of energy sources, for example nuclear, China's coal demand is likely to exceed 4 billion tonnes in 2015 and account for more than half of the global total. Even if its current nuclear, gas and renewables targets are met, China is projected to remain a highly coal-dependent economy for the next two decades.

An Asian Story

Regional global energy demand forecasts clearly show China, India and the rest of the Asia-Pacific as demand drivers.



SOURCE: WOOD MACKENZIE COAL MARKET SERVICE, THERMAL COAL TRENDS IN GLOBAL MARKETS, DECEMBER 2011

unconventional gas production target in 2015 is equivalent to 63 million tonnes of coal — a small fraction of the 3.3 billion tonnes of coal it consumed in 2012, and even of its estimated 250 million tonnes annual increase in coal use over coming years.

In 2012, thermal coal deliveries to China and India remained firm, owing to low FOB seaborne supply prices, inexpensive ocean freight and limited competition from Chinese and Indian domestic suppliers. China imported 227 million tonnes in 2012, while India imported 108 million tonnes, a 24% and 18% increase respectively over 2011.

Indonesia and ASEAN

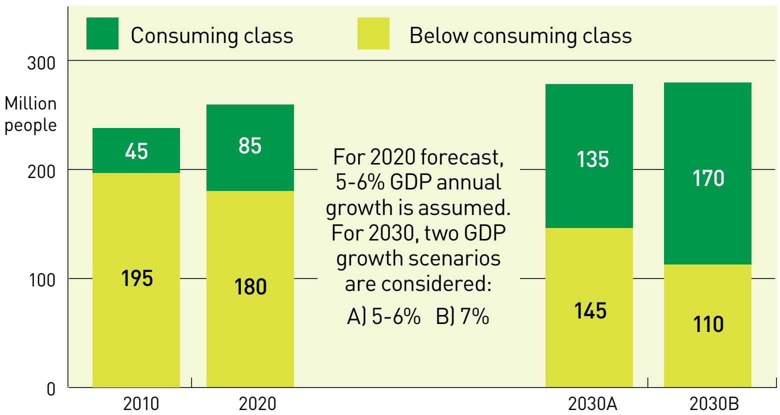
Despite challenges, Indonesia has been able to maintain macroeconomic and political stability. The country was ranked 25th in the World Economic Forum's 2012 competitiveness report and continues to show a promising outlook. Indonesia is projected to lead growth in Southeast Asia with an average growth of 6.4% over 2013-2017. It is one of the six countries that the World Bank believes will account for more than half of all global growth by 2025, and McKinsey calculates that it has the potential to become the world's seventh biggest economy by 2030. Indonesia's favorable outlook is reflected in a significant improvement in the country's standing with international investors.

Indonesia's growth is supported by two advantages: a relatively young population and a growing middle class. While developed economies struggle to cope with an ageing population, Indonesia's young and expanding population gives it a competitive advantage, contributing an estimated 2.4% to annual economic growth up to 2030. At the same time, Indonesia's middle class is growing, fueling strong growth in domestic consumption. On the current growth trajectory, McKinsey predicts an additional 90 million Indonesians will become part of the global consuming class (defined as those earning over US$3,600) by 2030. With this, the country's demand for energy and other key resources is likely to increase rapidly. Demand for energy could nearly triple to 17 quadrillion BTUs by 2030. Reliable electricity supply is essential for the country to realize its growth potential.

Indonesia's economic growth should benefit from a number of strong positive trends, including

Consuming Demands

An estimated 90 million Indonesian could be added to the consuming classes by 2030, implying a rise in power needs.



SOURCE: MCKINSEY GLOBAL INSTITUTE, THE ARCHIPELAGO ECONOMY: UNLEASHING INDONESIA'S POTENTIAL, 2012

Global Coal Markets in 2012
Low Price, High Demand

Report by
Rodrigo Echeverri
Market Research and Strategy Manager

Rodrigo has more than nine years experience in coal production and marketing, with previous experience at Cerrejon mine in Colombia and its sales arm, CMC in Ireland. Cerrejon and CMC are jointly owned by BHP Billiton, Anglo American and Xstrata. He has a BSc. in mechanical engineering from Universidad del Norte, Colombia, and a MSc. in engineering from the University of British Columbia, Canada.

While the long-term outlook is extremely positive, as noted in the industry overview in this chapter, 2012 was an unsettling year in the global coal markets. In spite of price weakness throughout 2012 — the Newcastle Index ended the year 20% down — international demand for coal was the strongest in history, increasing by almost 100 million tonnes over 2011 based on the latest estimate. The growth rate was also one of the highest on record at 12%. This spike in demand occurred in spite of a warm winter in the northern hemisphere and economic weakness in China, Europe and the United States.

The growth in electricity generation in China slowed, due in part to a strong rise in hydroelectric power generation and lower industrial production growth. However, domestic producers in China took most of the blow, as the import arbitrage remained wide open throughout the year due to the falling international market. The competitiveness of imported coal resulted in China's imports growing by an unprecedented 50 million to 60 million tonnes, with 25 million of these originating from Indonesia. Adaro sees this as a clear confirmation that physical demand for Indonesian coal has uniquely strong fundamentals.

Hence, the main issue in the 2012 market was not demand but the unprecedented increase in supply from almost all origins. Many producers increased their capacity after years of investing in de-bottlenecking. Of particular importance was the case of Australia, where producers made commitments for rail and port infrastructure, resulting in little flexibility to slow down exports once installed. This meant having to lower prices just to avoid being penalized by their take-or-pay contracts, which resulted in large amounts of so-called off-spec coals being placed in the Chinese market. Supply discipline was difficult for Australian producers with financial pressures mounting.

By mid-year, the production cost for marginal producers in Australia and the United States was above their selling price. This was exacerbated by weakness in the metallurgical market, which forced producers to sell some semi-soft coal as thermal. This situation clearly became more difficult for coal-producing countries where capital intensity is the name of the game. Producers and projects that do not have strong fundamentals will struggle to survive in the current market.

Indonesia's Situation

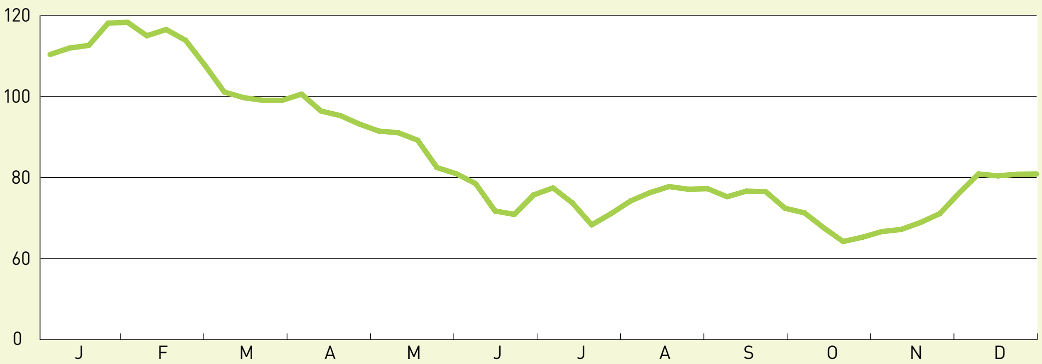
The situation in Indonesia, however, is very different from that in Australia and the United States. Production has typically been more flexible and producers get a chance to adjust their volumes to changing markets. Take-or-pay contracts are not part of the picture, and producers have some flexibility to adjust their production volumes. While all producers saw their margins squeezed, most of the large, competitive ones did well in spite of the difficult market.

Market conditions in the short term may or may not remain challenging. However, we at Adaro Energy are confident that as one of the lowest-cost producers in the world and with uniquely clean coal, we are secured of a strong place in the market in the coming years.

The company will benefit from developing partnerships with local and international Independent power producers who need long-term, secure supply, which can only be provided by producers that can weather the hard times. Adaro will still be here for the upside, doing what it does best: maintaining excellent brand recognition, being competitive and being reliable. ■

Downhill Trend

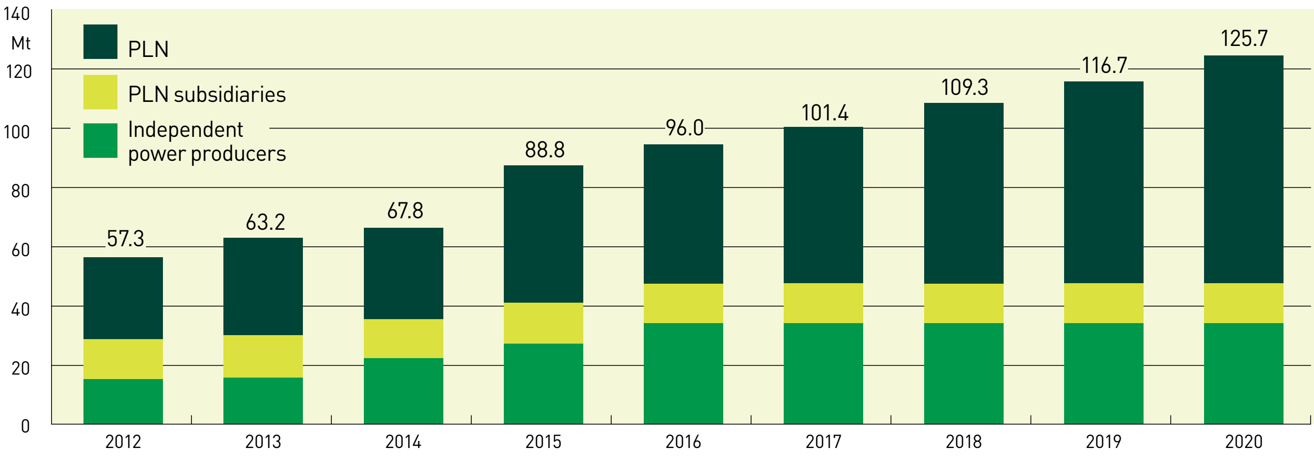
McCloskey Newcastle Steam Coal Spot Price (6,700Kcal gad) for 2012 (weekly closing prices).



SOURCE: BLOOMBERG

Turn Up the Power

State power utility PLN sees the use of coal for electricity production in Indonesia more than doubling by 2020.



SOURCE: WOOD MACKENZIE COAL MARKET SERVICE, THERMAL COAL TRENDS IN GLOBAL MARKETS, DECEMBER 2011

the resurgence of Asia and the positive growth outlook in Southeast Asia. Real growth in Southeast Asia, not to forget China and India, should recover from the slowdown over the past two years and achieve a robust pace over the next five years. From 2013-2017, Southeast Asia is predicted to grow at an average annual rate of 5.5%. These emerging economies will become global growth generators, supported by large working-age populations that sustain strong domestic demand and offset the weakness in the external sector. Consequently, to boost their economic growth, Southeast Asian economies will rely on low-cost and readily available energy supply, and will continue to drive global demand for thermal coal.

In Indonesia, for example, only 75.3% of the population has access to electricity, and the country still lacks the electricity needed to support its expected growth trajectory. Hence, the Indonesian government is aiming to expand electricity access to 92.3% of the Indonesian population by 2021. To achieve this, state-owned power utility PLN is planning to build 57.25GW of power generation capacity between 2012 and 2021, of which 66% or 37.7GW will be fuelled by coal.

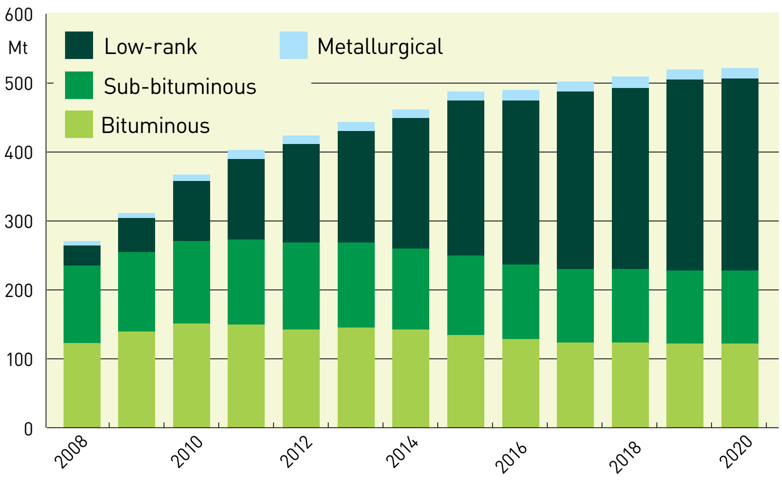
Indonesian Coal Production

The bulk of Indonesia's coal resources are in the provinces of East Kalimantan, South Kalimantan and South Sumatra. The main coal prospects developed today are on the islands of Sumatra and Kalimantan, with the latter accounting for most of the nation's production. The Ministry of Energy and Mineral Resources estimated in 2011 that Indonesia has 160 billion tonnes of coal resources and 28 billion tonnes of coal reserves. Low-rank and sub-bituminous coal accounts for about 75% of thermal coal reserves and will thus contribute meaningfully to the increase in Indonesian coal production in the future.

Bituminous and sub-bituminous coal accounts for most of Indonesia's thermal coal production and exports, although there has been a rapid rise in the amount of low-rank coals being mined, and production and exports are expected to grow further.

Low Is the New High

A forecast of marketable coal production in Indonesia by type shows the rapid growth of low-rank coals in recent years and in the near future.



SOURCE: WOOD MACKENZIE COAL MARKET SERVICE

By 2021, low rank coals exports are expected to constitute over 50% of total Indonesian coal exports.

Indonesia's proximity to key importers and abundant export production has made it the world's largest supplier of seaborne thermal coal since 2005. Exports are expected to reach 330 million tonnes in 2013, almost 40% of the total seaborne demand. Indonesia is expected to remain the largest exporter of thermal coal in the future due to cost competitiveness, transport and infrastructure advantages.

The purchase of low-priced Indonesian coal, especially with low ash, low sulphur, and mid- to high-calorific value levels for blending or for stand-alone use, has been a core strategy for major power stations around the world looking to reduce emissions to comply with increasingly stringent regulations. This is particularly true for Asian customers as Indonesia's proximity compared to key exporters such as Australia and South Africa allows for lower transportation costs and competitive pricing.

Maritime Freight 2012
A Tough Year All Round

Last year was a tough one for the dry bulk maritime sector. It has been particularly trying for ship operators (as opposed to asset owners) who arbitrage either by chartering ships for a period of time or who take on contracts of affreightment and operate ships against them.

Demand for the major bulks — iron ore, coal, grain, steel — have waxed and waned due to a host of global issues, mostly China-centric but also related to the economic downturn in Europe and the US, the Arab Spring that rocked the Middle East and oil (bunker) prices, the lack of institutional lending and the oversupply of newbuilding bulkers stemming from the abundance of institutional lending from 2006 through to 2008. One prevalent reason is the renegotiation, and in some cases the reneging on, past struck contracts, where sellers have come up short against their buyers and the industrial transporter is embroiled in strife.

If we look at two segments relevant to Adaro, the Capesize and Panamax vessels, these swings become clearer, as the following facts suggest.

Report by
Alex Harkess
Director of Dry Cargo Operations, Clarksons

Alex is based in Singapore with Clarksons, a leading provider of integrated shipping services.

Capesize

2012 closed on a downward trend with inter-continental rates down 50% week-on-week to close at US$5,500 per day. The Baltic Exchange Capesize Index had fallen continuously since mid-November, and by December 20 it had dropped 38% in two weeks. Backhaul rates (Pacific/Atlantic) were down 97% week-on-week to reflect, for example, Indonesia/Rotterdam for 150,000Mt coal at minus US$12,223 (owner pays charterer for using their ship). On the purchase side, newbuilding orders for Capesize vessels (180,000dwt) will cost around US$46 million while resale units are averaging around US$40 million. A 5-year-old unit will cost buyers about US$32.5 million, a 170,000dwt 10-year-old unit US$21 million and a 15-year-old unit US$12.5million.

There are about 1,498 Capes on the water and 247 to be delivered. Scrapping of older vessels is easing the glut, but owners will need more encouragement than the recent scrapping prices on offer — Zhushui No. 8 being a recent seller to Chinese breakers at US$360 per light displacement ton. Modern Cape period fixtures for longer than a year numbered fewer than 25 in 2012, with recorded average earnings reflecting 1-year rates at US$11,500, 3-year rates at US$13,500 and 5-year rates at US$15,500. Freight futures show modern Capes as presently able to earn US$8,825 per day for 2013.

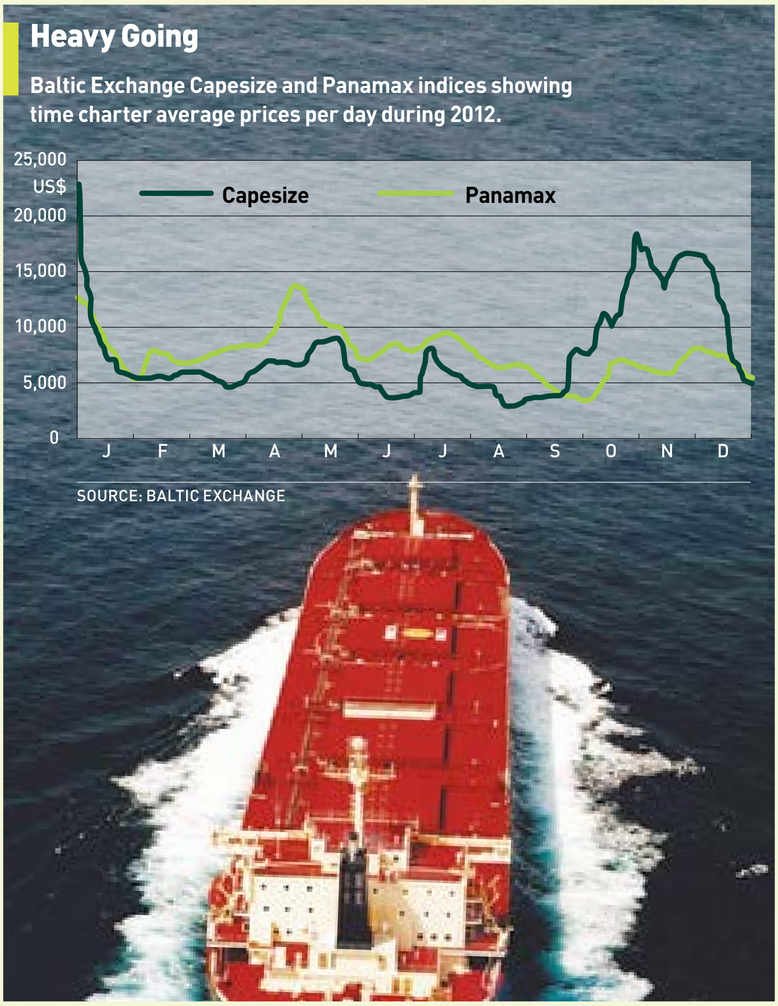
Panamax

The year drew to a close with tonnage in the Pacific exceeding firm business opportunities, which in turn has had a marked impact on the freight markets. Average earnings for a non-overage Panamax is presently US$5,298 per day, with spot Pacific employment earning US$4,750 per day and backhaul business Pacific/Atlantic minus US$1,750 per day (owner pays charterer).

On the purchase front, an ordered newbuilding Panamax (78,000dwt) will cost about US$25.8 million and a resale (76,000dwt) US$27.5 million.

There were fewer than 60 period charters of longer than a year concluded in 2012, and those are reflected on a year-to-date basis as achieving 1 year at US$7,875, 3 years at US$8,750 and 5 years at US$9,750 per day. Recently a 77,000dwt 2004-built vessel fixed two years with W.W. trading at US$7,750 per day. There are 2,249 Panamax vessels on the water and 680 (31%) on order, and present freight futures show them able to earn US$6,750 for 2013.

Looking ahead, 2013 appears to herald more of the same, with good days and bad. It comes down to timing, counter-party risk, contingency, communication and being prepared to take risks. ■



OUR WORLD
OUR THOUGHTS
OUR BUSINESS
OUR PEOPLE
OUR COMMUNITIES
OUR GOVERNANCE
OUR INVESTORS
OUR FINANCES

Coal Sales Review

Continued Growth Despite Difficult Market Conditions

Read More

Over the past two decades, our subsidiary Adaro Indonesia (AI) has become known for its consistent coal quality, reliability and dependability. Our trademark Envirocoal, with its low-pollutant characteristics, has earned the reputation of being the best environment-friendly solid fuel available. Our customers also benefit from top-class service, with our combustion engineers visiting them to provide technical advice on using Envirocoal.

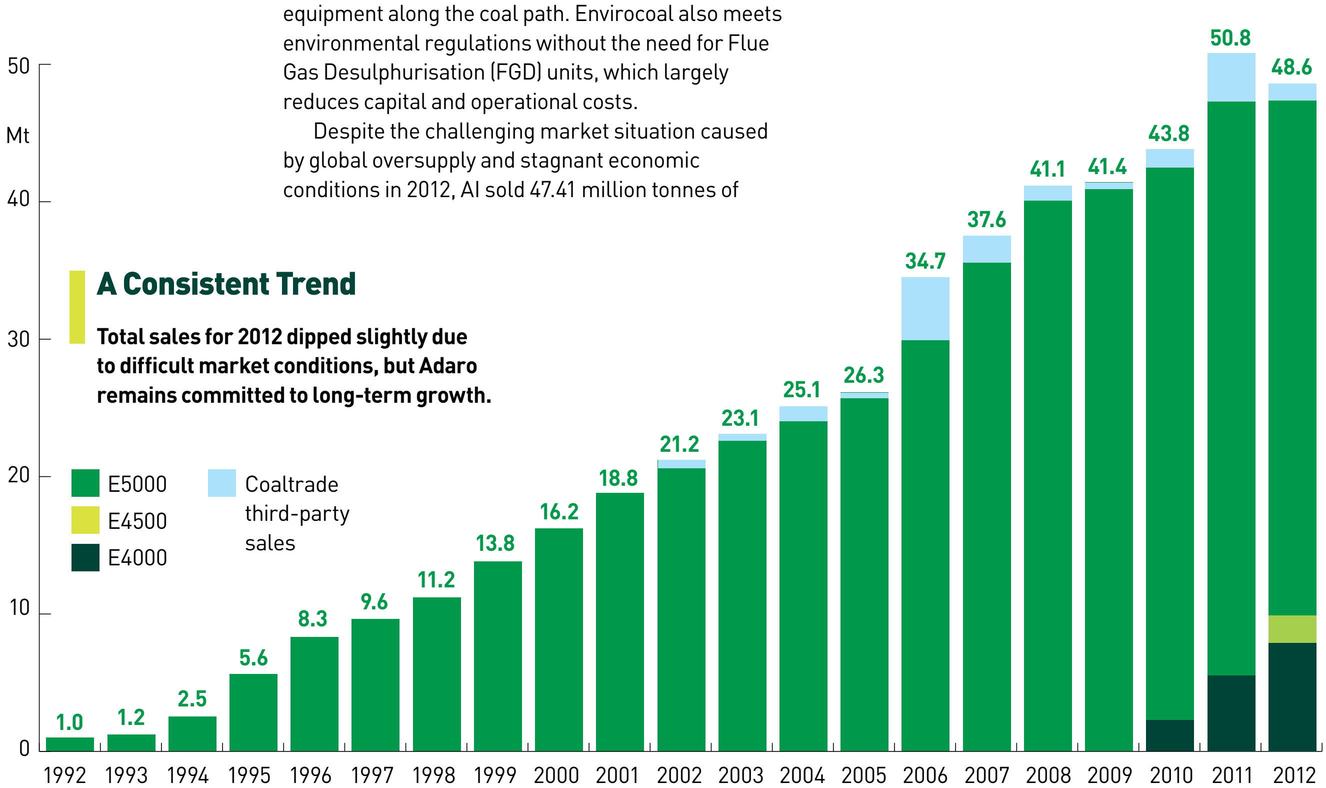
We primarily sell two kinds of the sub-bituminous Envirocoal: E5000, from the Tutupan and Paringin pits, and E4000, from the Wara pit. Last year, to provide our customers with more options, we introduced E4500, a blend between E5000 and E4000. The strong demand for these products shows that Envirocoal has proven to be competitive with higher rank coals on a per-unit-of-energy basis. Envirocoal's low ash content means lower maintenance costs for pulverisers, coal pipes, boiler tubes and other equipment along the coal path. Envirocoal also meets environmental regulations without the need for Flue Gas Desulphurisation (FGD) units, which largely reduces capital and operational costs.

Despite the challenging market situation caused by global oversupply and stagnant economic conditions in 2012, AI sold 47.41 million tonnes of our three brands of sub-bituminous coal, slightly more than the 47.2 million tonnes sold the previous year. E4000 sales increased by 42% to 7.76 million tonnes, with additional demand coming from China and India. E5000 still had strong demand despite the challenging export market, seeing a total sales volume of 37.70 million tonnes for the year, down from 41.69 million tonnes in 2011.

Meanwhile, we sold 1.95 million tonnes of

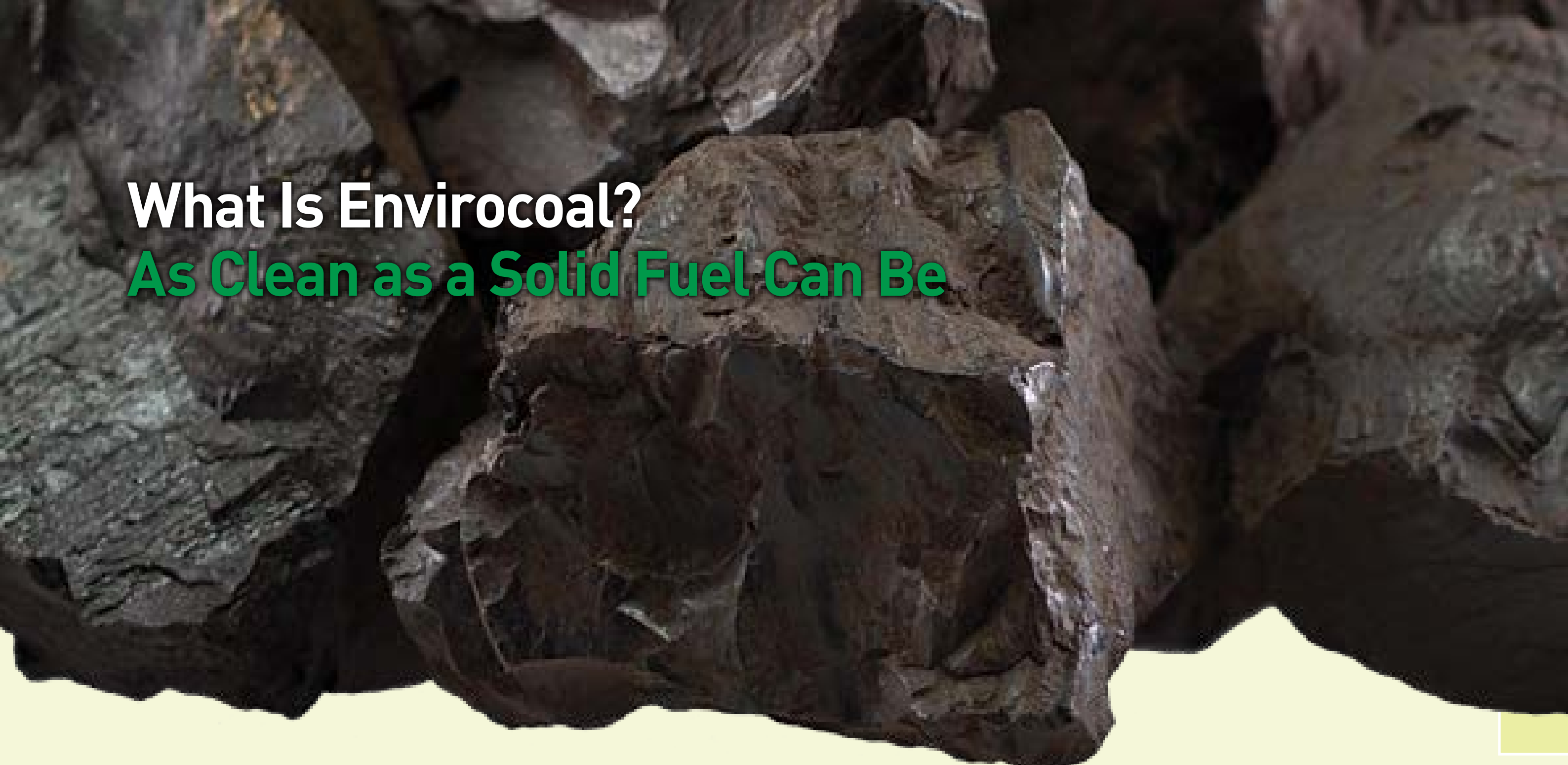
Coal Sales 2012

	2012	2011	% Chg
Volume (Mt)			
E5000 (Tutupan + Paringin)	37.70	41.69	-10%
E 4500	1.95	-	-
E 4000 (Wara)	7.76	5.48	42%
Subtotal	**47.41**	**47.17**	**0.5%**
Coaltrade's third-party sales	1.21	3.61	-66%
Total	**48.62**	**50.78**	**-4%**



A Consistent Trend

Total sales for 2012 dipped slightly due to difficult market conditions, but Adaro remains committed to long-term growth.

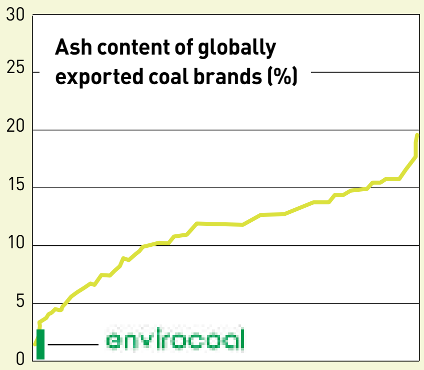


What Is Envirocoal?
As Clean as a Solid Fuel Can Be

Adaro's coal is a moderate-energy, sub-bituminous coal that is one of the cleanest fossil fuels in the world because of its natural ultra-low sulphur, ash and nitrogen contents. It has been trademarked internationally as Envirocoal.

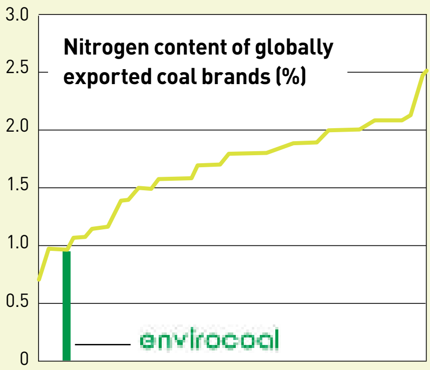
Our coal has been widely used since 1992 across Europe, Asia, the Americas and domestically in power generation, cement manufacturing and industrial applications where environmental restrictions are stringently controlled, or as a blending coal with more common high-ash, high-sulphur coals. Results have consistently shown a significant drop in environmental impact compared to standard coal when it is used.

Because of its rare qualities, Envirocoal also provides excellent economic and technical benefits through lower maintenance and operating costs and improved combustion, ash handling and ash disposal efficiencies, making it the most environmentally acceptable and cost effective solid fuel available. ■



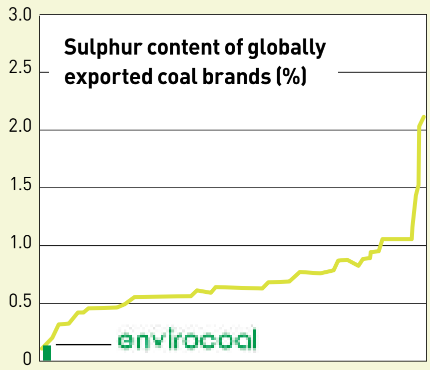
Ash Content 2%-3% (adb)

- Lowest ash content among coals produced for global export trade, giving consumers significant cost savings.
- Blending Envirocoal with higher-ash coal reduces the on-costs associated with ash disposal. This is significant in countries such as Japan with limited disposal areas.
- Low ash levels in Envirocoal also reduces deposition rates in boilers, improving thermal efficiency and reducing maintenance costs.



Nitrogen Content 0.9%-1.0% (daf)

- Envirocoal is among the 10 lowest coals by nitrogen content.
- Low nitrogen content enables consumers to reduce the costs associated with removing nitrous oxides from the flue gases.
- This results in more net power for sale and lower electricity production costs.



Sulphur Content 0.1%-0.25% (adb)

- Regulation of emissions of sulphur oxides has required some consumers to install flue gas desulphurization equipment or to reduce the sulphur content in their blend of coals.
- Desulphurization units can cost up to 20% of the capital expenditure of a new power station. Envirocoal's ultra-low sulphur content helps consumers meet regulated standards and delay capital expenditure, cutting plant operation costs.

the new E4500 to two customers, in Indonesia and South Korea. However, this product will be discontinued in 2013 when our new E4700 brand is introduced (see page 69).

Coaltrade's third-party sales, meanwhile, declined 66% year-on-year to 1.21 million tonnes as our subsidiary focused more on promoting AI's coal. As the coal market rebounded near the end of 2012, we finished strongly and recorded our second best year for sales volume, with 48.62 million tonnes sold.

In 2012, our new coal marketing team (see story below) also began marketing Ultima coal from PT Mustika Indah Permai (MIP), our new mine in South Sumatra. Its coal shares similar low-pollutant traits — relatively low sulphur and ash content — but has a slightly higher calorific value than the E4000. At 4,281 kcal/kg on a gross as received (gar) basis, Ultima targets a different audience than E4000. We believe that Ultima, which will be produced with the same high standards of reliability and quality for which AI has become known, will also be well received in Asian coal markets. MIP is continuing to build orders for Ultima and is in discussions to supply it to customers in Indonesia, China, India, Taiwan, Thailand, the Philippines and Vietnam.

Diversified and Loyal Customer Base

Our coal sales efforts continue to be focused on the key thermal markets of Asia (including Indonesia), which accounted for 83.58% of our sales in 2012. The other 16.42% was supplied to the Atlantic market and the Americas. We increased our number of customers by 8% to 53 from 49 as a result of our strategy to broaden our customer base. By the end of the year, we had customers in 15 countries worldwide. In terms of volume, 89% of them were power generation companies.

We offer volume-based contracts with annual price negotiation. Prices are either fixed or set with reference to index prices, while costs are effectively managed through our unique vertically integrated business model. In 2012, 65% of our volume was priced based on agreed-upon (fixed) figures, while the remaining 35% was linked to major indices, mainly Global Coal Newcastle on a trailing basis. We do not expect to vary this pricing composition much in order to reduce the risk of price fluctuations.

Asia and Beyond

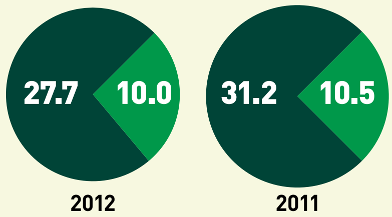
Adaro Energy's coal is sold to 53 customers in 15 countries. Here is the breakdown by country for 2012. Changes from 2011, if any, are given in the table opposite.

Home and Abroad

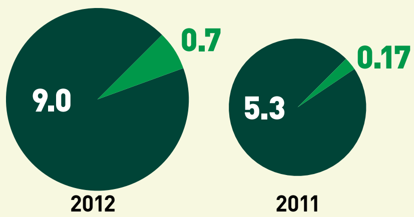
Sales of Adaro coal within Indonesia compared to exports. Figures in millions of tonnes.

Export Domestic

E5000 (Tutupan and Paringin)



E4000 (Wara) and E4500



Marketing Our New Coals
Ultima, Wahau and Beyond

Our acquisition of new coal concessions in South Sumatra and East Kalimantan in 2011 and 2012 diversifies our coal production from the current single site in South Kalimantan operated by Adaro Indonesia and provides significant resources to meet major production expansions and secure Adaro's role as one of the world's largest coal producers in coming decades.

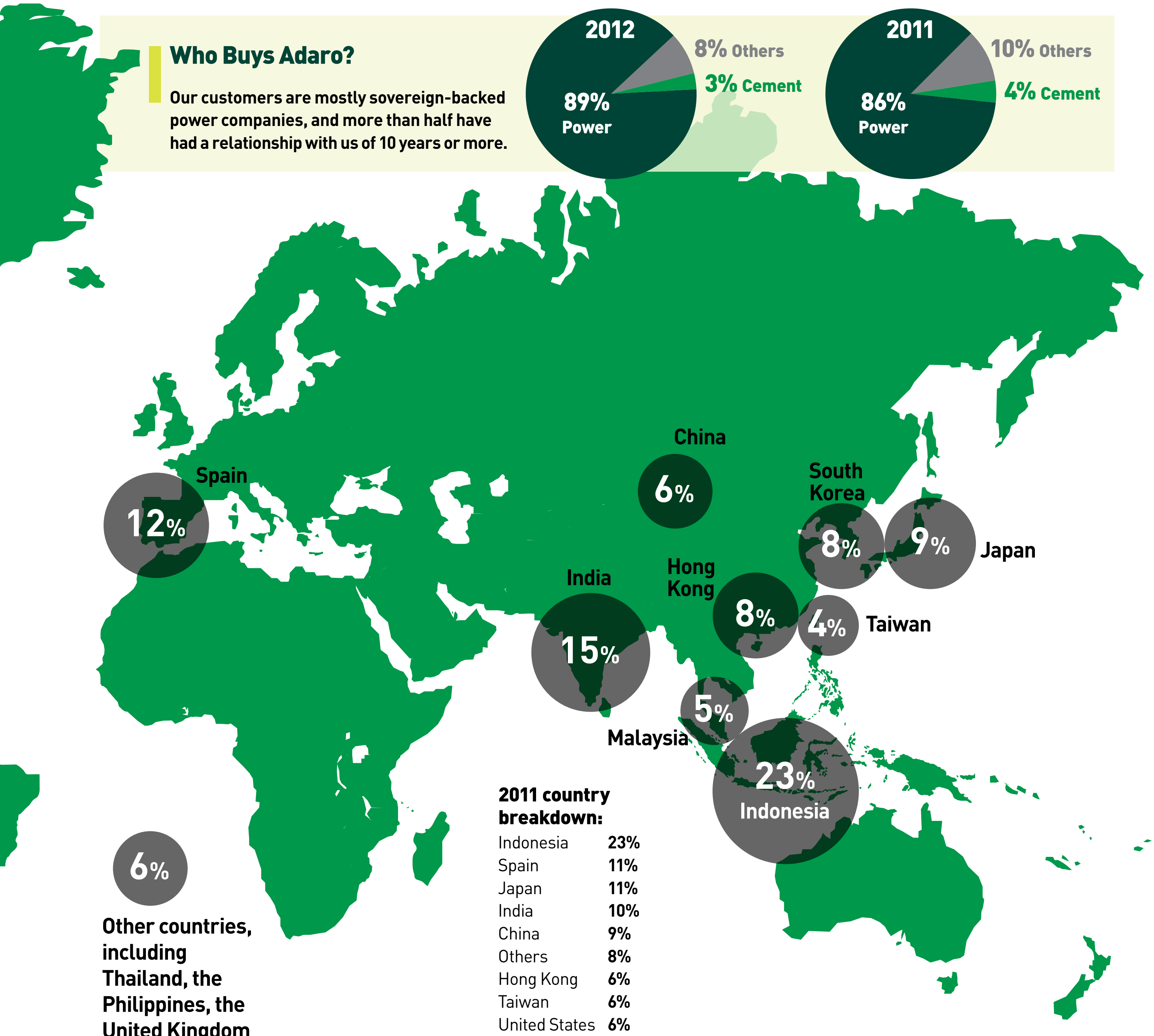
While the coals produced from these new concessions have somewhat lower energy content than E5000 and high moisture content, they are also low in sulphur and ash, qualities that mirror the environmental characteristics of Adaro Indonesia's current successful Envirocoal products.

To develop markets for these new coal products without conflicting with Envirocoal, a new marketing team has been established. This team will be responsible for developing both near-term sales and long-term marketing strategies that will ensure that the planned high production levels from these large resources can be achieved.

In 2012, pre-production marketing began for two of the brands, Ultima coal from the PT Mustika Indah Permai concession in South Sumatra (see

Who Buys Adaro?

Our customers are mostly sovereign-backed power companies, and more than half have had a relationship with us of 10 years or more.



Other countries, including Thailand, the Philippines, the United Kingdom and Italy.

2011 country breakdown:

Indonesia	23%
Spain	11%
Japan	11%
India	10%
China	9%
Others	8%
Hong Kong	6%
Taiwan	6%
United States	6%
South Korea	5%
Malaysia	5%

page 96)and also Wahau coal from PT Bhakti Energi Persada's East Kalimantan site (see page 98).

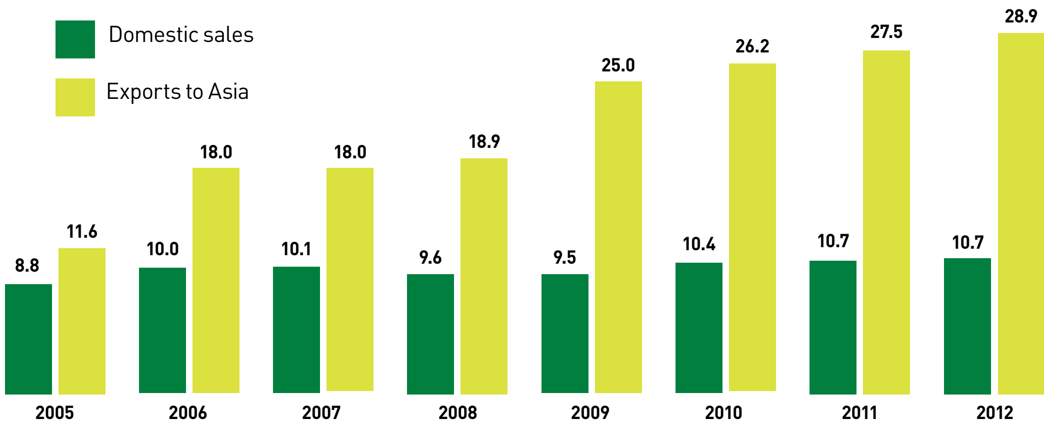
Given an increasingly competitive market and volatile coal prices, the marketing group is facing the challenges with vigor, doing more than just leveraging on Adaro's core competence in developing global markets for Envirocoal. It is also developing new models for market development, which will be backed by the huge coal resources available to develop high-volume, long-term sales to the expanding Asian power-generation market.

The expansion of Asia's coal-fired power-generating capacity has been well documented, with China and India at the forefront. But other countries including South Korea, the Philippines, Malaysia and Vietnam, also have aggressive coal-fired power-generation plans, providing an opportunity for our new marketing team to extensively widen Adaro Energy's network beyond existing customers. This will provide a strong foundation for future sales growth without distracting Adaro Indonesia from its current expansion path.

An extremely competitive market in the past year has made us realize that in order to protect and maintain returns in an adverse price environment, aggressively strengthening our coal marketing efforts is as important as maximizing the efficiencies of our production and logistics. We need to be ahead of the market, anticipating changes and adapting to the new challenges brought about by increased competition. ■

Asian Trade Advancing

Adaro Indonesia's coal exports to Asia have outpaced domestic sales.



Of our 2012 sales, 36.7 million tonnes were exported while 10.7 million tonnes were sold locally, maintaining our position as the largest coal supplier to Indonesia and exceeding our Domestic Market Obligation as mandated by the government. We will potentially be involved in two new Indonesian IPPs, including construction and coal procurement, for a total supply of about 6 million tonnes per year starting in 2016. We plan to finalize these agreements in 2013. We will continue to work with PLN and other Indonesian coal utilities, cement plants and industrial consumers of coal to increase domestic sales. A major commercial focus continues to be the alignment of contracts and sales strategies with the prevailing government regulations with respect to coal price and our Domestic Market Obligation.

Asia remains the largest export market for E5000, with 19.87 million tonnes shipped in 2012, 55% of all our export sales. Demand for E5000 in traditional European markets remains strong, with 2012 sales effectively stable at 5.95 million tonnes. Sales to the Americas continued to decline in 2012 to 1.79 million tonnes, due to low dispatch from the power plants, low gas prices and competition from discounted coal from Colombia and the United States.

With the industry faced with the challenge of declining coal quality, however, there is less tonnage of coal equivalent of similar rank to E5000 available, and demand continues to outpace supply. Our sales team is thus prioritizing customers that value the favorable qualities of our coal, and will continue to focus on achieving and extending long-term contracts in the higher-value markets. In line with this strategy, Adaro shipped trial/spot cargoes of E5000 to power utilities in Japan, Korea and Hong Kong, and concluded new and renewed contracts totaling almost 5 million tonnes.

Adaro's production and sales growth will primarily come from E4000. Currently, its customers consist of power utilities in India, China, Indonesia, South Korea, Thailand and Hong Kong. With its low sulphur, low ash and low nitrogen content, E4000 is an excellent coal to blend with higher sulphur and higher ash coals, and is competitively priced, so continued growth is expected in these markets. Going forward, India, China, Vietnam and other emerging economies will continue to be the major export markets for E4000.

Competitive Landscape

E5000 has three main competitors in the environmental, sub-bituminous coal market, while E4000 has many more. We compete on price, certainty of delivery and our established quality record. Our competitive advantage over other Indonesian coal companies lies in our large proved reserves, strong relationships with mining contractors, vertically integrated business model and proven track record of supplying quality Envirocoal to our customers.

We compete in the wider coal markets for domestic and international coal sales against a significant number of large Indonesian coal producers, including PT Kaltim Prima Coal, PT Arutmin Indonesia, PT Kideco Jaya Agung, PT Berau Coal and coal producers controlled by PT Indo Tambangraya Megah Tbk.

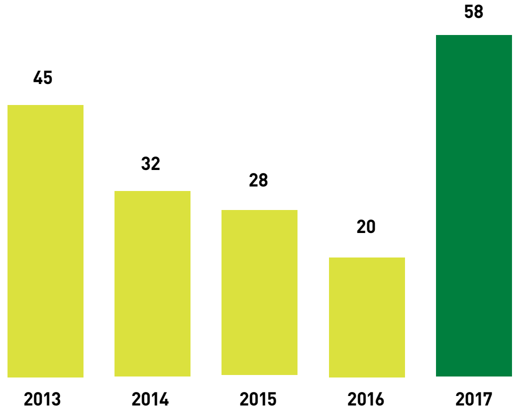
Our principal competitors in the wider coal markets in Asia include large coal producers from Australia, South Africa and China, such as Rio Tinto plc, BHP Billiton plc, Anglo American plc, Xstrata plc, China Shenhua Energy Company Limited and China Coal Energy Company Limited. We believe that we hold competitive advantages over our Australian

Adaro's production and sales growth will primarily come from E4000. Currently, its customers consist of power utilities in India, China, Indonesia, South Korea, Thailand and Hong Kong, and continued growth is expected in these markets.

High capacity conveyor systems at Kelanis have enabled us to meet increasing production outputs.

Securing the Future

Millions of tonnes of Adaro coal so far contracted per year to 2016 and cumulatively for 2017-22.



and South African competitors given our relative geographic proximity to Asian customers.

Our primary competitors for European sales are coal producers with operations in South Africa and Russia, including Xstrata plc, Anglo American plc and BHP Billiton plc. In the Americas our primary competitors for coal sales are domestic United States coal producers, including those in the Powder River Basin area, and Colombian coal producers.

We expect that the coal markets in which Adaro Energy operates will continue to expand as a number of new power plants, particularly in Asia, are developed. We anticipate that increased coal supply, primarily from Indonesia and Australia, may have a negative impact on global coal prices.

In addition, we also face competition in all markets in which we operate from providers of alternative sources of energy to coal, most significantly from natural gas and nuclear power.

Long-Term Marketing Strategy to Preserve Our EBITDA Margin

What we offer — reliable, affordable coal supply supported by first-rate customer service — has earned us a strong customer reputation. Thus, we intend to continue selling our coal directly to end-users.

Our strategic decision to emphasize margin over volume resulted in an EBITDA of US$1.1 billion, which was on target, and a 29.2% EBITDA margin in 2012, among the highest in Indonesian thermal coal. To maintain this, we have to combine our reliable operations with a strong, focused marketing team.

In the past, our sales efforts were mainly focused on Envirocoal from Adaro Indonesia. However, with our recent acquisitions, we now have diversified products and significant resources to meet production expansions and increased demand from our customers.

Over the next five years, there will be significant demand from new IPPs in India, Vietnam and elsewhere in Southeast Asia. Achieving long-term contracts with these projects by consistently being able to offer a variety of coal in a large volume fits with our strategy to achieve long-term relationships with large, reliable electricity generators. ■

A cheerful mascot on display at CLP Power Hong Kong Ltd's Castle Peak power station in Hong Kong. Adaro's Envirocoal helps long-term customers such as CLP in meeting tightened emission standards. CLP, an Adaro customer since 2000, provides over 80% of Hong Kong's electricity needs.

Introducing Envirocoal E4700
Meeting Market Demand

Since the start of its operations in 1992, Adaro Indonesia has been on a path of continuous growth, achieving sales of 47.41 million tonnes in 2012 and shipping more than 460 million tonnes of coal to global markets to date. Adaro proudly retains the title of largest single-site coal producer in the global seaborne steaming coal market.

To achieve this level of success, Adaro Indonesia has employed a no-fuss approach to its product profile. Maintaining an uncomplicated approach to an inherently complex coal supply chain will continue to be at the root of Adaro's growth and success story. Efficiency, reliability and doing what we say we'll do evokes trust, even in the toughest market conditions.

In 2012, Adaro's signature product, Envirocoal 5000 (E5000), made up the majority of sales at 37.7 million tonnes. Demand for Envirocoal 4000 (E4000) was also well supported, with a year-on-year sales growth of 42% to 7.76 million tonnes, despite a tumultuous and competitive market.

Expanding the Product Profile

Two decades of continuous growth while maintaining supply reliability has not been achieved without effective forward planning and continuous well-placed investment in the coal supply chain. This model continued in 2012 with major expansions at the Kelanis coal-crushing and loading facility, investments in new heavy mining plant and machinery and further land acquisition. All of this is to ensure availability of infrastructural capacity to match production increases.

With ongoing expansions, Adaro is now well prepared for the latest addition to the Envirocoal family products: Envirocoal 4700, or simply E4700. A standalone non-blended product, E4700 commenced production in late 2012. Mining takes place in the northern region of the Tutupan pit over approximately four kilometres of strike length.Minable reserves are approximately 120 million tonnes, with considerable additional resource potential available.

E4700's specification resembles E5000, with an ash content of 2.5% on an as-received basis (arb), sulphur content of 0.15% (arb) and nitrogen content of 0.9% dry ash-free (daf). As branded, it has a calorific value of 4,700 kcal/kg gross as received (gar).

Report by Neil Little
Senior Marketing Manager, Adaro Indonesia

Neil joined Adaro in 2010 and has over eight years experience in coal marketing and logistics. He previously worked for QCoal, QRNational Coal and Queensland Rail Operations. Neil studied business management and finance at Queensland University of Technology and has a Master's degree in Integrated Freight System Management from Melbourne University.

Strong Market Demand

There is strong interest in E4700 from many of the world's key importing regions, with India, Korea, China, Vietnam, Japan and Thailand leading the way. It is expected that sales will total 8 million tonnes by the end of 2013 — by no means a soft entrance to the international seaborne market — with first deliveries scheduled for the first quarter of 2013.

Adaro believes there is long-term demand for E4700. South Korean demand for lower-energy coals (from 4,500 to 5,000 kcal/kg gar) is expected to steadily increase from a share of about a third of consumption to over half by 2030 on the back of decommissioning of older thermal plants in favor of new plants tailored to lower energy value coal. Adaro sees a similar story playing out in coastal China, where large expansions are taking place for coal-fired capacity designed on 4,700 kcal/kg gar. India is also established as a large consumer of lower-energy coal. Finally, emerging nations Vietnam and the Philippines have large coal-fired expansion plans based on a typical energy value of 4,500-4,800 gar.

In addition to export growth, Adaro E4700 meets the requirements of Indonesia's own booming power and industrial sectors. Adaro today supports Indonesia's emerging market as the largest supplier of coal for domestic consumption. This will remain a strategic growth region and a fundamental component of Adaro's continued success. ■

8 million

tonnes of Envirocoal 4700 targeted for production in 2013, its first year on sale.

Adaro Indonesia staff at Kelanis demonstrate the three types of coal marketed by Adaro. Left to right: E5000, E4700 and E4000.

Operations Review
Our Coal Supply Chain Offers Unique Strength

During the challenging market conditions in 2012, the vertically integrated "pit to port to power" business model with which Adaro Energy and its subsidiaries operate demonstrated value in controlling costs, reducing risks and improving the reliability of coal supply. Our unique coal supply chain, in which our subsidiaries and contractors play key parts at specific points, helps us reach our goal of creating maximum sustainable value from Indonesian coal. Key to this model's success is that each subsidiary is treated like a third-party business and is positioned as an independent profit center. We may publicly list strong-performing subsidiaries when the time is right to support growth and development and if it creates shareholder value.

Read More

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How Our Subsidiaries Operate

At present, our core operating subsidiary, **PT Adaro Indonesia (AI),** continues to be the center of production. The concession that it is licensed to mine in South Kalimantan — the largest single-site coal mine in the southern hemisphere and the source of our trademark Envirocoal — achieved its second-highest production level last year despite the difficult market conditions. AI currently operates at the Tutupan, Paringin and Wara deposits, all located in the concession area, and are located along 14 coal seams that measure 21 kilometers in length and up to 60 meters thick.

Our aim is to have the subsidiaries that support Adaro Indonesia — principally in mining services, coal hauling, barging and shiploading — responsible for about 50% of total production volume, with the rest handled by third parties. Although we prioritize our subsidiaries, we use performance as the base for determining the amount of volume we give each year to all of our contractors.

Within these mining operations, we employ five mining services contractors, including our own fully owned subsidiary, **PT Saptaindra Sejati (SIS)**, which in 2012 handled 34% of our coal mining and hauling and 36% of our overburden removal (stripping away and disposing of rock layers above coal seams).

Through insights gained from SIS, we have been able to continually improve efficiencies at our South Kalimantan mine's concession and along our hauling road to the Barito River, such as by reducing the average coal hauling cycle time, increasing the utilization rate and requiring our contractors to reduce fuel usage by 2% each year. These initiatives reduced the cost impact of raising the strip ratio, longer overburden hauling distances and higher fuel prices.

On the Barito River, along which the coal is barged downriver to maritime shiploading facilities, we have five barging and shiploading contractors, including our subsidiary **PT Maritim Barito Perkasa (MBP)**, which handled 52% of our barging activities and 53% of our shiploading activities last year.

MBP continued efforts at implementing several cost-reduction initiatives along the Barito River last year. As a result, we have been able to lower our average barge cycle time by 5% from 2011, fleet number by 13% and average vessel waiting time by 56%. We have also eliminated demurrage. As a result, our freight cost has stayed flat year-over-year.

Our subsidiary **PT Sarana Daya Mandiri (SDM)** has successfully tripled the transport capacity of the Barito River to 200 million tonnes per year since it was appointed to dredge a new barging channel in 2008. Furthermore, to guarantee high-quality fuel supply for our entire operations, we entered into a BOOT (build-own-operate-transfer) agreement with PT Shell Indonesia to develop a fuel storage facility at the shiploading and storage terminal run by our subsidiary **PT Indonesia Bulk Terminal** (IBT) in Pulau Laut.

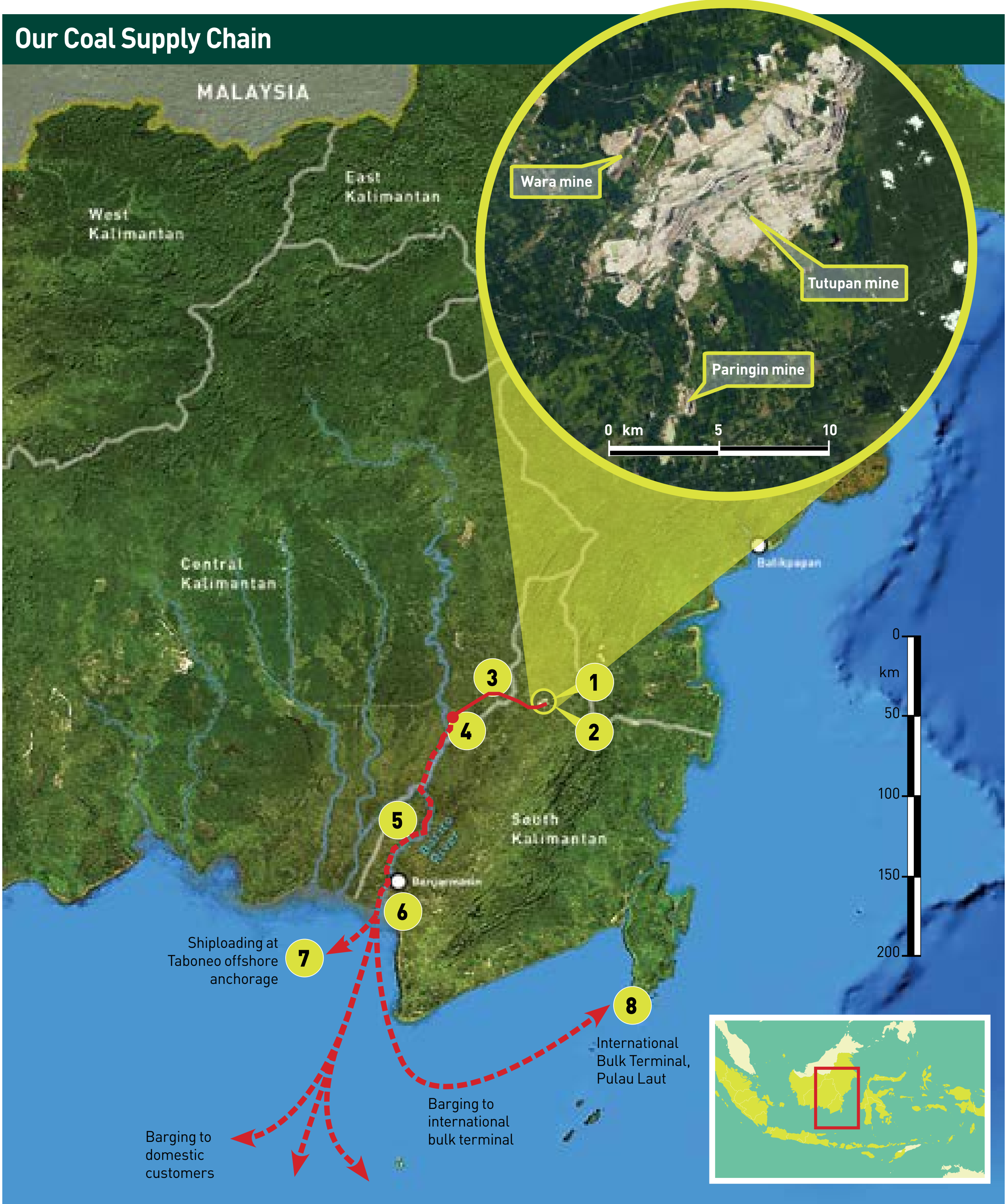
Through our discipline for improving efficiencies and keeping fuel costs below budget, we achieved a coal cash cost (excluding royalties) of US$38.95 per tonne, an 8.9% increase from 2011, which was below our guidance of US$39 to US$42 per tonne for 2012.

Our marketing subsidiary, **Coaltrade Services International (Coaltrade)**, continues to develop third-party trading from existing customers while striving to secure new ones around the world, while **Adaro Eksplorasi Indonesia (AEI)** engages in exploration for Adaro Indonesia and other subsidiaries.

The increasingly competitive coal market has made us realize that our vertically integrated business model along with well-planned marketing efforts allow us to consistently achieve one of the best EBITDA margins in the Indonesian coal industry.

In this section, we will discuss the operational, financial and development activities of our operating subsidiaries during 2012. ■

Our Coal Supply Chain



Adaro Energy's mines at Tabalong in South Kalimantan account for all of the Group's coal production. Adaro Indonesia and other key subsidiaries form the main part of the coal supply chain, with help from third-party contractors.

1. Coal mining license holder is PT Adaro Indonesia
2. Contract mine operations by PT Saptaindra Sejati (SIS)
3. Coal hauling road owned and operated by Adaro Indonesia
4. Coal crushing and barge loading at Kelanis river bulk terminal by Adaro Indonesia.
5. Coal barging to the sea along Barito River by PT Maritim Barito Perkasa (MBP)
6. River channel operation and maintenance by PT Sarana Daya Mandiri (SDM)
7. Shiploading and sea barging by PT Maritim Barito Perkasa (MBP)
8. Coal terminal and fuel supply services by PT Indonesia Bulk Terminal (IBT)

PT Adaro Indonesia
Automating and Expanding

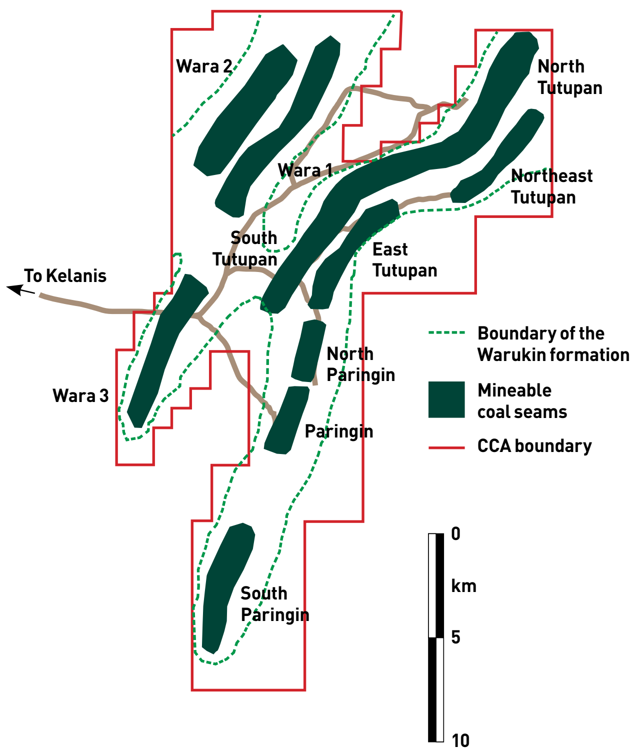
In 2012, we recorded our second best year of coal production with 47.2 million tonnes from our Coal Cooperation Agreement (CCA) area in South Kalimantan, despite the challenging market conditions that the year brought. An excess of coal supply, slower growth of the Chinese economy and other macroeconomic concerns dominated market sentiment, especially in the second half of 2012. As the coal market rebounded toward the year's end and due to our preparation to focus on removing the overburden throughout the year. However, we were able to achieve a record quarterly coal production of 13.3 million tonnes during the fourth quarter of 2012, despite experiencing a higher than average rainfall in December.

While we are experiencing volatility in the industry, we believe the long-term fundamentals for coal remain intact and the sector will provide attractive returns long-term. We will not lose focus on our core business as we continue to deliver operational excellence, preserve our cash flow and reduce risks.

All of our mining operations are carried out by open-cut methods, where topsoil is initially removed and stockpiled for environmental rehabilitation work later on, while overburden is stripped and hauled to external dumping areas, exposing coal for extraction to surface run-of-mine stockpiles.

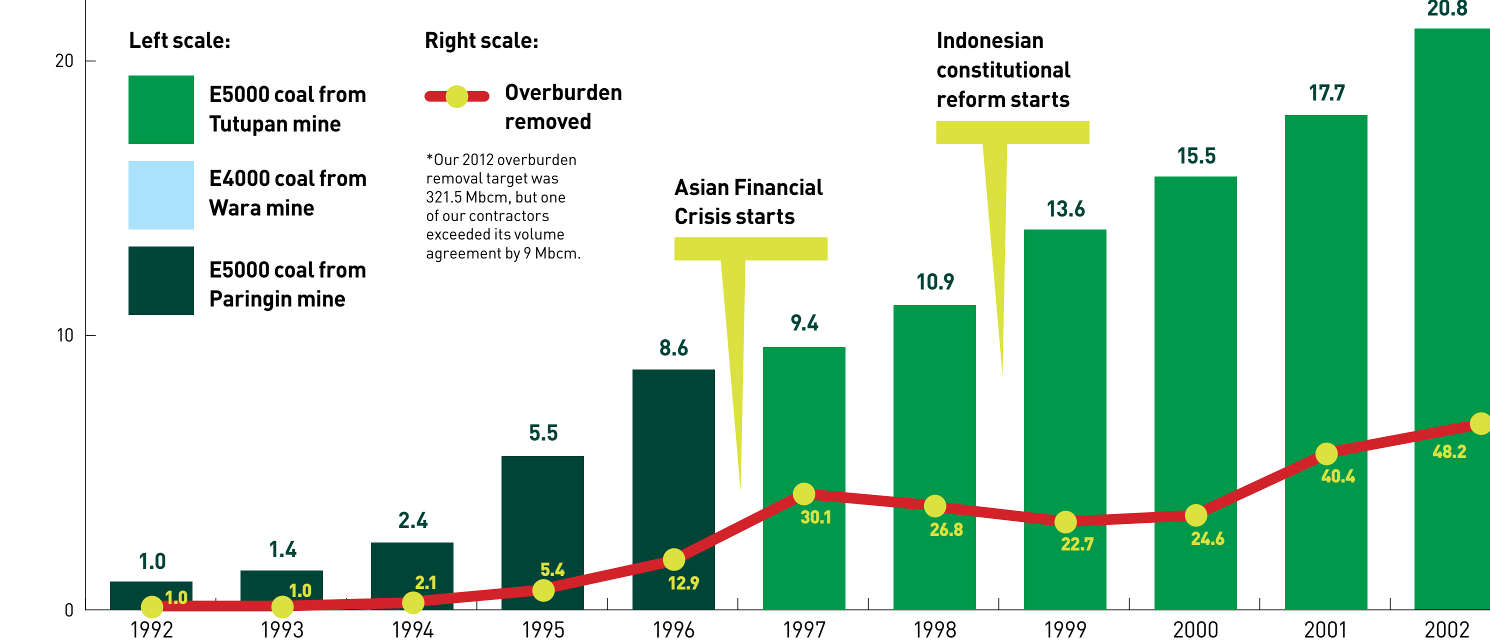
Mining at Tabalong

Coal deposits at Tabalong and Adaro Indonesia's Coal Cooperation Agreement (CCA) area.



Two Decades of Growth

Coal production volume and overburden stripping by Adaro Indonesia at its South Kalimantan concession mines



From there, the coal is reloaded onto road trains for hauling to our barge port for processing and onward transportation.

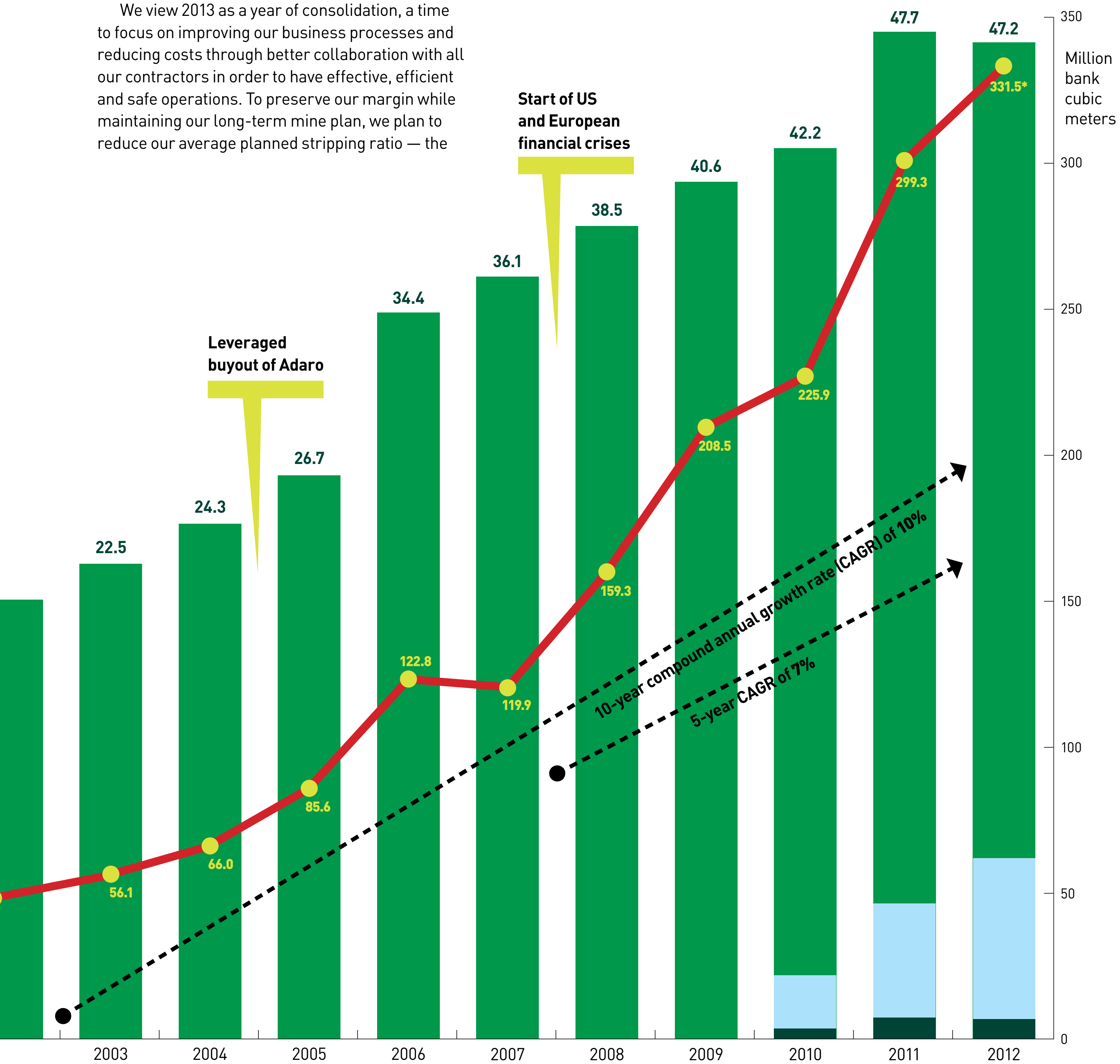
Of note in 2012 was our investment in overburden stripping (removing the rock overlying coal seams), which helped us strip a record amount, exceeding our target for the year and more than doubling the output of 2008, as part of our long-term mine planning.

Operations at the South Kalimantan mines are under the control of our subsidiary PT Adaro Indonesia (AI), which uses five mining contractors working on multi-year contracts, including our own subsidiary PT Saptaindra Sejati (SIS). These contractors are responsible for the overburden stripping, coal extraction and hauling, while we focus on exploration, mine planning and production supervision together with environmental management.

We view 2013 as a year of consolidation, a time to focus on improving our business processes and reducing costs through better collaboration with all our contractors in order to have effective, efficient and safe operations. To preserve our margin while maintaining our long-term mine plan, we plan to reduce our average planned stripping ratio — the number of bank cubic meters of overburden that we remove for every tonne of coal excavated — from 6.40x to 5.75x, and aim to keep the actual stripping in line with the plan in 2013.

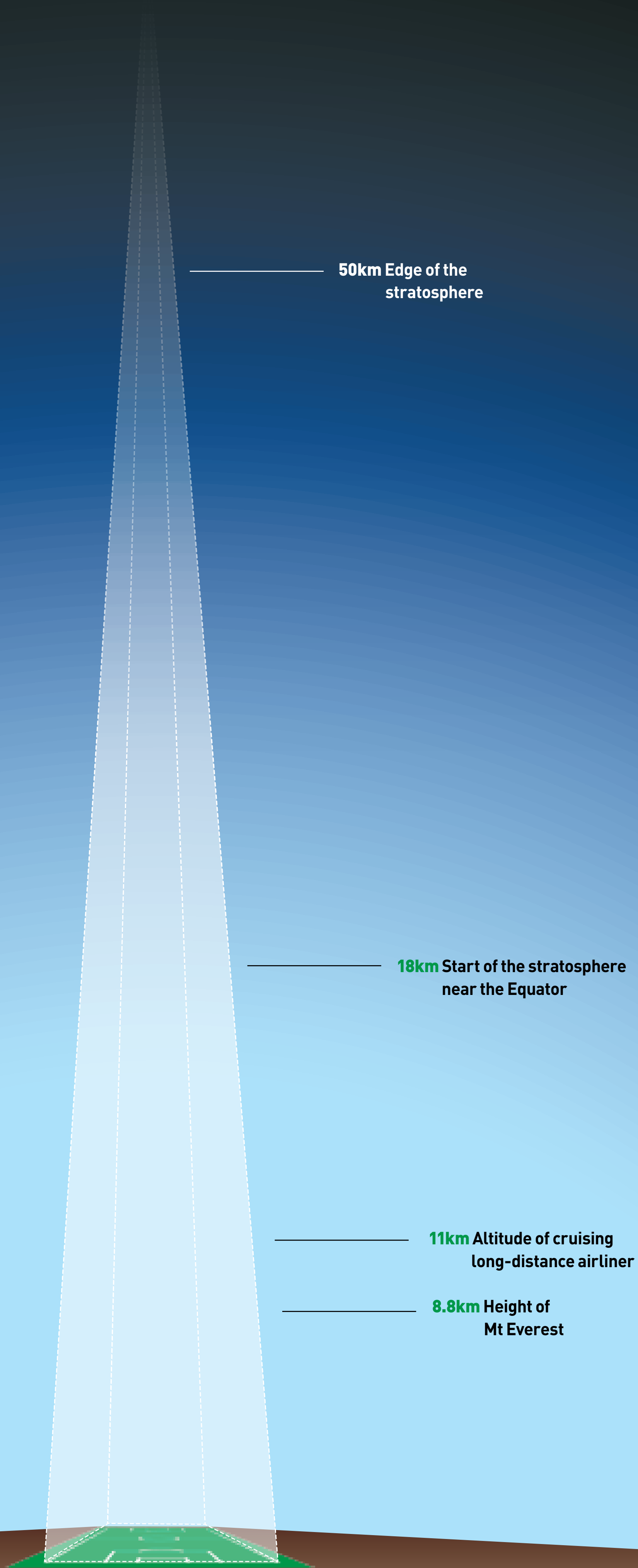
We also aim to improve our mining plan and standard operating procedures throughout the coal supply chain to obtain optimum hauling distance, stripping ratio, fuel usage and cycle time to increase total productivity.

Furthermore, we are pleased to be able to start commercial operations in 2013 of two infrastructure projects, our overburden out-of-pit crushing and conveying system and 2x30MW mine-mouth power plant that will further improve our efficiency and reduce costs (see pages 94 and 100). All our efforts will continue to focus on creating maximum sustainable long-term value from Indonesian coal.



Our Tower of Overburden

Overburden is the rock and soil overlying coal deposits, and it must be scraped off and hauled away before the seam can be mined. In 2012 Adaro stripped a massive 331 million cubic meters of rock (10 percent more than in 2011). To imagine what that amount of rock looks like, imagine a tower with the base of a soccer pitch stretching a massive **66.2 kilometers** into the sky, through the stratosphere and almost to the edge of space.



Coal Mining

We produced 47.2 million tonnes of coal in 2012, making it the second best production year in our two-decade history after 2011 and allowing AI to maintain its uninterrupted growth in coal sales with 47.41 million tonnes, an increase from 47.17 million tonnes in 2011. AI's contractors performed at a high level with daily average coal mining of 131,920 tonnes per day from three pits located at the same concession.

Tutupan remained our main production mine. It has grown larger: it is now 14.5km long and an average 2.56km in width, and 4.5km wide and 240 meters deep at its widest point in the southern part of the mine. We produced 38.62 million tonnes from our Tutupan pit, 6% less than 2011, as some of our customers did not invoke their option to buy additional coal at the contracted price. For similar reasons, production from the Paringin pit also decreased, by 7% to 0.94 million tonnes. However, production from Wara, our new pit opened in 2009 that lies 5km east of Tutupan, increased by 42% to 7.63 million tonnes due to strong demand for low calorific value coal, even though there is more competition for this kind of coal.

Overburden Stripping

Amid market volatility and as part of our long-term mine planning, we kept our target for overburden removal fixed throughout 2012 despite lowering our production target, and we achieved a record 331.48 million bank cubic meters (Mbcm) of overburden stripped, exceeding our target of 321.15 Mbcm. Average daily overburden stripping was 930,140 bcm.

AI's actual average stripping ratio of 7.0x was higher than the planned average stripping ratio of 6.4x. This major increase in stripping volume was due to a mix of factors, including continued improvement to the mine haul road infrastructure and an ongoing increase in the numbers of higher-capacity mining equipment. Dry weather was also a factor.

We began purchasing larger-sized equipment in 2011 to maximize productivity, improve efficiency and minimize accident risk. We purchased several 200-tonne class and 150-tonne class Komatsu and Caterpillar trucks during the year, which brought total investment to US$129 million for 2012. Our contractors also added nine units of the larger-face shovels with bucket capacities of up to 24 cubic meters, resulting in total heavy equipment fleet being operated by our contractors of 1,195 units at the end of 2012. With this investment, AE's current fleet provides us with adequate capacity to achieve our production targets for 2013. As part of our efficiency and cost reduction initiatives, we continued improving road conditions around the pit, reducing our average coal hauling cycle time. We also saw savings from our requirement that contractors reduce their fuel usage by 2% each year.

Adaro Indonesia Operations 2012

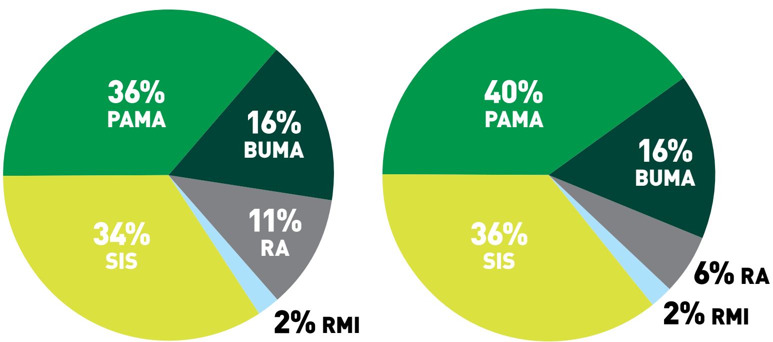
Millions of tonnes unless specified	FY12	FY11	% Change
Coal Production			
Total	**47.19**	**47.67**	**-1%**
E5000 from Tutupan	38.62	41.29	-6%
E5000 from Paringin	0.94	1.01	-7%
E4000 from Wara	7.63	5.37	42%
Coal Sales			
Total	**47.41**	**47.17**	**1%**
E5000 from Tutupan and Paringin	37.7	41.69	-10%
E4500 (E5000 and E4500 blend)	1.95	0	100%
E4000 from Wara	7.76	5.48	42%
Overburden Removal			
Overburden stripping (Mbcm)	331.48	299.27	11%
Average Planned Strip Ratio (bcm/t)	6.4x	5.9x	8%

Adaro Indonesia 5-Year Highlights

	2008	2009	2010	2011	2012
Key Financial Highlights (US$ million)					
Total assets	1,278.9	2,303.4	1,885.0	2,699.6	**2,927.4**
Total liabilities	1,023.0	1,844.1	1,648.6	2,312.1	**2,508.3**
Interest-bearing debt	514.1	1,204.3	1,141.3	1,629.7	**1,806.9**
Total equity	255.8	459.3	236.4	387.5	**419.1**
Revenue	1,617.8	2,406.9	2,412.0	3,386.2	**3,343.1**
Operating Statistics					
Coal production (Mt)	38.5	40.6	42.2	47.7	**47.2**
Coal sales (Mt)	39.8	41.1	42.5	47.2	**47.4**
Overburden stripping (Mbcm)	159.31	208.5	225.9	299.3	**331.5**
Average planned strip ratio (x)	4.25	5.0	5.5	5.9	**6.4**

Who Does What

Our contractor breakdown for coal mining and hauling (left chart) and for overburden excavating and disposal (right chart).



Rainfall and Pit Dewatering

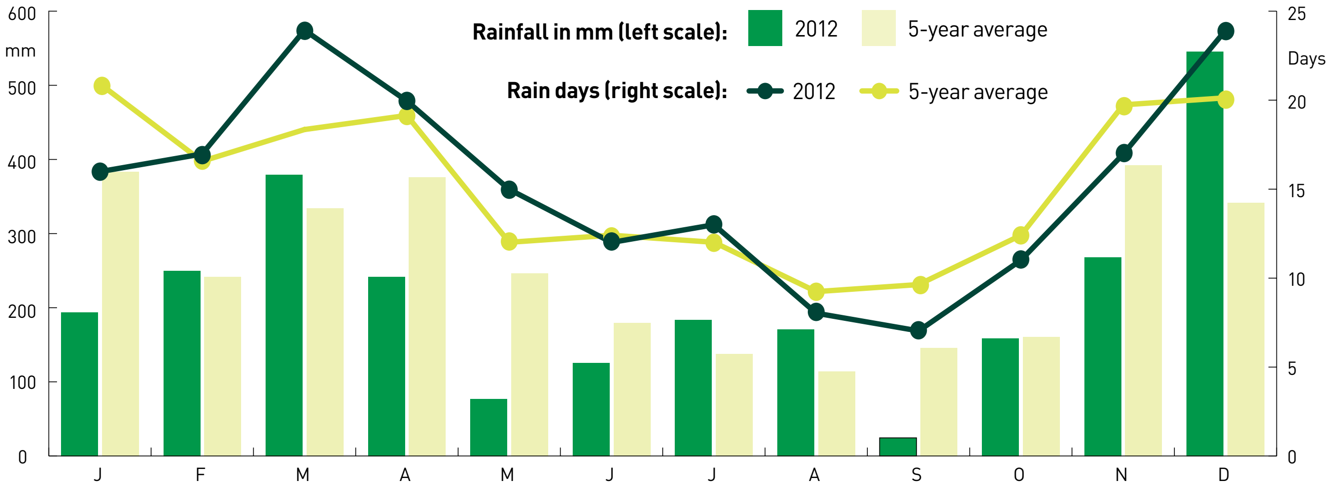
We had 2,620mm of rainfall and 184 rain days during the year, which was slightly below the five-year average of 3,054.4mm. However, December's rainfall of 545 mm was the highest single-month total in our ten years of recording, up from the previous record of 536mm, set in March 2010. Total rain days over the year numbered 184, slightly above the 5-year average of 182.8 days.

The dry season lasted well into the fourth quarter, which allowed high rates of overburden removal to be maintained, increasing the volume of exposed coal ready for excavation and leaving us in a strong position to meet coal production targets during the end-of-year wet season. AI's mining

Rain can slow production down as safety demands that overburden removal be halted, so forward planning to focus on overburden stripping in dry periods allows the mine to keep running at high capacity. Total rainfall in 2012 was less than the 5-year average, but there were184 days of rain, slightly more than the 5-year average.

Less Rain, But More Days of It

Rainfall statistics for the Tutupan mining area in 2012



operations have to be halted while it is raining as the ramps become too slippery for our dump trucks, so stripping as much overburden as possible in dry days allows coal extraction to be maintained in wetter weather. We conduct numerous initiatives such as prioritizing pit dewatering by supplying additional dredging systems to pump water from the pits faster and weather-proofing pit haul roads by buying special rock materials to reduce stoppage time due to rain.

Coal Hauling and Barging

Hauling

Run-of-mine coal from the mining operations is hauled by double-trailer road trains with average capacity of 130 tonnes along the 80km haul road to the processing and barge-loading terminal at Kelanis. During the year, road maintenance and upgrading continued to minimize truck cycle time, increase unit productivity and reduce fuel consumption.

These efforts culminated in a new daily coal hauling record of 172,597 tonnes on November 1, 2012, more than 5,500 tonnes higher than the previous record from 2011. To further improve productivity and decrease cycle time along our hauling road, we are studying the feasibility of constructing a coal trailer terminal at Kelanis to reduce haulage truck queues and for coal blending purposes. At year's end, there were 358 prime-mover trailer sets in operation.

Kelanis Barging Terminal

The operations at the Kelanis Terminal, which handles all coal crushing, stockpiling and barge loading of incoming coal from the Tutupan, Wara and Paringin mines, maintained an extremely high level of availability through the year and experienced no major breakdowns. An upgrade to one of the crushing stations in 2010 increased the terminal's capacity to 55 million tonnes annually, and the increased output from the mine was handled with little difficulty. See page 92 for details.

Marine Logistics

In 2012, we barged 47.47 million tonnes, a slight increase over 2011, either to transshipment facilities at the Taboneo anchorage or IBT's South Pulau Laut Coal Terminal for the export market, or direct barges to domestic customers. We loaded 32.25 million tonnes onto export vessels at the two transshipment points.

During 2012, three sets of 18,000 deadweight tonne (dwt) barges with 3,600 brake horsepower (bhp) tugs became operational. These are the largest barge units currently in use for coal transportation in Indonesia and are an integral part of our efforts to increase the average barge size, reduce barge cycling times and maximize fuel efficiency as cost-reduction initiatives. As of the end of 2012, the fleet consisted of 55 sets of tugs and barges, with an average barge capacity of 11,750dwt, a 7% increase over the 2011 average of 10,978dwt.

Most of our shiploading operations are carried out at the Taboneo anchorage through five floating cranes and one transshipper, which handled 67% of the total tonnage loaded onto export vessels, a 2% increase over 2011. In addition, 9% of the Taboneo tonnage was loaded onto self-loading vessels, while 5% was transshipped through IBT, with domestic barging accounting for the balance of 19%.

Average vessel waiting times, or demurrage, continued to decrease and we improved our targeted average waiting time of less than one day per port call, with our average for the year 0.7 days per vessel.

During 2012, our supply team introduced an online cargo supply status system that allows data capturing to be partially automated, bringing additional transparency to planning and tightening logistics execution. This was the second phase of an online monitoring program that followed the implementation of the GPS-based barge tracking system in 2010, which has enabled us to decrease average barge cycle times between Kelanis and Taboneo from above 100 hours to 90 hours. By November 2012, a record of 89.68 hours average cycle time was set. ■

What Our Suppliers and Partners Say

Congratulations to Adaro for the exemplary performance. We are proud to work together with Adaro, which has grown to be the world's main supplier of clean coal. Adaro has a win-win attitude towards its partners and always strives to be a better company.

Moreover, Adaro always put attention on corporate social responsibility, environment, safety, and actively contribute to disaster emergency response. Adaro encourages its partners to continue to innovate in an ever-changing technical and social dynamics.

Sudiarso Prasetio,
President Director,
PT Pamapersada Nusantara

PT Asiadrill Bara Utama has shared a long working partnership with Adaro, commencing back in 1997. Since then the business has grown from providing one drill rig to supplying multiple drill rigs for both the Adaro mine site as well as exploration work.

During this time the company has provided services including: open hole and core drilling, dewatering, piezometer installation, pump installation and removal, geotechnical drilling as well as site and access preparation. Asiadrill looks forward to continuing this working relationship well into the future.

Steve Dann, General Manager,
Asiadrill

Sucofindo, an independent provider of superintending and general laboratory services, has been associated with the Adaro operation since the beginning of shipments from the Kelanis barge-loading facility. Throughout that time, Adaro management at all levels has allowed two-way communications with regard to any issue affecting or restricting our laboratory operations. Continual support and encouragement has been exercised by Adaro to ensure Sucofindo provides the services required for the independent analysis of their shipments. Personnel at Sucofindo are confident in the continued supportive nature of Adaro management to enable continuous improvement in Sucofindo performance and operations.

Darryl Smith, Technical Adviser,
Sucofindo

As a Capital Equipment supplier to the Adaro group, we have always been happy to support the Adaro team. With a relationship spanning 25 years, I cannot remember any issue between us that could not be sorted out quickly or efficiently. The Adaro team recognized very early the reliability of our ABON equipment [used in crushing and sizing coal], and we have been able to support them in arduous and remote operations. It has been a win for both teams.

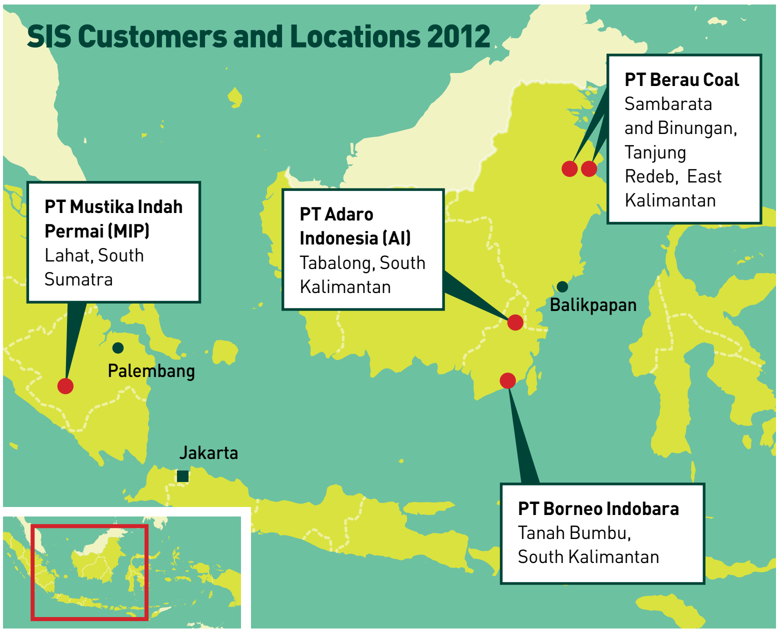
Steve Bond, Managing Director,
FLSmidth ABON

PT Saptaindra Sejati (SIS)
Stepping Up to Challenges

PT Saptaindra Sejati (SIS) is one of the leading mining contractors in Indonesia, providing contract mining and civil, infrastructure and logistical support services for several major coal companies. With a heavy equipment fleet exceeding 850 units, including 400-tonne class face shovels and excavators and 200-tonne capacity off-highway haul trucks, SIS is among the largest mining contractors in Indonesia. This modern equipment fleet aids the company in ensuring that it maintains a competitive edge through improved productivity, utilization and efficiency.

In 2012, SIS's removal of overburden (rock and soil covering coal seams) increased 15% to 192.9 million bank cubic meters, as PT Adaro Indonesia (AI), its largest customer, increased its average strip ratio from 5.9x in 2011 to 6.4x in 2012. SIS's coal extraction also increased 8% to 24.5 million tonnes in 2012, as demand increased and prices recovered towards the end of 2012. AI accounts for 62% of SIS's total overburden removal and 65% of total coal extraction. Other key customers include PT Berau Coal and PT Borneo Indobara.

The past year also saw SIS invest US$115 million in heavy equipment, mainly larger-sized units, and other infrastructure. As the company now has a fleet size sufficient to meet contracted production outputs until 2014, capital expenditure is expected to decrease in 2013.



Focus on Growth

Also in 2012, SIS began work on developing a coal mine in South Sumatra for our recently acquired subsidiary PT Mustika Indah Permai (MIP), which has a planned production output of up to 10 million tonnes per year (see page 96). SIS is the prime contractor for MIP's mine and haul road development, bridge and facility construction and pre-stripping of overburden.

By the end of the year, more than a million bank cubic meters of material had been removed, exposing up to 125,000 tonnes of coal. When coal production begins, all overburden stripping, coal extraction and hauling along a 120-kilometer haul road to a barge port on the Musi River will also be done by SIS. The road is currently being built by our subsidiary PT Servo Meda Sejahtera.

SIS recognizes that to meet its future growth targets it must continue developing its dedicated workforce of 7,400 operators, maintenance personnel, engineers and administration and management staff. To do so, it has established training centers in Jakarta, South Kalimantan and East Kalimantan, where new personnel can receive instruction in all disciplines related to mining and civil construction, including through the use of equipment simulators and other modern teaching aids.

Further, as a part of its human resources development and corporate social responsibility programs, SIS has established an apprenticeship school close to the Adaro mining operations in South Kalimantan. The school provides vocational high school students with the training needed to become heavy equipment operators and maintenance mechanics. More than a thousand students have passed through the school since it opened in 2008.

This focus on manpower development, its new and efficient heavy equipment and SIS's dedicated and experienced management team will help to ensure that SIS continues to deliver projects on time, in a manner that provides satisfaction to our stakeholders and customers.

SIS is always committed to deliver projects on time, within budget, incident-free and in an environmentally sustainable manner that is in harmony with the local community.

SIS 5-Year Highlights

	2008	2009	2010	2011	2012
Key Financial Highlights (US$ million)					
Total Assets	438.6	461.0	482.8	564.3	**618.0**
Total Liabilities	358.0	362.8	381.9	449.4	**487.8**
Interest Bearing Debt	328.1	311.5	309.3	362.1	**399.4**
Total Equity	80.6	98.2	101.0	115.0	**130.2**
Revenue	189.4	264.3	304.5	424.7	**494.6**
Operating Statistics					
Overburden Removal (Mbcm)	85.8	115.0	128.1	167.5	**192.9**
Coal Getting (Mt)	11.9	16.4	16.6	22.7	**24.5**

Our new 200-tonne class dump trucks have improved efficiency of overburden removal operations by reducing pit congestion.

850 units

of heavy equipment in SIS's fleet, including 400-tonne class face shovels and excavators and 200-tonne capacity off-highway haul trucks.

PT Maritim Barito Perkasa (MBP)
Veteran Shiploading Expertise

5-Year Highlights*

	2008	2009	2010	2011	2012
Key Financial Highlights (US$ million)					
Total assets	176.9	189.2	130.6	157.8	**225.7**
Total liabilities	157.7	162.7	140.8	140.2	**171.2**
Interest-bearing debt	147.7	0.1	0.1	130.6	**156.0**
Total equity	19.2	26.5	(10.2)	17.6	**54.5**
Revenue	70.0	71.3	60.3	92.2	**135.7**
Operating Statistics (million tonnes)					
Coal barged	9.5	10.3	11.6	15.8	**22.5**
For Adaro	7.6	8.6	10.9	14.3	**21.5**
For others	1.9	1.7	0.7	1.5	**1.0**
Coal loaded to ships	10.6	11.4	12.7	13.6	**15.6**
For Adaro	10.6	11.3	12.4	13.5	**15.6**
For others	-	0.1	0.3	0.1	**-**

* Figures for 2008 and 2009 are for OML, MBP and HBI combined, translated using a rate of Rp 9,400 to US$1 for convenience purposes only. Figures from 2010 onward are for PT Adaro Logistics and subsidiaries, a holding company to MBP and HBI. In October 2009, OML's assets were restructured to MBP and HBI to comply with Indonesia's cabotage law. By the beginning of 2010 the entire fleet was under Indonesian flag.

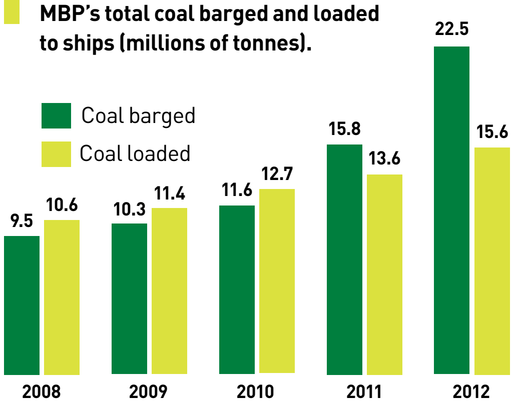
PT Maritim Barito Perkasa (MBP) is a key barging contractor for PT Adaro Indonesia (AI), providing coal transportation services from the Kelanis inland barge-loading terminal on the Barito River to the Taboneo offshore anchorage and to the South Pulau Laut Coal Terminal, as well as directly to domestic power-generating customers such as PT Jawa Power and PT Paiton Energy Corporation. MBP also serves Kideco Jaya Agung, transporting its coal to PT Cirebon Electric Power. The company also provides shiploading facilities at Taboneo through a fleet of four floating cranes with a combined capacity of 19 million tonnes per year.

MBP transported 22.5 million tonnes of coal in 2012, a significant increase of 42% from 2011 as it took over the volume handled by a third-party barging contractor for AI upon the expiration of that contract. Shiploading of coal by the floating crane fleet also rose to 15.6 million tonnes in 2012, representing an increase of 15%. This increase was due to the higher net loading rates of the floating cranes after two of the units completed major classification repairs and surveys in 2011, as well as higher volumes from AI.

To increase its capacity, MBP invested US$14.5 million to buy four tugs of 3,200bhp and two barges of 13,200dwt in 2012. MBP's combined fleet, including third-party chartered vessels, increased from 51 at the end of 2011 to 84 by the end of 2012. Expansion will continue in 2013, when five tugs of 3,200bhp and five barges of 15,000dwt are due for delivery. Also, a fuel-oil transportation barge with a capacity of 6,000 kiloliters has been ordered for delivery in 2013. This will carry diesel from the fuel terminal jointly managed by Shell and PT Indonesia Bulk Terminal (IBT) at its Pulau Laut Coal Terminal to Adaro's fuel terminal at Kelanis. When in full operation, it will transport about 33% of Adaro's total fuel oil requirements, enhancing Adaro's pit-to-port logistics.

Delivering More Each Year

MBP's total coal barged and loaded to ships (millions of tonnes).



One of MBP's heavy-duty, high-capacity cranes in action at the Taboneo anchorage. The cranes are used to load capesize vessels in excess of 200,000dwt.

Transshipment capacity will also be raised by delivery in 2013 of a floating transfer unit for offshore loading at the Taboneo anchorage that was ordered in 2011. This ultra-modern coal transfer station has two high-capacity cranes that can discharge up to 21 million tonnes of coal per year from barges into shiploading conveyor systems, effectively more than doubling MBP's current transshipment capacity.

These additions, together with upgrades to existing vessels and continuous improvements to operating efficiency, should ensure that MBP continues to meet Adaro's growing needs in the future.

PT Harapan Bahtera Internusa (HBI)

MBP has a sister company, PT Harapan Bahtera Internusa (HBI), which is engaged in coal barging for third-party mining companies. The focus of our subsidiaries' marine operations going forward will be to support AI, but where opportunity arises, HBI will continue to seek and expand third-party business. ■

PT Indonesia Multi-Purpose Terminal

In July 2011, we acquired 85% of PT Indonesia Multi Purpose Terminal (IMPT), as it is a natural addition to the logistics operations of other group companies in marine operations, notably MBP. Established in 2007, IMPT holds permits from the Ministry of Transportation to function as a port management unit and to manage and operate a floating terminal at the Taboneo anchorage, the open-sea anchorage at the mouth of the Barito River in South Kalimantan.

Under the operating permit, IMPT will assist in and ultimately manage and monitor all marine operations in the floating terminal area, especially for the cargo loading of coal. It will develop spatial planning for traffic control to minimize ship congestion as export tonnages increase in the future, as well as develop an online ship arrival-reporting function to minimize port clearance times. It will also manage port security and safety in accordance with the International Ship and Port Facility Security (ISPS) and Safety of Life at Sea (SOLAS) conventions.

As a port operator and stevedoring company, IMPT also has the authority to perform and provide other port service activities, including but not limited to the supply of fuel oil, fresh water, logistical supplies, vessel lay-ups and tugboat services. When operations management is fully under way, IMPT will ensure that the increases in coal tonnages through the floating terminal area will be shipped safely, efficiently and reliably. ■

PT Sarana Daya Mandiri (SDM)
Keeping Sea Traffic Flowing

PT Sarana Daya Mandiri (SDM), a dredging services company in which we acquired a 51.2% stake in 2008, manages and maintains the depth of a 15-kilometer shipping channel at the mouth of the Barito River in South Kalimantan.

Its involvement in the project began in 2008, when PT Ambang Barito Nusapersada (ABN), a company owned by the South Kalimantan government and state-owned terminal operator Pelindo III, contracted it to dredge a new sea channel in the Barito River estuary to increase its capacity to serve coal barges and other ships.

By the end of 2008, work on the new channel was complete and operations began the following month, allowing ships, especially coal barges, to use its two-way lane 24 hours a day. The project effectively tripled the channel's transport capacity to more than 200 million tonnes per year.

Since 2008, almost 40% more ships use the river mouth, with contributions to growth coming not only from coal transporters but also users such as passenger vessels, fuel vessels and container vessels transporting consumer goods to South and Central Kalimantan. Coal transporters, however, remain the dominant users, accounting for 75% of traffic in 2012, a growth of 49% since 2009.

In 2012, 84.6 million tonnes of coal was transported through the channel, a 7% increase over the previous year, mainly due to higher volumes from third parties. The total number of barges using the channel also increased 7% to 9,435 in the same year.

SDM now provides routine channel maintenance services and conducts annual maintenance dredging to ensure that the guaranteed channel depth is maintained for safe vessel navigation.

In 2012, SDM installed 16 sets of lighted navigational buoys along the channel and undertakes maintenance of these buoys.

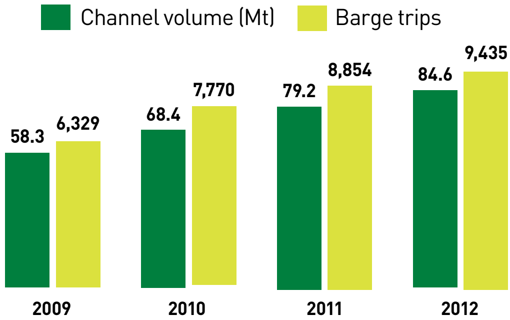
Through these services, SDM has helped raise navigational safety along the channel, in turn allowing a higher volume of cargo to be carried to and from South and Central Kalimantan. This has indirectly assisted in raising the economic development of the region. ■

SDM 5-Year Highlights

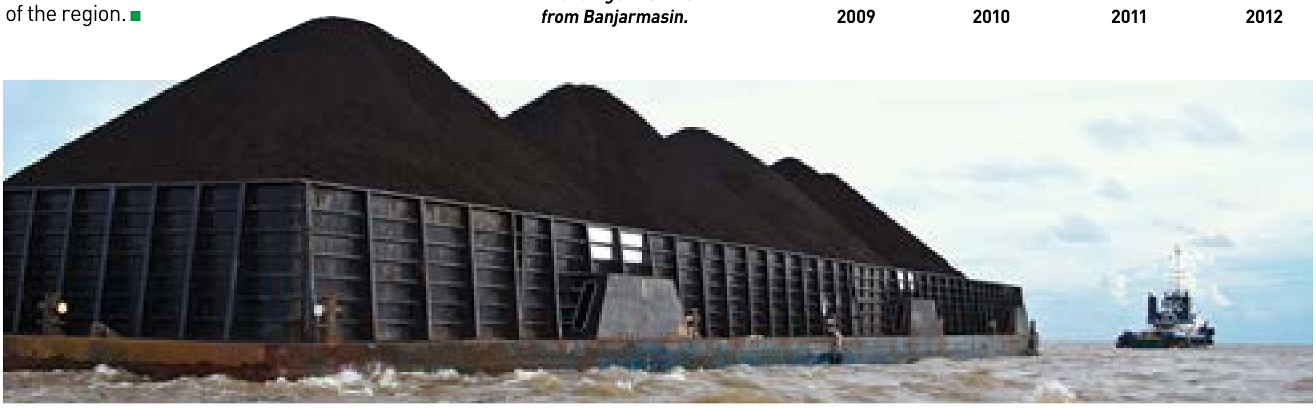
	2008	2009	2010	2011	2012
Key Financial Highlights (US$ million)					
Total assets	45.0	55.5	47.7	44.5	**44.3**
Total liabilities	43.3	49.4	41.9	35.3	**31.3**
Interest-bearing debt	42.8	46.1	40.2	34.0	**30.0**
Total equity	1.7	6.1	5.8	9.2	**13.0**
Operating Statistics					
Channel volume (million tonnes)	-	58.3	68.4	79.2	**84.6**
Barge trips through channel	-	6,329	7,770	8,854	**9,435**

A Steady Course

SDM's operations have grown after the opening of the new Barito river mouth channel.



One of our coal barges being towed out through the Barito river channel to load at the Taboneo anchorage offshore from Banjarmasin.



PT Indonesia Bulk Terminal (IBT)
Further Upgrades on the Way

PT Indonesia Bulk Terminal (IBT) has been operating the Pulau Laut Coal Terminal on the southeastern tip of South Kalimantan since 1998. One of only two terminals in Indonesia authorized to provide common user coal-handling and shiploading services, it has a maximum annual capacity of 12 million tonnes. It also has an adjacent fuel terminal with a tank storage capacity of 80,000 kiloliters jointly developed with PT Shell Indonesia that provides fuel storage and distribution in support of PT Adaro Indonesia (AI) coal operations.

In 2012, IBT's loaded coal decreased 13% to 3.8 million tonnes mainly due to fewer third-party customers, as they preferred to load coal through the less expensive Taboneo anchorage near the Barito River mouth instead of barging it from the river to the IBT terminal. The number of vessels loaded also decreased 15% to 55 vessels. Because of an excess of coal supply in the market that reduced coal prices, especially in the second half of 2012, a number of IBT's existing customers were also not able to provide their full tonnage commitments to the terminal. In addition, a number of potential new customers from the Barito River area of Central and South Kalimantan had to delay in making commitments to the terminal due to slowdowns in coal production and project development.

The fuel terminal throughput of diesel fuel had a year-on-year increase of 20% over 2011, with 354,000 kiloliters being transshipped through the terminal to AI's receiving facilities on the Barito River.

In 2012, IBT ordered four new barge cranes at a cost of US$15.5 million (to be paid in 2013) to replace the units on the coal-discharging jetty and to upgrade the fender system. These are scheduled to arrive at the terminal in early 2013, with installation taking place progressively over nine months to minimize the impact on barge discharging and overall coal throughput. The new cranes are rated slightly higher than the existing units, which will increase the rate of discharge.

Another development of note is the planned construction of a new barge-loading jetty for fuel. The existing jetty, which has been used for inloading from tankers and outloading to the barges, had been found to be too exposed for barge-loading operations, leading to delays particularly during the end-of-year monsoon period. The new barge-loading jetty will be placed in a fully sheltered location in order to eliminate these issues. Construction was initially planned for 2012, but further technical studies were undertaken during the year and this will now begin early in 2013.

IBT 5-Year Highlights

	2008	2009	2010	2011	2012
Key Financial Highlights (US$ million)					
Total assets	176.7	179.0	94.3	94.4	**94.8**
Total liabilities	29.6	29.0	28.8	28.7	**28.7**
Interest-bearing debt	1.9	1.9	-	-	**-**
Total equity	147.1	150.0	65.5	65.7	**66.1**
Revenue	34.3	19.3	27.0	22.0	**18.5**
Operating Statistics					
Total coal loaded (Mt)	8.1	4.6	6.2	4.4	**3.8**
For Adaro or related parties (Mt)	6.3	3.2	3.5	2.1	**2.4**
For third parties (Mt)	1.8	1.4	2.7	2.3	**1.4**
Vessels loaded	125	72	95	65	**55**

Coaltrade Services International Pte Ltd
Marketing Adaro Abroad

Coaltrade provides agency services to PT Adaro Indonesia for export sales to specific countries and geographic areas from its base in Singapore.

The company also acts as a coal trader on its own, sourcing coal from third-party producers as well as from Adaro for supply to suitable export markets either as onward sales or directly to end users.

Due to difficult market conditions through much of 2012 caused by global oversupply and stagnant economic conditions — particularly in China and India — there was a 19% reduction in Coaltrade's total coal sales to 4.83 million tonnes from the 5.96 million tonnes sold in 2011.

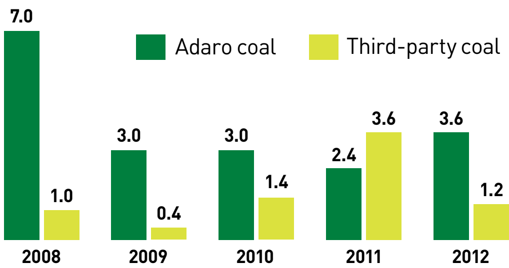
While there was a significant 66% fall in the company's third-party coal sales to 1.21 million tonnes, this was partially offset by the growth in trading of Adaro coal, with sales of 3.61 million tonnes for the year, up from 2.35 million in 2011.

The market recovered mildly in the fourth quarter, and with expectations that this could continue well into 2013, Coaltrade is confident that coal trading activities will recover and that the markets the company has already developed, particularly in Asia, will show renewed growth in the year ahead.

This, along with Adaro's continued strong sales, should lead to improved sales volumes for Coaltrade in 2013. ■

The Difference a Year Makes

Coal sales by Coaltrade Services International (in millions of tonnes)



Coaltrade 5-Year Highlights

	2008	2009	2010	2011	2012
Key Financial Highlights (US$ million)					
Total assets	231.5	228.3	168.2	207.4	**151.1**
Total liabilities	185.8	175.2	146.3	142.1	**95.1**
Interest-bearing debt	157.7	144.7	128.0	101.3	**74.7**
Total equity	45.7	53.1	22.0	65.3	**55.9**
Revenue	383.7	211.7	292.2	542.3	**384.6**
Operating Statistics					
Total coal sales (Mt)	8.0	3.4	4.4	6.0	**4.8**
Coal bought from Adaro (Mt)	7.0	3.0	3.0	2.4	**3.6**
Coal bought from third parties (Mt)	1.0	0.4	1.4	3.6	**1.2**

E5000 is the highest calorific-value coal currently produced by Adaro. It demonstrates some of the friable characteristics of low-rank coal and the harder, glossy black appearance of high-rank coals.

Financial Review

Reaching Our Target Despite the Headwind

For the fiscal year ended Dec. 31, 2012, our net revenue decreased 6.6% year-on-year to US$3,722 million from US$3,987 million due to decreased sales volumes and a lower average selling price (ASP) because of challenging market conditions. Our EBITDA and net income were US$1,088 million and US$383.3 million, respectively, with EBITDA in line with our 2012 guidance of US$1,000 million to US$1,300 million.

Our coal production and sales volume in fiscal year 2012 (FY12) declined 1.0% and 4.3% year-on-year to 47.2 million tonnes and 48.6 million tonnes, respectively. Our 2012 production was below our guidance of 48 million tonnes to 51 million tonnes, following our conscious decision not to sell additional volumes while coal prices were discounted, maintaining our strategy to preserve margin.

Coal markets began to rebound in the fourth quarter, and we produced a record quarterly volume of 13.3 million tonnes despite the wettest December on record. We credit this record production to having more coal exposed in advance: we surpassed our planned overburden removal target for the year of 321 million bank cubic meters (Mbcm) and removed 331 Mbcm, an 11% increase over the 299 Mbcm achieved in 2011.

Our ASP for Adaro's coal in 2012 decreased 3.1% year-on-year, as the weakness in global coal indices was reflected in our pricing. Adaro Energy coal cash cost (excluding royalties) increased by 8.9% year-on-year to US$38.95 per tonne. The coal cash cost increase over 2011 was due to a higher planned stripping ratio, longer overburden hauling distances, higher fuel costs, and expensed deferred stripping cost (see details below). However, our cash cost was still at the bottom end of our 2012 guidance of US$39 to US$42 per tonne due to below-budget fuel costs and our focus on cost-reduction initiatives.

Our EBITDA declined 26.2% to US$1,088 million from US$1,474 million in the previous year, but our EBITDA margin remained healthy at 29.2%. Our EBITDA was in line with our 2012 guidance of US$1,000 million to US$1,300 million. Adaro's 2012 net income declined 30.6% year-on-year to US$383.3 million due to lower volumes, reduced ASP and increased costs.

Summary of Fiscal Year 2012 Performance

	FY 2012	FY 2011	% Change
Operations Performance			
Production Volume (Mt)	47.19	47.67	-1.0%
Sales Volume (Mt)	48.62	50.78	-4.3%
Overburden Removal (Mbcm)	331.48	299.27	10.8%
Financial Performance (US$ million, except otherwise noted)			
Net Revenue	3,722	3,987	-6.6%
Cost of Revenue	(2,680)	(2,559)	4.7%
Gross Profit	1,043	1,428	-27.0%
Gross Profit Margin (%)	28.0	35.8	-7.8%
Operating Income	836	1,131	-26.1%
Operating Margin (%)	22.5	28.4	-5.9%
Net Income	383	552	-30.6%
EBITDA	1,088	1,474	-26.2%
EBITDA Margin (%)	29.2	37.0	-7.7%
Total Assets	6,692	5,659	18.3%
Total Liabilities	3,697	3,217	14.9%
Stockholders' Equity	2,995	2,442	22.6%
Interest Bearing Debt	2,445	2,105	16.2%
Cash and Cash Equivalents	500	559	-10.5%
Net Debt	1,945	1,546	25.8%
Net Debt to Equity (x)	0.65	0.63	-
Net Debt to Last 12 Months EBITDA (x)	1.79	1.05	-
Free Cash Flow (EBITDA - Capex)	598	849	-29.5%
Cash from Operations to Capex (x)	0.9	1.1	-
Basic Earnings Per Share (EPS) in US$	0.01205	0.01721	-30.0%

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Our balance sheet remained solid during 2012. Our net debt to last 12 months EBITDA increased to 1.79x at the end of 2012 from 1.05x at the end of 2011, and net debt to equity was 0.65x, virtually flat year on year.

Our liquidity remained robust with access to cash of nearly US$920 million (including US$420 million of unutilized committed funding from long-term bank facilities). This allows Adaro to maintain ample liquidity during the current cyclical downturn.

The following is a detailed review of our performance in fiscal year 2012:

Income Statement

Net Revenue

Adaro Energy's revenue for the 12 months ended Dec. 31, 2012, decreased 6.6% year-on-year to US$3,722 million from US$3,987 million due to decreased sales volumes and a softer average selling price caused by challenging market conditions.

Coal production and sales volume in FY12 declined 1.0% and 4.3% from 2011 to 47.2 million tonnes and 48.6 million tonnes, respectively. Although our 2012 production was below guidance of 48 million tonnes to 51 million tonnes, we had made the conscience decision not to sell additional volumes while coal prices were discounted, maintaining our strategy to preserve margin. Even though we contracted all sales volume for 2012, most of our contracts allow customers to purchase more volumes at contracted prices. However, with the weakness in global coal indices, many of our customers elected not to exercise the option and purchased volumes from other suppliers on the spot market at lower prices. Throughout 2012, we continued to maintain good relationships with our customers and none of our coal shipments were deferred.

Production of Envirocoal 4000 (E4000) from our Wara pit increased 42% year-on-year to 7.6 million tonnes, with 4Q12 production increasing 84% versus the same period in 2011. We were able to capitalize on strong demand for Wara coal as pricing became firmer in 4Q12, despite the over-supplied market for this type of calorific value coal.

To provide more options to our customers, we introduced a new product in 2012, E4500, which is a blend of E4000 with E5000 from our Tutupan mine. We sold 1.95 million tonnes of E4500 in 2012 to two customers, one in Korea and one in Indonesia.

In 2013, we plan to optimize our portfolio once again and no longer market E4500, but rather sell E4700, which is a coal mined from a newer section of North Tutupan and not a blended product. Our average selling price for Adaro's coal in FY2012 decreased 3.1% y-o-y, as the weakness in global coal indices was reflected in our pricing. For 2013, we expect our ASP to decline by a small amount due to market conditions.

Coal Mining and Trading: Adaro Indonesia and Coaltrade. Our coal mining and trading division accounted for 92.4% of revenues for FY12, with PT Adaro Indonesia (AI) responsible for most of our revenues and our trading division, Coaltrade Services International Pte. Ltd. (CTI), contributing a small part to the segment. For FY12, net revenue from coal mining and trading decreased 7.2% to US$3,439 million from US$3,706 million due to reduced coal sales volumes and reduced ASP as described above.

Mining Services: SIS. Net revenues for 2012 at PT Saptaindra Sejati (SIS), our mining services division, increased 9.4% year-on-year to US$210.3 million from US$192.2 million due to higher overburden removal and coal extraction for third-party customers. New and larger heavy equipment, which arrived in the first half of 2012, aided in the growth. We have the heavy equipment capacity to reach our production goals at least through 2013. In FY12, SIS's overburden removal increased 15% to 192.9 Mbcm

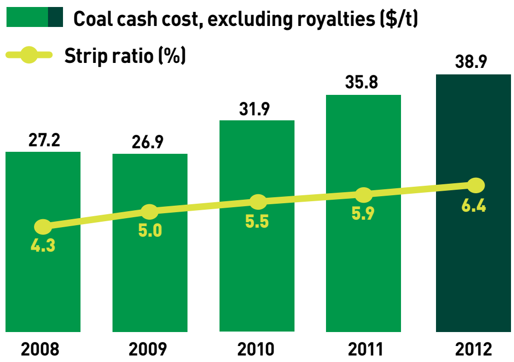
The Red Kite II, sponsored by Adaro Energy, sails to victory in its class in the 2013 edition of the San Fernando Race from Hong Kong to the Philippines in March. The Archambault 35, skippered by Anthony Root, has many trophies, including twice winning the prestigous race. *Photo: Guy Nowell*

Our business is driven by the global coal market and we could not avoid the impact of weaker coal prices experienced for much of 2012. We have responded by focusing on consolidation and efficiency to strengthen our company. As the growth of Indonesia and all of ASEAN continues, we will be poised to be a leading energy supplier and contributor to the domestic economy.

Garibaldi Thohir, President Director & Chief Executive Officer

Costs Rise but Stay Competitive

Adaro Energy's coal cash cost* and strip ratio.



*Coal cash cost includes mining cost, coal processing cost, freight and handling cost and marketing and G&A expenses

and coal extraction increased 8% to 24.5 million tonnes.

Others (Adaro Logistics Services): Coal Terminal, Barging, Shiploading and Dredging. Our other business segments include AE's subsidiaries PT Alam Tri Abadi (ATA), coal port operator PT Indonesia Bulk Terminal (IBT), the barging and shiploading division PT Maritim Barito Perkasa (MBP) and dredging contractor PT Sarana Daya Mandiri (SDM). Total revenue in 2012 from these business segments, net of eliminations, decreased 17.7% year-on-year to US$73.5 million from US$89.4 million, due to lower fuel sales to third-party barging companies by ATA.

MBP increased total coal barged by 42% year-on-year to 22.5 million tonnes for 2012 from 15.8 million tonnes in 2011 due to more Adaro tonnage allocated, additional barges and tugs purchased, and shorter cycle times at the Taboneo Anchorage. Total coal loaded to ships for FY12 increased 15% year-on-year to 15.6 million tonnes from 13.6 million tonnes. Nearly all tonnage that MBP handles is for Adaro.

Our coal port operator, IBT, loaded 55 vessels and 3.8 million tonnes of coal for FY12, a year-on-year drop of 15% and 13% respectively. Adaro's coal loaded increased 15% year-on-year to 2.4 million tonnes from 2.1 million tonnes and accounted for 63.3% of total coal loaded at IBT. Overall, usage of IBT for Adaro has decreased, as the economics are more attractive to load vessels using floating cranes. However, for periods of high volumes such as in 4Q12 we still rely on IBT.

Cost of Revenue and Cash Cost

Cost of revenue in FY12 increased 4.7% year-on-year to US$2,680 million from US$2,559 million, largely due to our decision to expense a portion of our deferred stripping cost on our balance sheet (see below for details). Adaro Energy coal cash cost (excluding royalties) increased 8.9% year-on-year to US$38.95 per tonne from US$35.76 per tonne. However, we were able to keep costs at the bottom end of 2012 cash cost guidance of US$39 to US$42 per tonne, due to below budget fuel costs and cost reduction initiatives. The coal cash cost increase over last year is due to a larger planned stripping ratio, longer overburden hauling distances, higher fuel costs, and expensed deferred stripping cost.

Coal Mining and Trading: Adaro Indonesia and Coaltrade. Total cost of revenue in 2012 for coal mining and trading increased 4.5% year-on-year to US$2,409 million from US$2,305 million.

Coal mining costs for FY12 increased 25.4% year-on-year to US$1,315 million from US$1,048 million due to a larger planned strip ratio, longer overburden hauling distances, higher fuel prices, and expensed deferred stripping cost. Our weighted average planned stripping ratio, which measures the volume of overburden (in bank cubic meters) per tonne of coal, was 6.4x for 2012 compared to 5.9x in 2011. For 2013, our average planned stripping ratio is 5.75x. We are able to lower our stripping ratio in order to reduce costs in 2013 without affecting our long-term mine plan because we achieved our planned overburden target of 321 Mbcm in 2012, removing a total of 331 Mbcm, even as coal volumes decreased.

We manage and procure the fuel for all of our mining contractors. To mitigate risks associated with oil price fluctuations, we enter a portion of our fuel needs into hedging agreements. In April 2012, we hedged 85% of our second quarter and 50% of our third and fourth quarter fuel needs in the low US$0.90s per liter. Our hedged prices were below the budget, helping our 2012 coal cash cost end the year at US$38.95 per tonne, at the bottom end of guidance. Coal mining accounted for 69.4% of our coal cash cost.

Coal Processing. Coal processing costs decreased 12.1% in 2012 to US$128.8 million from US$146.5 million in 2011 due to less coal production. Coal processing costs consist of the cost to crush the coal at the Kelanis River Terminal and other costs not borne by mining contractors, including the cost for repair and maintenance of the hauling road. Coal processing accounted for 6.8% of our coal cash cost.

Royalties to Government. Our royalties to the Government of Indonesia decreased 5.3% year-on-year to US$383.7 million from US$405.4 million as revenues contracted. Royalties accounted for 14.3% of our total cost of revenue.

Freight and Handling. Our freight and handling cost for 2012 was lower by 2.9% year-on-year to US$275.7 million from US$283.9 million as our coal

$6.7 billion

Adaro's total assets at the end of 2012, an 18% rise on 2011.

volumes decreased. Freight and handling accounted for 14.6% of our coal cash cost in 2012.

Mining Services: SIS. Our mining services cost is associated with our mining contractor, SIS. The cost of revenue from this segment increased 22.7% year-on-year to US$207.2 million from US$168.9 million due to the increase in SIS's third-party coal-getting and overburden removal activities and the associated higher consumables, employee costs, and repair and maintenance. Mining services accounted for 7.7% of our total cost of revenue.

Others (Adaro Logistics Services): Coal Terminal, Barging, Shiploading and Dredging. The costs associated with our other subsidiaries, which are substantially all attributed to logistics, in 2012 decreased 24.8% year-on-year to US$64.1 million from US$85.3 million, corresponding to the decrease in third-party revenue from this segment. Costs related to our other subsidiaries accounted for 2.4% of our total cost of revenue.

Operating Expenses, Other Expense and Operating Income

Operating expenses for 2012 increased 19.5% year-on-year to US$173.1 million from US$144.8 million primarily due to higher employee costs and other general and administrative (G&A) costs. Selling and marketing expenses decreased 23.2% year-on-year to US$50.8 million due to lower sales volume of coal and less coal sales to countries in which we use agents. Employee costs increased 34.2% year-on-year to US$53.8 million from US$40.1 million due to more employee benefits and a larger permanent workforce, while other G&A costs increased 77.1% year-on-year to US$68.5 million from US$38.7 million mainly due to the G&A of new companies acquired.

In 2Q12, Bapepam revised its regulation on the presentation of financial statements, requiring operating income to include "other expenses." Other expenses in 2012 totaled US$33.2 million, which mainly consist of foreign exchange gain/loss. This line item was previously a non-operating expense.

Operating income declined 26.1% year-on-year to US$836.4 million from US$1,131 million. Operating margin reduced to 22.5% in 2012 from 28.4% in 2011 as revenues decreased while costs increased.

EBITDA

Our EBITDA declined 26.2% year-on-year to US$1,088 million in 2012 from US$1,474 million in 2011, and we recorded an EBITDA margin of 29.2%, meaning that we maintained among the best EBITDA margins in Indonesian thermal coal, as pricing pressure has been industrywide. We will continue to focus on cost discipline and efficiency.

Net Income

Our FY12 net income contracted 30.6% year-on-year to US$383.3 million. The decrease in net income was due to lower volumes and higher costs, notably from higher coal mining costs and the expensed deferred stripping cost; however, we continue to focus on our reducing expenses and improving operational efficiencies. We incurred an income tax expense of US$330.4 million in 2012, 26.7% less than in 2011.

Analyst Feedback

2012 was a tough year for the coal industry, triggered by a declining global coal price, which affected the performance of most coal companies, including Adaro. Despite lower financial results due to the weak coal price in 2012, we do believe that it was not the end of impressive performance that has been demonstrated over the past couple of years. We expect the combination of higher production target and lower cost through the completion of the OPCC and mine-mouth power generating projects in 2013 along with solid management will deliver better margins in the future.

Gifar Indra Sakti,
Sucorinvest

For 2013, there can be a reduction in the oversupply condition in the global market due to a supply reduction in US and Australian coal caused by growing costs of production. Meanwhile, China is projected to see growth rebounding to 8.2% and India is expected to generate higher demand. The price of coal is expected to be better.

This year, we see some positive catalysts for Adaro. First, it plans to expand its business into the power generation industry in the country. Secondly, the robust growth of Indonesia's domestic consumption, especially in infrastructure, construction and property, can support Adaro's coal demand level amid the global economic uncertainty. Third, the production cost is expected to decrease with the completion of the conveyor belt, reduction in stripping ratios, increasing efficiency of the existing heavy equipment, and reduction in barge fleet.

Arandi, Batavia
Prosperindo Sekuritas

We still remain positive on Adaro though their performance in 2012 was below our expectation. The key attraction of Adaro's future is their visionary strategic acquisition and their integrated business model. In the future, we believe Adaro will not be solely as a coal producer, but also an energy provider. We also believe Adaro will manage to preserve, or even raise, its profitability margin in 2013 as the market continues to be challenging. The pre-stripping activities in 2012 will reduce the production cost in 2013 as the stripping ratio will be lowered to 5.75x from 6.4x in 2012.

Fajar,
Panin Sekuritas

Balance Sheet

Total Assets

Adaro Energy's total assets increased 18.3% to US$6,692 million at the end of 2012 from US$5,659 million a year earlier. The increase is attributed mostly to additional mining properties from the PT Bhakti Energi Persada (BEP) transaction and mining equipment purchased to support Adaro's growth plan.

Cash and Cash Equivalents. At end of 2012, cash and cash equivalents accounted for 7.5% of total assets. Adaro Energy recorded cash and cash equivalents 10.5% lower at US$500.4 million compared to US$558.9 million in 2011, mainly due to cash outflows to fund working capital, capital expenditures and debt repayment.

Trade Receivables. At the end of 2012, trade receivables stayed relatively flat y-o-y at US$474 million. Trade receivables are mainly associated with Adaro Indonesia's customers and SIS's domestic third party customers from different industries, including blue chip utilities, cement, as well as pulp and paper companies. Approximately 92% of the trade receivables were due within 30 days. We have set aside a US$10 million provision for potential non-

Analyst Feedback

ADRO delivered solid results in line with its guidance in a difficult market which impacted both price and volumes. Importantly, however, ADRO prioritized profitability and cash preservation above purely production growth, which should fare better for shareholders longer term. Moreover, ADRO's low-rank coal strategy and sizeable reserves make it ideally positioned to capture the long-term growth potential of key markets such as India and domestically in Indonesia, while also maintaining strong margins.
Riaz Hyder, Macquarie

In 2012, Adaro's financial performance was hit by declining coal prices that resulted in a decline in revenue and net profit as well as margin erosions. While we believe that the current coal price has not stabilized, we see that Adaro has made some future anticipation in the form of lowering cost, which will come from the operation of the OPCC and a lower stripping ratio.

We believe that as the second-largest thermal coal producer in Indonesia, Adaro has good prospects in the long term because around 40% of global power plants still generate power using coal. We also see that demand from India has risen in FY12 and potentially more in the future which will bring an advantage to Adaro. On the other hand, Adaro could try to supply more of its coal to the domestic market as one of the strategy to secure supply.
Yualdo Yudoprawiro, Samuel Sekuritas

The 2012 results show not only Adaro's good operational performance, but also its conservative accounting practice, which is positive from a corporate governance perspective. I believe it will remain capable of sailing through another potentially difficult year in 2013 for the coal industry.
Isnaputra Iskandar, Nomura

Adaro is one step ahead of its peers in securing future growth prospects.
Ariyanto Kurniawan, DBS Vickers

collectable receivables, which is not included in the US$474 million balance. Trade receivables accounted for 7.1% of total assets.

Fixed Assets. Fixed assets increased 23.5% year-on-year to US$1,769 million at the end of 2012 from US$1,432 million at the end of 2011. During 2012, the growth in fixed assets included US$166.9 million for heavy equipment, US$55.8 million for leased assets, US$14.5 million for vessels and US$261.8 million for construction in progress, which largely consisted of our 2x30MW power plant and out-of-pit overburden crusher and conveyor (OPCC). Fixed assets represented 26.4% of our total assets.

Advances and Prepayments. Advances and prepayments at the end of 2012 decreased 17.6% year-on-year to US$134.2 million compared to US$162.8 million in 2011. About US$78.2 million consisted of advances to suppliers for heavy equipment purchases and a steam turbine generator for our 2x30MW power plant. Additionally, US$21.0 million for advances of fuel purchases and US$5.4 million were advances for investments for the development of coal mining projects. The remaining balance is for advances for prepayment for liquidity services, rent and insurance, and other.

Investments in Associates. Investments in associates stayed relatively flat year-on-year and ended 2012 at US$393.6 million, with US$370.7 million related to our investment in the IndoMet Coal Project (IMC). The additional amount represents our 35% stake in PT Servo Meda Sejahtera (US$18.8 million) as well as the investment in our 34% interest in PT Bhimasena Power Indonesia (US$3.7 million).

Mining Properties. Mining properties increased 53.6% year-on-year to US$1,927 million at the end of 2012 from US$1,255 million at the end of 2011. This is primarily due to the consolidation of BEP into Adaro Energy.

Deferred Stripping Costs. Adaro Indonesia's planned stripping ratio increased to 6.4x for 2012, averaged from the Tutupan, Wara and Paringin pits, from 5.9x in 2011. This growth was part of our two-year mine plan of above average overburden removal at the Tutupan pit, as we excavated from deeper areas, pushed back the high wall, and widened ramps to reduce truck congestion, in order to continue to operate the mine in a safe, reliable and efficient manner. The robust price environment during 2011 and through the beginning of 2012 supported our plan for higher overburden removal as we continued to grow and invest in our mining operation.

Overburden removal was strong in 2012 due to favorable weather conditions and good contractor performance. We achieved our planned overburden target of 321 Mbcm, removing a total of 331 Mbcm, as one contractor exceeded its overburden volume agreements. This led to a pending volume of 9 Mbcm that was due to be settled in the first quarter of 2013. Not simply accepting overruns is part of Adaro's efforts to tighten cost controls at our operations, while helping contractors to manage excess equipment and labor.

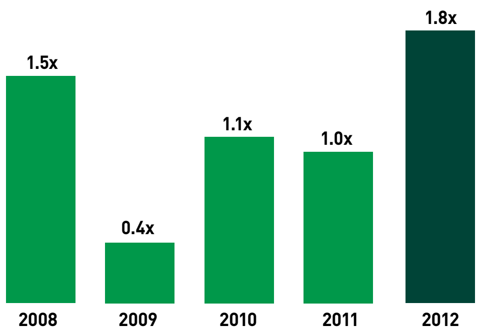
In 2012, our actual stripping ratio exceeded our planned stripping ratio of 6.4x, due to the fact that we hit our overburden volume target of 321 Mbcm but because of market conditions did not produce as much coal as we had initially planned. If the actual strip ratio exceeds the planned strip ratio, the value of the difference is accounted for as a deferred stripping cost on the balance sheet.

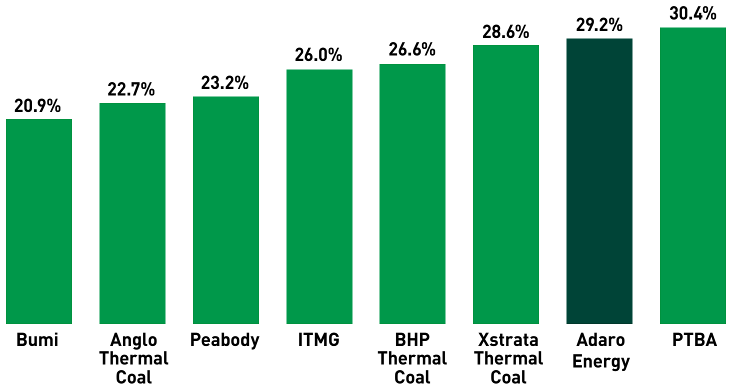
When we decided to lower our production target due to poor market conditions, we decided not to lower our overburden target as any additional overburden removal above the 6.4x strip ratio, while it would increase our deferred stripping costs, would also be pre-stripping for 2013, thus allowing us to decrease the 2013 strip ratio. We decided to expense our 2012 deferred stripping cost of US$55.3 million, in line with our strategy to manage our business and balance sheet conservatively, decreasing the deferred stripping cost balance to US$42.8 million at the end of 2012 from US$160.8 million at 9M12 and US$47.9 million at the end of 2011. We also amortized US$5.1 million of 2011's deferred stripping balance of US$47.9 million in 2012.

We seek to have our planned strip ratio meet our actual strip ratio at the end of each year; however, we sometimes do experience deviations. In future, if our actual strip ratio is not significantly different from our planned strip ratio, then we could look to expense deferred stripping cost that we accrued for the year, so as to instill further emphasis on cost discipline throughout the company and maintain our strong balance sheet.

Low Debt Pressure and a Healthy EBITDA

Adaro's net debt to EBITDA remained low (left), while EBITDA margin was again among the highest of key industry competitors (right).





SOURCE: COMPANY FILINGS, RESEARCH REPORTS. FY2012, EXCEPT FOR BUMI (LAST 12 MONTHS TO 30/30/12).

Total Liabilities

Adaro Energy's total liabilities increased 14.9% year-on-year to US$3,697 million at the end of 2012 from US$3,217 million at end of 2011. The current liabilities increased 15.4%, largely due to an increase of current bank loan maturities, whereas non-current liabilities rose 14.8% due to higher utilized bank loans and deferred tax liabilities.

Taxes Payable. Adaro Energy's taxes payable declined 41.6% to US$40.6 million at the end of 2012 compared to 2011 because of higher installments of tax paid for 2012.

Current Maturities of Long-term Borrowings. Current financial obligations for 2012 rose 117% to US$300.0 million compared to US$138.2 million at the end of 2011 as long-term liabilities became current. We also made US$162.5 million of repayments for the current maturity of bank loans in 2012.

Long-term Borrowings. Adaro Energy's total long-term borrowings rose by 9.1% year-on-year to US$2,145 million at the end of 2012 from US$1,966 million a year earlier. During 2012, we drew down a net of US$300 million from AI's unsecured loan, US$20 million from SIS's syndicated bank loan and US$160 million from MBP's bank loan to help fund capital expenditures, working capital and refinancing.

With an undrawn US$300 million from our ten-year unsecured loan facility, US$40 million from MBP's seven-year bank loan and US$80 million from SIS's seven-year syndicated bank loan, Adaro Energy had access to cash and undrawn credit facilities of nearly US$920 million as of the end of 2012. This allows us to maintain ample liquidity during the current cyclical downturn.

In February 2011, SIS refinanced its existing 2008 US$300 million five-year loan with a US$400 million seven-year syndicated bank loan. The loan is guaranteed by Adaro Energy and a portion of this loan will be used for expansion plans. At the end of 2012, the outstanding principal was US$320.0 million.

In July 2011, AI obtained a US$750 million ten-year loan from its relationship banks. The loan is guaranteed by Adaro Energy and will be used for capital expenditure, working capital and general corporate purposes. At the end of 2012, the outstanding principal was US$445.5 million.

In May 2012, MBP, our barging contractor, obtained a US$160 million seven-year loan from its relationship banks, which included a US$140 million term loan and US$20 million revolving credit facility. The loan will be used for capital expenditure and refinancing purposes. Furthermore, in July MBP obtained an additional US$40 million seven-year committed standby revolving credit facility. Adaro Energy guarantees both of the loans. At the end of 2012, the outstanding principal was US$160 million.

Cash Flows

Cash Flows from Operating Activities

Our operating cash flows for 2012 decreased 39.2% or US$279.4 million to US$432.7 million from US$712.2 million. The majority of the decrease is due to an increase of payments to suppliers and income tax payments. Payments to suppliers grew US$175.6 million to US$2,371 million and income tax payments increased US$116.0 million to US$445.9 million due to higher installments of income taxes.

Cash Flows from Investing Activities

Our cash flows used in investing activities during 2012 decreased 52.1% to US$509.8 million. During the period, we spent US$490.0 million on additional fixed assets and mining properties. We revised our capital expenditure guidance mid-2012 to US$400 million to US$500 million from US$650 million to US$700 million, in order to preserve cash. The largest reduction in spend was for heavy equipment as our current fleet provides us adequate capacity for our production target at least through 2013.

Cash Flows from Financing Activities

Net cash flow from financing activities for 2012 decreased to US$24.7 million compared to US$304.5 million in 2011. During FY12, we withdrew a net of US$20 million from SIS' syndicated bank loan, US$300 million from Adaro's facility agreement, and US$160 million from MBP's facilities agreement to fund working capital and capital expenditure needs. We made bank loan repayments of US$162.5 million mostly associated with AI and Coaltrade's loan installments. ■

Investing for the Future
Reaping the Rewards of Our Long-Term Strategy

Adaro Energy has a clear, long-term focus on creating maximum value from Indonesian coal — delivering positive energy — and to achieve this we have a four-part strategy (see page 52): organic growth from our current reserve base; improving the efficiency of our coal supply chain; increasing and diversifying reserves, products and locations; deepening our integration into the power generation sector.

This strategic vision, along with our medium-term aim to raise coal production to 80 million tonnes a year, has seen us embark in recent years on a series of projects to increase efficiencies in our coal supply chain, lower costs and grow and diversify our reserve base. Organic growth from Adaro Indonesia is expected from production ramp-up of the E4000 coal from the Wara pit. Significant increase in production is to come from other coal properties we have acquired since 2010 (see table below).

In all, we have invested US$744 million in acquisitions and we largely completed our acquisition program by the end of 2012. These acquisitions boosted our total estimated resources to 12 billion tonnes and mean that we now a presence established in Indonesia's four main coal-rich provinces: South Kalimantan (AI), South Sumatra (MIP and BEE), East Kalimantan (BEP) and Central Kalimantan (IMC with BHP Billiton) — hence minimizing the risk inherent in depending on a single site.

Read More

Adaro Energy's Coal Assets

	Owned	Location	Resources/ Reserves	Asset Type	License / Expiry
Adaro Indonesia	100%	South Kalimantan	4.7Bt/ 921Mt	Thermal coal	CCA until 2022
IndoMet Coal Project (IMC) JV with BHP Billiton	25%	Central Kalimantan	774Mt from five of seven concessions	Metallurgical coal	CCoW 30 years after mining starts
Mustika Indah Permai (MIP)	75%	South Sumatra	282Mt/ 273Mt	Thermal coal	IUP 2030
Bukit Enim Energi (BEE)	61%	South Sumatra	Geological studies pending	Thermal coal	IUP 2031
Bhakti Energi Persada (BEP)	10.22% (option for up to 90%)	East Kalimantan	7.9Bt/No reserves estimated	Thermal coal	IUP 2031-38

Since 2010, we have also committed US$427 million to infrastructure expansion and upgrading projects and spent the bulk of that already. 2012 saw major steps forward in many of these projects, and in 2013 the first fruits will be seen as they advance to become revenue-generating or cost-reducing operations. Several of our long-planned infrastructure investments will come on stream, and mining is expected to begin from at least one of our recently acquired coal properties.

Among the developments are the commissioning of our 2x30MW mine-mouth coal-fired power plant at Tanjung, South Kalimantan, which will power our new overburden crusher and 10-kilometer conveyor at our nearby Tutupan mine, which is also due to begin operation in mid-2013, increasing mining efficiency and reducing costs significantly.

Meanwhile, an expansion of Adaro Indonesia's Kelanis river terminal on the Barito river to raise its capacity from 55 million tonnes per year to 70 million reached almost 70% completion in 2012 and should be finished in mid-2013, allowing for annual coal extraction and hauling to be significantly increased at our principal South Kalimantan mines.

In reserves, 2012 also saw preparation of the first coal for extraction from one of our two new ventures in South Sumatra, PT Mustika Indah Permai, in which we acquired a 75% stake in 2011. There the first seam of coal was exposed in 2012. Our subsidiary PT Servo Meda Sejahtera (SMS) also completed the construction of 120-kilometer haul road and river barge terminal to serve the mine in 2012.

The following section explores in detail these major advances as well as other developments in 2012 aimed at helping us to reach our strategic goals, including our first major moves toward establishing ourselves as a significant contributor to power generation in Indonesia.

Coal Mining

Increasing Production Capacity: Kelanis River Terminal Expansion

Coal extracted from Adaro Indonesia's mines in Tanjung, South Kalimantan, is hauled 80 kilometers to its Kelanis crushing, stockpiling and loading facility on the Barito River for barging to the coast.

Kelanis has a throughput capacity of approximately 55 million tonnes per year, but

A barge being loaded from two conveyors at the Kelanis terminal. Among the expansion at the facility are extra delivery conveyors to speed loading: one is seen in the foreground.

expansion plans were put in place in 2010 to expand this to 70 million tonnes in order to help us meet our medium-term production target of 80 million tonnes.

The expansion, for which two local contractors are being used, has a projected total cost of US$55 million. Works were 70% complete by the end of 2012. They are due to be finished, and the upgraded facilities fully operational, in 2013.

The project began with the installation of an additional three-stage crushing facility to six of the seven hopper and conveyor systems used to move coal from the haul trucks into the terminal. This will increase the inloading capacity to 10,500 tonnes per hour. We are also expanding our barge-loading capacity by adding new barge loaders and conveyor systems to increase total barge-loading capacity to 14,000 tonnes per hour.

In addition, a major overhaul and upgrade of the terminal's power plant and electrical systems is under way, which will increase the total installed power to 25MW. Other upgrades include installation of a modern three-story operations and control building, replacement of coal sampling equipment to improve quality control, and replacement and additions to the coal reclaim bulldozer fleet.

Among work finished in 2012 were the control room and power house buildings, one of the barge loaders, all conveyors for hopper 6 and 7, a new fuel tank facility, the motor control center room and new electrical transformers.

Our investment in the expansion and upgrading project during 2012 came to just under US$22 million; total spending to the end of 2012 was US$42.57 million. When the program is completed, the increased throughput capacity of 70 million tonnes a year will further enhance Kelanis terminal's status as one of the world's largest bulk handling river ports.

15 million

tonnes of extra production capacity will be added at our South Kalimantan mines when expansion of our Kelanis loading terminal is completed in 2013, bringing the total to 70 million tonnes a year.

Extending Tutupan: Out-of-Pit Overburden Crusher and Conveyor

Adaro's Tutupan mine has developed into one of the largest coal mines in the world, measuring 14.5km long and about 2.5km wide on average. A major challenge has become handling and disposing of the enormous volumes of overburden — rock and soil that must be removed to expose the coal. The amount has grown to more than 300 million bank cubic meters per year (equivalent to more than 600 million tonnes), and as it is stripped and hauled from the mine, the pit becomes deeper and hauling distances get progressively longer and more expensive.

To combat rising haulage costs and reduce our dependency on diesel fuel, we made the decision in 2010 to start mechanizing the process of removing the overburden by installing of the first of a planned series of crushing and conveying systems that will transport it and spread it on outlying dumping areas that are not practically accessible for overburden trucks.

Under the project management of our subsidiary PT Jasapower Indonesia (JPI), design and construction for the system was awarded to FLSmidth through an international tender process. Construction started in early 2011, and it the OPCC is now expected to be commissioned in May 2013, making an immediate impact on the cost of coal-mining operations. This will be one of the first mechanized systems of its type in operation worldwide and has been specially designed to suit our operating parameters. It will transport up to 34 million bank cubic meters of overburden each year — allowing the elimination of about 100 overburden dump trucks — at a projected saving of US$1.00-US$1.20 per bank cubic meter.

12,000

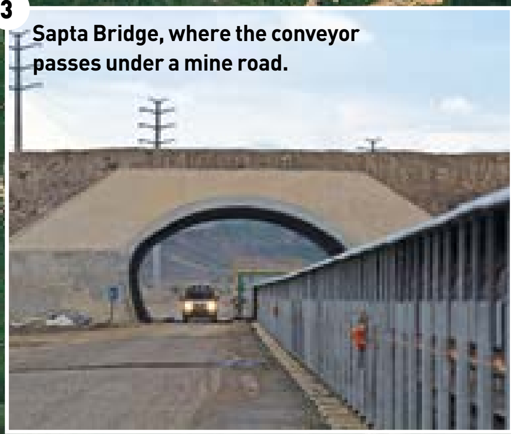
tonnes of overburden can be disposed of every hour with the crusher and conveyor due to be commissioned at the Tutupan mine in 2013.

The system will consist of two crushing stations processing 7,000 tonnes per hour and a 7.7-kilometer fixed conveyor system that can carry up to 12,000 tonnes per hour, plus a 2.4-kilometer transportable conveyor that features a mobile, computer-controlled stacking and spreading system.

Power for the system will be supplied from the 2x30MW coal-fired mine mouth power station recently completed near Tanjung by our subsidiary MSW, which is due to be fully operational by mid-2013.

The crusher and conveyor project was 97% complete at the end of December 2012. The estimated cost of the project was US$212 million, and we invested US$109.6 million during 2012, bringing our total investment by the end of 2012 to US$205.6 million. Total manpower used to construct this system consists of 919 personnel and 24 units of heavy equipment.

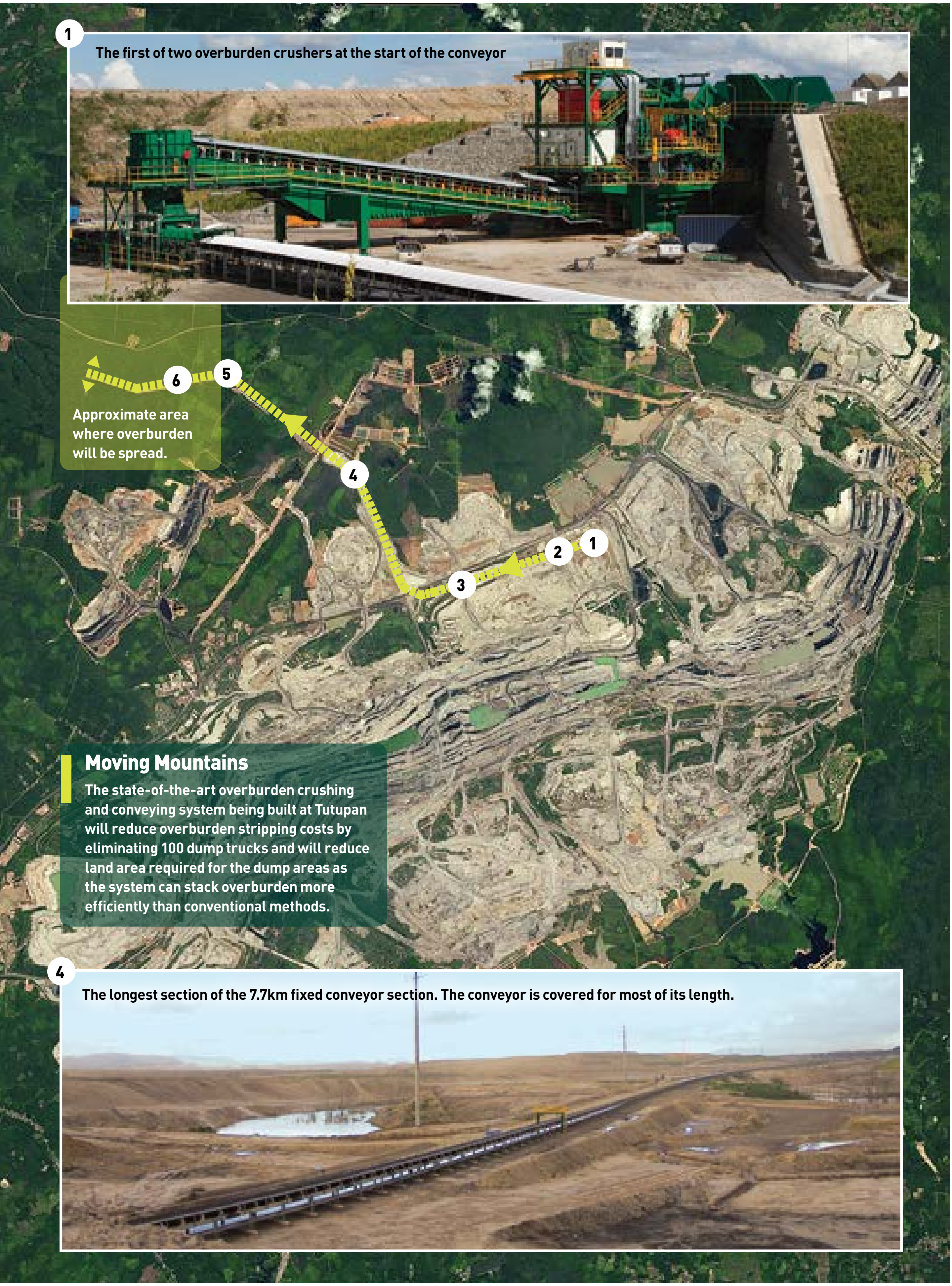
2 Indra Bridge, where the conveyor passes over a mine road.



3 Sapta Bridge, where the conveyor passes under a mine road.

5 At the end of the static conveyor, the overburden is transferred to a computer-controlled "crawling" spreader arm

6 The spreader makes arcs on giant tracks and spreads overburden evenly in layers.



The first of two overburden crushers at the start of the conveyor

Moving Mountains

The state-of-the-art overburden crushing and conveying system being built at Tutupan will reduce overburden stripping costs by eliminating 100 dump trucks and will reduce land area required for the dump areas as the system can stack overburden more efficiently than conventional methods.

The longest section of the 7.7km fixed conveyor section. The conveyor is covered for most of its length.

Into South Sumatra 1: PT Mustika Indah Permai

Adaro Energy's broad strategy to diversify our coal operations and to develop major coal-mining projects and support infrastructure in the coal-rich and strategically located South Sumatra led to three major investments in the province during 2011.

In the first of these, subsidiary PT Alam Tri Abadi (ATA) acquired a 75% equity interest in PT Mustika Indah Permai (MIP) in August 2011 for US$222.5 million. MIP holds a mining permit (IUP) for a 2,000-hectare coal property located in the Lahat district of South Sumatra, a province that we consider to be a highly strategic growth area chiefly due to its close proximity to Java and to Indonesia's main population centers.

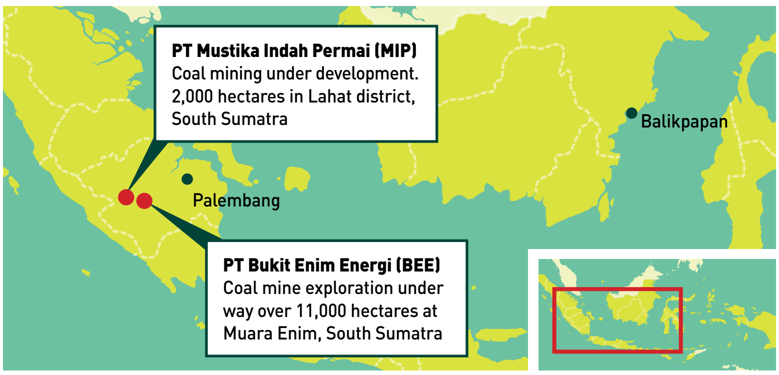
The concession area contains surface-mineable, medium-energy and low-pollutant sub-bituminous coal in three main coal seams and two minor seams that range from 8 meters to 17 meters in thickness. The structure, thickness and continuity of the seams appear consistent throughout the property with no faulting. After an extensive drilling program, surveys and a geological study by an international consultant, the company released a JORC compliance report in March 2012 showing total estimated resources of 286.4 million tonnes and reserves of 272.6 million tonnes of 4,281 kcal/kg (gar) coal, sufficient to support a production level of 10 million tonnes per annum for 26 years within five years of production commencing.

The property is close to important infrastructure such as the state highway and railway, which could serve as the logistics support link, while coal will be transported along a dedicated 120-kilometer haul road to a barge loader on the Musi River developed and operated by PT Servo Meda Sejahtera, an associated company within the Adaro Energy Group.

Land acquisition and site development reached its final stages and major infrastructure was completed in 2012, including a 4.5-kilometer road to the main highway for logistics supply to the site and an 11-kilometer mine haul road for overburden hauling to the disposal area and coal hauling to the on-site crushing plant. Construction of a run-of-mine stockpile with an area of 1 hectare and a capacity of 35,000 tonnes, a crushing plant with a capacity of 750 tonnes per hour and a crushed coal stockpile with a capacity of 60,000 tonnes have also been completed.

Our own subsidiary, SIS, is being used for mining and transporting the coal. Pre-stripping of overburden began in April 2012 on a 24-hectare block and by the year's end more than 1 million bank cubic meters of material had been removed, exposing up to 125,000 tonnes of coal.

Coal crusher stockpiles were being built up by the end of 2012, and we continued to build orders for the coal, branded as Ultima, to end-users in Indonesia, China, India, Taiwan, Thailand, the Philippines and Vietnam. Production is expected to reach about 3 million to 4 million tonnes within two years of commencing.



Into South Sumatra 2: PT Servo Meda Sejahtera

Adaro's second investment in South Sumatra was in October 2011 when we acquired a 35% interest, costing Rp 200 billion, in PT Servo Meda Sejahtera, which has been building a common-user haul road and barge-loading terminal and will provide key logistics infrastructure in support of our coal projects in the province. Through the haul road and barging terminal we are seeking to replicate Adaro's long-term success in developing its high-capacity pit-to-port operations in South Kalimantan.

In 2012 Servo finished construction of the 120-kilometer haul road from the Lahat/Muara Enim area northeast to its stockpiling and barge loading facility at Muara Lematang on the Musi River, about 115 nautical miles upstream from the provincial capital of Palembang. On November 20, the haul road was officially commissioned by the South Sumatra Governor. The project is fully supported by the provincial government, as it will remove heavy coal haul trucks from the province's public roads, which already suffer from congestion and damage from other mining operations.

By mid-2012, there was sufficient progress on the road to allow the trial hauling of coal used as bedding for the stockyard at the barge terminal. By the end of 2012, all earthworks and surfacing of the road were completed, with only final work on the bridges remaining to be completed in 2013.

Phase 1 of the Muara Lematang stockpiling and barge loading facility was also completed and 10 barges, or 70,000 tonnes, were loaded by the end of the year. The facility will be expanded to a capacity of 30 million tonnes per year over the next few years, planned and timed to meet market demand.

Servo has two subsidiaries, Servo Lintas Raya (SLR) and Swarnadwipa Dermaga Jaya (SDJ).

Into South Sumatra 3: PT Bukit Enim Energi

Adaro Energy's third South Sumatra investment in 2011, also part of our strategy to diversify locations and coal products, was acquiring a 61.04% interest in PT Bukit Enim Energi (BEE) in October for US$67 million. BEE had received a 20-year IUP in March 2011 for a concession area of approximately 11,130 hectares that contains the coal-bearing Muara Enim formation, about 50 kilometers east of the MIP concession and about 150 kilometers southwest of the provincial capital of Palembang.

The exploration work done so far — surface geological and aerial topographic mapping as well as 13,100 meters of drilling and sampling — has shown that the concession area has surface mineable coal in thick, higher-moisture coal seams. These exploration results already prove that the BEE acquisition would be highly compatible as a long-term, high-volume fuel supply for a dedicated mine-mouth base-load power plant, complementing Adaro's strategy of downstream power integration.

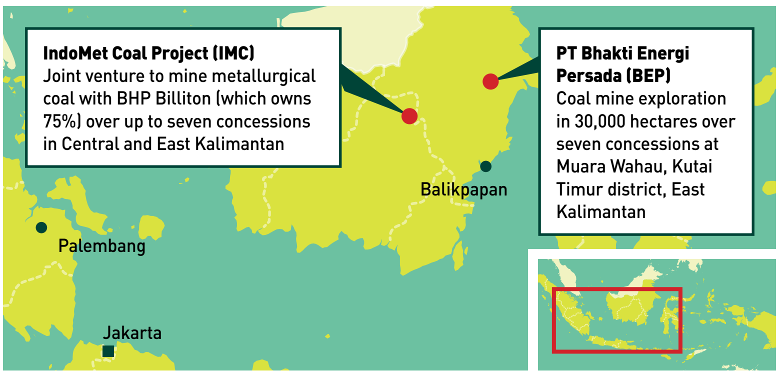
More exploration will be carried out in 2013 by Adaro Eksplorasi Indonesia to provide data for the preparation of a JORC report on the area's reserves and resources.

BEE is 61.04% owned by Adaro Energy through ATA, 20% by PT Pamapersada Nusantara, 13.92% by PT Triputra Utama Selaras and 5.04% by PT Bumi Alam Sejahtera.

Preparations for mining at MIP: Above, a crusher/ conveyor at the mine was commissioned during 2012. Left, from top: pre-stripping overburden (stripped coal is seen in the background), using all-weather articulated dump trucks; mining coal for stockpiles; a mine haul road with the Bukit Barasan mountains seen in the distance.

8 billion

tonnes of JORC-compliant resources estimated for the BEP concessions.



Low-Rank Coal in Kalimantan: PT Bhakti Energi Persada

After more than two years of due diligence studies and negotiations, Adaro Energy entered into option agreements on May 28, 2012, to provide funds to and possibly acquire PT Bhakti Energi Persada (BEP), which has one of the largest undeveloped deposits of low-rank, low-polluting thermal coal in East Kalimantan.

Under a convertible loan and share subscription agreement, ATA has the option to provide a loan to BEP for up to US$500 million which would be convertible into equity of up to 51% in BEP for a period up to three years, and under an option agreement it has the option to acquire BEP shares from the controlling shareholders of BEP by offering newly issued shares of Adaro Energy. Adaro Energy has the full control of the management, operations and all the funding of BEP from the date of signing of the two options above.

Located in Muara Wahau, Kutai Timur district, about 250 kilometers north of the provincial capital of Balikpapan and 125 kilometers from the coast,

BEP's coal resource area extends over seven concessions totalling just under 30,000 hectares.

Each concession will be mined independently under the management of BEP. The seven companies are: PT Bumi Kaliman Sejahtera, PT Bumi Murau Coal, PT Birawa Pandu Selaras, PT Khazana Bumi Kaliman, PT Persada Multi Bara, PT Telen Eco Coal, PT Tri Panuntun Persada.

There are three major seams that range from eight meters to 28 meters in thickness. JORC resources for the concession areas are estimated at 7.96 billion tonnes.

The resource is shallow and amenable to surface mining at extremely low stripping ratios. Because of the simple geology and the easy mining conditions, it is possible to operate BEP's mines at a very low cost. The coal will be trucked to the nearby coast, loaded onto barges and then transhipped to ocean vessels anchored just a few kilometers offshore from the barge terminal.

Preparations for mining at BEP: Left, extracting bulk samples of coal for combustion testing; Above (from top), coal samples being screened before testing; samples bagged up and prepared for export.

BEP's coal is low energy, with a calorific value (CV) of below 3,500Kcal, however it also has low sulphur and ash content and BEP will be able to take advantage of Adaro's long-established expertise in developing global markets for low-grade environmental coals. BEP will be perfectly positioned to become an important supplier to help meet the expected increase in demand for lower-grade coal as reserves of higher CV coals are depleted worldwide.

Through the second half of 2012, we worked towards getting the required government permits, acquiring land, securing social and community support and completing engineering and geological studies for the BEP concessions.

The current development plan is to concentrate on mining readiness for BEP, such as preparing the land, permits, engineering and to start production when the time is right. From one million tonnes of production in year one, volumes are expected to climb to 8 million tonnes by year three and grow to 50 million tonnes by year 12 of operation.

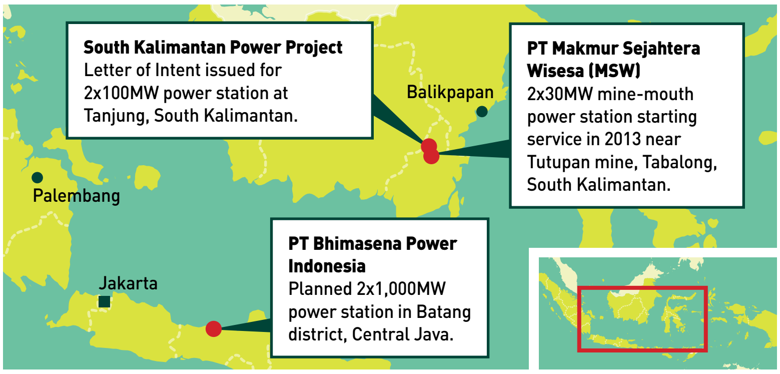
Metallurgical Coal in Kalimantan: IndoMet Coal Project

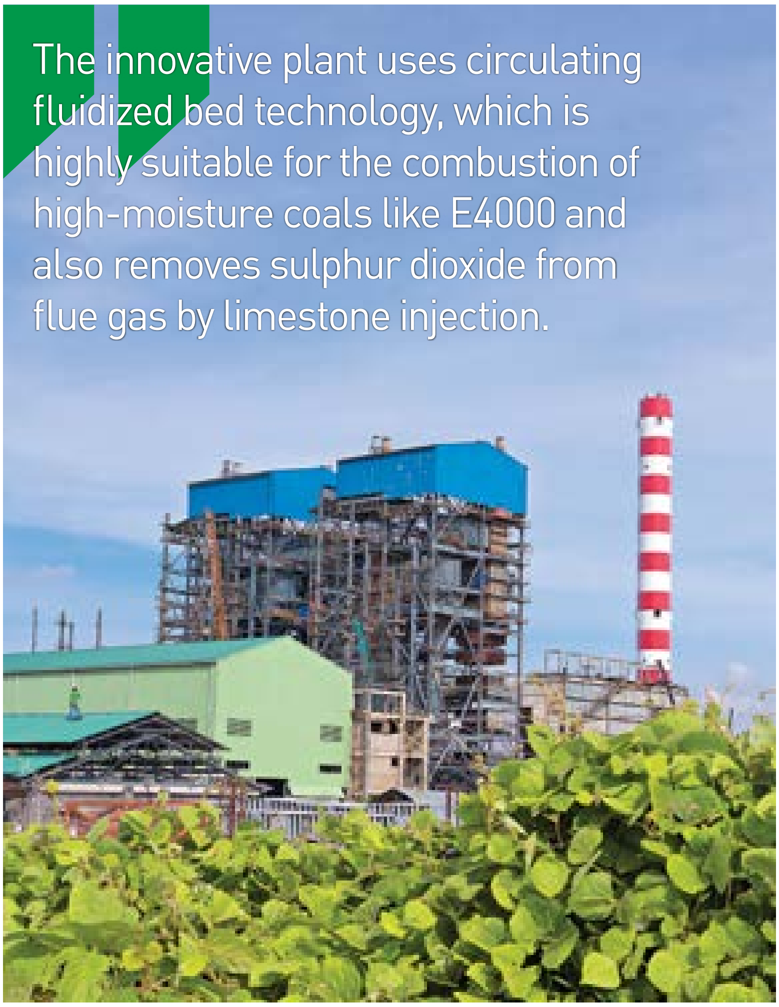
In 2012, the IndoMet Coal Project (IMC), a joint venture between BHP Billiton and Adaro Energy, continued the development of its seven Coal Contracts of Work (CCoW) in Kalimantan, and to assess further development options.

In the second half of the year, PT Lahai Coal, which is part of the project, awarded PT Thiess Contractor Indonesia (Thiess Indonesia) a key contract as part of its planned early infrastructure development works. Under the contract, Thiess Indonesia will provide bulk earthworks, drainage, civil structures and associated port earthworks for the development of the Muara Tuhup port and access road infrastructure in Central Kalimantan. Equipment mobilization has begun, and government approvals are in place for the commencement of initial road works and associated infrastructure.

The Haju mine, which is within the concession area held by PT Lahai Coal in Central Kalimantan, is due to begin mining in the third quarter of 2013. PT Lahai Coal is one of seven Coal Contracts of Work owned by PT Adaro Energy and BHP Billiton. The seven projects are collectively known as the IndoMet Coal Project (IMC), in East and Central Kalimantan and are each owned 25% by Adaro Energy and 75% by BHP Billiton.

The Haju mine will have a capacity of 1 million tonnes per year. Construction is under way on minesite accommodations, port-site accommodations, administrative offices and an industrial area. The coal will be transported along a hauling road from the mine to the river port on the Barito River. From the river port, coal will be barged down the Barito for loading onto customer vessels for export.





Power Generation

Adaro Energy's move into power through PT Adaro Power took another step forward in March 2012 with the awarding of the contract to build a 2x100MW power plant to the South Kalimantan Power Project, a joint venture between Adaro Power and Korea East-West Power Co.

This new project joins the 2x30MW mine-mouth power plant at Tanjung and PT Bhimasena Power Indonesia's planned 2x1,000MW plant in Central Java to give Adaro Power three projects under way or in development, with these projects now totaling 2,260MW of generating capacity when they are all on stream within the next five years.

In addition to providing good returns and reliable cash flows, the coal-fired plants will also create a substantial base demand for Adaro's own environmentally clean, lower rank coals.

Our Debut Power Plant: PT Makmur Sejahtera Wisesa

Adaro Power is set to begin operating its first power plant through its subsidiary PT Makmur Sejahtera Wisesa (MSW) in April 2013. The 2x30MW coal-fired mine-mouth power station in Tanjung, South Kalimantan, will be fuelled by E4000 coal from Adaro Indonesia's nearby Wara mine — along a newly-built dedicated haul road — and will supply power to Adaro's new overburden crushing and conveying system and other mining operations, thus reducing Adaro's fuel dependence.

The innovative plant uses circulating fluidized bed technology, which is highly suitable for the combustion of high-moisture coals like E4000 and also removes sulphur dioxide from flue gas by limestone injection. It also reduces nitrous oxide emissions due to its low combustion temperature and uses electrostatic precipitators to eliminate ash emissions. A continuous online emission monitoring system will ensure compliance to the strict emission limits set for the plant.

The first unit should be commissioned in April 2013, and is scheduled to begin commercial operations later in 2013. By the end of 2012, the project was 95% complete with an expenditure of US$156 million.

When fully operational, the plant will consume about 300,000 tonnes of E4000 coal per year. It has a net power output guaranteed at 52.5MW. Any excess power will be sold to state power utility PLN to help support the requirements of the grid system in Kalimantan, especially to help supply to nearby communities. Once completed, the plant will not only provide benefits to both Adaro and the surrounding communities through the supply of clean power but will also provide Adaro Power with a comprehensive training platform for plant management and staff in power plant operations and maintenance.

A Power Generation Partner 1: PT Bhimasena Power Indonesia

PT Bhimasena Power Indonesia marks a number of firsts for Adaro Power. The foreign investment joint venture formed in 2011 by a consortium comprising Adaro Power (34%) with Japan's Electric

OUR BUSINESS

Power Development Co (J-Power) (34%) and Itochu Corporation (32%) will be the first project in Indonesia to use the public-private partnership (PPP) model when it develops a US$4 billion major base-load coal-fired steam power plant in Batang district, Central Java.

With a capacity of 2x1,000MW, the plant will also be one of the first and largest power plant projects in Southeast Asia to employ ultra-supercritical boiler technology. This technology offers greatly increased efficiency over conventional boiler designs and has lower environmental impact from all emissions, particularly carbon dioxide.

In October 2011, Bhimasena signed a power purchase agreement with PLN with a 25-year term from the start of commercial operations, which were targeted for the end of 2016. Due to not uncommon challenges related to land acquisitions, the power plant construction will face some delays, but these are not expected to be significantly long or harmful to the project. The challenges are not insurmountable and we will deliver this key project as quickly as possible for the benefit of all stakeholders and the growing power consumption needs of the Indonesian public. Without increasing its power generation capacity, Indonesia cannot fulfill its potential, and we aim through major projects such as the Central Java power plant to help the country develop at the pace it requires.

The power plant will use up to 7 million tonnes of coal per annum, which will all be delivered by barge from Kalimantan. Adaro Indonesia will be a major supplier to the project, and the use of its unique Envirocoal will add to the plant's ultra-clean environmental performance.

PLN estimates that the plant, which will be one of Indonesia's biggest infrastructure projects to construct, will open up employment opportunities to a minimum of 5,000 local residents and give a significant boost to the economy of the surrounding area.

A Power Generation Partner 2: 2X100MW Power Plant in South Kalimantan

In March 2012, Adaro Energy received a Letter of Intent (LOI) to undertake an Independent Power Producer (IPP) project to construct a coal-fired power plant with a total capacity of 200MW in South Kalimantan. The consortium had previously been announced as the sole qualified bidder for the project.

In this project, Adaro Power has a 65% stake and Korea East-West Power, a subsidiary of KEPCO, owns the remaining 35%. The venture is a good example of our continuing commitment to develop partnerships with global blue-chip companies as part of our strategy to create maximum sustainable value from Indonesian coal.

We are hopeful that we can sign the power purchase agreement with PLN in 1H13, and do financial closure within one year following the signing. ■

Preparations for power at MSW: Above, staff on an inspection tour of the plant infrastructure. Left above: the plant has two boiler units, each capable of generating up to 30MW. Left below, the control room inside the plant is fully operational.

Exploration and Reserves
What, Where, How Much: Getting to Know Our Coal

The continued exploration and expansion of our coal reserves and resources base are critical elements of our strategy to achieve long-term growth from Indonesian coal, making PT Adaro Explorasi Indonesia (AEI) a key component of our operations. In the past, AEI focused its activities solely on the operations of PT Adaro Indonesia (AI) at Tabalong in South Kalimantan, but it has expanded its scope following the recent acquisition of sites in South Sumatra and East Kalimantan in support of our strategy to diversify into multiple locations and multiple product ranges.

Exploration Activities

Surveying South Sumatra

One of AEI's programs for 2012 was completing a JORC-compliant estimate of resources and reserves for PT Mustika Indah Permai (MIP), in which we took a 75% stake in 2011. Thanks to the efforts of AEI staff and our drilling contractors, we were able to issue our JORC statement in early 2012.

The 2,000-hectare MIP property in Lahat District, South Sumatra, turned out to be as we had expected: the structural geology is simple and the seam thickness and quality consistent. Based on our ongoing regional evaluation work, MIP appears to be one of the best deposits for open-cut mining in the province. MIP coal will be marketed as Ultima once the mine infrastructure is completed.

Since our acquisition of MIP, AEI has further studied the potential of the South Sumatra basin, which includes the coal-bearing Muara Enim formation for which PT Bukit Enim Energi (BEE) has a mining permit (IUP). Adaro has a 61.04% stake in BEE that it acquired in 2011.

The knowledge gained by AEI of the Muara Enim formation gave us the confidence to put forward BEE

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Coal Resources in Summary

Adaro Energy (Equity Adjusted) Consolidated JORC-Compliant Coal Resources[1]

Group	Operating Company	Coal resources estimated as at Dec. 31, 2012, using 2012 end-of-year JORC Resource Estimate Statement				As at Dec. 31, 2011				Estimated changes to Adaro Energy's coal resources 2012 vs. 2011	
		Total measured, indicated & inferred (Mt)	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Total measured, indicated & inferred (Mt)	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Measured, indicated & inferred added (Mt)	Measured, indicated & inferred % change
Adaro Energy total sub-bituminous	PT Adaro Indonesia[1,2] & PT Mustika Indah Permai[3]	4,933	1,476	1,707	1,750	4,588	1,651	1,437	1,499	345	8%
Adaro Energy total metallurgical	IndoMet Coal[4]	193	21	8	164	193	21	8	164	-	0%
Adaro Energy total low-rank[6]	PT Bhakti Energi Persada[5]	7,161	3,480	2,885	797	PT Bhakti Energi Persada was not acquired until 2012				7,161	N/A

Notes: 1) JORC resources based on JORC 2012 Edition. 2) Based on PT Adaro Indonesia's 2012 JORC Coal Resources and Reserves Statement by Ian Blayden (CP Resources). 3) Based on MIP's EOY 2012 JORC Statement by Joseph Crisostomo (CP Resources). 4) Based on BHP Billiton's 2011 and 2012 annual reports with permission. 5) Based on BEP's 7 IUPs 2012 JORC Estimate by Peter Mucalo (CP Resources). 6) Tonnage based on Adaro Energy exercising its option to increase its 10% equity share in BEP to 90%. NB Any small differences between 2012 resource tonnages in this table and those stated elsewhere in this report are due to cumulative rounding errors.

Coal Reserves in Summary

Adaro Energy (Equity Adjusted) Consolidated JORC-Compliant Coal Reserves

Group	Operating Company	Coal reserves estimated as at Dec. 31, 2012			Coal reserves as at Dec. 31, 2011			Estimated changes to Adaro Energy's coal reserves 2012 vs 2011	
		Total proved & probable (Mt)	Proved (Mt)	Probable (Mt)	Total proved & probable (Mt)	Proved (Mt)	Probable (Mt)	Added to proved & probable total (Mt)	% change on proved & probable total
Adaro Energy total proved and probable coal reserves	PT Adaro Indonesia[1] & PT Mustika Indah Permai[2]	1,125	809	317	1,095	830	265	30	3%

Notes: 1) Based on Adaro Indonesia's end-of-year 2012 JORC Coal Resources and Reserves Statement. 2) Based on PT Mustika Indah Permai's (MIP) February 2012 JORC Statement. A December 2012 mine-planning exercise for MIP was not complete at the time of this report.

1.1b tonnes

of proved and probable coal reserves at Adaro's established South Kalimantan concession and new mine MIP in South Sumatra based on 2012 JORC statements.

12b tonnes

of measured, indicated & inferred coal resources across Adaro's Kalimantan and South Sumatran mine sites based on 2012 JORC resource estimates.

as a potential supplier of coal to the SUMSEL 9/10 coal-fired power station project in the province.

AEI also evaluated a number of IUPs and Coal Contracts of Work (CCoWs) in the province in the past year, giving it a basin-wide knowledge. Through this work, Adaro Energy now understands the potential for coal extraction in the South Sumatra basin, further justifying our decision to acquire MIP and BEE.

East Kalimantan

AEI has reviewed the geology of the PT Bhakti Energi Persada (BEP) concession in East Kalimantan. The studies confirm that in BEP, we have secured the best of the Muara Wahau area's resources. These huge deposits of low-rank thermal coal are geologically simple. Other low-rank coals exist in East Kalimantan, but AEI believes that BEP has the lowest strip ratio and the best location to provide large tonnages of open-pit mined coal to the thermal market for decades to come. BEP's location is also advantageous as it allows a straight coal-hauling route to the coast.

Supporting PT Adaro Indonesia

Throughout 2012, AEI continued to provide exploration support to Adaro Indonesia. Although mining at the coal deposit within our Coal Cooperation Agreement Area (CCA) has been under way for 25 years, there is still coal potential. This year, as a result of exploration in this AI concession area, additional resources of open-cut coal were added. Increasing the reserves at Adaro Indonesia's concession is a key goal for AEI as we move towards our market-driven medium-term production target of 80 million tonnes per annum. Beyond exploration, AEI supported further scheduled infill drilling and environmental sampling at Tabalong.

AI picked the right area to retain from its once-large CCA. It found success in a geological play where large regional faults folded and repeated the Warukin coal sequence twice. AEI continues to look for structural plays in the Barito Basin, which extends over 300km to the west of the Meratus Mountains and is a strongly asymmetric basin with a steep eastern limb and a shallow dipping western limb.

A site geologist gives a coal core sample from BEP a protective plastic wrapping before taking samples. BEP's coal is low-rank at around 3,350 Kcal/kg.

Our Exploration Team
Researching the Next Steps

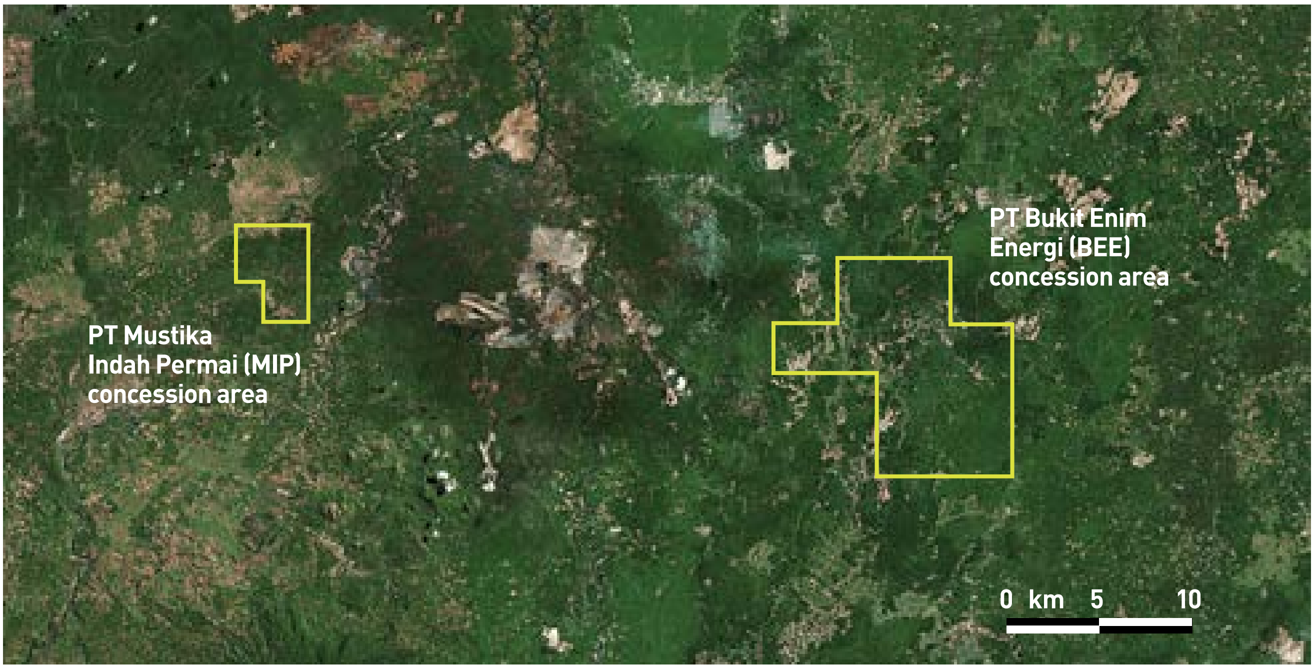
In 2012, we completed the transition of PT Adaro Eksplorasi Indonesia (AEI) from the shell of a drilling company to a fully staffed exploration group. From having only one person a little over a year ago, there are now 24 exploration staff, divided between a Tanjung-based drilling team and a Jakarta-based geological evaluation team.

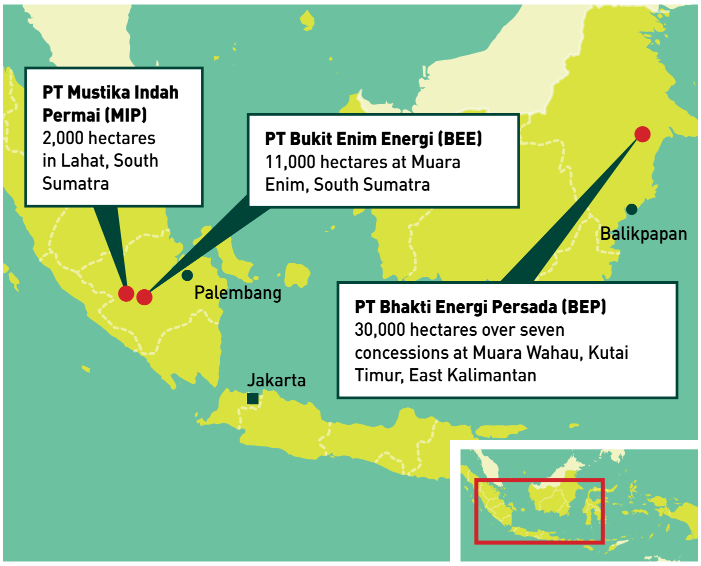
AEI's achievements are a direct result of having the right people in place, so for our 2012 exploration summary, we talked with some of our key people and what they have done for AEI and Adaro Energy.

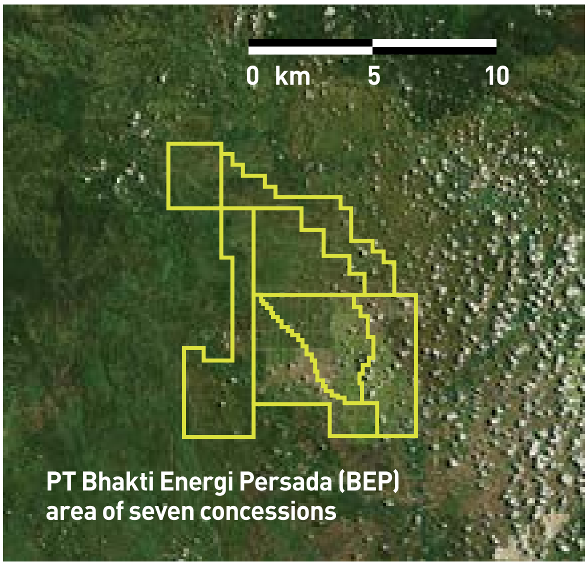
Geological Evaluation Team

With seven geologists and a geospatial information systems analyst, all geological capabilities are covered in AEI's Jakarta-based evaluation team. AEI's first employee and the geologist in charge of Sumatra, Sigid Eko Suprijanto has spent the past year developing an in-depth knowledge of the South Sumatra Basin by studying the theoretical geology and reviewing the existing mining permits and coal contracts of work. AEI will continue its holistic study of basin geology to find new and exciting deposits for Adaro Energy. Sigid discussed the area's potential:

What is your impression of the remaining open-cut coal mining potential in the South Sumatra Basin? I think there is still a lot of potential in the South Sumatra basin if there is some consolidation of the existing IUPs. In general, the coal is low rank so most of the potential is for mine-mouth power plants. Because of this I feel Adaro is







fortunate to have secured MIP, because it's relatively high quality compared to others.

How about exploration conditions in Sumatra? In general, we have well-developed infrastructure in Sumatra and the local inhabitants are concentrated in villages rather than scattered as in Kalimantan. This allows us to move equipment closer to the exploration area using regular road transport.

Drilling Team

Thanks to the steady hand of the drilling team director Setiawan and his field superintendent, Lukman Hakim, AEI has been transformed into a highly effective, safety-conscious team. AEI is proud of its drilling team's safety achievements for 2012 and looks forward to further improvements. Setiawan spoke about the team's goals and priorities:

What is the ultimate goal of the drilling division? To provide Adaro Energy with a safe and efficient drilling capability to support company growth and expansion. AEI, as an internal exploration vehicle, should be able to deliver overall exploration management including fast-tracked drilling needs.

How do you manage the performance of the drilling division? As a team, we work thoroughly to redefine the way we value our organizational effectiveness, encourage involvement and commitment of each employee to contribute to our performance goals. AEI defines clear SOPs and guidelines and expects each employee to "walk the talk" in compliance with standards and rules.

How will you further enhance performance? Nothing is perfect, but we strive to continually improve the management of business processes, quality of drilling equipment and services, and people's skills and capabilities. Health, safety and the environment are paramount to our drilling improvement plan. ■

AEI has found that low-rank coals occur on the western limb of the Barito Basin, where the structure is simple and there has been insufficient geothermal heat flow to upgrade the coal. We believe potential still exists for new discoveries in the basin, and AEI will continue to look for the right places to explore.

Resources and Reserves

Adaro Energy completed JORC-compliant Resources and Reserves studies on three of its coal interests in early 2013: AI's South Kalimantan CCA, the MIP property in South Sumatra and the seven properties that comprise BEP in East Kalimantan.

AI's End-of-Year JORC 2012 Resources and Reserves studies were compiled by Ian Blayden of Geological Management Services Pty Ltd and Tony Harrison of Minserve. Both are Competent Persons as defined by JORC guidelines. The MIP and BEP 2012 Resource studies were supervised by AEI's Peter Mucalo and Joseph Crisostomo, both Competent Persons as defined by the JORC guidelines. All studies adopted the JORC 2012 guidelines methodology.

PT Adaro Indonesia

JORC Coal Resources: The results of the 2012 JORC Resources and Reserves study show a modest

Quantity of Coal Resources

Adaro Energy JORC-Compliant Coal Resources

Operating Company	Locality	Coal resources estimated as at Dec. 31 2012					
		Total measured, indicated & inferred coal resources (Mt)	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Adaro Energy ownership equity (%)	Adaro Energy attributable Total Measured, Indicated & Inferred (Mt)
PT Adaro Indonesia[1,2]	Tutupan	2,578	650	874	1,054	100	2,578
	North Paringin	386	95	117	174		386
	South Paringin	117	16	64	37		117
	Wara I	1,267	438	409	420		1,267
	Wara II	374	72	237	65		374
Total South Kalimantan		**4,722**	**1,271**	**1,701**	**1,750**	**100**	**4,722**
PT Bhakti Energi Persada[3]	PT Bumi Kaliman Sejahtera	1,401	526	683	193	90[6]	1,261
	PT Bumi Murau Coal	1,817	858	808	151		1,636
	PT Birawa Pandu Selaras	186	75	62	48		167
	PT Khazana Bumi Kaliman	745	374	238	133		671
	PT Persada Multi Bara	2,696	1,307	1,186	202		2,426
	PT Telen Eco Coal	1,093	712	223	157		984
	PT Tri Panuntun Persada	19	14	4	1		17
Total East Kalimantan		**7,957**	**3,866**	**3,205**	**885**	**90**	**7,161**
IndoMet Coal[4]	Lampunut (metallurgical)	110	72	31	6.7	25	28
	Lampunut (thermal)	10			10		3
	Haju (metallurgical/thermal)	14	11	2	1		4
	Luon (metallurgical/thermal)	80			80		20
	Luon (metallurgical underground)	60			60		15
	Bumbun (metallurgical/thermal)	70			70		18
	Juloi NorthWest (metallurgical/thermal)	430			430		108
Total Central Kalimantan		**774**	**83**	**33**	**658**	**25**	**194**
PT Mustika Indah Permai[5]	Lahat	282	274	8	0	75	211
PT Bukit Enim Energi	Muara Enim	-	-	-	-	61.04	-
Total South Sumatra		**282**	**274**	**8**	**0**	**75**	**211**
Total IndoMet coal		**774**	**83**	**33**	**658**	**25**	**194**
Adaro Energy total sub-bituminous (inc. PT Adaro Indonesia & PT Mustika Indah Permai)		**5,004**	**1,545**	**1,709**	**1,750**	**98.6**	**4,933**
Adaro Energy total low rank (i.e. PT Bhakti Energy Persada)		**7,957**	**3,866**	**3,205**	**885**	**90[6]**	**7,161**

Notes: 1) JORC Resources based on JORC 2012 Edition
2) Based on PT. Adaro Indonesia's 2012 JORC Coal Resources and Reserves Statement by Ian Blayden (CP Resources)
3) Based on PT. Bhakti Energi Persada's 7 IUPs 2012 JORC Estimate by Peter Mucalo (CP Resources)
4) Based on BHP Billiton's 2011 & 2012 Annual Report with the permission of BHP Billiton.

Coal resources as at Dec. 31, 2011						Calculated changes to Adaro Energy's coal resources 2012 vs. 2011			
Total measured, indicated & inferred coal resources (Mt)	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Adaro Energy ownership equity (%)	Adaro Energy attributable Total Measured, Indicated & Inferred (Mt)	Changes to operating company total measured, indicated & inferred (Mt)	Changes to operating company total measured, indicated & inferred (%)	Changes to Adaro Energy attributable total measured, indicated & inferred (Mt)	Changes to Adaro Energy attributable total measured, indicated & inferred (%)
2,408	729	814	865		2,408	170	7%	170	7%
297	116	96	85		297	89	30%	89	30%
South Paringin was not included in 2011 resources				100	N/A	117	N/A	117	N/A
1,301	486	366	449		1,301	-34	-3%	-34	-3%
367	133	134	100		367	7	2%	7	2%
4,373	**1,464**	**1,410**	**1,499**	**100**	**4,373**	**349**	**8%**	**349**	**8%**
						1,401	N/A	1,261	N/A
						1,817	N/A	1,636	N/A
						186	N/A	167	N/A
PT Bhakti Energi Persada was not acquired until 2012						745	N/A	671	N/A
						2,696	N/A	2,426	N/A
						1,093	N/A	984	N/A
						19	N/A	17	N/A
						7,957	**N/A**	**7,161**	**N/A**
110	72	31	7		28	-	-	-	-
10			10		3	-	-	-	-
14	11	2	1		4	-	-	-	-
80			80	25	20	-	-	-	-
60			60		15	-	-	-	-
70			70		18	-	-	-	-
430			430		108	-	-	-	-
774	**83**	**33**	**658**		**194**	**-**	**-**	**-**	**-**
286	250	36	0	75	215	-5	-2%	-4	-2%
-	-	-	-	61	-	-	-	-	-
286	**250**	**36**	**0**	**75**	**215**	**-5**	**-**	**-4**	**-2%**
774	**83**	**33**	**658**	**25**	**194**	**-**	**-**	**-**	**-**
4,659	**1,714**	**1,446**	**1,499**	**98.40**	**4,588**	**344**	**8%**	**345**	**8%**
PT Bhakti Energi Persada was not acquired until 2012						**7,957**	**N/A**	**7,161**	**N/A**

5) Based on PT. Mustika Indah Permai's (MIP) 2012 JORC Statement by Joseph Crisostomo (CP Resources).

6) Tonnage based on Adaro Energy exercising its option to increase its 10% equity share in BEP to 90%.

NB Totals may not add up due to rounding.

increase in JORC coal resources overall due to gains in Tutupan and North Paringin plus the addition of South Paringin coal. Wara 1 lost resources due to depletion and Wara 2 gained some tonnes.

In 2012, AI maintained its conservative practice of using only seams with cored intersections in drill holes as points of observation and a 1,000-meter inferred resource radius. The AI Resource study uses a cut-off depth that varies per deposit based on current mining economics. This method tends to make the quoted resource reflect the remaining potential within which further open-pit reserves might be defined. The resource polygons retain vertical walls. AI intends to complete a life-of-mine plan during 2013 which will allow a more focused evaluation of future resources in each mined area.

Overall, AI's resources show a slight fall-off in rank as more of the higher-rank Tutupan coal is mined. The effect is minimal, as shown in the resource coal quality tables at right.

JORC Coal Reserves: AI's JORC-compliant coal reserves show an overall slight gain of 30 million tonnes, mainly due to the introduction of the five-year mining plan reserves for North Paringin. North Paringin is currently being mined, but the reserves have not yet been reported. Tutupan reserves dropped by 16 million tonnes and Wara 1 by 10 million tonnes. Overall reserves were 921 million tonnes. The overall coal quality of AI's reserves remained steady.

PT Mustika Indah Permai

JORC Coal Resources: Since a JORC report by Marston released in March 2012, MIP has completed another 127 drill holes, analyzed extra cores and gathered extensive LIDAR (light detection and ranging) topography data. Using the new drilling and topography data, AEI remodeled the MIP deposit and estimated the coal resources. The result was within 2% of the original resource estimate.

The MIP concession area contains three main coal seams and two minor seams, ranging from 1.6 to 17 meters thick. Examination of the changes between the Marston model and the Adaro Eksplorasi JORC model showed minor coal loss due to more accurate mapping of topography along the crop line, which showed some small areas where the upper half of the main B seam had been eroded. This was balanced by more accurate topography down dip which reduced the overall ratio. The overall resource tonnage reduction was 5 million tonnes.

Meanwhile, the increased drilling has increased the confidence level of our data by moving all but 8 million tonnes of coal resources into the measured category. AEI used both open holes and cored holes as points of observation for JORC estimation purposes. Total measured, indicated and inferred coal resources are 282 million tonnes, of which Adaro Energy owns 75%, or 211 million tonnes.

The MIP coal resources quality has remained constant with that resolved in the Marston 2012 study, with the exception of sodium which has increased to an average of 4% over the whole deposit due to the influence of deeper cores where higher sodium levels occur. The MIP resources are confined within a theoretical pit shell which is based on the C2 seam and has a defined high and

Quality of Coal Resources

Adaro Energy JORC-Compliant Coal Resource Quality (Gross as Received Basis)

Operating company	Locality	Estimated as at Dec. 31, 2012				
		Total moisture %	Ash % (gar)	Volatile matter % (gar)	Total sulphur % (gar)	Calorific value Kcal/kg (gar)
PT Adaro Indonesia[2]	Tutupan	28.0	2.0	36.0	0.11	4,843
	North Paringin	28.7	3.0	33.8	0.28	4,799
	South Paringin	30.8	2.9	32.7	0.21	4,651
	Wara I	38.9	2.9	30.5	0.22	3,997
	Wara II	43.6	3.1	28.9	0.23	3,657
Total South Kalimantan		**32.3**	**2.4**	**33.7**	**0.16**	**4,514**
PT Bhakti Energi Persada[3]	PT Bumi Kaliman Sejahtera	47.3	3.6	25.4	0.10	3,272
	PT Bumi Murau Coal	46.3	2.9	26.2	0.09	3,415
	PT Birawa Pandu Selaras	46.0	3.3	26.2	0.09	3,423
	PT Khazana Bumi Kaliman	47.0	3.5	25.7	0.10	3,329
	PT Persada Multi Bara	47.8	2.8	25.5	0.10	3,297
	PT Telen Eco Coal	45.2	2.9	27.2	0.11	3,497
	PT Tri Panuntun Persada	42.7	2.8	29.4	0.10	3,606
Total East Kalimantan		**46.9**	**3.1**	**25.9**	**0.10**	**3,354**
PT Mustika Indah Permai[4]	Lahat Regency, South Sumatra	34.2	5.0	31.3	0.41	4,333
Total South Sumatra		**34.2**	**5.0**	**31.3**	**0.41**	**4,333**
Adaro Energy total sub-bituminous coal resources[5] (inc. PT Adaro Indonesia & PT Mustika Indah Permai)		**32.4**	**2.5**	**33.6**	**0.17**	**4,506**
Adaro Energy total low-rank coal resources[5] (i.e. PT Bhakti Energi Persada)		**46.9**	**3.1**	**25.9**	**0.10**	**3,354**

Adaro Energy JORC-Compliant Coal Resource Quality (Air Dried Basis)

Operating company	Locality	Estimated as at Dec. 31, 2012				
		Moisture in the analysis sample % (adb)	Ash % (adb)	Volatile matter % (adb)	Total sulphur % (adb)	Calorific value Kcal/kg (adb)
PT Adaro Indonesia[2]	Tutupan	19.1	2.2	40.5	0.12	5,436
	North Paringin	19.1	3.4	38.4	0.32	5,443
	South Paringin	18.9	3.5	38.3	0.25	5,439
	Wara I	21.6	3.8	39.1	0.29	5,113
	Wara II	18.8	4.4	41.6	0.33	5,262
Total South Kalimantan		**19.8**	**2.9**	**40.0**	**0.20**	**5,336**
PT Bhakti Energi Persada[3]	PT Bumi Kaliman Sejahtera	14.3	5.9	41.4	0.17	5,328
	PT Bumi Murau Coal	14.0	4.6	41.9	0.15	5,474
	PT Birawa Pandu Selaras	13.5	5.3	41.9	0.15	5,488
	PT Khazana Bumi Kaliman	13.4	5.6	41.9	0.16	5,436
	PT Persada Multi Bara	14.2	4.6	41.8	0.16	5,418
	PT Telen Eco Coal	13.5	4.6	42.9	0.17	5,517
	PT Tri Panuntun Persada	13.6	4.2	44.4	0.16	5,441
Total East Kalimantan		**13.6**	**5.0**	**42.1**	**0.16**	**5,457**
PT Mustika Indah Permai[4]	Lahat Regency, South Sumatra	21.5	6.0	37.4	0.49	5,167
Total South Sumatra		**21.5**	**6.0**	**37.4**	**0.5**	**5,167**
Total Adaro Energy sub-bituminous coal resources[5] (inc. PT Adaro Indonesia & PT Mustika Indah Permai)		**19.9**	**3.0**	**39.8**	**0.20**	**5,340**
Total Adaro Energy low-rank coal resources[6] (i.e. PT Bhakti Energi Persada)		**13.6**	**5.0**	**42.1**	**0.2**	**5,457**

Adaro Energy JORC-Compliant Coal Resource Quality Metallurgical Coal (Air Dried Basis)

Operating company	Locality	Coal resource quality estimated as at June 30, 2012		
		Ash % (adb)	Volatile matter % (adb)	Total sulphur % (adb)
IndoMet Coal[1]	Lampunut (metallurgical)	4.2	28.5	0.55
	Lampunut (thermal)			
	Haju (metallurgical/thermal)	4.7	39.2	0.98
	Luon (metallurgical/thermal)	3.6	18.7	0.72
	Luon (metallurgical underground)	3.4	18.8	0.56
	Bumbun (metallurgical/thermal)	4.5	17.4	0.80
	Juloi NorthWest (metallurgical/thermal)	4.5	27.7	0.49

As at Dec. 31, 2011[1]					Calculated quality changes to Adaro Energy coal resources 2012 vs. 2011				
Total Moisture %	Ash % (gar)	Volatile matter % (gar)	Total sulphur % (gar)	Calorific Value Kcal/ kg (gar)	Total moisture %	Ash % (gar)	Volatile matter % (gar)	Total sulphur % (gar)	Calorific value Kcal/ kg (gar)
27.1	1.9	36.5	0.10	4,922	0.9	0.1	-0.5	0.01	-79
29.1	2.8	35.0	0.20	4,948	-0.4	0.2	-1.2	0.08	-149
South Paringin was not included in 2011 Resources									
38.9	2.9	30.4	0.21	3,986	-	-	0.1	0.01	11
43.4	2.8	29.0	0.20	3,658	0.2	0.3	-0.1	0.03	-1
32.2	**2.3**	**33.9**	**0.15**	**4,525**	**0.1**	**0.1**	**-0.2**	**0.01**	**-11**
PT Bhakti Energi Persada was not acquired until 2012									
33.9	5.5	31.1	0.42	4,345	0.3	-0.5	0.2	-0.01	-12
33.9	**5.5**	**31.1**	**0.42**	**4,345**	**0.3**	**-0.5**	**0.2**	**-0.01**	**-12**
32.2	**2.3**	**33.9**	**0.15**	**4,525**	**0.2**	**0.2**	**-0.4**	**0.02**	**-19**
PT Bhakti Energi Persada was not acquired until 2012									

Notes

1) 2011 Adaro Indonesia Coal quality estimates are restatements of the quality in PT Adaro Indonesia's 2010 JORC Coal Resources and Reserves Statement

2) PT Adaro Indonesia's coal quality samples have been analysed to ASTM standards

3) PT Bhakti Energi Persada's coal quality samples have been analysed to ASTM standards

4) PT Mustika Indah Permai's coal quality samples have been analysed to ISO standards

5) The Adaro Energy Group coal quality was derived by combining the coal quality parameters of the coal resources of the component operating companies using weight averaging.

Calculated as at Dec. 31, 2011[1]					Calculated quality changes to Adaro Energy coal resources 2012 vs. 2011				
Moisture in the analysis sample % (adb)	Ash % (adb)	Volatile matter % (adb)	Total sulphur % (adb)	Calorific value Kcal/ kg (adb)	Moisture in the analysis sample % (adb)	Ash % (adb)	Volatile matter % (adb)	Total sulphur % (adb)	Calorific value Kcal/ kg (adb)
17.6	2.1	41.2	0.11	5,563	1.5	0.1	-0.7	0.01	-127
16.9	3.3	41.0	0.23	5,799	2.2	-0.1	-2.6	0.09	-356
South Paringin was not included in 2011 Resources									
19.1	3.8	40.3	0.28	5,278	2.5	-	-1.2	0.01	-165
19.3	4	41.4	0.28	5,215	-0.5	0.4	0.2	0.05	47
18.1	**2.8**	**41**	**0.20**	**5,466**	**1.7**	**0.1**	**-1.1**	**0.01**	**-130**
PT Bhakti Persada Energi was not acquired until 2012									
22.2	6.5	36.6	0.49	5,114	-0.7	-0.5	0.8	-	53
22.2	**6.5**	**36.6**	**0.49**	**5,114**	**-0.7**	**-0.5**	**0.7**	**-0.01**	**53**
18.1	**2.8**	**41.0**	**0.20**	**5,466**	**1.8**	**0.2**	**-1.2**	**-**	**-126**
PT Bhakti Persada Energi was not acquired until 2012									

Notes

1) 2011 Adaro Indonesia coal quality estimates are restatements of the quality in Adaro Indonesia's 2010 JORC Coal Resources and Reserves Statement

2) PT Adaro Indonesia's coal quality samples have been analysed to ASTM standards

3) PT Bhakti Energi Persada's coal quality samples have been analysed to ASTM standards

4) PT Mustika Indah Permai's coal quality samples have been analysed to ISO standards

5) The Adaro Energy Group coal quality was derived by combining the coal quality parameters of the Coal Resources of the component operating companies using weight averaging

6) The Adaro Energy Group coal quality was derived by combining the coal quality parameters of the Coal Resources of the component operating companies using weight averaging.

Coal resource quality as at June 30, 2011			Calculated quality changes to Adaro Energy's metallurgical coal resources 2012 vs. 2011		
Ash % (adb)	Volatile matter % (adb)	Total sulphur % (adb)	Ash % (adb)	Volatile matter % (adb)	Total sulphur % (adb)
4.2	28.5	0.55	-	-	-
			-	-	-
4.7	39.2	0.98	-	-	-
3.6	18.7	0.72	-	-	-
3.4	18.8	0.56	-	-	-
4.5	17.4	0.80	-	-	-
4.5	27.7	0.49	-	-	-

Notes

1) Based on BHP Billiton's 2012 Annual Report with the permission of BHP Billiton.

low wall design. Coal exists further down dip and has been estimated as inventory coal. By definition, inventory coal includes both coal resources and tonnages of coal which are not considered economic. AEI estimated that MIP holds 258 million tonnes of non-resource inventory coal within the measured, indicated and inferred categories, which may be eventually transformed partially into resources by the consideration of new extractive technology such as underground mining or underground gasification.

JORC Coal Reserves: At the time of publication of this report, a new mining study of MIP was under way but had yet to be completed. AEI interrogated the new geological model with the February 2012 Marston study's pit shell and came up with an in situ resource tonnage of 282 million tonnes, which was within 2% of the Marston 2011 JORC Resource figure of 286 million tonnes, albeit with a slightly lower strip ratio. Given that this is within our accepted error of estimation, the CP has decided to retain the Marston 2012 JORC Reserve tonnage of 273 million tonnes until a revised Reserve study is completed later in 2013.

PT Bhakti Energi Persada

JORC Coal Resources: Adaro Energy owns a 10.22% share in BEP, and has signed a three-year options agreement under which we may choose to acquire another 79.8%, bringing our ownership to 90.02%. All 2012 BEP tonnages in this report assumed that Adaro Energy has exercised that option.

BEP published a JORC coal resource estimate of 9.53 billion tonnes based on an independent study in 2009. BEP, through its seven operating companies, has since drilled 500 additional holes, and AEI has now reviewed BEP's geological and topographic data and estimated JORC-compliant coal resources using JORC 2012 methodology. AEI revised the radius of the inferred resource polygons down to 1,000 meters and applied the Preston Sanders density correction to reduce the in situ coal density from that previously used. AEI has also applied a policy where a minimum of three points of observation were required to define a resource polygon. AEI assessed the total in situ coal tonnage for all seams to be 7.96 billion tonnes.

The BEP coal resources are low rank, with a total moisture of 46.9%, ash of 3.1% on an as-received basis, and a calorific value of 3,354 Kcal/kg on an as-received. Total sulphur is low at 0.10% on an as-received basis. For details see table on page 108.

JORC Coal Reserves: Adaro Energy is still working towards the definition of a coal reserves statement for BEP but is not ready to issue any forward-looking statements beyond the existence of 7.96 billion tonnes of JORC coal resources. Details of the AEI estimate of BEP's JORC-compliant resources can be seen in the table on page 106.

IndoMet Coal Project

In 2010, Adaro Energy acquired a 25% interest in the IndoMet Coal project in Central Kalimantan. BHP Billiton owns the remaining 75%.

JORC Coal Resources: In its 2012 annual report BHP announced total metallurgical (coking) coal and thermal coal resources of 774 million tonnes. There has been no update of this number. The table on page 106 breaks down the resources as at June 30, 2012. ■

Quantity of Coal Reserves

Adaro Energy JORC-Compliant Coal Reserves

Operating Company	Locality	Coal reserves as estimated as at Dec. 31, 2012: Total proved & probable (Mt)	Proved (Mt)	Probable (Mt)	Adaro Energy ownership equity (%)	Adaro Energy attributable total proved & probable (Mt)
PT Adaro Indonesia[1]	Tutupan	494	326	168	100	494
	North Paringin	37	30	7		37
	South Paringin	No Reserves estimated in 2012				
	Wara I	391	275	116		391
	Wara II	No Reserves estimated in 2012				N/A
Total South Kalimantan		**921**	**631**	**291**	**100**	**921**
PT Bhakti Energi Persada	East Kalimantan	No Reserves estimated in 2012			90	N/A
Total East Kalimantan		-	-	-	-	-
IndoMet Coal	Central Kalimantan	No Reserves estimated in 2012			-	N/A
Total Central Kalimantan		-	-	-	-	-
PT Mustika Indah Permai[2]	Lahat	273	238	35	75	204
PT Bukit Enim Energi	Muara Enim	No Reserves estimated in 2012			61	-
Total South Sumatera		**273**	**238**	**35**	**75**	**204**
Total Adaro Energy proved and probable sub-bituminous coal reserves (inc. Kalimantan & Sumatra)		**1,194**	**869**	**326**	**94**	**1,125**

Quality of Coal Reserves

Adaro Energy JORC-Compliant Coal Reserve Quality (Gross As Received Basis)

Operating Company	Locality	Calculated as at Dec. 31, 2012: Total moisture %	Ash % (gar)	Volatile matter % (gar)	Total sulphur % (gar)	Calorific value Kcal/kg (gar)
PT Adaro Indonesia[1,2]	Tutupan	26.3	2.5	36.6	0.10	4,998
	North Paringin	25.9	3.0	35.6	0.17	5,050
	South Paringin	No Reserves estimated in 2012				
	Wara I	39.1	3.0	30.4	0.20	3,981
	Wara II	No Reserves estimated in 2012				
Total South Kalimantan		**31.7**	**2.7**	**33.9**	**0.14**	**4,569**
PT Bhakti Energi Persada	Muara Wahau	No Reserves estimated in 2012				
Total East Kalimantan		-	-	-	-	-
PT Mustika Indah Permai[3,4]	Lahat	34.1	5.9	31.1	0.40	4,281
PT Bukit Enim Energi	Muara Enim	No Reserves estimated in 2012				
Total South Sumatera		**34.1**	**5.9**	**31.1**	**0.40**	**4,281**
Total Adaro Energy proved & probable sub-bituminous coal reserves[5] (inc. Kalimantan & Sumatra)		**32.2**	**3.4**	**33.3**	**0.20**	**4,503**

Adaro Energy JORC-Compliant Coal Reserve Quality (Air Dried Basis)

Operating Company	Locality	Coal reserve quality calculated as at Dec. 31, 2012: Moisture in the analysis sample % (adb)	Ash % (adb)	Volatile matter % (adb)	Total sulphur % (adb)	Calorific value Kcal/kg (adb)
PT Adaro Indonesia[1,2]	Tutupan	17.4	2.8	40.8	0.11	5,601
	North Paringin	17.6	3.3	39.6	0.19	5,050
	South Paringin	Not included in 2012 Reserves				
	Wara I	22.0	3.9	39.0	0.25	5,083
	Wara II	Not included in 2012 Reserves				
Total South Kalimantan		**19.3**	**3.3**	**40**	**0.17**	**5,381**
PT Mustika Indah Permai[3,4]	South Sumatra	22.2	7.0	37	0.47	5,104
Adaro Energy total proved & probable sub-bituminous coal reserves[5]		**20.0**	**4.6**	**39.3**	**0.22**	**5,318**

Coal reserves as at Dec. 31, 2011					Calculated changes to Adaro Energy's coal reserves 2012 vs 2011			
Total proved & probable (Mt)	**Proved (Mt)**	**Probable (Mt)**	**Adaro Energy ownership equity (%)**	**Adaro Energy attributable total proved & probable (Mt)**	**Changes to operating company total proved & probable (Mt)**	**Changes to operating company total proved & probable (%)**	**Changes to Adaro Energy attributable total proved & probable (Mt)**	**Changes to Adaro Energy attributable total proved & probable (%)**
510	369	141	100	510	(16)	-3	(16)	-3
Not included in 2011 Reserves				-	37	N/A	37	N/A
No reserves estimated in 2011				-	No reserves estimated in 2011			
381	283	98		381	10	3	10	3
No reserves estimated in 2011				-	No reserves estimated in 2011			
891	**652**	**239**		**891**	**30**	**3**	**30**	**3**
Not acquired until 2011					Not acquired until 2011			
-	-	-	-	-	-	-	-	-
No Reserves estimated in 2011				-	No Reserves estimated in 2012			
-	-	-	-	-				
273	238	35	75	204	-	0	-	0
No Reserves estimated in 2011			61		No Reserves estimated in 2012			
273	**238**	**35**	**75**	**204**	**-**	**0**	**-**	**-**
1,163	**890**	**274**	**94**	**1,095**	**30**	**3**	**30**	**3**

Notes

1) Based on Adaro Indonesia's End-of-Year 2012 JORC Coal Resources and Reserves Statement by Tony Harrison (Competent Person)

2) Based on PT Mustika Indah Permai's February 2012 JORC Statement by Marston. A December 2012 mine-planning exercise for MIP was not complete at the time of this report.

NB Small inconsistencies in tonnages are caused by rounding errors.

As at Dec. 31, 2011					Calculated changes to the quality of remaining coal reserves 2012 vs 2011				
Total moisture %	**Ash % (gar)**	**Volatile matter % (gar)**	**Total sulphur % (gar)**	**Calorific value Kcal/ kg (gar)**	**Total moisture %**	**Ash % (gar)**	**Volatile matter % (gar)**	**Total sulphur % (gar)**	**Calorific value Kcal/ kg (gar)**
26.3	2.0	36.5	0.10	5,013	0.6	0.5	0.1	0.01	-15
Not included in 2011 Reserves					Not included in 2011 Reserves				
No Reserves estimated in 2011					No Reserves estimated in 2011				
39.2	3.0	30.3	0.20	3,983	0.1	-	0.1	-	-2
No Reserves estimated in 2011					No Reserves estimated in 2011				
31.6	**2.5**	**33.9**	**0.14**	**4,588**	**0.2**	**0.2**	**-**	**-**	**-19**
No Reserves estimated in 2011					No Reserves estimated in 2011				
-	-	-	-	-	-	-	-	-	-
34.1	5.9	31.1	0.40	4,281	-	-	-	-	-
No Reserves estimated in 2011					No Reserves estimated in 2011				
34.1	**5.9**	**31.1**	**0.4**	**4,281**	**-**	**-**	**-**	**-**	**-**
31.6	**2.5**	**33.9**	**0.14**	**4,588**	**0.6**	**0.9**	**(0.6)**	**0.06**	**-85**

Notes

1) PT Adaro Indonesia Coal 2011 quality estimates are restatements of the 2010 JORC Coal Resources and Reserves study and do not consider the quality effect of 47 Mt of coal produced in 2011.

2) PT Adaro Indonesia's coal quality samples have been analysed to ASTM standards

3) PT Mustika Indah Permai's coal quality samples have been analysed to ISO standards

4) Elevated sodium in ash levels averaging 3% were noted in PT Mustika Indah Permai's coal reserves in the February 2012 JORC Statement.

5) The Adaro Energy Group coal quality was derived by combining the coal quality parameters of the coal reserves of the component operating companies using weight averaging.

Coal reserve quality as at Dec. 31, 2011					Calculated changes to the quality of remaining coal reserves 2012 vs 2011				
Moisture in the analysis sample % (adb)	**Ash % (adb)**	**Volatile matter % (adb)**	**Total sulphur % (adb)**	**Calorific value Kcal/ kg (adb)**	**Moisture in the analysis sample % (adb)**	**Ash % (adb)**	**Volatile matter % (adb)**	**Total sulphur % (adb)**	**Calorific value Kcal/ kg (adb)**
17.0	2.3	41.1	0.11	5,638	0.4	0.50	-0.30	0.01	-37
Not included in 2011 Reserves					Not included in 2011 Reserves				
Not included in 2011 Reserves					Not included in 2011 Reserves				
19.4	4.0	40.2	0.25	5,261	2.6	-0.1	-1.2	0.0	-178
Not included in 2011 Reserves					Not included in 2011 Reserves				
18.0	**3.0**	**40.7**	**0.17**	**5,483**	**1.3**	**0.3**	**-0.7**	**0.0**	**-102**
22.2	7.0	37.1	0.47	5,104	-	-	-	-	-
18.0	**3.0**	**40.7**	**0.17**	**5,483**	**2.0**	**1.6**	**-1.4**	**0.1**	**-165**

Notes

1) PT Adaro Indonesia Coal 2011 quality estimates are restatements of the 2010 JORC Coal Resources and Reserves study and do not consider the quality effect of 47 Mt of coal produced in 2011

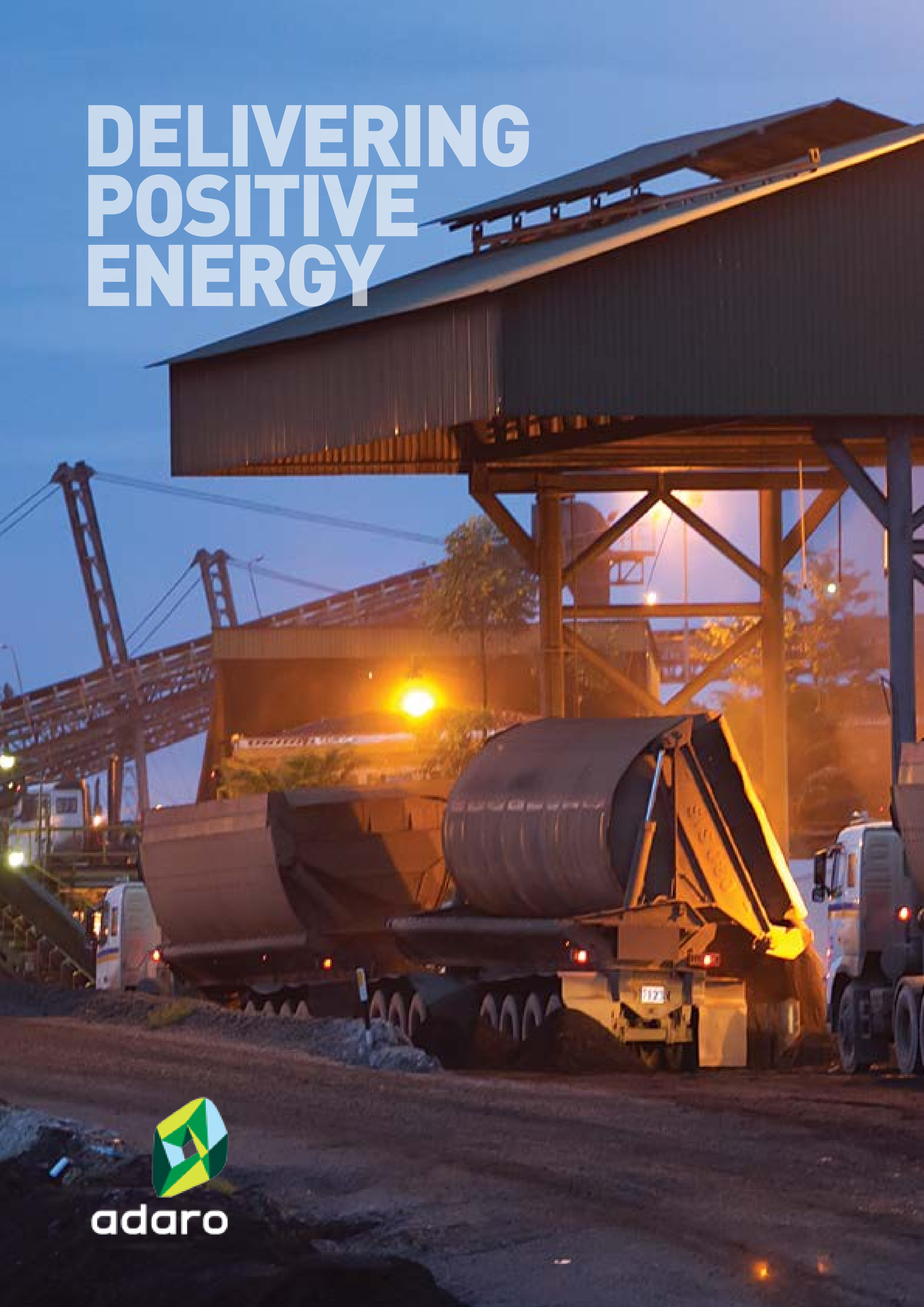
2) PT Adaro Indonesia's coal quality samples have been analysed to ASTM standards

3) PT Mustika Indah Permai's coal quality samples have been analysed to ISO standards

4) Elevated sodium in ash levels averaging 4% were noted in PT Mustika Indah Permai's coal reserves in the February 2012 JORC Statement.

5) The Adaro Energy Group coal quality was derived by combining the coal quality parameters of the coal reserves of the component operating companies using weight averaging.

DELIVERING POSITIVE ENERGY



adaro

Our coal processing and barge-loading terminal at Kelanis has seven truck dumping and crushing stations to allow continuous delivery and minimize waiting time for trucks.


adaro

IN THIS SECTION

OUR PEOPLE

'We can not achieve any of our success without having the right people and the right organization. We find the best people and ensure they are in the right place, so both the company and the individual can thrive and succeed.'

Christian Ariano Rachmat, Vice President Director & Deputy Chief Executive Officer

Secrets of Success

Adaro Energy's three shareholding commissioners talk about their formative experiences, their beliefs and their passion for the company.

Edwin Soeryadjaya
President Commissioner

As the son of Astra founder William Soeryadjaya, Edwin perhaps didn't really need to work. In fact, he has been known to tell people that he didn't really do any serious work until he was in his 40s, when his family lost control of Astra in the early 1990s.

Though he started working for Astra in 1978 and left in 1993 as Vice President Director, he made light of his role there. "I went to board meetings and nodded my head yes or no, but it didn't really matter what I did," he told Forbes magazine in 2007.

After the family lost Astra, though, he rolled up his sleeves and began getting down to serious business. In 1998, he and Sandiaga Uno founded the private investment firm Saratoga Capital, which has made a name for itself with the acquisition of the group of companies that today make up Adaro Energy, the Tower Bersama Group and recently Mandala Airlines.

"Saratoga Capital is one of the large business groups honored and associated with integrity, transparency and profit," Ernst & Young Indonesia chief executive Giuseppe Nicolosi said of Mr Soeryadjaya in an interview with Globe Asia magazine in 2011.

"Through Edwin's innovation, leadership and entrepreneurial spirit, Saratoga successfully diversified its portfolio to include mining, shipping, energy resources and agriculture," Nicolosi added.

His remarks came after Ernst & Young had named Mr Soeryadjaya Entrepreneur of the Year in 2010 and listed him in the Ernst & Young World Entrepreneur of the Year Hall of Fame in 2011.

For the 63-year-old father of three, integrity and transparency are key. "Our track record speaks for itself. Ask any banker, they know we are honorable," he says. "[The Astra experience] showed that we were willing to let go of the most valuable asset we had in order to do the right thing."

This philosophy stems from the conviction that business has to be more than just about making money. "You need profitability for sustainability, but if money is your sole objective, it's not worth it," he says.

"We're more interested in doing the right things, and doing things right. In the long term, honesty pays, and we should all think long-term.

"What motivates me is the desire to do well for mankind. We want to create employment, which has a multiplier effect. When we die, we can't take anything, we just go back to dust. So if you can do something that gives back to society, then that's very noble."

Also crucial in his success was having the right partners, such as Mr Uno, Teddy Rachmat, Ir. Subianto and Garibaldi Thohir, the men behind Adaro today.

"We are stronger together," he says. "We protect each other's image. Our approach to policy is the same and is always in the interest of stakeholders: first the clients or the consumers, second the country, third the employees and fourth the shareholders. As long as we are consistent we can advance together."

> We want to create employment, which has a multiplier effect. When we die, we can't take anything, we just go back to dust. So if you can do something that gives back to society, then that's very noble.

Theodore Permadi Rachmat
Vice President Commissioner

Now known as one of the best CEOs Indonesia has produced and dubbed the country's new rubber baron, Teddy Rachmat started as a salesman for Astra International, a company founded by his uncle, William Soeryadjaya, after graduating from the Bandung Institute of Technology with a degree in mechanical engineering.

The young Teddy quickly proved his worth, putting in long hours and learning the tricks of the trade. Just a few years after he joined Astra, he helped start United Tractors with US$500,000 as capital. The company is now worth about US$10 billion.

Driven and passionate about his work, Mr Rachmat methodically climbed the corporate ladder, handling different aspects of the business before becoming Vice President Director in 1981 and President Director in 1984. It was in this position, which he held until 1998, that he came to be seen as among Asia's best CEOs.

Nor did he stop at being an employee; he became an entrepreneur, establishing the Triputra Group in 1998 and growing it into one of Indonesia's largest, most diversified conglomerates. Today, it has 14 companies in sectors from motorcycle distribution and clothes-making to agribusiness. Kirana Megatara, a subsidiary, is Indonesia's biggest rubber producer.

"Choose your own 'big wind' to help send your business soaring, create your own uniqueness and, last but not least, execute those ideas and uniqueness," Mr Rachmat told a group of students from BINUS Business School last year when asked about the keys to his success. "For me, execution is the standard to run and develop a company. How do you execute? Form your own winning team, which consists of the best people, and then dominate the business segment. Without domination, your business won't last very long."

In 2005, he and some colleagues and relatives, including Ir. Subianto, whom he knew at college and worked with since the early Astra days, and his cousin Edwin Soeryadjaya, formed the group that bought Adaro. He also has other business ventures with other Adaro principals, like coal miner Padang Karunia with Adaro President Director Garibaldo Thohir, also a relative.

"It's difficult to do everything on your own. So if you have a combination of people, one can complement the other. A partnership enables you to have a check and balance," he told Forbes Magazine recently.

Now 69, the father of three shows little sign of slowing down. With Kirana Megatara, Mr Rachmat has even bigger dreams: To become the largest rubber processor in the world in order to help provide jobs and raise living standards.

"This is our role. Other than being profitable, we must give back to society, and agribusiness is one of the best ways to help people help themselves," he told Globe Asia recently.

Ir Subianto
Commissioner

The man who has been called Indonesia's version of Warren Buffet, Benny Subianto began as a manager at Astra International in 1969, joining just a year after his college friend Teddy Rachmat.

Together, the friends climbed up through Astra, with Mr Subianto rising from director in the 1980s to vice president director (1990-1998), commissioner (1998-2000) and vice president commissioner (2000-2006).

He founded palm oil giant Astra Agro Lestari as a cassava plantation unit of Astra in the early 1980s, and along with Mr Rachmat helped found United Tractors, where he was made President Director in 1984 and President Commissioner in 1997.

In 2003, Mr Subianto started his own investment firm, Persada Capital Investama, as a holding company for PT Tri Nur Cakarwala and PT Pandu Alam Persada. He and his family own a 50% stake in each. Through PCI, he now has interests in Adaro Energy — which he has called his most successful investment to date — oil and gas producer Interra Indo Resources, rubber producer Kirana Megantara, coal mining services provider Sapta Indra Sejati and palm oil producer Triputra Agro Persada.

The 70-year-old father of three has said before that he does want to emulate Warren Buffet. "Warren buys stock in world companies such as Coca-Cola, Wells Fargo and Kraft Food through Berkshire Hathaway. I want to have many investments just like him. I want to develop Persada Capital Investama just like Berkshire Hathaway," he told Globe Asia in 2009.

So far, though, he focuses on natural resources, in which he believes Indonesia has a competitive edge.

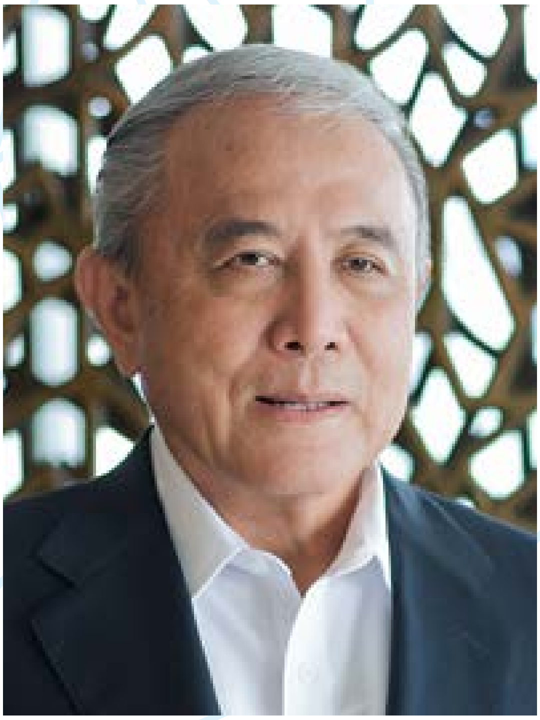
Mr Subianto cited three factors in developing a successful investment company: a growing business sector with long-term and strong industry trends, a solid management team, and capital expenditure.

In addition, there is also the need for good business partners. "Looking for a business partner is like finding a life partner. We have to have something in common," he said.

It hasn't always been easy, and Mr Subianto admits he has made missteps in the past. But the ability to continually learn is what he says is key to becoming a successful entrepreneur. Quoting former North Vietnamese President Ho Chi Minh, he told the interviewer: "The moment you graduate with a bachelor's degree, that doesn't mean that you've finished your school, you've just begun your last school, which is the school of life."

Board of Commissioners
Dedicated Oversight

Edwin Soeryadjaya
President Commissioner



Theodore Permadi Rachmat
Vice President Commissioner

Edwin Soeryadjaya, 63, was awarded a bachelor's degree in Business Administration by the University of Southern California in 1974.

In 1978, he joined PT Astra International, a company founded and owned by his family. He spearheaded the company's financial restructuring from 1987 to 1990 and led Astra's IPO in February 1990. He left in 1993, as vice president director, a year after the company was sold.

In 1998, he and Sandiaga Uno founded Saratoga Capital, which bought Adaro Energy in 2005. He is currently the President Commissioner of Adaro Energy, PT Alam Tri Abadi and PT Saptaindra Sejati.

He is also the President Commissioner of PT Saratoga Investama Sedaya, PT Tower Bersama Infrastructure Tbk, PT Mitra Pinasthika Mustika, PT Medco Power Indonesia, Interra Resources Limited, PT Pulau Seroja Jaya, PT Tri Wahana Universal, PT Lintas Marga Sedaya, PT Saratoga Sentra Business and PT Pandu Dian Pertiwi. He is also the Commissioner of, among others, PT Provident Agro Tbk.

Mr Soeryadjaya was named Indonesian Entrepreneur of the Year 2010 by Ernst and Young, and in 2011 was listed in Ernst & Young World Entrepreneur of the Year Hall of Fame.

The father of three is also the chairman of Yayasan Universitas Kristen Indonesia and as co-founder of the William Soeryadjaya Foundation.

Theodore Rachmat, 69, received a bachelor's degree in Mechanical Engineering from the Bandung Institute of Technology in 1968.

He started his career at PT Astra International in 1969. He served as the general manager of the Heavy Equipment Division from 1971-1973, marketing director from 1973-1976, group director from 1977-1980 and vice president director from 1981-1984.

In 1984, he was appointed President Director of Astra, a position he held until 1998. In 1994, Mr Rachmat was named "Best CEO in Asia" by Financial World magazine. From 1998-2000 he served as an Astra commissioner and was elected Astra's president director again for 2000-2002 and then president commissioner from 2002- 2005.

In 1998, he established PT Triputra Investindo Arya as a parent company of Adira Mobil and Adira Finance, both owned by his late father, and has served as its president director since 2008.

In 2005, he was part of a group of investors that bought Adaro Energy. He is now the vice president commissioner of Adaro Energy and a commissioner of PT Alam Tri Abadi.

He was also a member of the National Economic Board from 1999-2000, commissioner of PT Multi Bintang Tbk from 2002- 2007 and commissioner of PT Unilever Indonesia Tbk from 1999-2009.

Ir Subianto
Commissioner

Lim Soon Huat
Commissioner

Ir. Subianto, 70, received a bachelor's degree in Mechanical Engineering at the Bandung Institute of Technology in 1969.

He began his career at PT Astra International as a manager in 1969 and went on to handle various management functions in it or its subsidiaries for more than 30 years. He served as an Astra director from 1979-1990, vice president director from 1990-1998, commissioner from 1998-2000 and vice president commissioner from 2000-2006.

He helped found PT United Tractors and joined it as a director in 1972 and president director in 1984, before being appointed as commissioner and president commissioner from 1997 to 1999. He was also the president commissioner of PT Berau Coal from 1995 to 2001 and commissioner from 2001 to 2003.

Mr Subianto established investment and holding companies PT Tri Nur Cakrawala in 1980, PT Pandu Alam Persada in 1991 and PT Persada Capital and PT Persada Capital Investama (PCI) in 2003. Through these firms, he has invested in companies such as Adaro Energy, PT Astra Agro Lestari and PT Kirana Megatara.

He is currently the president director of PCI, which was established to oversee his mining investments, and a commissioner for Adaro Energy and PT Alam Tri Abadi. He is also the president commissioner of Kirana Megatara, PT Triputra Agro Persada and PT Agro Multi Persada.

Lim Soon Huat, 48, holds a Bachelor of Science (Hons) in Statistics from Universiti Kebangsaan Malaysia.

He has several years of management experience in the fields of finance, commodities trading, consumer goods manufacturing and marketing, hotel investments, sugar cane plantation and sugar milling operations.

A Malaysian citizen, Mr Lim has held various senior executive positions in the Kuok Group of companies in Singapore, Thailand, Hong Kong and China.

He currently oversees the Kuok Group's investments and operations in Indonesia, including Adaro Energy, to which he was appointed as a member of the Board of Commissioners on May 29, 2008.

He is also a director of Kuok Brothers Sdn Bhd and serves as managing director for PPB Group Berhad, a company listed on the Kuala Lumpur Stock Exchange in Malaysia.

Ir Palgunadi Tatit Setyawan
Independent Commissioner

Palgunadi Tatit Setyawan, 73, obtained a Degree in Mechanical Engineering from the Bandung Institute of Technology in 1962 and a Diploma in Ballistic Engineering from the University of Belgrade, Yugoslavian Military Science and Industry Institute, in 1966.

He served in the Indonesian Army until 1981, retiring as Lieutenant Colonel. In 1982, he joined PT United Tractors, serving as a manager and later as director and commissioner until 1998. He also served as senior vice president for Astra from 1989 to 1997, president director for PT Astra Mitra Ventura from 1992 to 1997, director for Asia Region for GIBB Ltd. from 1997 to 1999, and executive vice president for PT Raja Garuda Mas from 2000 to 2002.

As well as being an independent commissioner for Adaro Energy, he is also a member of the Audit Committee of PT Mahaka Media Tbk, an independent commissioner and chairman of the Audit Committee of PT Pembangunan Jaya Ancol Tbk, and president commissioner of PT Jakarta Propertindo.

In addition, he is the head of the Center for Entrepreneurship Development at Al Azhar Indonesia University (UAI) and an independent consultant for corporate governance, internal audit and corporate culture.

Dr Ir Raden Pardede
Independent Commissioner

Raden Pardede, 52, earned his Chemical Engineering degree from the Bandung Institute of Technology in 1984, and PhD in Economics in 1995 from Boston University, USA.

An economist and researcher, he founded Danareksa Research Institute in 1995, the pioneer on Early Warrning Indicators, Consumers Confident Index Survey and Business Sentiment Index. He served as the executive director of PT Danareksa from 2002 to 2004 and its chief economist and division head from 1995 to 2002.

He held the position of president commissioner of PT Perusahaan Pengelola Aset (PPA) from 2008-2009 and vice president director of PT Perusahaan Pengelola Aset from 2004-2008.

In addition, he had held various positions in the government, such as Special Staff of the Minister of Finance from 2007-2010, the Secretary of Financial System Stability Committee from 2008- 2009, chairman of Indonesia's Infrastructure Development Financing from 2004-2005, and Special Staff of the Coordinating Minister for the Economy from 2004-2005.

He was also a consultant at the World Bank from 1994-1995 and at the Asian Development Bank from 2000-2001.

He is currently a member of the National Economic Committee (Komite Ekonomi Nasional), a government think tank that advises the President of Indonesia. He has been an independent commissioner of Bank Central Asia since May 2004 and an independent commissioner of Adaro Energy since May 2010.

Board of Directors
Experienced Management

Garibaldi Thohir
President Director &
Chief Executive Officer

A little over two decades after he ventured into the coal business when few others dared, Garibaldi Thohir — known to most by his childhood nickname, Boy — has clearly been vindicated.

"I'm glad I had the vision to get into coal mining in 1991. Maybe, at the time, I was ahead of the market," he says, recounting the difficult early years when margins were so low that he almost gave up. "Thank God I survived. Now, I'm more confident. My vision was not wrong," says the 47-year-old billionaire who now heads one of the world's largest coal producers.

Perhaps part of his success owes to the days he spent as a boy in the office of his father, Astra co-founder Mochamad Teddy Thohir. "During my childhood, my dad always took me to his office in Astra, meeting with Pak William Soeryadjaya, who shared his values with me. 'We want to build a company that will be an asset for the nation,' he said," Mr Thohir recounts.

That lesson didn't immediately sink in. After earning an MBA from Northrop University in Los Angeles in 1989, he had no immediate ambitions to set out and build his own company. "I had been brainwashed into working for a multinational firm. But my dad said I had to be an entrepreneur and contribute to the country," he says.

His father argued that even if he worked for a multinational firm earning US$2,000 a month, that would not be enough to recoup his investments in him. "So I started thinking of what I could do. Someone asked me to partner with him on a West Sumatra coal-mining venture. At the time Indonesia was still a big oil exporter, but I realized the potential of coal. Oil will be depleted and coal will become the next major source of energy after that. I also saw two things: one, that domestic demand will be strong, and two, export-wise, Indonesia has the comparative advantage of having good resources and a good location."

Today, Mr Thohir's outlook reflects the nuggets of business wisdom from his father and Pak William Soeryadjaya. "I want Adaro to give the best performance it can to the nation, to the people," he says. "Why? It's very simple. If I can contribute to the country, and later the country becomes a great nation, people become prosperous. They will need more electricity, and the government will need more power plants and more coal.

"So in building the nation, we build the company. If the company does well, everyone is happy. I realize this was what Pak William meant — a good return for everyone."

Despite all that he's achieved, he's still eager for more. "It's not for me; I have enough. I'm still hungry because of my desire to make a bigger and better Adaro that can contribute more to the country," the father of three says. "I'm doing it for my children, for my grandchildren."

Education
- BBA, University of Southern California, 1988.
- MBA, Northrop University, Los Angeles, 1989.

Roles
- President Director of PT Adaro Energy, PT Alam Tri Abadi, PT Adaro Indonesia and PT Adaro Strategic Investments.
- President Commissioner of PT Adaro Power, PT Jasapower Indonesia, PT Mustika Indah Permai, PT Servo Meda Sejahtera, PT Bhakti Energi Persada, PT Adaro Mining Technologies.
- Commissioner of PT Indonesia Bulk Terminal and IndoMet Coal Project.
- President Director of PT Trinugraha Thohir and PT Padangbara Sukses Makmur.
- President Commissioner of PT Trinugraha Food Industry, PT Wahanaartha Harsaka and PT Wahanaartha Motorent.
- Commissioner of PT Karunia Barito Sejahtera and PT Wahana Ottomitra Multiartha Tbk.

Christian Ariano Rachmat
Vice President Director &
Deputy Chief Executive Officer

In many ways, Christian Ario Rachmat reflects Adaro Energy — a distinguished young man from a respectable business family who has quietly and steadily proven his worth over the past two decades. The 40-year-old son of Teddy Rachmat, who as the head of Astra was seen as one of the best CEOs in Asia, Ario first cut his teeth in manufacturing after earning a degree in Industrial Engineering from Northwestern University in 1995.

After working as a supply chain engineer for Toyota Astra Motors and as a plant manager for his family's Triputra Group, he brought the skills and lessons learned to Adaro. "The philosophy of manufacturing applies to coal mining," Mr Rachmat says. "You have to have a strong supply chain, take the waste out and have a lean and efficient operation."

Manufacturing also taught him the importance of building a strong foundation for sustainable growth, a principle seen in Adaro's acquisition of vertically integrated subsidiaries and expansion into power generation. "We want to be a builder, focusing on operations and not deal-making and trading," Ario says. "It's building, block by block."

This focus on operations has meant continual improvements in the company. "Operational efficiency is constantly being improved, we're reorganizing, clearing bottlenecks, reviewing processes," Mr Rachmat says in his usual matter-of-fact manner, listing the issues he is regularly concerned with.

"You've probably heard of 'constant improvement' from me before, but that's because we're trying to be consistent. We're expecting a big jump this year, we're taking Adaro to the next level. But we're being consistent in the manner that we do it. We have a reputation for reliability and consistency, and we have to protect that reputation. We can't be arrogant and just assume people will always buy from us. We need to convince customers that we'll be a committed supplier and that we'll be there for them."

He emphasizes, too, that none of these would be possible without the right people and organization. "We find the best people and ensure they are in the right place, so both the company and the individual can thrive and succeed," he says.

Education
• Bachelor of Science in Industrial Engineering, Northwestern University, Evanston, Illinois, US.

Roles
• Vice President Director of PT Adaro Energy
• Director of PT Adaro Indonesia and PT Alam Tri Abadi.
• President Commissioner of PT Makmur Sejahtera Wisesa.
• Commissioner of PT Adaro Power, PT Saptaindra Sejati, PT Indonesia Bulk Terminal, PT Maritim Barito Perkasa, PT Jasapower Indonesia and PT Harapan Bahtera Internusa.

Despite being the son of one of the principal owners and a shareholder himself, Mr Rachmat most often is wearing his management hat, and he underscores the importance of the management team's independence. "Good governance is about the separation of ownership and management, regardless of how many owners there are. This philosophy of independence is important, that the owners allow Adaro to be run appropriately and professionally," he says.

But as the son of Teddy Rachmat, he shares the philosophy that fueled Astra's growth and that is now driving Adaro. "It is simple: We want to contribute to Indonesia," he says. "If we can contribute positively, then we will be profitable."

Sandiaga S. Uno
Director, General Affairs

Passion is a word that fits Sandiaga Uno well. As one of Indonesia's most high-profile businessmen, it's easy to see the many things about which he is passionate and how strives to be successful in each.

He's passionate about running and about social entrepreneurship, for instance, and has combined these by raising funds for social initiatives through marathons in various parts of the world. In the last two years, he has run full marathons in the Gold Coast, New York and Berlin, raising in excess of US$1 million to support microentrepreneurs and fund the education of 12,600 children.

These social initiatives aren't random causes; they're driven by his own experience. His support for education stems from seeing his parents sacrifice a lot to send him to university in the US, and his support for entrepreneurs is inspired by his own journey from being jobless and bankrupt in 1997, at the height of the Asian financial crisis, to becoming one of Indonesia's richest men after going into business.

Mr Uno is also passionate about helping Indonesia realize its potential, feelings he summed up in a 2010 CNN interview: "I see all these paradoxical situations. Indonesia has the 18th largest economy but we're ranked 122 in the world for ease of doing business. It doesn't gel and it really ticks me off. We should do better," he said. In addition to his investments in Indonesia, the 43-year-old father of three tries to help shape its future by sharing his experiences, opinions and beliefs — to the public through published opinion pieces, his website and via Twitter, and to decision-makers through his place in the National Economic Council, a special advisory board to the president.

And he's passionate about Adaro, the most notable investment made to date by Saratoga Capital, the private equity firm he co-founded with Edwin Soeryadjaya in 1998. "I love the company; it's almost like my own baby. I have a 14-month-old baby now who's just starting to walk, and I'm always afraid he might hurt himself," Mr Uno says. "In a way Adaro is similar, it's growing so much, it's extraordinary."

The coal market challenges thrown up in 2012 were, in a way, a stumbling block for a baby just starting to walk, he says. "You have to have confidence that he can stand again — that the management can withstand the troubles."

And it did. "In 2012, Adaro stood very tall. The best and worst in management come out in times of crisis, and Adaro showed how a company should adjust to change," he says. "Many believe that during tough times you can cut corners, but I'm very impressed that Adaro's management stuck to their principles."

Because of this, he says, he's very positive about Adaro's future. "I've invested in many companies before and it's among the best I've seen. This kind of management is rare in Indonesia. I'm confident that Adaro will continue to supply positive energy to the industry and to society."

Education
- BBA *summa cum laude*, Wichita State University, Kansas, US.
- MBA, George Washington University, Washington DC, US.

Roles
- Director of PT Adaro Energy, PT Alam Tri Abadi and PT Adaro Indonesia.
- President Commissioner of PT Adaro Persada Mandiri, PT Jasapower Indonesia, PT Indonesia Bulk Terminal.
- Commissioner of PT Saptaindra Sejati, PT Makmur Sejahtera Wisesa, PT Mustika Indah Permai, PT Sarana Rekreasi Mandiri.
- Founding partner of Saratoga Capital, a private equity firm co-founded with Edwin Soeryadjaya in 1998.
- Co-founder of boutique investment firm PT Recapital Advisors in 1997.
- Member of the National Economic Council appointed by the President of Republic of Indonesia since 2010.
- Chairman of Indonesian Young Entrepreneurs Association (HIPMI), 2005-2008.

David Tendian
Director & Chief Financial Officer

From his office in the heart of Jakarta where he serves as the Chief Financial Officer of one of the world's largest coal producers, it's easy to just focus on David Tendian's success. "When you go and watch a show, you don't see the thousands of hours of practice that went into it," he says. "What you see is a perfect performance."

How he got there is at heart a simple story of hard work and perseverance that started 47 years ago in a village in Kendari, Southeast Sulawesi. As one of six siblings, he learned early on how to make the most out of limited resources.

From the age of 4, he had to live away from his parents, forcing him to become independent. "It was an important character-building period," he says. "I learned on my own, I learned by making mistakes, I learned to be persistent."

Those values learned as a child helped him through difficult school years. While it was apparent that he was intellectually gifted, he did struggle with a learning disability.

With hard work and perseverance, he managed to get into the University of Illinois in Chicago, where he earned a bachelor's degree in Economics and Marketing in 1989, graduating with honors and distinction.

Two years later, he completed an MBA in Economics and Finance from the same university.

So while the phrase "hard work gets you ahead" may be a cliché, it is the story of Mr Tendian's life. Hard work brought the boy from a small town in Kendari to the gleaming corporate halls of financial America, where he established a career in banking and finance, holding senior positions in several international banks.

After he had spent more than a decade in North America, he met some Indonesians who invited him to come back home, where he worked with a bank and several coal mining companies until he joined Adaro in 2006.

Life has taught him, he says, that you can't control everything, so you just have to focus on what you can. It's a philosophy that he brings to Adaro. "The supply glut last year was out of our control, but cost we can control. So 2012 proved that our strategy to focus on cost-control pays off," he says.

But becoming a low-cost producer isn't something that happens overnight, it's something that Adaro has prepared and trained for. "You plan that cost-efficiency for years; you can't just jump into the race and expect to finish," he says. "2012 was the race, and it tested whether we were ready or not."

Moving forward, he says it's important to continue going at the pace you've practiced and staying focused on the long-term goals.

"I'm confident that our long-term growth strategy is still solid," he says. "In a marathon, you don't judge the winner in the first half of the race."

Education
- **Bachelor of Economics and Marketing with honors and distinction, University of Illinois, Chicago, US, 1989.**
- **MBA in Economics and Finance, University of Illinois, Chicago, US, 1991.**

Roles
- Director of PT Adaro Energy
- Director & Chief Financial Officer for PT Adaro Energy
- **Director in PT Adaro Indonesia, PT Alam Tri Abadi, PT Indonesia Bulk Terminal, PT Adaro Mining Technologies.**
- **Commissioner in PT Adaro Eksplorasi Indonesia and PT Jasapower Indonesia.**

Chia Ah Hoo
Director & Chief Operating Officer

Around the middle of 1990, when what would one day become the largest single-site open-pit mine in the southern hemisphere was still in its early days, Adaro was on a mission to find the person who would run the operations at the South Kalimantan concession.

They found their man in Chia Ah Hoo, who at the time was running a contract mining company in East Kalimantan. The young Malaysian civil engineer had moved to Kalimantan just a few years earlier after finishing a project in Penang, Malaysia.

"I was newly married, broke and I needed a job," he says, laughing as he recalls those days.

Despite initial reservations about his age, Adaro executives were easily won over by the unassuming 31-year-old's proven management skills and thoughtful demeanor. And so in January 1991, Mr Chia, along with his wife and newborn baby, moved to the small town of Tanjung to begin running the Adaro operations. "Moving to Tanjung was an easy decision to make because my wife and I made a commitment to always stay together," he says. "We also wanted to set an example to the staff that we honor Indonesian family values."

Over the next few years, Mr Chia steadily laid the foundations of Adaro Indonesia's successful operations. He set up systems and hired and developed key people, some of whom are leaders in the company today. "He set the standards for integrity and efficiency. He was able to identify good people and motivate them. He built strong teams," says Alastair Grant, who was Adaro's General Manager back in those days.

In 1998, in recognition of Mr Chia's valuable contributions to and role in the company, Adaro sent him to study at the prestigious INSEAD business school in France and subsequently promoted him to the General Manager position.

In that new role, which he held until the leveraged buyout that brought in new shareholders in 2005, Mr Chia continued to develop relationships with key shareholders and further established systems, including human resources and IT. The new owners, seeing the quality of leadership he had brought to the company over 15 years, asked him to continue running Adaro's operations.

An important cornerstone of operations that Mr Chia has always prioritized is human resources. In fact, he cites as his greatest achievement the development of a South Kalimantan team that has been able to consistently meet the challenges of continued production growth. And he is still eager to continue finding and developing future leaders.

Beyond this, the work that he does, according to him, helps turn coal, a non-renewable resource into an invaluable renewable one — people — by providing better education and employment for the thousands of people that live and work around Adaro's mines.

Education

- **Bachelor of Applied Science (Civil Engineering), University of Windsor, Canada, 1984**

Roles

- **President Director of PT Indonesia Bulk Terminal, PT Mustika Indah Permai and PT Jasapower Indonesia.**
- **Director of PT Adaro Energy, PT Alam Tri Abadi, PT Adaro Indonesia, PT Bhakti Energi Persada and IndoMet Coal Project.**

M. Syah Indra Aman
Director & Chief Legal Officer

M Syah Indra Aman didn't plan to be a lawyer. He wanted to become an agricultural engineer, but when college admission tests showed he was better at social sciences than exact sciences, he decided to take up law at the University of Indonesia.

"I started learning law and found it to be interesting. It's a better match for me," says the 45-year-old, who grew up exposed to different cultures and languages in different parts of the world as the son of a diplomat.

In 1992, after receiving his Master of Laws degree from the University of Washington, he came back to Indonesia and joined a law firm. "I thought whatever knowledge I gained abroad I could bring back and contribute to the development of the country."

But Mr Aman didn't think he would stay long with Adaro after formally joining the company in 1996 as its chief legal officer. "I thought I would eventually go back to law practice," he says. "But if you're part of the company, instead of just being a consultant, there's a more in-depth understanding of operations that allows you to come up with better solutions. You also see your solutions get implemented and their impact. So you get to see how the law shapes corporate decisions. I stayed because the challenges never stopped."

To him, contributing to the development of the country means promoting the importance of compliance. "In the early days, people were not as into good corporate governance as they are now. As a lawyer, it was easy to see how not following rules got people into serious trouble. But it's what Indonesia needs to rise to the top."

His law firm at the time had Adaro as its client, which means he has in fact been working on Adaro's legal affairs for more than two decades now.

"All these years, Adaro has been showing that it's an honest business, that we're clean," he says, adding that this was also a reflection of the principles of company's owners and management. "Even if we had a chance to cut corners, the principals still decided to play fair.

For more than two decades, therefore, Adaro has been doing its best to monitor and comply with all applicable regulations.

"This has paid off in the awards we've received, in our reputation: BHP Billiton chose us, we have several large Japanese utilities as partners and we have the trust of lenders. We only just publicly listed in mid-2008 but have made good progress in building understanding and therefore trust among public shareholders as well."

"Being Adaro, there's no way we can avoid being compliant. At the end of the day, we're contractors for the government," he says. It's just a matter of being fair, he adds. "We meet our obligations, and if it's fair to do more, then we do more."

Education
- Law degree from the University of Indonesia, 1990
- Master of Laws from the University of Washington, 1992

Roles
- Director of PT Adaro Energy, PT Alam Tri Abadi, PT Adaro Logistics, PT Adaro Persada Mandiri, PT Adaro Mining Technologies, PT Saptaindra Sejati, IndoMet Coal Project.
- President Commissioner of PT Puradika Bongkar Muat and PT Indonesia Multi-Purpose Terminal
- Commissioner of PT Adaro Indonesia, PT Adaro Power, PT Adaro Eksplorasi Indonesia, PT Jasapower Indonesia, PT Maritim Barito Perkasa, PT Harapan Bahtera Internusa, PT Mustika Indah Permai and PT Sarana Rekreasi Mandiri.

In Memoriam
Andre Mamuaya

In August 2012 we announced with deep regret that Andre Mamuaya, Director, Corporate Affairs of Adaro Energy had passed away on August 21.

The late Mr Mamuaya also served as the President Director of Adaro Power and was involved with the company's establishment.

He had provided steadfast support and leadership to Adaro Energy and had contributed greatly to the development of the company since our shareholders took over Adaro through leverage buyout in 2005.

We would like to express our sincere appreciation for his valuable contribution to Adaro over the years and again extend our profound condolences to the family of the late Mr Mamuaya.

Mr Mamuaya was also the President Director of PT Jasapower Indonesia, PT Adaro Logistics, PT Adaro Mining Technologies and Orchard Maritime Logistics, and Director at PT Alam Tri Abadi, PT Adaro Indonesia and PT Mustika Indah Permai.

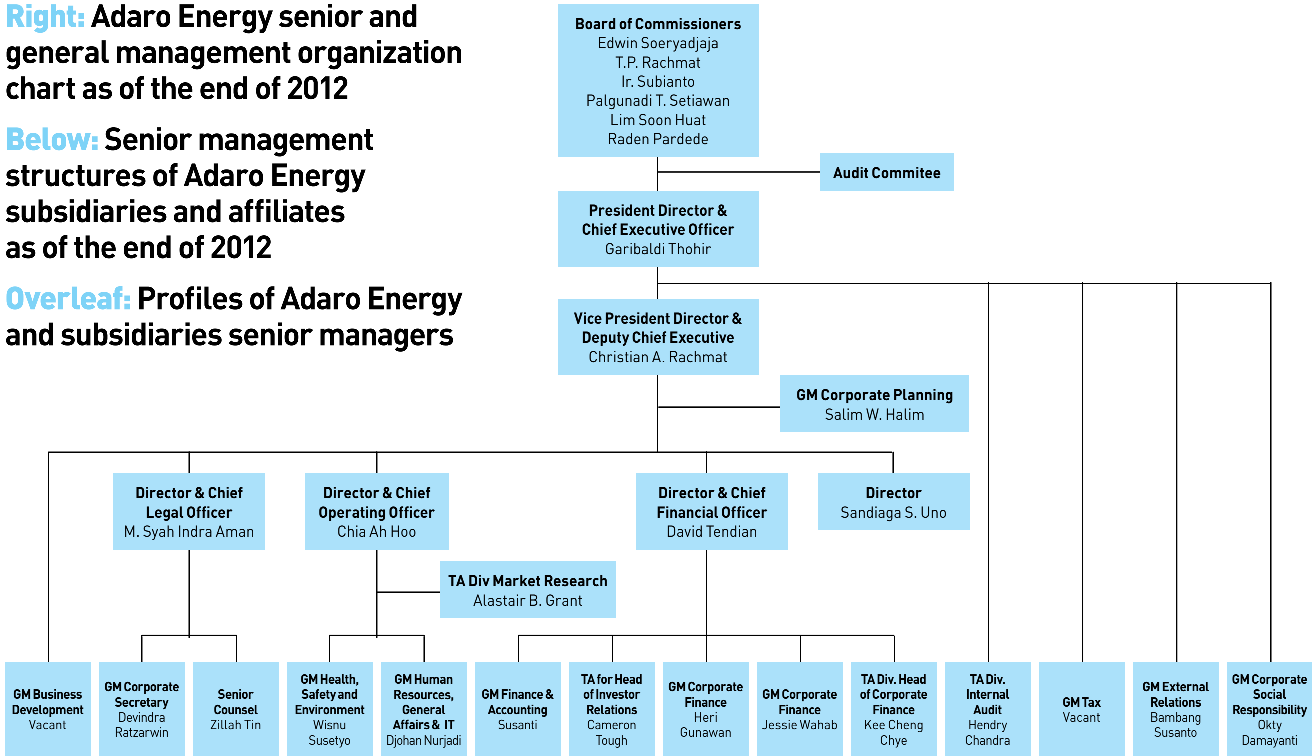
He was the President Commissioner of PT Bhimasena Power Indonesia — a consortium of JPower-Adaro-Itochu, PT Indonesia Multi-Purpose Terminal and Commissioner of PT Saptaindra Sejati, PT Makmur Sejahtera Wisesa, PT Harapan Bahtera Internusa and PT Adaro Persada Mandiri.

Adaro Energy Management

Right: Adaro Energy senior and general management organization chart as of the end of 2012

Below: Senior management structures of Adaro Energy subsidiaries and affiliates as of the end of 2012

Overleaf: Profiles of Adaro Energy and subsidiaries senior managers



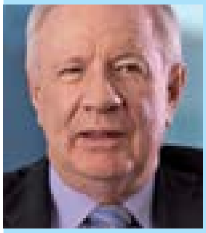
Adaro Energy (AE)	Edwin Soeryadjaya	President Commissioner
	Theodore Permadi Rachmat	Vice President Commissioner
	Ir. Subianto	Commissioner
	Lim Soon Huat	Commissioner
	Ir. Palgunadi T. Setyawan	Independent Commissioner
	Raden Pardede	Independent Commissioner
	Garibaldi Thohir	President Director
	Christian Ariano Rachmat	Vice President Director
	Sandiaga Salahuddin Uno	Director
	David Tendian	Director of Finance
	Chia Ah Hoo	Director of Operations
	M. Syah Indra Aman	Director of Legal
Adaro Indonesia (AI)	Edwin Soeryadjaya	President Commissioner
	Theodore Permadi Rachmat	Vice President Commissioner
	Ir. Subianto	Commissioner
	Garibaldi Thohir	President Director
	Christian Ariano Rachmat	Vice President Director
	Sandiaga Salahuddin Uno	Director
	David Tendian	Director
	Chia Ah Hoo	Director
	Edwin Tsang	Director
Saptaindra Sejati (SIS)	Edwin Soeryadjaya	President Commissioner
	Tjahyono Imawan	Vice President Commissioner
	Sandiaga Salahuddin Uno	Commissioner
	Christian Ariano Rachmat	Commissioner
	Kardinal A. Karim	Commissioner
	Ir. Budiardjo Sosrosukarto	Commissioner
	Ir. Anis Sulistiadi	President Director
	Budi Rachman	Vice President Director
	Bimantoro Adisanyoto	Director of HRGA
	Christina Hiu	Director of Finance
	Ateng Kurnia	Plant Director
	M. Syah Indra Aman	Director
	Chia Ah Hoo	Director

Makmur Sejahtera Wisesa (MSW)	Christian Ariano Rachmat	President Commissioner
	Sandiaga Salahuddin Uno	Vice President Commissioner
	Ir. Mohammad Effendi	Commissioner
	Erry Firmansyah	Commissioner
	Joseph Francis Chong	President Director
	Fakhrol Azmi Bin Harun	Director
	Richard Willem Tampi	Director
Sarana Daya Mandiri (SDM)	Max Tamaela	President Commissioner
	Wiranata Halim	Commissioner
	Fakhrol Azmi Bin Harun	President Director
	Ceri Wibisono	Director
	Ade Mohammad Yusuf	Director
	Ng Kirh Chien	Director
Indonesia Bulk Terminal (IBT)	Sandiaga Salahuddin Uno	President Commissioner
	Garibaldi Thohir	Commissioner
	Christian Ariano Rachmat	Commissioner
	Chia Ah Hoo	President Director
	David Tendian	Director
	Ariya Somanatta Khouw	Director
	Ng Kirh Chien	Director
Jasapower Indonesia (JPI)	Sandiaga Salahuddin Uno	President Commissioner
	Christian Ariano Rachmat	Commissioner
	David Tendian	Commissioner
	M. Syah Indra Aman	Commissioner
	Dr. Ir. Kusmayanto Kadiman	Commissioner
	Chia Ah Hoo	President Director
	Barry Jones	Director
	Priyadi	Director
	Luckman	Director
	Ari Hariadi	Director

Indonesia Multi-Purpose Terminal (IMPT)	M. Syah Indra Aman	President Commissioner
	Suprihat	Commissioner
	Sonny Sidjaja	President Director
	Liana Chandra	Director
	Wan Yazid	Director
	Robert Sianipar	Director
Adaro Power	Garibaldi Thohir	President Commissioner
	Dr. Ir. Kusmayanto Kadiman	Commissioner
	M. Syah Indra Aman	Commissioner
	Christian Ariano Rachmat	Commissioner
	Ir. Mohammad Effendi	President Director
	Adrian Lembong	Director
	Joseph Francis Chong	Director
	Kee Cheng Chye	Director
Coaltrade Services International	Tsang Edwin Kin-Wah	Director
	Yim Foon Kuan	Director
	Pepen Handianto Danuatmadja	Director
Bukit Enim Energi (BEE)	Ellyus Achiruddin	Commissioner
	Eldy Ellyus	Commissioner
	Octavianus Achiruddin	Director
	H. Karman Hadinata MD	Director
Mustika Indah Permai (MIP)	Garibaldi Thohir	President Commissioner
	Hasim Sutiono	Commissioner
	Christian Ariano Rachmat	Commissioner
	Sandiaga Salahuddin Uno	Commissioner
	M. Syah Indra Aman	Commissioner
	Chia Ah Hoo	President Director
	Ariya Somanatta	Director
	Budi Rachman	Director
	Andri Wijono Sutiono	Director
	Freddy Hartono	Director
Servo Meda Sejahtera (SMS)	Garibaldi Thohir	President Commissioner
	Setiawan Herlianto Saputro	Commissioner
	Fajar Surya Bayuaji	Commissioner
	Syahrul	Commissioner
	Fitrot Agung Pribadi	President Director
	Hendra Hartono Santoso	Director
	Julius Edy Wibowo	Director
	Muliawati Pahala Guptha	Director
	Togam Gultom	Director
	Ng Kirh Chien	Director
Bhakti Energi Persada (BEP)	Garibaldi Thohir	President Commissioner
	Christian Ariano Rachmat	Commissioner
	David Tendian	Commissioner
	Sutardjo	Commissioner
	Irawan Indrarta Poerwo	Commissioner
	Jeffrey Mulyono	President Director
	Crescento Hermawan	Director
	Chia Ah Hoo	Director
Bhimasena Power Indonesia (BPI)	Dr. Ir. Kusmayanto Kadiman	President Commissioner
	Chiharu Doi	Commissioner
	Masahiro Imai	Commissioner
	Shinichi Aburaya	Commissioner
	Hiroyusa Sugiyama	Commissioner
	Seigo Mizunuma	Commissioner
	Bambang Widaryatmo	Commissioner
	Eko Budihardjo	Commissioner
	Takuji Motooka	Commissioner
	Kenichi Seshimo	President Director
	Kee Cheng Chye	Director
	Takuyiko Saito	Director
	Ryuta Sato	Director
	Ir. Mohammad Effendi	Director
	Yukihiro Hirabayashi	Director
	Joseph Francis Chong	Director
	Hiroyuki Otomo	Director
	Tsuyoshi Okada	Director

Adaro Logistics	Christian Ariano Rachmat	President Commissioner
	M. Syah Indra Aman	President Director
Adaro Persada Mandiri	Sandiaga Salahuddin Uno	President Commissioner
	M. Syah Indra Aman	President Director
	Ari Hariadi	Director
	Luckman	Director
	Ir. Anis Sulistiadi	Director
Adaro Eksplorasi Indonesia (AEI)	Christian Ariano Rachmat	President Commissioner
	David Tendian	Commissioner
	M. Syah Indra Aman	Commissioner
	Peter Samuel Mucalo	President Director
	Setiawan	Director
	Caesar Joseph F. Crisostomo	Director
Adaro Mining Technologies (AMT)	Garibaldi Thohir	President Commissioner
	Christian Ariano Rachmat	Commissioner
	M. Syah Indra Aman	President Director
	David Tendian	Director
	Leonard lembong	Director
Alam Tri Abadi (ATA)	Edwin Soeryadjaya	President Commissioner
	Ir. T. Permadi Rachmat	Commissioner
	Ir. Subianto	Commissioner
	Garibaldi Thohir	President Director
	Christian Ariano Rachmat	Director
Indomet Coal (IMC)	Philip Hynes	President Commissioner
	Gideon Johannes Oberholzer	Commissioner
	Edwin Gerungan	Commissioner
	Garibaldi Thohir	Commissioner
	Mark John Small	President Director
	Indra Diannanjaya	Director
	Marc Delaney	Director
	Stuart Wells	Director
	Dina Durardi	Director
	Joy Parker	Director
	M. Syah Indra Aman	Director
	Chia Ah Hoo	Director
Harapan Bahtera Internusa (HBI)	Pepen Handianto Danuatmadja	President Commissioner
	Christian Ariano Rachmat	Commissioner
	M. Syah Indra Aman	Commissioner
	Yim Foon Kuan	President Director
	Susanti	Director
	Chin Sik Cheon	Director
Maritim Barito Perkasa (MBP)	Pepen Handianto Danuatmadja	President Commissioner
	Christian Ariano Rachmat	Commissioner
	M. Syah Indra Aman	Commissioner
	Yim Foon Kuan	President Director
	Susanti	Director
	Chin Sik Cheon	Director
Puradika Bongkar Muat Makmur (PBM)	M. Syah Indra Aman	President Commissioner
	Sonny Sidjaja	President Director
	Wan Yazid	Director
Sarana Rekreasi Mandiri	Sandiaga Salahuddin Uno	Commissioner
	M. Syah Indra Aman	Commissioner
	Mohammad Effendi	President Director
	Ari Hariadi	Director
	Luckman	Director
Yayasan Adaro Bangun Negeri (YABN)	Mohammad Effendi	Chairman
	Ir. Abdurrahman	Chairman
	Dr. Ing. Ignatius Iryanto	Secretary
	RA. Mugie Prilasari, SE, Ak	Secretary
	Wan Yazid	Secretary
	Robert Sianipar	Secretary

Adaro Energy



Alastair Grant
Senior Advisor, Business Development (TA for Market research)

Alastair joined Adaro in 1990 as General Manager and became a Director after the Group's IPO in 2008. He is currently in charge of business development. He has over 45 years of experience working in the energy and minerals industries. He has a BE (Mining) and ME (Mineral Engineering) from Otago University, New Zealand and a BA (Economics) from the University of New England, Australia.

Adaro Energy

Salim Wibowo Halim
GM Corporate Planning

Salim has over 20 years of experience in finance and accounting. He rejoined Adaro in 2008 and previously worked with auditing firm Prasetio, Utomo, and Co. He has a bachelor's degree in Accounting and a master's degree in Strategic Management from Gadjah Mada University.

Adaro Energy

Djohan Nurjadi
GM Human Resources, General Affairs and IT

Djohan has 17 years of experience in human resources management. Prior to joining Adaro Energy in 2008, he held senior positions in ERA Indonesia and PT Hero Supermarket Tbk. Djohan has a degree in mechanical engineering from Trisakti University.

Adaro Energy

Kee Cheng Chye
Senior VP Corporate Finance, Director of Adaro Power (TA for Head of Corporate FInance)

Ernest joined Adaro in 2011 after spending more than 16 years working at major international banks in the financing of various energy and infrastructure projects in South East Asia. He holds an MBA and an Engineering degree from the National University of Singapore.

Adaro Energy

Cameron Tough
Head of Investor Relations (TA for Head of Investor Relations)

Cameron has 14 years experience in finance and investor relations in Indonesian mining. He joined Adaro in 2008. He has a bachelor's degree in Pacific and Asian Studies and Economics from the University of Victoria and a Postgraduate Diploma in International Management (Asian Studies, Finance, Business, Marketing, Law, Mandarin) from the APMCP at McRae Institute at Capilano University.

Adaro Energy

Devindra Ratzarwin
Corporate Secretary

Devindra had more than 10 years experience in the financial industry before joining Adaro in 2008. Prior to this, he worked in Darma Henwa as Corporate Secretary, at Perusahaan Pengelola Aset (Persero), Indonesian Bank Restructuring Agency and Bank Bali. He holds a Bachelor of Science in Business Administration from the University of Louisiana at Lafayette and an MBA from McNeese State University.

Adaro Energy

Hendry Chandra
GM Internal Audit (TA for Internal Audit)

Hendry has 16 years experience working in finance and accounting. He joined Adaro in 1999 from a major public accounting firm and left in 2002 as Manager of Finance & Accounting before re-joining Adaro in 2009. He has a bachelor's degree in Accounting from Trisakti University.

Adaro Energy

Wisnu Susetyo
GM Corporate Health, Safety & Environment

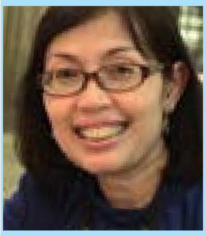
Wisnu Susetyo joined Adaro in 2011, and has 35 years of experience. Prior to joining Adaro he worked with PT Freeport Indonesia and the National Nuclear Energy Agency. He obtained a PhD in Chemistry from the University of Georgia and MSc and Drs degree from Gadjah Mada University.

Adaro Energy

Bambang Susanto
GM External Relations

Bambang Susanto joined Adaro in 2010. He has over 35 years experience in the Indonesian mining industry, having worked at Inco, KPC and PT Freeport Indonesia. He was the first Executive Director of the Indonesian Coal Mining Association. He has a degree in Mining Engineering from the Bandung Institute of Technology.

Adaro Energy



Okty Damayanti
GM Corporate Social Responsibility

Okty joined Adaro in 2012 after spending more than 20 years in a leading multinational fast moving consumer goods company. She has held various assignments, centered on marketing, sales and corporate social responsibility. She graduated from Bogor Agriculture University majoring in agribusiness.

Adaro Energy

Michael Arlantis
People Development Manager

Michael has 15 years experience in human resources development. Prior to joining Adaro in 2010 he worked with PT Freeport Indonesia and PT Coca Cola Distribution Indonesia. He graduated from Middlebury College, USA, majoring in Economics and Chinese.

Adaro Energy

Fadjar Widijanta
External Relations Manager

Fadjar joined Adaro in 2003. Prior to this he was the Scientific Assistant to the Executive Director of the Indonesian Coal Mining Association and from 1995 to 2001 held geological posts with Ivanhoe Mines Ltd and the South East Java Project. He has a degree in Geological Engineering from UPN Veteran, Yogyakarta.

Adaro Energy

L.Y. Chan
Engineering Manager (TA for Research & Development)

L.Y. joined Adaro in the late 1980s. He was responsible for the construction of the first Adaro crushing line at Kelanis in 1991 and has since worked on several coal-handling and processing facilities in East and South Kalimantan. He now heads the Engineering Division which provides in-house engineering and project management services to the Adaro Energy Group.

Adaro Indonesia

Edwin Tsang
Marketing Director, Coaltrade President Director

Edwin joined Adaro in 2006. He has over 30 years of experience within the coal industry, including with China Light and Power, mineral and energy consultancy firm Barlow Jonker, and most recently with Total Energy Hong Kong. He holds a bachelor's degree in mechanical engineering and an MBA from the Chinese University of Hong Kong.

Adaro Indonesia

Geoff Palmer
GM Marketing

Geoff has over 35 years experience in coal operations and coal marketing with Kaltim Prima Coal and Westar Mining's Canadian coal operations prior to joining Adaro in 1997. He has a degree in Physical Metallurgy from the British Columbia Institute of Technology.

Adaro Indonesia

Peter Arendt
GM Planning, Strategy and Market Development

Peter joined Adaro in February 2011 and has over 25 years experience in coal marketing, business development and mine operations. He has worked in Canada with Luscar Ltd. and in Australia with BHP, Oaky Creek Coal and New Hope Corporation. Peter holds a Bachelor of Engineering (Mining) from the University of Queensland and a Graduate Diploma in Business from the Curtin University of Technology.

Adaro Indonesia

Priyadi
GM Operations

Priyadi has 23 years experience in mining engineering. Prior to joining Adaro in 1991 he worked with Tanito Harum. He holds a degree in Mining Engineering from UPN Yogyakarta.

Adaro Indonesia

Luckman Lie
GM Finance and Accounting

Luckman joined Adaro in January 2003 and has 10 years experience in the coal industry. Prior to joining Adaro, he worked as an auditor in Presetio, Utomo and Co, a public accounting firm. He graduated from Atma Jaya Catholic University, majoring in Accounting in October 1994.

Adaro Indonesia

Andris Pauls Svilans
Deputy GM Strategic Planning

Andris joined Adaro in 2004 and has held various senior management operational positions. He has over 30 years of experience in open-cut mining and currently holds the position of DGM Strategic Planning. He has a degree in Mining Engineering from the University of Melbourne.

Adaro Indonesia

Rommel Cruz
Deputy GM, Production

Rommel joined Adaro in June 1991. He oversees long- and short-term mine planning, pit civil works, waste water management, land reclamation and mining operations of Tutupan, Wara and Paringin mines. He holds a degree in Geodetic Engineering from the University of the Philippines.

Adaro Indonesia

Iswan Sujarwo
Deputy Chief Operating Officer

Iswan holds a degree in Mining from from UPN Yogyakarta and has over 25 years experience in coal mining and safety, health and environment. Prior to joining Adaro in 1991, he worked with Kaltim Prima Coal.

Adaro Indonesia

Suhernomo
Deputy GM Coal Processing and Barge Loading

Suhernomo has 22 years experience in coal mining operations and has been with Adaro since 1997. He previously worked with several coal mining companies and contractors in Indonesia. He has a degree in Mining Engineering from UPN Veteran Yogyakarta and is now pursuing a master's degree at Lambung Mangkurat University, Banjarmasin, South Kalimantan.

Adaro Indonesia

Capt Robert Possumah
Manager, Shipping

Robert has more than 15 years experience in coal transshipment, barge handling and bulk coal terminal. Prior to joining Adaro in 2008, he worked with PT Arutmin Indonesia, PT BHP Mineral, PT IBT and PT Banpu. He holds a degree in ship handling from Australian Maritime College and Indonesian Marine Nautical Science. He also has a Maritime Pilot certificate from the Indonesian Government.

Adaro Indonesia

Arli Rahman
Production Planning Manager

Arli started his career in mining with Adaro Indonesia in 2001. He has a bachelor's degree in Mining Engineering from Trisakti University, Jakarta.

Adaro Indonesia

Abdurrahman
CSR Department Head

Abdurrahman has over 20 years experience in community development and environmental project. Prior to joining Adaro in 2006, he worked at Centre for Agribusiness Development, Indoprima Advise Management, and Dharma Bhakti Astra Foundation. He has a degree in Agricultural and Resources Economics from Bogor Agricultural University (IPB).

Saptaindra Sejati

Anis Sulistiadi
President Director

Anis Sulistiadi joined SIS in January 2008 and has been the CEO since October 2008. Prior to this he worked for PT United Tractors for 26 years, holding various senior executive positions. He was also a member of the Astra Quality Committee and Astra Bina Ilmu. He holds a degree in Agricultural Mechanization and Technology from the Bogor Agriculture Institute.

Saptaindra Sejati

Budi Rachman
Vice President Director

Budi has over 30 years of experience in mining operations in Indonesia. Prior to joining SIS in 2000, he worked in various senior operational positions at PAMA and Freeport Indonesia. He holds a degree in Mining Engineering from the Bandung Institute of Technology.

Alam Tri Abadi

Ari Hariadi
GM Project Development

Prior to joining Adaro in 2008, Ari was involved in performance improvement projects in the automotive industry and held other senior management positions for over 10 years. He holds a degree in Mechanical Engineering from Institut Teknologi Sepuluh November, Surabaya.

Alam Tri Abadi

Reynard Hanoppo
GM Coal Marketing and Business Development

Reynard recently re-joined Adaro after leaving OML in 2008. He has 15 years experience in coal marketing with previous work experience in Peabody Coaltrade Indonesia, Peabody Energy and Kideco. He graduated from the London School of Economics and Political Science, UK.

Alam Tri Abadi

Christopher Pitch
Consultant (TA for Marketing, ATA)

Chris has been working with Adaro and its previous shareholders in Indonesia since 1984. He was involved in the development of Adaro and IBT and other Group operations in marine logistics and ship chartering.

Maritim Barito Perkasa

Alan Yim
President Director

Alan joined MBP in 2010 after being with the Chuan Hup Group of companies for 27 years in a variety of senior positions, ending as CEO of CH Logistics from 2002-2008. He holds a Chief Engineer's certificate.

Sarana Daya Mandiri

Fakhrol Azmi Bin Harun
President Director, also Director of MSW

Fakhrol Azmi holds a BA (Hons) in Accountancy from Northern University Malaysia. Prior to joining Adaro he worked with Tenaga Nasional Berhad for 12 years, and was President Director of TNB's coal operations in Indonesia.

Sarana Daya Mandiri

Terry Ng
Director, also Director at SMS and IBT

Terry is in charge of coal logistics and has been with Adaro since 2002. Prior to joining Adaro he was with Schlumberger for five years with his last position being Regional Marketing Engineer. He holds a degree in Electrical Engineering from McGill University, Canada.

Indonesia Bulk Terminal

Sonny Sidjaja
GM IBT, Director IMPT

Sonny joined Adaro in 2008. Previously he was head of Logistics Business for Surabaya at AKR Corporindo Group, then General Manager of HRD and Production at PT Aiwa Indonesia. He holds a Mechanical Engineering Degree from Trisakti University.

Indonesia Bulk Terminal

Trevor Shipton
Port Manager

Trevor has more than 40 years of experience in the mining industry. He joined IBT in December 2004 initially as Maintenance Manager, being promoted to Port Manager in 2010. Prior to joining IBT he was with BHPB and Rio Tinto mining operations in Papua New Guinea specializing in Maintenance Management.

Jasapower Indonesia

Barry Jones
Director

Barry joined Adaro in 1996 as head of maintenance at the Kelanis barge loading facility before being promoted to Kelanis Superintendent, Coal Processing and Shipping Division Head, GM IBT and then Projects Technical Advisor. Prior to joining Adaro he had many years experience within the Australian coal industry. He has a Diploma in Electrical Engineering, Graduate Certificate in Maintenance Management and a Graduate Certificate in Management.

Adaro Eksplorasi Indonesia

Peter Mucalo
President Director

Peter joined Adaro in 2011, and has over 25 years of experience in coal exploration geology. Prior to joining Adaro Peter was with Marston Inc, an American mining consulting firm, and worked on worldwide exploration programs. Peter graduated from the University of Auckland, New Zealand, with a science degree majoring in geology.

Adaro Eksplorasi Indonesia

Setiawan
Director, Deputy GM Coal Exploration

Setiawan is a geology graduate from the Bandung Institute of Technology. He has almost 20 years experience in coal exploration in Indonesia. Prior to joining Adaro in 2011, he was an exploration manager and Director of the companies within the IndoMet Coal Project joint venture with BHP Billiton, performing coal exploration in Central Kalimantan.

Adaro Eksplorasi Indonesia

Joseph A. Crisostomo
Director, Deputy GM Geology Department (Research & Development)

Joseph joined Adaro in 1994 and has 27 years in coal geology and exploration. Prior to joining Adaro, he worked with Semirara Coal Corporation. He has a bachelor's degree in Geology from the University of the Philippines, National Institute of Geological Sciences. He has also been a member of AUSIMM since 2002.

Adaro Mining Technologies

Leonard Lembong
Chief of Coal Technology

Leonard had a distinguished business career with the Astra Group, including being Executive Vice President of PT Astra Otoparts Tbk. He joined Adaro's coal mining contractor company in May 2010, and has headed Adaro's coal technology business program since 2011.

Mustika Indah Permai

Ariya Somanatta
Director, also Director of IBT

Ariya holds a master's degree in Accounting majoring in Taxation from the University of Indonesia. He joined Adaro in 2009, and has 24 years experience as a tax consultant and accountant. He is a member of the Institute of Public Accountants Australia and an associate of the Taxation Institute of Australia.

Mustika Indah Permai

Agus Subandrio
Deputy GM Operations

Agus has over 20 years experience in coal mining and health, safety, and environment. He has a degree in Mining from UPN Veteran Yogyakarta. Prior to joining Adaro in 1997, he worked in several mining companies in operation and production.

Adaro Power

Mohammad Effendi
President Director

Effendi joined Adaro in 2010. He is in charge of Adaro Group's CSR programs and implementation, including developing Adaro Bangun Negeri Foundation. Effendi is also one of directors of Adaro Power. He previously worked for Unilever Indonesia as Vice President, Supply Chain, and received his Electrical Engineering degree from the Bandung Institute of Technology.

Adaro Power

Adrian Lembong
Director & GM Business Development, Director IBT

Adrian had eight years process engineering experience, including working in Germany, France and Mexico, before joining Adaro in 2006. He previously worked for Sudchemie AG, ultimately running Marketing and Technical Application in Asia-Pacific. He has a degree in Chemical Engineering from Karlsruhe University.

Adaro Power

Joseph Chong
Director, also CEO of MSW

Joseph had over 30 years working experience with Tenaga Nasional Berhad prior to joining Adaro in 2008. Joseph holds a bachelor's degree in Mechanical Engineering from Liverpool University, UK, and an MBA from Oregon State University, USA.

Adaro Power

Tongchai Lemkanitchat
GM Technical

Tongchai holds a master's degree in Engineering Business Management from University of Warwick, UK. Prior to joining Adaro in 2010, he worked with the Electricity Generating Authority of Thailand for 16 years and with GDF Suez Energy International for two years.

Adaro Power

Chong Swee Choon
GM Operations

Chong graduated in electrical engineering from the University of Malaya and obtained his MBA from Ohio University. He served more than 30 years with Tenaga Nasional Berhad, Malaysia's leading utility company, in various positions including general manager of the 2,100MW coal-fired power plant at Manjung before joining PT MSW in 2010.

Adaro Power

Richard Tampi
GM Project Development

Richard has 15 years experience working in the mining industry in various capacities. Prior to joining Adaro in 2007, he worked for PT Freeport Indonesia and Sinarmas Mining and Energy, with his last position being to head marketing and trading. He holds a degree in Financial Economics from the University of Minnesota.

Human Resources
Investing in Talent and Developing Our People

At Adaro we have long known that the task of attracting, developing and retaining highly skilled people is central to achieving our objective of creating maximum sustainable value from Indonesian coal, and we have accordingly identified the following strategic human resource management objectives:

Strengthen corporate values and culture: We promote our corporate values and culture among our employees, expecting them to be internalized and adopted as part of their behavior.

Build a sound human resource infrastructure and system: A comprehensive human resource infrastructure and system is vital to implement our HR management programs successfully. It enables us to formalize all relevant policies and procedures; have a comprehensive, accurate and reliable personnel database; and develop a fair and competitive merit-based reward system.

Create an effective organization: Effective HR management starts from the recruitment phase and continues on with the development of our people. We aim to synergize recruitment within the Group by standardizing the process and establishing an Adaro assessment center. Our management has also given the HR team a mandate to develop future leaders of the company through the Adaro Institute, established in 2010 in Jakarta. With a mission to develop talented people and produce high-calibre professionals and leaders, the institute has become the center of employee development programs, which include basic competency development and leadership and managerial competency development. Lastly, having a strong succession plan in place is essential to ensure the effective and sustainable operations of our organization. We are gradually developing a succession plan for the whole Adaro Energy group, and have just completed a succession plan for our subsidiary, Adaro Indonesia.

Adaro's Values

1) Customer Focus

2) Respect for Individuals

3) Employee characteristics:

- ADAROIBT (Attitude, Determined, Adaptive, Responsive, Open-minded, Integrity, Balanced, Team Spirit)
- PDCA (Plan, Do, Check, Action)
- QCDS (Quality, Cost, Delivery and Safety)
- KISS (Keep It Simple Spirit)
- MbL (Management by Love)

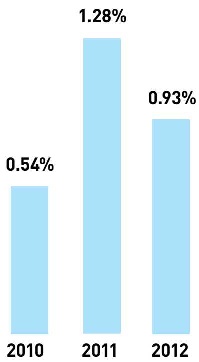
Building a Winning Team

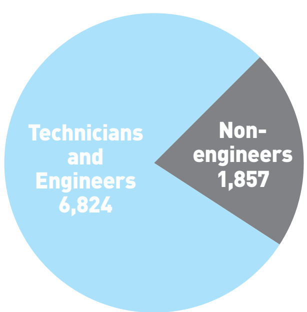
For 2012, our President Director and CEO's message was to build a winning team for a bigger and better Adaro. We started off with strengthening the understanding of our corporate values and culture among our employees through regular sharing sessions with each member of the Board of Directors. As we look to grow our coal production to our medium-term target of 80 million tonnes per year, recruitment and individual development continue to be vital to support growth plans at all levels of our operations. We have continued to grow and invest in our human resources base in terms of skills, headcount and diversity. Since our IPO in 2008, our headcount has grown by 104% to 8,681 by the end of 2012; 78.6% of our total workforce, or 6,824 people, are engineers and technicians.

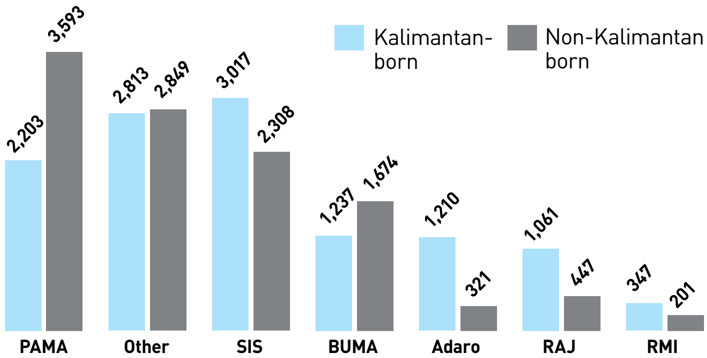
Retaining our talented people is just as important

Loyal, Skilled and Local

Adaro employees have a lower-than-average turnover rate (left). Over 75% are engineers and technicians (center). Staff working for Adaro's contractors and subsidiaries in South Kalimantan are local to Kalimantan where possible (right).

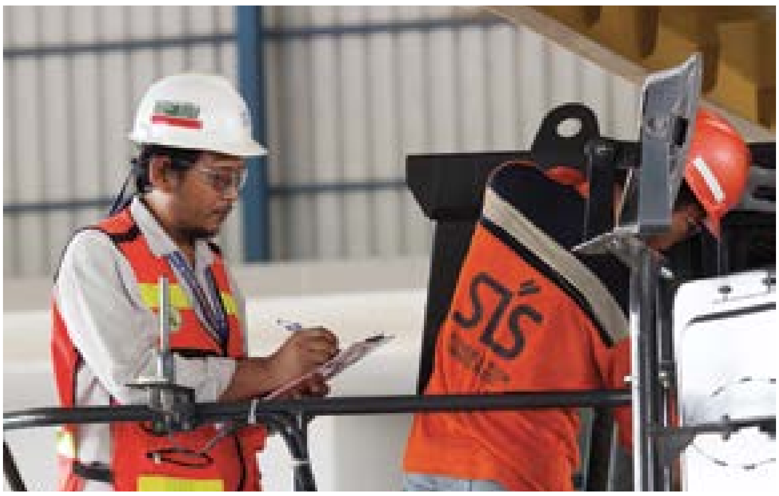






Adaro Energy is responsible in total for the jobs of more than 8,600 people across the Group, most working in South Kalimantan.

> Retaining our talented people is just as important as attracting new ones. Low employee turnover is a measure of our success in retaining people. During 2012, our voluntary turnover ratio was 0.93%, a 27% improvement from the year before, and far better than the industry average of 5%.



All in a day's work: Security and safety personnel in their morning drill at the Tutupan mine offices; Staff arriving for work at the Kelanis barging terminal in a water bus that plies the Barito River; a dump truck is given a health check at the SIS maintenance depot along the haul road to Kelanis.

as attracting new ones. Low employee turnover is a measure of our success in retaining people. During 2012, our voluntary turnover ratio was 0.93%, a 27% improvement from the year before, and far better than the industry average of 5%. Voluntary turnover is calculated as a percentage of total permanent employees leaving, excluding contractors and compulsory redundancies or performance-related terminations.

Training and education are conducted regularly at the Adaro Institute. In 2012, we spent US$2.84 million on training and development programs — a 15% increase on 2011 — that were attended by 63% of all employees. In addition, in upholding the philosophy that says "every manager is an HR manager," we strongly encourage line managers to nurture the potential of each employee.

For basic competency development, the Adaro Institute provides training programs on value-driven capability, English proficiency and computer literacy. The institute carried out 39 batches of basic value-driven courses for 788 participants. A total of 267 participants joined our in-house computer training for Microsoft Office modules, which we started in 2011. There were 68 employees enrolled in the English proficiency training program from six different levels of proficiency, with each course running for seven months. The institute in 2012 trained 1,237 employees in leadership modules and 1,194 employees in managerial competencies, an increase of 8% and 2%, respectively, from 2011.

To assist in implementing our HR management programs, in 2012 we improved and formalized our policies and procedures. This included a review of the scoring system used in our performance development system. Job grading and job banding were also refined to ensure that talented staff are put in the right place with the right incentives, and to encourage a more competitive reward system. Job evaluations were enhanced to better measure performance against targets and align individual goals with corporate objectives and strategies.

To allow for sustainable operational activities, mitigation of business risk and effective management of the organization, we recognize the need for a succession plan. After four years of work, our subsidiary Adaro Indonesia completed its succession plan, and will soon be followed by Adaro Energy and our other subsidiaries.

The succession plan starts with an internal assessment program involving mid-level to senior managers to map out career paths and develop a career management system. Once this is done, individual development plans are put in place.

Adaro staff monitoring shiploading activities from a floating office at the Taboneo anchorage offshore from Banjarmasin.

Education Levels of Adaro Staff and Contractors

	Doctorate	Masters degree	Bachelors degree	Diploma	School (senior high)	School (other)	Total
Adaro Eksplorasi Indonesia		2	16	-	5	2	**25**
Adaro Energy	1	47	101	19	11	2	**181**
Adaro Indonesia	1	20	375	93	370	91	**950**
Adaro Persada Mandiri		2	5		1	-	**8**
Adaro Power		12	17	2		-	**31**
Alam Tri Abadi		9	40	3		-	**52**
Coaltrade Services International		3	5	1	4	-	**13**
Harapan Bahtera Internusa			2	11		-	**13**
Indonesia Bulk Terminal		2	51	17	158	40	**268**
Indonesia Multi Purpose Terminal		2	4	1	2	-	**9**
Jasapower Indonesia			38	2		-	**40**
Makmur Sejahtera Wisesa		5	41	29	41	2	**118**
Maritim Barito Perkasa		4	45	47	470	12	**578**
Mustika Indah Permai		6	16	5	23	2	**52**
Orchard Maritime Ltd		5	7	1	1	-	**14**
Sarana Daya Mandiri		1	21	-	8	4	**34**
Saptaindra Sejati		12	604	354	4948	342	**6,260**
Yayasan Adaro Bangun Negeri			23	1	10	1	**35**
Grand Total	**2**	**132**	**1,411**	**586**	**6,052**	**498**	**8,681**

Winning Teams
The People Behind The Numbers

At Adaro, we believe human resources are the most important capital in our operation and must be both looked after and creatively challenged. We try to recruit the best talent in the market and to nurture the Adaro culture in every individual so they can optimally perform as an individual or as a team.

In an organization as large as Adaro's, it is impossible to highlight the contribution of every member of staff, but our annual report — and particularly this yearbook-style section here — is a good opportunity to give a taste of the huge pride that Adaro employees take in their jobs, the camaraderie in our teams and the vigor with which we are collectively building a shining future for Adaro — and ultimately for Indonesia too.

Adaro Energy's Logistics team.

Adaro Indonesia staff at the Kelanis barging terminal.

Adaro Energy Engineering Department

Adaro Indonesia staff at the Tutupan mine offices.

OUR PEOPLE

Adaro Energy's HR, GA and IT teams

Adaro Energy Project Development team

Crew from SIS at their Tabalong depot

PT Sarana Daya Mandiri's Commissioners and Directors

MBP staff at their Banjarmasin offices

Adaro Energy's Buka Puasa 2012 celebration in Balai Kartini, Jakarta

Garibaldi Thohir at the Adaro Energy Buka Puasa 2012 event

OUR PEOPLE

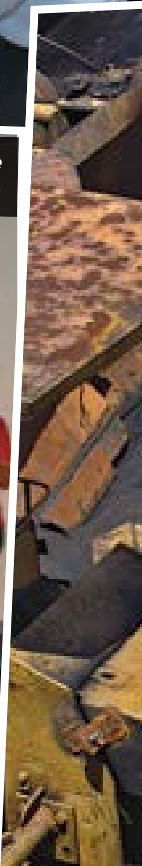
The Adaro Energy Buka Puasa 2012 event

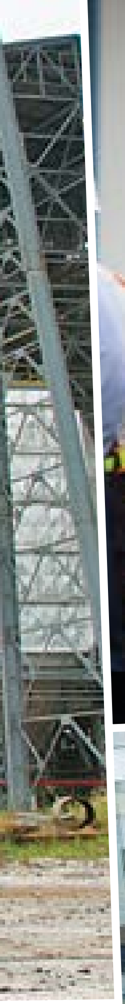
Staff from the MSW team at the new mine-mouth power plant at Tabalong

Adaro staff and families distribute Christmas gifts on a visit to Pondok Kasih Kelapa Gading, Jakarta.

A donation to the Pondok Kasih Kelapa Gading orphanage

Adaro staff sing in the Adaro Envirochoir during the company's Christmas celebrations in Jakarta.





Adaro Indonesia staff at a safety briefing at the Tutupan mine offices

Adaro Energy's Finance, Accounting and Tax department

Staff and contractors at the MPB floating office at the Taboneo anchorage

Commissioners and Directors join staff to celebrate Adaro's mission at the first President's Message gathering in Jakarta in November

Adaro Power staff at the President's Message gathering

Sandiaga Uno and staff at the President's Message gathering.

Garibaldi Thohir and staff at his second President's Message gathering in Tabalong

Celebrating together at the Tabalong gathering.

Adaro Energy Marketing Department

Adaro Energy's Investor Relations and Corporate Finance team

The Adaro Energy Corporate Secretary team


DELIVERING
POSITIVE
ENERGY
adaro

Part of Adaro's commitment to positive energy is to ensure that the communities where we operate are enhanced and not damaged by Adaro's presence. This includes integrating our workforce socially and culturally where possible.

IN THIS SECTION

OUR COMMUNITIES

'I've invested in many companies before and it's among the best I've seen. This kind of management is rare in Indonesia. I'm confident that Adaro will continue to supply positive energy to the industry and to society.'

Sandiaga S. Uno, Director, General Affairs

Quality, Health, Safety and Environment
World-Class Standards

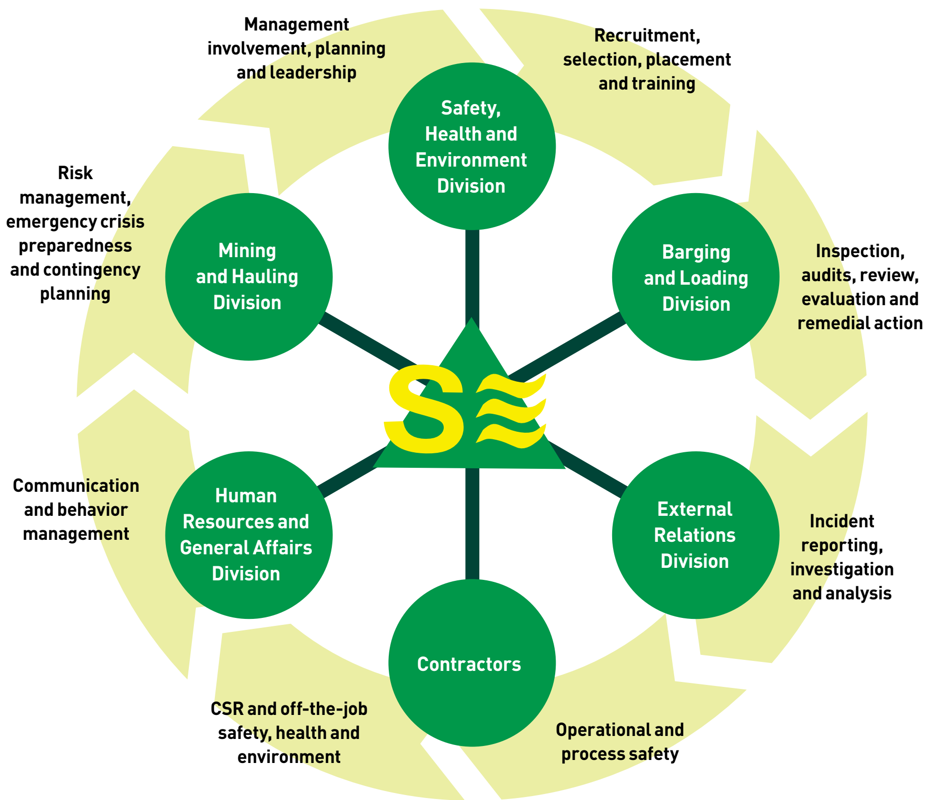
To attain our vision of becoming a leading Indonesian mining and energy group, we are fully committed to achieving the highest measures of health and safety for our workforce. At Adaro Energy and across all of our subsidiaries we constantly strive for a safe workplace. We believe that every work-related incident, injury and illness is preventable. At the same time we are keen to work with local governments and the community towards a sustainable environment, which means minimizing our impact on the land and rehabilitating it comprehensively where possible.

In line with these goals, we implement and continue to improve our integrated safety, environmental and production management system called Adaro Safety, Environment and Production (A-SEP), which is aligned with international ISO and OHSAS standards. We ensure that all employees and those of our contractors and business partners possess sufficient levels of quality, safety, health and environmental (QHSE) awareness, and during 2012, on top of our regular safety training and dialogues, we implemented new strategic initiatives to improve the quality of our QHSE measures.

Efforts included implementing an integrated QHSE management system for our Kelanis coal-processing and barge-loading operations and integrating the QHSE database for Adaro Energy and our subsidiaries. This integrated system is a comprehensive framework that outlines and standardizes roles and responsibilities and work processes, supported by safety principles and mandatory safety requirements as well as risk mitigation techniques to further improve QHSE performance based on the international standards ISO 9001, ISO 14001 and OHSAS 18001. The latter initiative is to help us continue improving security, quality as well as the integrity of the Group's QHSE data.

Circle of Safety

The A-SEP management system as practiced within Adaro is used to implement and monitor workplace safety, environment and production management.



Heavy equipment such as the mine dump trucks we use are complex, specialized machines. We ensure all operators are fully trained and monitor safety and maintenance continually.

Safety and Health

The safety and wellbeing of our workers is the foundation of our operational excellence. Our commitment towards safety starts at the Board level, and extends across all levels in the organization. We are committed to maximizing workplace safety in all of our operations and to providing the highest standards of health programs for our employees and on-site medical facilities for the treatment of both injuries and illnesses.

We use the lost-time injury frequency rate (LTIFR) as one measure of safety performance, an internationally recognized standard that measures the number of lost-time injuries per million man hours worked. A lost-time injury (LTI) is defined as an occurrence that results in an employee having to take one day/shift or more off work.

At our operations in Adaro Indonesia, there were a cumulative total of 63,315,000 man hours for the year, with 18 lost-time injuries, which resulted in an LTIFR of 0.28. This means that we had one incident per 3.5 million man hours worked.

While we experienced a reduction in both lost-time injuries and LTIFR in 2012, we regrettably experienced three fatalities at Adaro Indonesia during the year. Improvement of safety performance remains a core focus, and together with our contractors, we will continue to improve our operations to achieve our goal of zero fatalities.

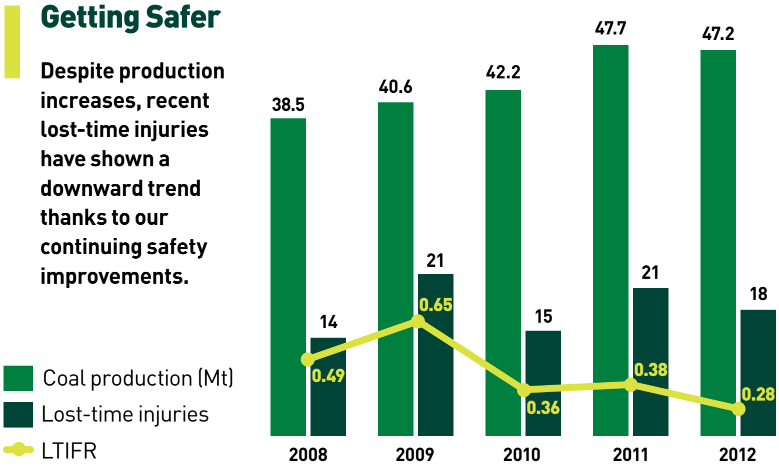
Our operations at IBT, MBP and MIP recorded an LTIFR and fatality rate of zero during the year. SIS recorded five lost-time injuries and one fatality, resulting in an LTIFR of 0.19, while MSW had one fatality and recorded in an LTIFR of 0.32.

Improving our safety performance is not just the right thing to do, but also essential in running low-cost and low-risk operations. We continuously run a variety of QHSE programs in our subsidiaries, such as basic safety training, safety meetings and safety inspections, hygiene inspections and health talks.

As an extension of our QHSE programs, we established an Emergency Response Team back in 2007 in recognition of the need for a specially trained group within the mining area to provide immediate response to any type of emergency. To date, the emergency response team has grown to cover the hauling road, Kelanis and Taboneo, and now numbers 93 highly trained members drawn from Adaro and its contractors. Last year, we established two emergency response bases, one at Kelanis and one at our Wara 73 Office at the mine. Going forward we plan to build more emergency response base stations, as well as operate a 24-hour call center.

Getting Safer

Despite production increases, recent lost-time injuries have shown a downward trend thanks to our continuing safety improvements.



Environment

Since operations began, we have strived to implement the principles of good mining practices to minimize the negative impact on the environment. Our environmental performance is strictly regulated and controlled. We have implemented various long-term programs to monitor and manage impacts to the environment and conserve resources, with our main concern being the efficient use of natural resources. We strive to maintain the highest standards of environmental compliance in order to minimize the impact of operational activities on the surrounding environment.

Gold Awards

These high standards in our primary operations at Adaro Indonesia were recognized during the year when the company was presented with the Gold PROPER award and Gold Aditama award. PROPER is a flagship program from the Ministry of Environment to encourage companies to manage their environment

1,521

hectares of land used for mining has so far been successfully reclaimed and rehabilitated at Adaro Indonesia's South Kalimantan concession site.

Rp60b

spent by Adaro on environmental programs in 2012.

and is designed to give them a framework and reference points so that environmental quality improvements can be implemented in a more efficient and effective manner.

After receiving the Green PROPER award four consecutive times in the past, Adaro Indonesia became the first mining company to ever receive the Gold PROPER award since it was introduced in 2002. The award is regarded as the highest standard in Indonesian environmental management and has been presented to only a few select companies with recognized exemplary compliance to sustainable environmental management practices.

Meanwhile, Aditama is an award given by the Ministry of Energy and Mineral Resources to the best-performing companies in environmental management excellence in the coal, mineral and geothermal sector. Adaro Indonesia received this award for the third consecutive year for environmental management excellence in the coal sector. The achievement represented by these awards is the fruit of the contribution and support from a range of stakeholders, including local communities, our partners and the government.

In 2012, Adaro Indonesia also received an environmental permit from the Ministry of the Environment to increase coal production to 80 million tonnes from 45 million tonnes. This permit was issued following an environmental impact assessment (AMDAL) that entailed a detailed environmental impact analysis, environmental management plan and environmental monitoring plan. We continue our efforts to meet all requirements to support our medium-term production volume target of 80 million tonnes per year.

Having large-scale open-pit mining operations such as ours requires a very prudent approach in the management of the overburden removed daily. In 2012, we implemented acid mine drainage management, in which overburden is classified as either non-acid-forming or potentially acid-forming, to help us handle and process the overburden accordingly. Since the implementation of dry cover in August 2012, a total of 8,336,011 bank cubic meters

A view from inside the Adaro Indonesia Coal Cooperation Agreement area shows the Meratus mountains to the east. The forest in the foreground is all on land that has been reclaimed by Adaro from its Paringin mine.

of potentially acid-forming and 7,229,628 bank cubic meters of non-acid-forming overburden has been managed in our disposal area. We implemented the dry cover strategy as stated in the AMDAL to minimize acid generation from potentially acid forming materials. Last year we spent Rp 60.1 billion for our environmental programs, almost level with the Rp 61.7 billion spent in 2011.

Land

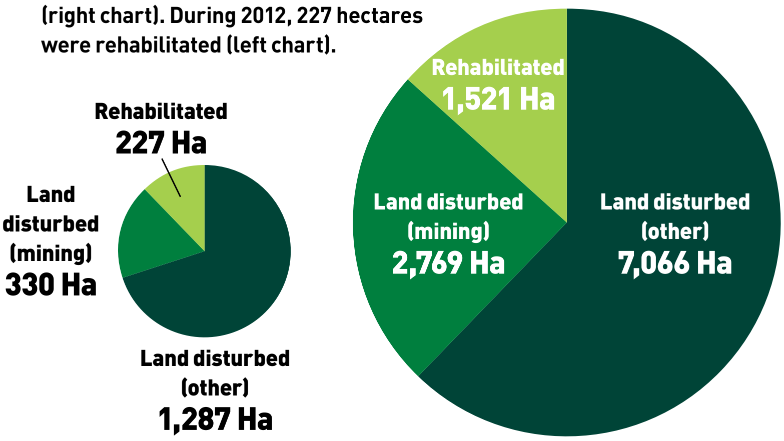
Reclamation of land in areas affected by the mining operation is carried out in a number of phases before, during and after mining operation ceases. We attempt to keep disturbed areas to a minimum. Land affected by the operations is reclaimed progressively with replanting undertaken as soon as the land development is ready. Reclaimed land is used for planting of commercial and non-commercial crops, aquaculture, livestock and poultry breeding projects. Reclamation is also used as an opportunity for agricultural training. During 2012, we rehabilitated 227.09 hectares, resulting in total rehabilitation to date of 1,521 hectares.

We have developed a model reclamation forest in our former mining area at Paringin, in which we planted trees from quality seedlings grown in our nursery area. During the year, we cultivated 429,738 trees and planted 267,735 in the reclamation area.

Fish are plentiful in the settling ponds around the Kelanis terminal. Sule (center) and his friends are regulars there who make a living from their catches.

New Lease of Life

While most of the mine site in South Kalimantan is currently in use for mining and support operations, almost 15% has been reclaimed since operations began (right chart). During 2012, 227 hectares were rehabilitated (left chart).



Water

Water quality and run-off control is a critical part of the environmental management of the mining operations to ensure that local streams and rivers are not adversely affected and that soil erosion is significantly reduced. We have implemented a comprehensive system of water run-off control and treatment to ensure that processed water meets the required environmental quality level.

Water run-off from disturbed areas is closely monitored and treated in settling ponds before being discharged into the rivers at the required environmental quality level. Waste water from rainfall and ground water in the open-cut mine areas is drained into specially prepared sumps and is continuously pumped from these into a permanent drainage system that feeds into high-capacity settling ponds to remove suspended solids that separate and sink to the bottom of the ponds. Water released from these settling ponds is closely monitored to meet the effluent standard for coal mining activities.

Water quality monitoring is carried out with emphasis on pH, total suspended solids (TSS), iron, manganese and cadmium. We have taken this water processing a step further by establishing an additional water treatment facility that produces drinking-quality water for use by the company and contractors and also for distribution to surrounding communities. During 2012, our water treatment facility produced 333,832m^3 of clean water for the community as well as for our internal use.

Air

We undertake extensive and continuous air monitoring around the mining operations and along the entire length of the coal haul road to Kelanis to ensure that methods being used to control dust levels are effective at meeting all required regulations up to international standards and minimizing the impact on the local communities surrounding the operations. We monitor both ambient air quality, which looks at dust, vibration and noise, as well as stack emissions, which monitors gas emissions from our diesel-powered electricity generations.

Biodiversity

Our operations by their nature have the potential to impact biodiversity. Open-pit mining requires stripping of topsoil prior to coal extraction, which affects the landscape and original ecosystem surrounding the mining area. We have sought to minimize the impact of our operations on the rich biodiversity surrounding our mining site. Prior to the execution of mining activities, we collect data on and take an inventory of endemic flora and fauna that exist on site and strive to comply with the regulations relating to land reclamation at post-mining areas.

We started with reclamation activities at our South Paringin site, which we closed over a decade ago. South Paringin has now been returned to its original state, and with wildlife steadily returning to the area, there are signs that the ecosystem is functioning well. ■

QHSE staff member Wahyudi examines newly planted trees at the Paringin revegetation zone. During 2012, we cultivated over 400,000 trees and planted 260,000 in areas currently marked for revegetation.

Adaro Indonesia became the first mining company to ever receive the Gold Proper award since it was introduced in 2002. The award is regarded as the highest standard in Indonesian environmental rehabilitation management and has been presented to only a few select companies with recognized exemplary compliance to sustainable environmental management practices.

Social Engagement
Building and Caring for Communities Around Us

In achieving our vision of becoming a leading Indonesian mining and energy group, we recognize it as essential to balance economic, environmental and social considerations in our activities. We know full well that our presence has a significant impact on the areas in which we operate — for example, at its South Kalimantan concession, Adaro Indonesia operates in an area that covers 358km^2, with 36 villages located near the Tutupan mine, and a further 26 villages along the haul road to Kelanis. Crucially, however, we also understand the need to bring positive energy to such surrounding communities and build their capacity to become independent and sustainable.

Despite the cyclical downturn in 2012, we remained focused on our objectives, including on our commitment to our community development programs. Empirical studies have found that taking active roles in such programs positively influences business operations, and these only further strengthen our belief that our involvement in the development of our community is a key investment towards sustainable growth.

Leveraging community development activities is an approach we adopted in 2012, and one that will continue throughout 2013 among Adaro Energy and our subsidiaries. Our community development team is committed to further improving its performance through greater consolidation, co-ordination and transparency, enabled by support from across the Group.

During 2012, we invested US$14.4 million (about Rp137 billion) in community development and engagement, 40% more than in the previous year, mostly from Adaro Indonesia, SIS and Yayasan Adaro Bangun Negeri. This investment encompasses four key areas: educational enhancement, economic development, health improvement and socio-cultural promotion.

How Adaro's CSR Helps

I can be flexible and not authoritative when I teach my students. Math is no longer a spectre, students are excited to learn and relaxed during the lesson"
Ibu Sri Aisyiah, teacher in SMPN 1 Benua Lima

Education is one of the four areas that Adaro feels is essential in its approach to developing the communities it affects in its operations.

Our Unique Approach to Community Development

Community development programs are part of our core strategy, and we believe our commitment and strong focus on setting a high standard in this area are among the key factors behind our growth. It provides us with an opportunity to promote the entrepreneurial spirit, gain support from our stakeholders and improve our position vis-à-vis being responsible and transparent. Our approach to sustainability is a key differentiator for Adaro and is fundamental to the way we do business. All of our officers are assimilated into the community, which creates mutual understanding, support and respect.

Realizing that mining is a temporary business by nature, in April 2009 we established a non-profit foundation called Yayasan Adaro Bangun Negeri (Adaro Building the Nation Foundation) to ensure the sustainability of Adaro's community development programs. We believe that without sustainability, such activities are merely charity. Our Corporate Social Responsibility department and the foundation is led by a chief CSR officer who answers directly to Adaro Energy's President Director & CEO. Going forward, the foundation will implement and coordinate all community development programs for Adaro Energy and its subsidiaries.

Moreover, to support the sustainability of our community development activities, strong local institutions and organizations are required. Thus, we also emphasize capacity-building and community empowerment. We encourage and support institutions and organizations based on specific functions, which in due course will become our partners in CSR activities. For example Perkumpulan Pusaka, an organization formed by the foundation to manage the community learning center, has now developed into a strong institution that acts as a strategic partner in community empowerment.

Our Community Development Programs

Educational Enhancement

We firmly believe that investment in education creates stronger communities, and we support several programs toward this end, such as those to improve teacher quality and school management, scholarships and mobile libraries in the areas surrounding our operations.

For teachers, we provide scholarships and train them in effective research-based learning. For students, we offer scholarships from elementary-school level all the way up to university.

We are continually improving our scholarship programs by making sure that the study programs are aligned with the needs of the communities they serve, our own community development programs and our operational needs. For our university scholarships, we have been co-operating with the Bogor Agricultural Institute and Lambung Mangkurat University and have increased the number of study programs as well as the number of potential local students eligible for them. A total of 84 scholars are now enrolled at the two universities.

As part of its commitment to increase the local workforce and help reduce unemployment in the region, our subsidiary SIS has been educating qualified local workers through its Operator Preparation and Mechanics Preparation programs. In the past year, 331 mechanics and 146 operators graduated from the programs (see table below) and were subsequently employed by SIS. Since the program started in 2008, SIS has trained and hired 792 operators and 694 mechanics from five neighboring districts. The training periods range from six to 12 months and comprise both theory and field work. These two training programs will be continued to support the creation of a skilled, disciplined and competitive workforce in the vicinity of our mining areas.

Graduates	2008	2009	2010	2011	2012
Mechanics Preparation	68	103	90	102	331
Operator Preparation	256	120	115	155	146

Economic Development

Also key to the sustainability of mine-area communities, especially after mine operations cease, is development of the local economy. Toward this end, we have supported the development of high-quality rubber plantations, microfinance institutions and integrated agricultural programs. We have also assisted in capacity-building through training and educational programs.

One of our key programs, a microfinance institution, now has branches in four neighboring districts and distributed Rp 7 billion during 2012, a 30% increase from the previous year. To date, the microfinance institution has provided financing to more than 1,000 beneficiaries.

Among projects funded by Adaro to support the economy of the local community near our South Kalimantan operations has been a high-quality rubber plantation.

OUR COMMUNITIES

How Adaro's CSR Helps

Yayasan Adaro Bangun Negeri genuinely supports development of teachers' expertise by providing help and solutions. The training can be applied instantly, easy to comprehend and up-to-date.
Ibu Silvia Uyani, teacher
(Ibu Silvia was sent to participate in National Teacher Conference 2012)

The focus for economic development in 2012 was the expansion of the rubber plantation area to 6,396 hectares from 6,203 hectares at the end of 2011, benefiting 7,510 households grouped into 348 farmer groups. We set up a Penyuluh Pertanian Lapang to train and educate these farmers in good planting practices and to provide high-quality seeds and farming facilities.

We are now implementing a new management system for these rubber plantations that includes two arrangements: first, co-operation by *hamparan* (a group of farmers) to convert their unused lands to become a single rubber plantation, which will be managed by the farmers' co-operative; second, the creation of a model plantation that will be replicated in all villages surrounding Adaro Indonesia's operational area.

In support of the hamparan rubber farmers, we've taught them to organize themselves into groups known as Kelompok Tani, a practice expected to encourage better co-operation and co-ordination. We've also formed an association of high-quality seed farmers to guarantee supply. To reduce the prevalence of *ijon* (the traditional practice of giving credit to farmers and taking the harvest as compensation), we are planning to build a co-operative to improve the farmers' bargaining power. Given all of this, we expect that local farmers would be able to produce a good quality of harvest and get a fair price in return. On the other hand, the model plantation is expected to serve as a learning facility for the rubber farmers in each village. This will further support our goal of making rubber farming the primary alternative source of livelihood in the communities in which we operate.

Health Improvement

We contribute to efforts to improve community health through various programs aligned with Indonesia's Millennium Development Goals as established by the World Bank and other targets set by the government. Our health improvement programs begin with the simple premise that health standards are strongly connected to local lifestyles and cultures.

Last year, we adopted a new approach involving peer training and education to raise awareness about the threat of drugs and HIV/AIDS among students and high-risk individuals. This approach has been

Left, the new Tabalong Islamic Center, a facility for Islamic culture and religious activities, was completed in 2012 and will be fully open in 2013. Above, providing clean water to as many families as possible is among Adaro's community health programs.

Empirical studies have found that taking active roles in community development programs positively influences business operations, and these only further strengthen our belief that our involvement in the development of our community is a key investment towards sustainable growth.

recognized by anti-drugs associations both at the provincial and national levels.

We have also started a new community-based approach in our sanitation improvement programs, which was the focus of our health improvement efforts last year. We began by raising awareness of the importance of having a hygenic environment in the community, which in turn created demand for health and sanitation facilities. At the same time, we educated the Karang Taruna youth community group in how to provide affordable sanitary facilities to the community, thus giving it a profitable business to help finance the organization's other youth-oriented activities.

As clean water supply is essential to a sanitary environment, we are co-operating with the Directorate General of Human Settlements under the Ministry of Public Works to improve access to clean water in three surrounding districts.

In addition to all this, Yayasan Adaro Bangun Negeri also carries out community-based sanitation programs in line with the national government program to improve public health and sanitation.

Our other health initiatives include programs to improve the health of mothers, newborns and children. We also supported programs to prevent the spread of communicable diseases, helped boost hospital funding, organized cataract surgeries and provided scholarships for doctors, midwives, nurses and other health workers.

Socio-Cultural Promotion

After three years of construction, we completed the Tabalong Islamic Center in 2012. Once it becomes functional in 2013, the building is going to be a center for Islamic culture and religious activities for Tabalong and other neighboring districts. Realizing that its successful use depends on management competency and dedication, we began preparing its management team in mid-2011. This team is expected to manage this iconic center in support of the vision of Tabalong district: "A healthy, intelligent and prosperous religion-based Tabalong."] ■

How Adaro's CSR Helps

PT Adaro Indonesia has been growing with the community. Support from the community and government has great importance in the company's development, including implementation of our CSR programs. PT Adaro Indonesia develops five pillars of CSR programs, i.e. economy, health, education, socio cultural, and environment.

Priyadi,
GM Operations,
Adaro Indonesia

When planned upgrades are completed at Kelanis in 2013, our barge loading rate of 14,000 tonnes per hour will be one of the highest of any bulk port in the world.

DELIVERING POSITIVE ENERGY


adaro
RUPST

IN THIS SECTION

OUR GOVERNANCE

'All these years, Adaro has been showing that it's an honest business, that we're clean. Even if we had a chance to cut corners, the principals still decided to play fair.'

M Syah Indra Aman,
Director & Chief Legal Officer

Corporate Governance
Aiming for More Than Checks and Balances

Good corporate governance is an integral part of what has made us successful, and is likewise key to our long-term successful operations. Transparency, accountability, responsibility, independence and fairness, therefore, are principles woven into the fabric of our corporate culture, ensuring that the interests of all of our stakeholders are protected.

As we are in the heavily regulated industry of mining, we operate based on governance policies designed to promote clarity in our internal operations, patterned on international best practices and adapted to our corporate culture. The Board of Directors and Board of Commissioners each have clearly segregated duties and responsibilities, and each of our subsidiaries has a defined role and strategy.

We also have in place a system of checks and balances. The Board of Directors exercise operational oversight through risk mitigation, and the Board of Commissioners through the Audit Committee and Internal Audit Unit.

But beyond mere bylaws and company regulations, our system of checks and balances is ensured by a unique advantage. We have five well-respected Indonesian families as major shareholders, whose long and successful business relationship can be traced as far back as the early days of the Astra Group, one of Indonesia's most respected and well governed corporations. None of the five families has outright control, but they collectively hold more than 60% of the company.

At the same time, a third of our Board of Commissioners are independents, and our Audit Committee is fully independent.

Our listing in the Indonesia Stock Exchange in 2008 only served to further strengthen our corporate governance structure and relationship with our stakeholders, especially in terms of disclosure and accountability. We engage and interact with all of our stakeholders in a way that promotes mutual trust, better understanding and good faith. It is our policy to disclose material information in a timely and accurate manner.

Finally, we are committed to the highest standards of ethical conduct in all our actions and to functioning as a good corporate citizen, recognizing our responsibility to the society in which we operate.

Read More

Risk management........169
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Management decision-making processes........................33

Transparency
We maintain open communications with our shareholders and other stakeholders about strategic activities, developments and transactions. In accordance with regulations, we submit to our shareholders quarterly operations reports and financial statements as well as monthly updates on mining operational activities. We also conduct the Annual General Meeting of Shareholders, Public Exposé and other similar activities.

Accountability
We see accountability as a necessary condition to achieve our desired performance and results. Being accountable, therefore, is the duty and responsibility of every organ of the company. The principle is outlined in the form of policies, guidelines and a technical manual that enable the company to implement it in an organized manner, taking into account the interests of the shareholders and stakeholders.

Responsibility
We exercise our responsibilities as a good corporate citizen by respecting the law, the community in which we operate and the environment. As a listed company, we strive to comply with the Capital Market Law and all the regulations set out by the capital market regulator. Moreover, as a coal mining company, we not only comply with applicable regulations but also take very seriously our responsibility towards local communities and the environment.

Independence
Each section of the company operates independently, with no unit dominating over others and no interference from any party. All company decisions are made in a professional and objective manner, free of conflicts of interest and with respect to the relationship among our business units.

Fairness
We are committed to ensuring that the rights of our shareholders and stakeholders are properly met. Our shareholders and stakeholders are entitled to receive the same information about the company's performance and activities. We also provide equal opportunities in recruitment and human resource management, with no discrimination over tribe, religion, race, class, gender or physical condition.

Governance Structure

Our governance structure consists of three main organs: the Annual General Meeting of shareholders (AGM), Board of Commissioners (BoC) and Board of Directors (BoD), all of which serve important roles in the effective implementation of the company's good corporate governance policies.

Annual General Meeting of Shareholders

The AGM is the venue in which shareholders obtain relevant information and make important decisions related to the future of the company they have a stake in. The AGM also serves as a venue for the Management to obtain the approval of its shareholders for strategic matters.

The AGM for the fiscal year 2011 was held on April 27, 2012, at the Ritz-Carlton Hotel in Mega Kuningan, Jakarta. Attended by a quorum of shareholders as required by regulations, the AGM approved the company's Annual Report and ratified the company's consolidated financial statements for the fiscal year ending Dec. 31, 2011. The company posted US$3.99 billion in revenues in 2011, a 47% increase from US$2.72 billion posted in 2010. Net Profit was recorded at US$552 million, 124% higher than the US$247 million in 2010, driven primarily by the high growth of production, strong average selling price and ongoing cost control. The Net Income recorded has accounted for income tax and royalties in the amount of US$450.5 million and US$405.4 million, respectively.

The AGM also approved the use of the company's Net Income, after the deduction of income attributed to non-controlling interests for the year 2011, for the following:

a) A total of US$5.50 million for a general reserve fund, in accordance with the provisions of Article 70 of the Limited Company Law No. 40 year 2007.

b) A total of US$259.09 million or 47.08% of the company's Net Profit, to be paid out as cash dividend, comprising the interim amount of US$75.17 million paid on December 9, 2011, and the remaining US$183.92 million. An announcement of the dividend payout, which was the highest since the company's IPO in 2008, was made in two national daily newspapers in line with regulations.

c) A total of US$285.76 million earmarked as retained earnings.

The AGM also authorized the BoC to appoint and determine the fee for a public accountant registered with the Indonesian Capital Market Supervisory Agency (Bapepam-LK) to audit the company's financial statements for the fiscal year ending December 31, 2012.

Board of Commissioners

The Board of Commissioners supervises the company's business in accordance with the principles of good corporate governance, laws and regulations, and the Articles of Association. It currently consists of six commissioners — four representatives of the major shareholders and two independent ones — whose appointment and dismissal is determined by the Extraordinary General Meeting.

Members of the Board of Commissioners

President Commissioner
Edwin Soeryadjaya

Commissioners
Theodore Permadi Rachmat
Ir Subianto
Lim Soon Huat

Independent Commissioners:
Raden Pardede
Ir Palgunadi Tatit Setyawan

Attendance at Meetings of the Board of Commissioners

Edwin Soeryadjaya	4
Theodore Permadi Rachmat	4
Ir Subianto	3
Lim Soon Huat	3
Raden Pardede	4
Ir Palgunadi Tatit Setyawan	4

Duties and Authority: The BoC oversees the company's management and carries out other duties as mandated by the AGM or applicable laws and regulations. The board advises the BoD and examines certain actions as requested by the latter, in accordance with prevailing regulations and shareholder approval.

All BoC members must undertake their duties by acting in good faith, prudently and responsibly, prioritizing the company's best interests over others. Board members must also monitor the effectiveness of good corporate governance practices being implemented by the company and make necessary adjustments accordingly.

Throughout 2012, the BoC held four official meetings to evaluate the performance of the BoD.

Training Program: The BoC did not take part in any training programs in 2012, but regularly shared their extensive experience with employees at Adaro's head office in Jakarta.

Supporting Organ to the Board of Commissioners: Audit Committee

The Audit Committee was established by the BoC in January 2009 to assist it in carrying out its duties. The committee's tasks include reviewing the company's draft financial statements, evaluating the audit policy, monitoring the Independent Auditor, coordinating with the Internal Audit Unit in identifying potential risks, assessing and improving the company's structure and internal control process as well as financial statement preparation, and communicating improvements to the external auditor, BoD and Internal Audit Unit.

During the past year, it focused on improving the audit policy and its implementation in order to better mitigate risks, particularly with regard to the environment, the company's operations and the

The Audit Committee: Dr Irwandi Arif, Ir Palgunadi Tatit Setyawan and Mamat Ma'mun.

We operate based on governance policies designed to promote clarity in our internal operations, patterned after international best practices and adapted to our corporate culture. The Board of Directors and Board of Commissioners each have clearly segregated duties and responsibilities, and each of our subsidiaries has a clearly defined role and strategy.

sustainability of the communities in which Adaro operates.

Throughout 2012, the Audit Committee held 23 official meetings to review and evaluate operations against the company's goals.

The Audit Committee consists of one independent commissioner, acting as chairman, and two expert non-Adaro employees. The current audit committee members are:

Ir Palgunadi Tatit Setyawan, chairman. For a full profile see page 120.

Dr Irwandi Arif, MSc, member. A renowned expert in the Indonesian mining industry, Irwandi holds a doctorate from the Ecole des Mines de Nancy, France, and a degree in mining and industrial engineering from the Bandung Institute of Technology. He has previously consulted for some of the biggest mining companies in the country, including PT Berau Coal, PT Freeport Indonesia and PT Bukit Asam Tbk. He also chaired the audit committee at PT Antam Tbk. Irwandi has also published scientific papers and student handbooks on mining, geology and geo-technical engineering.

Mamat Ma'mun, SE, member. Mamat holds an economics degree from Padjadjaran University in Bandung and has worked at the Astra Group for more than 30 years, including as a trustee on the Astra Group Pension Fund. His began serving on audit committees in 2001, and is currently a commissioner at PT Duta Oto Prima, PT Anugrah Power Mandiri and PT Dharma Group.

Board of Directors

The Board of Directors consists of executives responsible for the day-to-day management of the company, steering it towards the stated goals, objectives and business activities. In performing its duties, the board receives advice from the BoC. For certain policies, it needs to get approval from the BoC and/or AGM.

Each member of the board, tasked with responsibilities in accordance with his competency and experience, is expected to perform his duties in good faith, follow prevailing rules and regulations and always place the best interests of the company above others.

Members of the Board of Directors

President Director & Chief Executive Officer
Garibaldi Thohir

Vice President Director & Deputy Chief Executive Officer
Christian Ariano Rachmat

Director, General Affairs
Sandiaga S. Uno

Director & Chief Finance Officer
David Tendian

Director & Chief Operating Officer
Chia Ah Hoo

Director & Chief Legal Officer
M. Syah Indra Aman

Attendance at Meetings of the Board of Directors

Board Meetings	
Garibaldi Thohir	7
Christian Ariano Rachmat	7
(Andre J Mamuaya	3)
Sandiaga S. Uno	6
David Tendian	7
Chia Ah Hoo	6
M. Syah Indra Aman	6

Joint Meetings with BoC	
Garibaldi Thohir	3
Christian Ariano Rachmat	4
(Andre J Mamuaya	2)
Sandiaga S. Uno	4
David Tendian	4
Chia Ah Hoo	4
M. Syah Indra Aman	4

As of the end of 2012, following the death of Andre J. Mamuaya, the Director of Corporate Affairs, on August 21, 2012, the BoD consists of six members (see below). The members of the board are authorized to represent the company on most matters and events, with some exceptions for policies or actions that would require the written consent of the BoC and/or approval from the AGM. The authorities of the individual members of the BoD are as follows:

President Director & Chief Executive Officer: He is ultimately responsible for leading, directing and controlling the implementation of the company's policies, vision, mission and strategy. A key part of his duties is to ensure the building of trust and mutually beneficial relations with all stakeholders, including the communities in which Adaro operates through corporate social responsibility programs in support of the company's business and towards the creating of an independent post-mine community.

Vice President Director & Deputy Chief Executive Officer: He is responsible for the development of the company's human resources, including the cultivation of a corporate culture based on integrity, meritocracy, accountability, excellence and teamwork. Part of his duties are ensuring the company has effective internal organizations, efficient work systems that produce superior output, and sustainable markets.

Director & Chief Operating Officer: He is responsible for coordinating all production activities, ensuring that they are implemented efficiently and effectively. He also coordinates the development of new resources, as well as the management of the human resources, information technology and general affairs units.

Director & Chief Legal Officer: He is responsible for ensuring that all of the company's activities comply with applicable laws and regulations. He also coordinates the development of effective external communications strategies.

Director & Chief Financial Officer: He is responsible for the planning and monitoring of the company's finances, including preparing consolidated financial reports and coordinating activities related to independent auditors, tax auditors and government auditors. He also oversees operational risk management and issues related to capital market investor relations.

Director, General Affairs: He is responsible for ensuring that the principles of good corporate governance are implemented throughout the company, as well as for maintaining good relations with stakeholders, particularly the government and the communities Adaro operates in.

Performance Evaluation: The BoC evaluates the performance of the members of the BoD, both individually and collectively, in terms of how they are working towards the company's long-term goals and implementing good corporate governance principles, among others. In 2012, the BoD's performance evaluation showed that:

- It achieved the second best annual coal production record of 47.2 million tonnes amid a difficult year.
- It maintained among the best EBITDA margin for Indonesian coal mining companies of 29.2%.
- It increased production permission to 80 million

Disciplined and dependable: Staff at Adaro Indonesia's main mine-site offices in Tabalong gathered for a morning assembly and briefing.

tonnes from 45 million tonnes after the Ministry of Energy and Mineral Resources issued a permit to do so following an environmental impact assessment (AMDAL) that entailed a detailed environmental impact analysis, environmental management plan and environmental monitoring plan.

• It upheld the highest standards of environmental management, with Adaro Indonesia receiving the PROPER Gold Rating from the Ministry of Environment and the ADITAMA Gold Trophy from the Ministry of Energy and Mineral Resources.

• It strengthened existing CSR programs.

• It should work to make the company's structure more efficient to anticipate coal price fluctuations over the next three years.

Meetings: The BoD meets on a regular basis or as needed to discuss the company's operational and financial performance, project progress and tackle other issues that require attention and decision-making. Throughout 2012, there were seven BoD meetings and four joint meetings with the BoC (see attendance record at left):

Training Programs: The BoD did not take part in any training programs in 2012.

Supporting Organs of the Board of Directors: Corporate Secretary

The corporate secretary, who answers directly to the BoD, is responsible for ensuring smooth communications between the company and the capital market, exchange authority and the public. It is also responsible for ensuring the company's compliance with applicable laws and regulations, organizing the AGM and public relations.

In 2012, the corporate secretary held the AGM on April 27, 2012, and carried out media gatherings during the month of Ramadan. It submitted the 2011 Annual Report as well as routine monthly and quarterly reports and disclosures to regulators. It also coordinated the distribution of the 2011 final dividend and 2012 interim dividend to shareholders, as well as monitored the progress of Adaro Energy's share price on the exchange and reported the progress to the BoD.

Corporate Planning

Adaro Energy's vision of corporate planning is to create a reliable management system through strategic planning and well-organized activities.

This division aims to standardize and improve the Adaro Group Management System and operating procedures, ensuring that they are aligned with the company's strategic plan.

It also aims to develop and implement an effective "Plan, Do, Check, Action" (PDCA) system, as well as cultivate constant improvement within the company through management tools such as Quality Control Project (QCP), Quality Control Circle (QCC) and Suggestion System (SS).

Internal Audit Unit

The Internal Audit Unit provides professional and independent opinions to the BoD about whether the company's activities and operations are in accordance with company rules.

Its tasks include establishing and implementing an annual internal audit plan, and evaluating the implementation of the company's internal audit management and risk management.

It also inspects the efficiency and effectiveness of the company's finance, accounting, operations, human resources, marketing, information technology and other activities, and subsequently provides its assessment and recommendations to the president director and BoC. Beyond this, it monitors the actions made in response to its recommendations.

To be able to effectively perform these tasks, the Internal Audit Unit has the authority to access all relevant information and communicate directly with the BoD, BoC and Audit Committee. It also coordinates its activities with external auditors.

Remuneration and Nomination Committee

Adaro Energy believes in taking care of its employees, helping them reach their maximum potential and rewarding them accordingly. In this regard, the remuneration and nomination committee is responsible for developing and managing the company's human resources strategy through:

- Learning development and career path
- Employee recruitment
- Performance appraisals
- Remuneration and reward
- Motivation
- Regeneration
- Talent management

Adaro's Performance Development System (PDS) for employees has changed the paradigm of the performance review to an employee development system.

Leaders at each level in Adaro have a duty to develop their employees to achieve their maximum potential through clear job descriptions and two-way conversation to mine the employee's interests and strengths and find ways to help them do their jobs better.

Performance appraisals are also carried out and discussed openly to give the employee an understanding of how their superior evaluates their performance and how they can improve.

BoC and BoD Remuneration: Adaro employs a performance-based remuneration system. For the year ended Dec. 31, 2012, Adaro's Board of Commissioners and Board of Directors received a total remuneration in the amount of US$4,758,222 and US$4,700,516 for year ended Dec. 31, 2011.

Disclosure Committee

In line with Adaro Energy's emphasis on transparency, the Disclosure Committee is responsible for making timely and accurate announcements to regulators, investors and the public on significant and strategic information that can impact shareholder decisions.

The committee, which consists of members of the BoD and several other employees, meets every month to discuss a corporate action plan to be carried out and consider whether such actions have an impact on the decision of the shareholders. ■

Disclosures to the Jakarta Stock Exchange in 2012

	Disclosure	Date
1	Exploration Activity Report for December 2011	11 Jan
2	Report on Share Ownership of 5% or More for December 2011	12 Jan
3	Disclosure for Certain Shareholders	24 Jan
4	Quarterly Activities Report, 4th Quarter 2011	31 Jan
5	Report on Share Ownership of 5% or More for January 2012	7 Feb
6	Exchange Confirmation Response on Media Announcements	7 Feb
7	Exploration Activity Report for January 2012	10 Feb
8	Report on Share Ownership of 5% or More for February 2012	6 Mar
9	Exploration Activity Report for February 2012	12 Mar
10	Announcement of AGM for Fiscal Year 2011	21 Mar
11	Information of the Legal Case of PT Mustika Indah Permai, Adaro Energy's subsidiary	22 Mar
12	Delivery of the 2011 Audited Financial Report	27 Mar
13	The proof of AGM advertisement on Media delivery	28 Mar
14	Exploration Activity Report in March 2012	10 Apr
15	Report on Share Ownership of 5% or More for March 2012	10 Apr
16	AGM Fiscal Year 2011 Invitation	12 Apr
17	Delivery of the 2011 Annual Report	13 Apr
18	Quarterly Activities Report, 1st Quarter 2012	26 Apr
19	1st Quarter Interim Financial Report 2012	26 Apr
20	The decision result of Adaro Energy's 2011 AGM	27 Apr
21	Notary resume of 2011 AGM Decision	27 Apr
22	The proof of 2011 AGM result advertisement on Media delivery	1 May
23	PT Maritim Barito Perkasa, Adaro Energy's subsidiary Loan Facility information	3 May
24	Announcment of the Dividend Distribution	4 May
25	Advertisement proof of the dividend distribution announcement	8 May
26	Exploration Activity Report in April 2012	9 May
27	Share Ownership Report which reach 5% or more in April 2012	9 May
28	Information of the PT Bhakti Energi Persada Transaction Plan	30 May
29	Advertisement proof of the PT Bhakti Energi Persada Transaction Plan Anouncment	31 May
30	Information on the signing of PT Maritim Barito Perkasa Loan Facility Agreement	31 May
31	Announcement of the Cash Dividend Conversion Rate	1 Jun
32	Disclosure of Certain Shareholder	4 Jun
33	Disclosure of Certain Shareholder	7 Jun
34	Report on Share Ownership of 5% or More for May 2012	7 Jun
35	Exploration Activity Report in May 2012	11 Jun
36	Disclosure of Certain Shareholder	18 Jun
37	1st Semester 2012 Limited Review Consolidated Financial Report Announcement	5 Jul
38	Report on Share Ownership of 5% or more for June 2012	9 Jul
39	Exploration Activity Report in June 2012	12 Jul
40	Disclosure of Certain Shareholder	13 Jul
41	Quarterly Activity Report, 2nd Quarter 2012	31 Jul
42	Exploration Activity Report in July 2012	10 Aug
43	Report on Share Ownership of 5% or more in July 2012	13 Aug
44	Delivery of Consolidated Interim Limited Review Financial Report as of 30 June 2012	30 Aug
45	Advertisement proof of the Consolidated Interim Financial Report as of 30 June 2012	3 Sep
46	Exploration Activity Report in August 2012	12 Sep
47	Report on Share Ownership of 5% or more in August 2012	17 Sep
48	Exploration Activity Report in September 2012	11 Oct
49	Quarterly Activity Report, 3rd Quarter 2012	31 Oct
50	The Explanation of more then 20% change of Asset	31 Oct
51	Report on Share Ownership of 5% or more in September 2012	7 Nov
52	Exploration Activity Report in October 2012	12 Nov
53	Public Expose Announcement	13 Nov
54	Public Expose Material Delivery	23 Nov
55	Public Expose Result Report	3 Dec
56	Announcement of the Interim Cash Dividend Distribution	4 Dec
57	Advertisement proof of the cash dividend announcement	5 Dec
58	Report on Share Ownership of 5% or More for October 2012	12 Dec
59	Exploration Activity Report for November 2012	12 Dec

Risk Management
A Proactive Approach to Preparing for the Worst

The main objective of our risk management is to safeguard our long-term business continuity, by ensuring a reliable supply of coal to our customers while making adequate margins to support future growth and provide returns to our shareholders. As mining is a risky, highly regulated and capital-intensive industry, we take a proactive, conservative and risk-averse approach to risk management to have a systematic and accountable process to anticipate new risks.

Our Director & Chief Financial Officer assumes primary responsibility to coordinate the Group's risk management. The risk management division was established in 2010 and works with regular input from some of our directors to identify and monitor all key risks with a potentially adverse impact on our business. Any issue that requires immediate attention and support from the Board is discussed to allow members to make an immediate, informed and effective mitigation response.

At the operational level, our aim is not just ensuring that our core operations along the coal supply chain operate efficiently with minimum disruptions, but also creating a safe, healthy and environmentally friendly workplace that is aligned with international standards. At a strategic level, we always conduct a full risk analysis to ensure that the Board understands all the risks and rewards related to the achievement of objectives before making strategic-level decisions.

We have successfully strengthened our risk management process in barging operations on the Barito River channel and shiploading operations at Taboneo anchorage, resulting in improved efficiency, lower costs and better safety performance.

In line with our strategy to deliver operational excellence, reduce risks and lower costs, we further enhanced our risk management process, monitoring system and mitigation plan from our mining operations, hauling road and Kelanis river terminal in 2012. We are also going to develop a business continuity management plan to equip us with an effective recovery plan that would allow us to continue operating under adverse conditions.

The table on the following pages provides a summary of our business risks in 2012 at both the operational and strategic levels. ■

As mining is a risky, highly regulated and capital-intensive industry, we take a proactive, conservative and risk-averse approach to risk management to have a systematic and accountable process to anticipate new risks.

Strategic-Level Risks

Political, legal and regulatory

Risk: The introduction of new regulations and our inability to obtain, maintain and renew necessary licenses may adversely affect our operational activities and business prospects. (See note on Indonesia's regulatory environment on opposite page).

Mitigation: We always strive to comply with all regulations pertinent to our operations. AI's Coal Cooperation Agreement (CCA) with the Indonesian government gives it a 30-year right to mine coal in its concession until 2022, which can be extended for up to two periods of 10 years each. The concession-holder's rights under the initial CCA have never been infringed, even during times of political and economic turmoil in Indonesia. A key provision in the agreement states that the concession holder is exempt from all new taxes, duties, rentals and royalties not covered by the agreement.

Moving to power

Risk: Being an independent power producer (IPP) is a new line of business for us. Human error, lack of training for employees operating and maintaining a power plant and acts of vandalism may result in operational breakdown. In addition, not getting necessary land and permits may also result in delays in completing our projects.

Mitigation: In 2010, we formed Adaro Power to provide good returns, reliable cash flow and create substantial base demand for our own coal through forming partnerships with reputable, international IPPs such as JPower, Itochu and Korea East West Power to build power plants across Indonesia. To ensure its success, we have good relations with various reputable vendors to supply critical spare parts, hire experienced employees and develop mutually beneficial relationships with local communities around all our projects.

Alternative and renewable energy

Risk: Technological developments in alternative energy such as natural gas, nuclear, hydroelectric, wind and solar may reduce the demand for coal, thereby adversely impacting our operations, finances and business prospects.

Mitigation: In 2011, we established PT Adaro Mining Technologies (AMT) to focus on research and development of coal upgrading techniques, coal gasification and coal liquefaction. Our goal is to optimize use of our coal reserves through technology development. We believe coal remains among the cheapest sources of energy and will continue to play a big part in the future global energy mix.

Cyclicality and fluctuation in coal prices

Risk: As a commodity, coal is subject to global prices that may fluctuate due to supply and demand dynamics, geopolitical factors and changes in the world economy. The price of Envirocoal is also affected by the value the market will place on environmentally friendly coal and other economic benefits of Envirocoal. An extended decline in global coal prices or the price for Envirocoal may adversely affect our operations, finances and business prospects.

Mitigation: To reduce the risk of price fluctuations, we secure long-term sales contracts with customers using annual price negotiation. Most of our pricing is based on the Japanese reference price, which is typically fixed for one year, while part of our pricing is index-linked to a trailing average of several global indices.

Global economic crisis

Risk: The uncertainty in the global economic condition and continued weak sentiment may adversely affect the demand and price for coal, which will affect our profitability. In addition, many banks will also tighten their credit, which may increase our financing costs.

Mitigation: We maintain geographical diversification to reduce risk as AI sells its Envirocoal to 53 customers in 15 countries. Our large group of partner banks and bond holders continues to be very supportive of Adaro, with approximately US$420 million in undrawn facilities as of the end of December 2012.

Fluctuation in currency exchange rate

Risk: Fluctuation in the US dollar rate may adversely affect our financial results since it is the denominated currency for all of our export sales, most of our cost of sales and debt.

Mitigation: We have a natural hedge to reduce currency risk. All of our export sales and a significant portion of our domestic sales are priced, invoiced and received in US dollars (with the remainder mostly in rupiah). However, our cost of sales and operating expenses are also denominated and paid substantially in US dollars (with the remainder mostly in rupiah). Furthermore, our financial results are presented in US dollars internally and externally.

Fluctuation in interest rates

Risk: Unanticipated changes in interest rates can cause financial risk if not managed properly.

Mitigation: When appropriate, AI and SIS have entered into interest rate swap contracts to hedge floating interest rates into fixed-rate payments with our partner banks.

The movement of traffic inside our mining areas is strictly controlled and safety is paramount to minimize accident risks. Heavy dump trucks have priority and regular vehicles always carry high pennants to aid visibility for the truck drivers.

Exploration and coal deposit acquisitions

Risk: Buying non-producing coal deposit assets is much less expensive than buying producing ones but does pose risks, including the speculative nature of exploration activities, development, licensing, construction and logistics in remote locations with infrastructure bottlenecks and overlapping issues.

Mitigation: In 2011, we formed PT Adaro Explorasi Indonesia (AEI) to look for and evaluate new coal deposits across Indonesia, either through mergers and acquisitions or exploration. The three main criteria for our targets are size, location and quality of the assets. We take a conservative approach before investing. Although getting accurate exploration figures is crucial, we understand the critical importance of securing corridors to transport the coal and obtaining the necessary licenses through legitimate channels.

Operational-Level Risks

Unusual and unseasonable weather patterns

Risk: Unexpected weather patterns may include heavy rainfall and flooding, which can lead to disruptions along our coal supply chain from mining and haulage to barging and shiploading. AI's mining operations have to be halted during rain as the ramps can get too slippery for dump trucks. MBP's shiploading can also be disrupted by heavy rain at the Taboneo anchorage.

Mitigation: We conduct numerous initiatives to minimize disruption from unusual weather patterns. We supply additional dredging systems to increase pit dewatering and pumping performance, weatherproof our pit haul roads with special rock material to reduce stoppage time, and hire a hydrologist to better predict the movement, occurrence and distribution of rainfall.

Fuel supply

Risk: A disruption in fuel supply due to natural disasters, unstable political situations or unusual weather patterns may adversely affect our operations and finances, given that we consume around 600 million liters of fuel every year for our operations along the supply chain.

Mitigation: We have entered a long-term fuel supply agreement to guarantee fuel needs for our operations. In 2009, our subsidiary IBT signed a BOOT (build-own-operate-transfer) agreement with PT Shell Indonesia to build a storage terminal with a total annual capacity of 720 million liters at IBT's facility in Pulau Laut, South Kalimantan. This both secures our fuel supply for our mining operations and develops third-party liquid bulk business for IBT.

Fluctuation in fuel price

Risk: We bear the full risk of fuel price fluctuations as we procure and manage fuel for all mining contractors; it is not incorporated in the contract sales. Fuel accounts for about 25% of our mining costs. Thus, any significant increase in fuel price would cause a corresponding increase in our costs.

Mitigation: As we centralize fuel procurement, we enter into fuel hedging contracts to meet our fuel requirements on a selective basis. We also aim to reduce our dependency on oil through infrastructure projects such as the 2x30MW mine-mouth power plant in South Kalimantan, which will be operational in 2013. Additionally, we require our contractors to reduce fuel usage by 2% each year.

Ability to obtain heavy equipment, machinery and other engineering supplies	
Risk: The inability to acquire the necessary heavy equipment and machinery such as excavators, dump trucks, bulldozers, graders, hauling trucks, coal crushing plants, materials-handling systems and other engineering supplies to maintain roads and rivers may adversely impact our expansion plan, operations and finances.	**Mitigation:** We have secured long-term supply agreements with key suppliers for heavy equipment delivery to shorten the lead time and guarantee supply.

Overburden Crushing and Conveying System (OPCC)	
Risk: Damage to the OPCC from fire, natural disasters, human error or breakdown of critical machinery/spare parts. Failure to get sufficient power supplies from MSW's 2x30MW mine-mouth power plant may cause long stoppage on the OPCC, resulting in financial losses and operation disruption.	**Mitigation:** We engage third-party experts to train our employees and develop proper operations and maintenance plans. We also plan to purchase insurance to mitigate risk and uncertainty in running the OPCC.

Events	
Risk: Disruptions along our coal supply chain due to damage to assets from fire, vandalism, natural disasters, explosions, equipment failure, bridge collapse, coal-loading jetty damage or washed-out roads may delay or stop coal delivery to our customers. This may adversely affect our operations, finances and reputation with our customers.	**Mitigation:** We have a well-defined standard operating procedure to anticipate disruption and improve co-ordination along our coal supply chain. We have also developed a Business Continuity Management Plan to respond to any significant events and normalize business activity as soon as possible. In addition, we have extensive insurance coverage for property, all risks and business disruptions, heavy equipment, marine cargo and marine hulls.

Employees	
Risk: Coal mining and power are not only labor-intensive industries but also require specialized knowledge, expertise and experience. A shortage of skilled engineers, mining operators, heavy equipment operators and other technical service personnel may disrupt our operations and delay our expansion projects.	**Mitigation:** In 2010, we established the Adaro Institute as a learning center to meet our manpower needs. One of its programs is the Mining Professional Development Program (MPDP) to identify and develop talented engineering graduates to learn mining activities such as exploration, exploitation, health, safety, environmental and production statistical analysis. In addition, our subsidiary, SIS, offers an Operator Preparation Program (OPP) and a Mechanics Preparation Program (MPP) as part of our commitment with the regional government to tackle local unemployment.

Health, Safety and Environment	
Risk: Serious injury and fatality to employees, contractors and community members can disrupt our mining operations through fines, liabilities to employees or third parties, and even *force majeure* ordered by the government on a temporary or permanent basis.	**Mitigation:** The safety, health and wellbeing of our employees and contractors is essential in running low-cost and low-risk operations. In 2012, we included "Quality" in the scope of health, safety and environmental functions to refer to ISO 9001 quality management. We also conducted 62 safety training sessions, attended by 1,041 people, as well as launched the Safety Accountability program to minimize accident risks. The Emergency Response Team, which was formed in 2007 and comprises a specially trained group within the mining area, continued to provide immediate response to all types of emergency. Furthermore, the use of GPS technology along our coal supply chain has served to improve efficiency and reduce accident risks through better monitoring.
Risk: Occupational health risks from coal dust, overburden dust and noise can lead to penalties, liabilities to employees or third parties and damage our reputation.	**Mitigation:** Our initiatives to reduce dust include using water trucks at our mining operations, paving our haul road with chipseal and using covered dumping stations over crusher hoppers as well as water spray systems with dust suppression chemicals for coal stockpiles and conveyor transfer points at the Kelanis river terminal.
Risk: Dengue fever and other infectious diseases also pose health risks for our employees and have an impact on our business activity.	**Mitigation:** We provide on-site medical facilities for the treatment of injuries and illnesses, including dengue fever and other infectious diseases that occur occasionally at the Kelanis and IBT terminal. We also carry out periodic health maintenance checks and provide medical hospital allowances for in-patient and outpatient care for all our employees.

Risk: Environmental risks from fuel leaks during loading and discharging, and hazardous waste on river or land can disrupt our mining operations and incur fines and regulated liabilities for environmental remediation. The government can also close down our mining operations on a temporary or permanent basis, or it can refuse to approve future mining plans. Under AI's Coal Cooperation Agreement, AI must reclaim and rehabilitate all mined land in its concession area.	**Mitigation:** Our environmental management system is aligned with ISO 14001 standards. We ensure that mine water from pit dewatering and surface run-off has been treated in settling ponds before discharge. We also develop model reclamation at AI ex-mining areas to replant vegetation as soon as the land development is ready. In addition, we require our contractors to implement our fuel handling management system or risk contract termination. AI received the PROPER Gold award in 2012, the Indonesian government's highest award for environmental rehabilitation excellence, and is the only Indonesian mining company to have received this award.
Community relations	
Risk: Issues with the local communities surrounding the areas where we operate may arise from our business activities, and may include disputes over land acquisition, settlement relocation and blockages. Any failure to successfully settle local community issues may impact our business, operations and finances.	**Mitigation:** Our exemplary production growth for 21 years would not have been achievable without the support of the local communities. We have a unique approach in that we partner and grow with the community. We identify the needs and concerns of the people affected by our operations through several community development programs in health, education, economy and culture.

A Note on Indonesia's Regulatory Environment

The Government of Indonesia recently enacted Law No. 4 of 2009 regarding Mineral and Coal Mining to replace Law No. 11 of 1967 on the Basic Provisions of Mining. Law No. 4/2009, commonly known as the New Mining Law, introduced significant changes to the regulatory regime of the mining industry in Indonesia, including:

a. Conversion of the Mining Authorization (KP) into the Mining Business Permit (IUP);
b. On the roles and authorities of the central, provincial and regional governments;
c. On the obligations and restrictions of mining concession holders;
d. On the policies and procedures related to mining concessions;
e. On coal miners prioritizing national and domestic interests;
f. On matters relating to pre-2009 contractual-based mining concessions (contracts of work and coal co-operation agreements).

The New Mining Law was further clarified by its implementing regulations, as follows:

• In September 2009, the Ministry of Energy and Mineral Resources (MEMR) issued Ministerial Regulation No. 28 of 2009 on the **Conduct of Mineral and Coal Mining Service Businesses**, which provides a legal framework for the use of mining services in conducting mineral and coal mining activities in Indonesia. It provides specific requirements in the use and appointment of mining services contractors. On October 8, 2012, this regulation was partially amended with Ministerial Regulation No. 24 of 2012.

• In December 2009, MEMR issued Ministerial Regulation No. 34 of 2009 on the **Domestic Market Obligation for Minerals and Coal**. This obliges mining companies to sell a portion of their output to domestic customers for the national interest (known as Domestic Market Obligation or DMO) and applies to all types of coals and minerals. On October 11, 2011, the ministry issued Ministerial Decree No. 1991. K/30/MEM/2011 declaring the minimum DMO percentage for 2012 to be 24.72%. On October 31, 2012, the ministry lowered this to 20.47% through Ministerial Decree No. 909.K/30/DJB/2012 on Setting the Requirement and Minimum Percentage of Coal Sales for Domestic Consumption Year 2012.

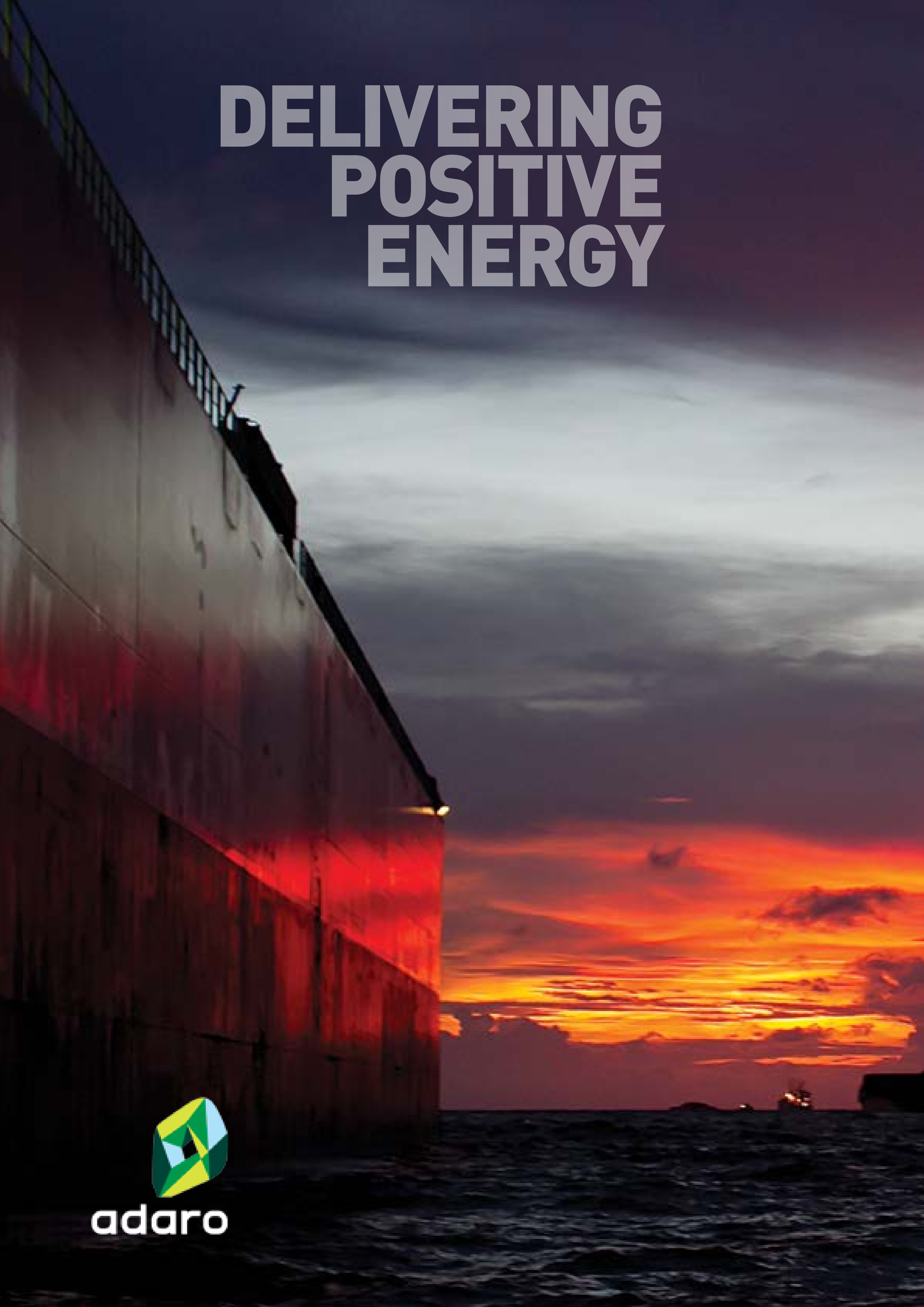
• In February 2010, the Government issued Government Regulation No. 22 of 2010 on **Mining Areas** (GR No. 22/2010) and Government Regulation No. 23 of 2010 on the **Implementation of Mining Business Activities** (GR No. 23/2010). Regulation No. 22/2010 deals with mining areas, while Regulation No. 23/2010 further regulates procedures for obtaining or transferring a Mining Business Permit (IUP), divestment and mining areas. On February 21, 2012, the Government amended this regulation with Government Regulation No. 24/2012.

• In September 2010, MEMR issued Ministerial Regulation No. 17 of 2010 on the **Procedure for the Determination of Benchmark Prices of Mineral and Coal Sales**. This provides the details and mechanism for determining the minimum benchmark prices for mineral and coal sales, and states that coal sales shall be conducted in accordance with the benchmark price issued by the Government.

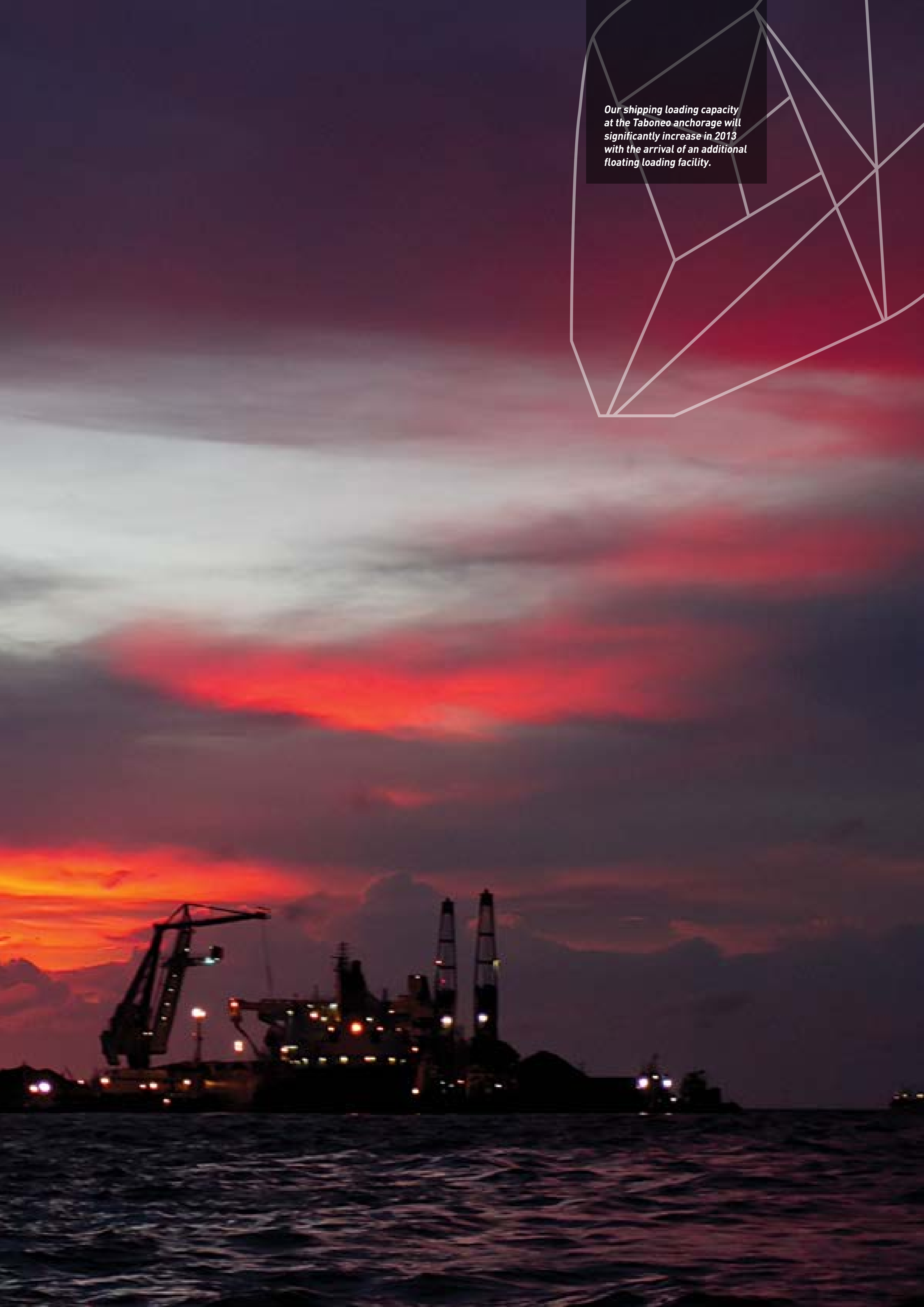
• In December 2010, the Government issued Government Regulation No. 78 of 2010 on **Reclamation and Post Mining**. This matter is also regulated by Energy and Mineral Resources Ministerial Regulation No. 18 of 2008 on Reclamation and Mine Closure, issued by MEMR on May 29, 2008.

Adaro Energy believes that it has exerted its best efforts to monitor and comply with all of these regulations. ■

DELIVERING POSITIVE ENERGY



adaro



Our shipping loading capacity at the Taboneo anchorage will significantly increase in 2013 with the arrival of an additional floating loading facility.


ALKA
AMFG
AMRT
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Creating Sustainable Value
From Indonesian Coal
On Track
to Build a Better and
More Efficient Adaro Energy
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IN THIS SECTION

OUR INVESTORS

'I'm confident that our long-term growth strategy is solid. In a marathon, you don't judge the winner in the first half of the race.'

David Tendian, Director & Chief Financial Officer

Investor Relations
Building Understanding of Adaro Energy

We have an active global investor relations (IR) program consisting of six IR professionals with the principal goal of helping to lower Adaro Energy's cost of capital through timely, symmetrical and balanced disclosures. We believe that good, clear and credible communication will build trust and understanding, resulting in maximum shareholder value.

Therefore we maintain active interaction and engagement with key capital market participants, including institutional investors, analysts, potential investors and financial media. We place a great deal of importance on engaging in dialogues, especially with long-term focused institutional investors, about the company's latest developments, strategic vision and how we achieve our objective of creating maximum value from Indonesian coal.

In IR, we believe that in terms of building a great company, sometimes the narrative is more important than the mission statement. Once people understand where we came from and can see where we're going, they can share in the excitement and may eventually want to become a part of the narrative.

To ensure that public information is being conveyed accurately in a timely manner, and to ensure consistent messaging throughout the company, IR has active support from different information sources and leaders within the Group, including Corporate Secretary, Finance, Legal, Marketing, Operations, Project Development and Business Development. We believe that a strong culture of internal disclosure is essential for good external disclosure.

As part of the Finance Department, IR reports to the Director and Chief Financial Officer. However, as the main liaison between the company and the capital market, IR communicates with all members of the Board of Directors (BoD) and many different parts of the company. Support from the BoD and the rest of the company was evident in their participation in several conferences and roadshows in 2012. Our Vice President Director and Deputy CEO, Ario Rachmat, participated in one of our US roadshows, our Director and CFO, David Tendian, supported us in conferences we attended in Hong Kong and Singapore. Our Director and Chief Legal Officer, M. Syah Indra Aman, participated in a public expose held by the Indonesian Stock Exchange. Senior marketing, business development, exploration and operations personnel also frequently joined us in roadshows, conferences and site visits. Early in 2013, our President Director and CEO, Garibaldi Thohir, attended a meeting with one of our largest public shareholders.

2012 Activities

During 2012 we had regular presentations and meetings with key financial market participants. We took part in 18 conferences and six roadshows, including our first domestic roadshow, as well as organized four site visits for analysts, institutional investors and financial media. We believe there is no such thing as a non-deal event, in that we take every roadshow, conference and site visit seriously and believe that each one is part of a real money-raising deal that has yet to be determined.

When we are on the road, we are not necessarily looking for investors alone, but for partners. Mining is a long-term investment, and as with our other stakeholders such as customers or contractors, we ultimately hope to find good partners in the capital market who will join us in a long-term project of value creation. We continuously and proactively maintain close, trusting relationships with our investors such that when the time is right, we can help to quickly deliver optimal funding and the best-suited investors for the company.

On top of the roadshows and conferences, we also engaged in an advertising campaign centered on international financial media such as Bloomberg, Institutional Investor, Finance Asia, Euromoney and Asia Money to increase recognition. Last year, we engaged in our first non-traditional advertising campaign by placing advertisements in Hong Kong Airport Express trains at the time of a major investor conference.

As well as issuing regular press releases, we also issue a detailed Quarterly Activities Report, which goes beyond the requirements of compliance rules. Once information is submitted to the Indonesia Stock Exchange, it is uploaded onto our website at www.adaro.com and then distributed to a recipient list by email. We continue to institutionalize the IR task in order to keep the market informed in a timely and balanced manner.

In 2013, in addition to maintaining our standard

A good day in the markets: ADRO, Adaro Energy's stock code, shows an uptick on the large display board outside the Indonesia Stock Exchange in central Jakarta earlier this year. 2012 was a rollercoaster year, with the share price swinging between Rp1,200 and Rp2,000.

Rp 1,606

Adaro Energy average share price in 2012

38.9 million

Adaro Energy average daily volume of shares traded, the second-highest in the Indonesian coal sector and double the sector average of 19.5 million shares

Reaching out: Adaro Energy advertisements in Hong Kong Airport Express rail carriages to coincide with an investor conference in 2012.

programs to build understanding, recognition and the credibility of Adaro Energy in the capital market, and meeting or beating our peers on various IR performance measurements, we will also be giving attention to improving our focus and internal processes, building and bettering our internal network and internal disclosure, lowering our costs, refining our policies and strategies, better defining job descriptions and building our teams with better organization as well as training.

Disclosure Policy

We developed a disclosure policy in 2008, and subsequently a disclosure team comprising senior managers from IR, Corporate Secretary, Legal, Operations, External Relations and Marketing. The execution of the disclosure policy is imperative to ensure compliance with prevailing rules and regulatory requirements as well as to help reduce volatility, improve market valuations, increase liquidity, improve Adaro's credibility and enhance shareholder value. The disclosure policy was formalized in 2009 to provide clear guidance on the disclosure of material information and regular disclosure activities. The launching of the disclosure policy reaffirmed our commitment to provide timely, orderly, consistent and credible information in making all required disclosures on a broadly disseminated basis.

We believe that our disclosure activities in support of corporate governance went beyond what is required by market regulations in 2012. Examples of progress made include a regular Adaro Energy Quarterly Activities Report, presentations and meetings during non-deal roadshows and investor forums, and the disclosure of fair and balanced information to the capital market.

As of year-end 2012, Adaro had one of the highest numbers of analysts covering the company in the Indonesian coal sector, with coverage from at least 32 analysts from domestic and international brokerages. We had a Bloomberg consensus rating of 3.97 (on a scale of 5) consisting of 17 buys, 10 holds and 3 sells.

Our average daily trading value in 2012 was US$6.8 million, the second highest in the Indonesian coal sector and above the sector average of US$4.1 million. As of year-end 2012, our top 10 public shareholders consisted of blue-chip, long-only institutions that together held 11.4% of Adaro Energy.

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Adaro Energy Director and CFO David Tendian (far right) taking part in a round table forum on 'Indonesia as the Next Investment Destination' in Singapore in September 2012.

Analysts Covering Adaro Energy as at Dec. 31, 2012

Firm	Analyst	Location	Contact
OSK	Yusuf Ade Winoto	Jakarta	yusuf.winoto@id.oskgroup.com
JP Morgan	Stevanus Juanda	Jakarta	stevanus.x.juanda@jpmorgan.com
DBS Vickers	Ariyanto Kurniawan	Jakarta	ariyanto.kurniawan@id.dbsvickers.com
Goldman Sachs	Nikhil Bhandari	Singapore	nikhil.bhandari@gs.com
CIMB	Erindra Krisnawan	Jakarta	erindra.krisnawan@cimb.com
Bahana Securities	Irwan Budiarto	Jakarta	irwan.budiarto@bahana.co.id
Trimegah Securities	Frederick Daniel Tanggela	Jakarta	frederick.daniel@trimegah.com
Kim Eng Securities	Lucky Ariesandi	Jakarta	Lucky.Ariesandi@maybank-ke.co.id
Standard Chartered	Yan Chen	Hong Kong	y.chen@sc.com
Barclays	Ephrem Ravi	Hong Kong	ephrem.ravi@barclays.com
Nomura	Isnaputra Iskandar	Jakarta	isnaputra.iskandar@nomura.com
Sucorinvest	Gifar Indra Sakti	Jakarta	gifar@sucorinvest.com
Samuel Sekuritas	Yualdo T Yudoprawiro	Jakarta	aldo@e-samuel.com
Panin Sekuritas	Fajar Indra	Jakarta	fajar@pans.co.id
Credit Suisse	Ami Tantri	Jakarta	ami.tantri@credit-suisse.com
Indo Premier Securities	Handoko Wijoyo	Jakarta	hwijoyo@ipc.co.id
RHB Research Institute	David Chong	Kuala Lumpur	david.chong@rhb.com.my
Citi	Mark Liinamaa	Hong Kong	mark.liinamaa@citi.com
Batavia Prosperindo	Yasmin Soulisa	Jakarta	yasmin@bps.co.id
Macquarie	Riaz Hyder	Jakarta	riaz.hyder@macquarie.com
NISP Sekuritas	Elin Tjhai	Jakarta	elin.tjhai@nispsekuritas.com
BNP Paribas	Prama Chusnun	Jakarta	prama.chusnun@asia.bnpparibas.com
ONIX Capital	Bagus Hananto	Jakarta	bagus.hananto@ocap.co.id
BNI Securities	Viviet S Putri	Jakarta	viviet@bnisecurities.co.id
Deutsche Bank	Cherie Khoeng	Jakarta	cherie.khoeng@db.com
Mandiri Sekuritas	Herman Koeswanto	Jakarta	herman.koeswanto@mandirisek.co.id
UBS	Andreas Bokkenhuser	Singapore	andreas.bokkenheuser@ubs.com
Bank of America Merrill Lynch	Daisy Suryo	Singapore	daisy.suryo@baml.com
Morgan Stanley	Ruben Kurniawan	Jakarta	ruben.kurniawan@morganstanley.com
Kresna Securities	Andhika Bagus Ramadhanto	Jakarta	andhika.ramadhanto@kresnasecurities.com
AAA Sekuritas	Bei Djody	Jakarta	bei.djody@aaasecurities.com
Ciptadana	Syaiful Adrian	Jakarta	adriansyaiful@ciptadana.com

Adaro Energy Perception Survey
How the Market Sees Us

Every year we conduct a perception survey to better know what investors really understand and perceive about Adaro Energy. Communication is a two-way street, and without this kind of feedback we cannot know if market activities are based on a good understanding of the firm.

In addition to helping to shape corporate strategy, these surveys are also used to judge if the firm is doing a good job of educating the market and building understanding of our business and outlook.

The perception survey results here showed a market place that, in common with our firm, is going back to basics. Perhaps the volatility has been exhausting so we see respondents highlighting solid fundamentals as among the most important criteria for investing in Adaro.

It was interesting to note that while we are still seen predominantly as a coal miner, 30% of respondents saw us as an integrated energy company. This, together with other positive comments on our strategy, signals more acceptance of our move into more reliable, less risky power generation during times of cooling coal prices.

As well as power, most aspects of our corporate strategy were understood, judging by the responses, such as not aiming for short-term cash generation and staying focused on Indonesian coal.

Another point of interest is that we are more than just an emerging-market, or Indonesian, investment, with more respondents than last year saying they would invest in Adaro because we are in mining, commodities or energy, suggesting that our efforts to target mining investors may be paying off.

Respondents rated substantially all aspects of our business to be very good except for our recent coal acquisitions, which they felt are just average. We have more work to do to explain the merits of these acquisitions, which take several years to develop. At the same time, 62% of respondents said we should not stop developing these new acquisitions.

There is so much valuable information we get from conducting these surveys. Thank you to all who participated.

> More respondents than last year said they would invest in Adaro because we are in mining, commodities or energy, suggesting that our efforts to target mining investors may be paying off.

The survey results in full, based on the answers of 212 respondents:

Please check the one that best describes you:

Shareholder	9.4
Equity Investor - hedge fund	1.6
Equity Investor - long only	17.3
Bond Investor	7.8
Institutional Sales	4.7
Sell Side Analyst	20.3
Journalist	4.2
Employee	**22.4**
Other	**22.4**

What is your preferred method of receiving information from companies?

Corporate website	19.9
Social media	1.6
BBM, texting	1.6
Telephone	2.1
Conference calls	1.0
Email	**59.2**
In person meetings	14.7

What is your preferred data source when analyzing investments?

Websites	13.2
Social media, Blogs	1.6
Print media	3.7
Analyst/broker	18.9
Company reports	**41.6**
Company representatives/IR	21.1

What are your two most important considerations in making a decision to invest?

Dividend yield	18.4
Earnings per share	14.2
Free cash flow	17.9
Revenue projections	10.5
Competitive advantage and sector trends	**33.7**
Capital appreciation	5.8
Management and planning	26.8
Outlook	26.3
Fundamentals	**43.2**

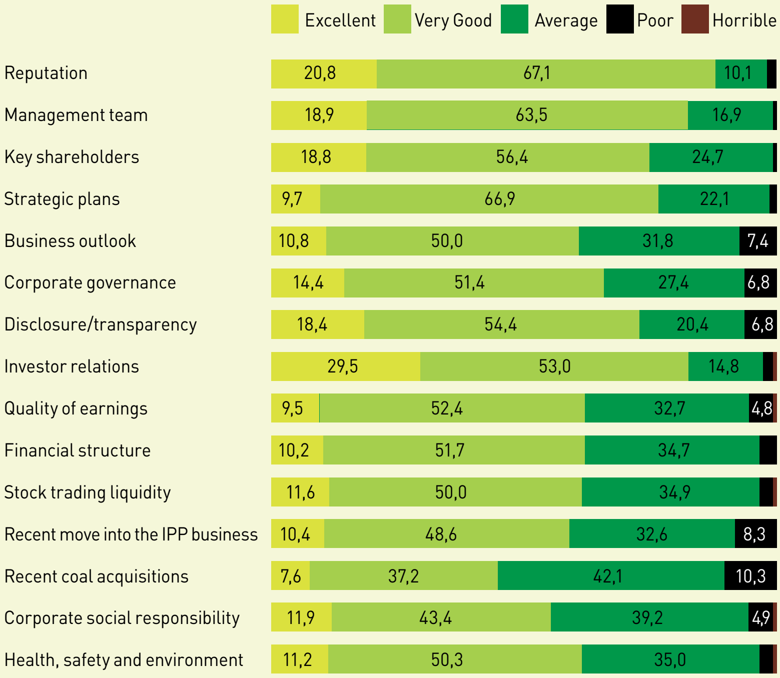
Select the one that best describes Adaro Energy:

Indonesian	9.5
Family-run company	3.8
Integrated energy company	29.7
Coal miner	**50.0**
International mining corporation	7.0

Select two to describe why one would invest in Adaro:

Emerging market	17.4
Indonesian	11.6
Asian	1.9
ASEAN	2.6
Dividend	1.3
Long-term	14.8
Value	13.5
Capital appreciation	2.6
Growth	20.0
Mining	13.5
Commodity	14.8
Energy	**24.5**
Solid fundamentals	**31.0**
Management and planning	15.5
Corporate governance	8.4
Transparency	7.7

Select one to describe Adaro's:



Do you feel the market has a good understanding of Adaro's business or are there significant misperceptions?

Very well understood by the market 7.3
Good understanding **53.3**
General understanding 32.7
Not well understood 6.7
Significant misperceptions by the market 0.0

How do you rank Adaro against its peers?

Much better 29.6
Better **55.3**
Same 13.8
Worse 1.3
Much worse 0.0

Do you think Adaro Energy should:

	Yes	No	Indifferent
Expand internationally	38.0	46.7	15.3
Diversify into other minerals	29.0	58.0	13.0
Increase spending on research and development	51.4	28.3	20.3
Increase focus on coal enhancement technologies	70.3	18.8	10.9
Focus more on short-term cash generation	28.5	53.3	18.2
Consider other sources of energy such as gas, geothermal and hydro	54.7	32.1	13.1
Increase downstream move into the power generating (IPP) business	71.7	16.7	11.6
Take less risk	35.1	36.6	28.4
Take more risk	27.9	44.9	27.2

In consideration of current market conditions, do you believe Adaro Energy should continue on developing its newly acquired coal deposits in South Sumatra and East Kalimantan, or put those developments on hold and focus on cost reduction at existing operations?

Continue to develop newly acquired coal deposits as planned 23.6
Continue to develop the newly acquired coal deposits, but slightly reduce expenditures **39.3**
Delay expenditures on the newly acquired coal deposits and focus on cost reduction until conditions improve 34.3
Cancel further expenditures, put the acquisitions up for sale and focus only on existing operations 2.9

Do you believe...

	Yes	No	Indifferent
Coal mining is a long term, capital-intensive and cyclical business, which may result in periods where cash flow and returns temporarily decline. Adaro should be doing more to "smooth" out long term cash flow and returns by moving into less long term or less cyclical businesses	49.3	35.3	15.4
Adaro Energy has a good record for health, safety and the environment	66.7	5.0	28.4
Adaro Energy has a good record of community development, or in other words, has a good record of corporate social responsibility	66.7	12.9	10.1
In the long term fundamentals of the coal business	77.0	12.9	10.1
The US shale gas "revolution" poses a threat to the Asian coal markets	46.4	45.0	8.6
China's concerns with pollution will require it to significantly reduce its consumption of coal	32.9	61.4	5.7
If China's economy continues to cool, it will be able to begin exporting coal once again	38.6	47.9	13.6
India will be able to boost domestic coal production significantly such that it does not require imports	10.7	77.9	11.4
ASEAN will be the next region to experience significant economic growth	89.3	4.3	6.4
Concerns about the environmental impact of coal pose a significant threat to Adaro Energy	33.8	48.9	17.3
Concerns of heightened resource nationalism in Indonesia pose a significant threat to Adaro Energy	44.6	48.9	6.5
The business climate and standards in Indonesia pose a threat to Adaro Energy	33.3	51.8	14.9
The regulatory environment in Indonesia poses a threat to Adaro Energy	50.0	40.7	9.3
Coal brings benefits to society that outweigh the environmental costs	61.7	16.3	22.0

How often do you visit Adaro's website?

Very often 5.1
Often 21.7
Occasionally **47.1**
Rarely 20.3
Never 5.8

How would you rate...

Excellent / Very Good / Average / Poor / Horrible

	Excellent	Very Good	Average	Poor	Horrible
The quality of information provided by Adaro Energy's website and email alerts	10.4	56.7	29.9		
The transparency of Adaro Energy's financial reporting and disclosure	11.2	64.9	22.4		
The credibility and candor of the Adaro Energy IR team	26.3	58.6	13.5		
The quality and depth of the Adaro Energy IR team's answers to your inquiries	26.5	47.0	25.0		
The industry knowledge of Adaro Energy's IR team	25.6	54.9	18.8		
The accessibility and responsiveness of Adaro Energy's IR team	23.1	56.9	20.0		
Adaro Energy's IR in terms of providing access to senior management	13.1	58.5	23.8	4.6	
Adaro's Annual Report	24.2	62.9	11.4		
Adaro's Quarterly Activities Report	21.4	64.1	13.7		
Adaro's press releases	15.2	62.1	22.0		
Adaro's investor presentations	19.8	58.0	19.1		
Adaro's email alerts	11.5	53.1	31.5	3.1	
Adaro's results conference calls	10.3	53.2	31.0	3.2	

On which area(s) should Adaro focus its efforts to improve investor relations:

Better quality disclosures **36.3**
More timely disclosures 27.4
Better address specific financials 25.8
Better convey corporate strategy and objectives..........**49.2**
Better promotional and marketing efforts......................13.7
More media engagement, interviews 23.4
Create more news flow 18.5
Better access to the Board of Directors........................17.7
Better website 14.5

Shareholder Information

Optimism in 2012 Turned Into a Rollercoaster Ride

On July 16, 2008, Adaro Energy listed 32 billion shares publicly on the Indonesian Stock Exchange in an Initial Public Offering (IPO) of 35% or 11 billion shares, raising Rp12.2 trillion (US$1.3 billion). The IPO was held to allow acquisitions to be made to simplify the corporate structure into a single holding company with independent yet integrated operating subsidiaries acting as profit centers.

Increasing control of subsidiaries was aimed at enabling Adaro Energy to better control and strengthen its coal supply chain, and it has successfully allowed us to build synergies among different business units and create a more efficient, profitable and bigger Adaro Energy.

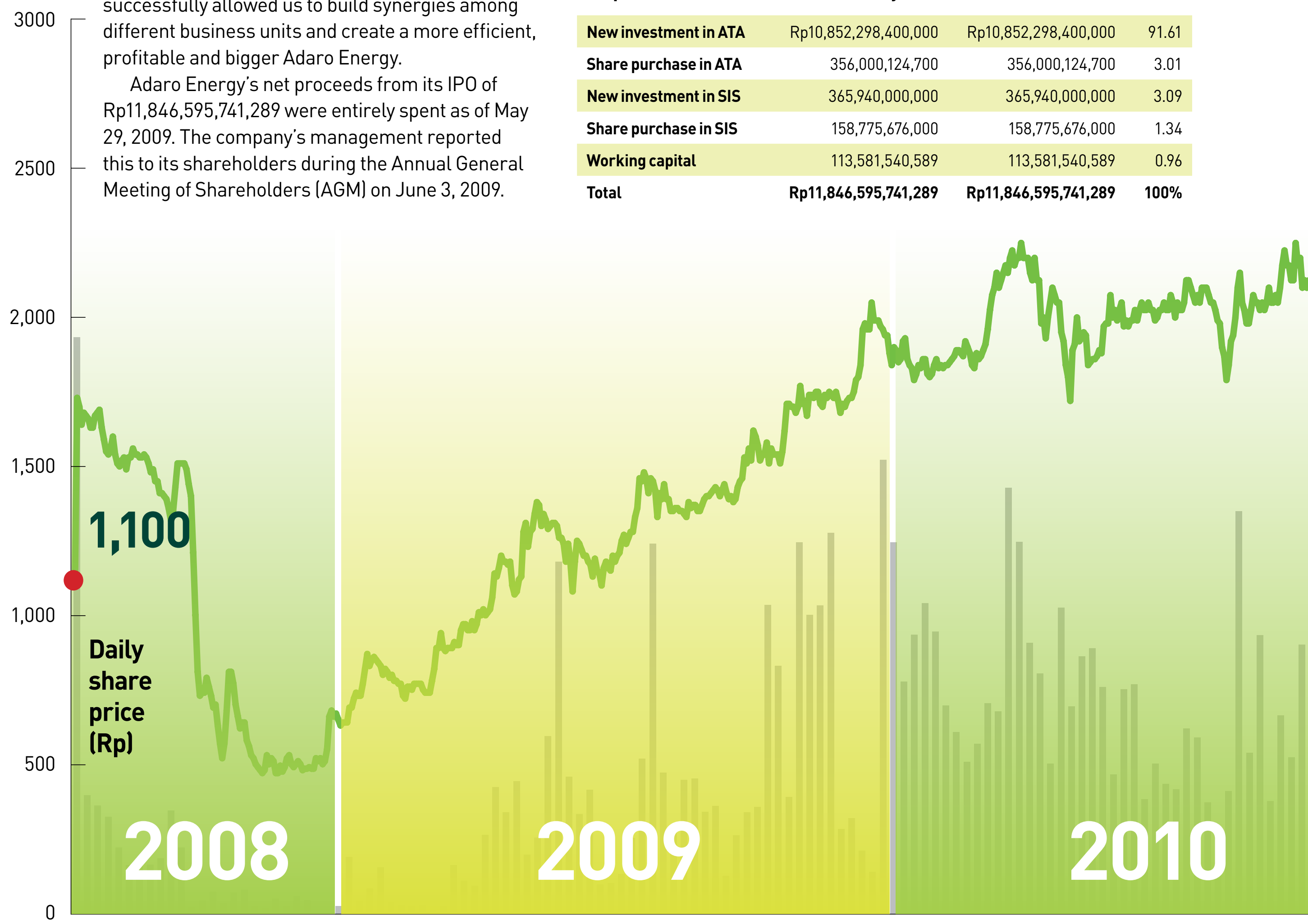
Adaro Energy's net proceeds from its IPO of Rp11,846,595,741,289 were entirely spent as of May 29, 2009. The company's management reported this to its shareholders during the Annual General Meeting of Shareholders (AGM) on June 3, 2009.

IPO Highlights

IPO share price	Rp 1,100
Number of shares issued in IPO	11,139,331,000
Number of listed shares after IPO	31,985,962,000
IPO shares by percentage	34.83%
Total proceeds from IPO	Rp 12,253,264,100,000
IPO fees	Rp 406,668,358,711
Net proceeds from IPO	Rp 11,846,595,741,289

Spending of IPO Proceeds

Purpose	Projected	Realized	%
New investment in ATA	Rp10,852,298,400,000	Rp10,852,298,400,000	91.61
Share purchase in ATA	356,000,124,700	356,000,124,700	3.01
New investment in SIS	365,940,000,000	365,940,000,000	3.09
Share purchase in SIS	158,775,676,000	158,775,676,000	1.34
Working capital	113,581,540,589	113,581,540,589	0.96
Total	**Rp11,846,595,741,289**	**Rp11,846,595,741,289**	**100%**



Quarterly Share Price Since IPO

	2008		2009				2010				2011				2012			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Open	1,100	1,400	490	900	1,190	1,430	1,730	1,960	1,990	2,025	2,550	2,200	2,450	1,720	1,770	1,930	1,450	1,500
Highest	1,730	1,210	1,000	1,450	1,520	1,780	2,075	2,250	2,150	2,650	2,900	2,500	2,700	2,150	2,025	1,970	1,630	1,160
Lowest	1,320	470	485	880	1,070	1,370	1,730	1,700	1,760	2,000	2,175	2,200	1,430	1,500	1,750	1,180	1,320	1,320
Close	1,400	485	880	1,200	1,430	1,730	1,960	1,990	2,025	2,550	2,200	2,450	1,720	1,770	1,930	1,450	1,500	1,590

Shareholder Types at Dec. 31, 2012

Type	Investors	Total shares	% share
Domestic			
Retail	15,628	6,073,216,724	18.99
Corporation	337	17,787,000,345	55.61
Pension Fund	145	258,260,500	0.81
Others	14	14,520,000	0.05
Sub-Total	**16,124**	**24,132,997,569**	**75.45**
Foreign			
Retail	120	16,996,942	0.05
Corporation	737	7,835,967,489	24.50
Pension Fund	0	0	0.00
Others	0	0	0.00
Sub-Total	**857**	**7,852,964,431**	**24.55**
Total	**16,981**	**31,985,962,000**	**100.00**

Largest Shareholders at Dec. 31, 2012

No.	Shareholders	Shares (million)	%
1	PT Adaro Strategic Investments	14,045	43.91
2	Garibaldi Thohir	1,976	6.18
3	Edwin Soeryadjaya	1,360	4.25
4	PT Saratoga Investama Sedaya	1,252	3.91
5	Govt of Singapore Investment Corporation S/A Govt of Singapore	705	2.20
6	Theodore Permadi Rachmat	707	2.21
7	Sandiaga S. Uno	641	2.00
8	PT Jamsostek (Persero) - JHT	556	1.74
9	Ir. Subianto	417	1.30
10	Korea Electric Power Corporation	384	1.20
11	PT Jamsostek (Persero) - Non JHT	320	1.00
12	Brown Brothers Harriman Boston S/A Vanguard Emerging Markets STK INFD	288	0.90
13	GSCO-AdCorp Holdings	259	0.81
14	Bank of New York Mellon SA/NV as Cust Employees Provident Fund	204	0.64
15	PT Prudential Life Assurance-Ref	201	0.63
16	Mellon Bank NA S/A Newton Asian Income Fund	200	0.63
17	PT Trinugraha Thohir	185	0.58
18	Govt of Singapore Investment Corp S/A Monetary Authority of Singapore	180	0.56
19	Credit Suisse AG Singapore Trust A/C Clients - 2023904000	177	0.55
20	PT Taspen (Persero) - THT	171	0.54

Indonesian Stocks in 2012

The year 2012 was greeted with optimism by Indonesia's capital market participants, including the Indonesia Stock Exchange (IDX). The Jakarta Composite Index (JCI) showed an encouraging 12.94% increase from 3,822 points at the end of 2011 to 4,317 on December 28, 2012. On November 26, 2012, the index hit a record high of 4,375.

Meanwhile, total stock market capitalization as of December 26, 2012, amounted to Rp4,084 trillion, up 15.45% from Rp3,537 trillion at the end of 2011. Average daily transactions rose 7.36% from 113,454 in 2011 to 121,809 in 2012.

However, average daily transaction value declined 8.48% from Rp4.95 trillion to Rp4.53 trillion over the same period. Average daily transactions by volume also shrank 12.75% from 4.87 billion shares in 2011 to 4.25 billion shares in 2012.

In 2012, there were 23 new issuances that raised a total of Rp29,859 trillion — Rp10,136 trillion from IPOs, Rp18,086 trillion from rights issues and Rp1,638 trillion from warrants.

Share Price and Volume

IPO price
Rp1,100 (July 16, 2008)

FY12 share price range
Rp1,200 (6/4/2012) — Rp2,000 (2/8/2012 and 2/22/2012)

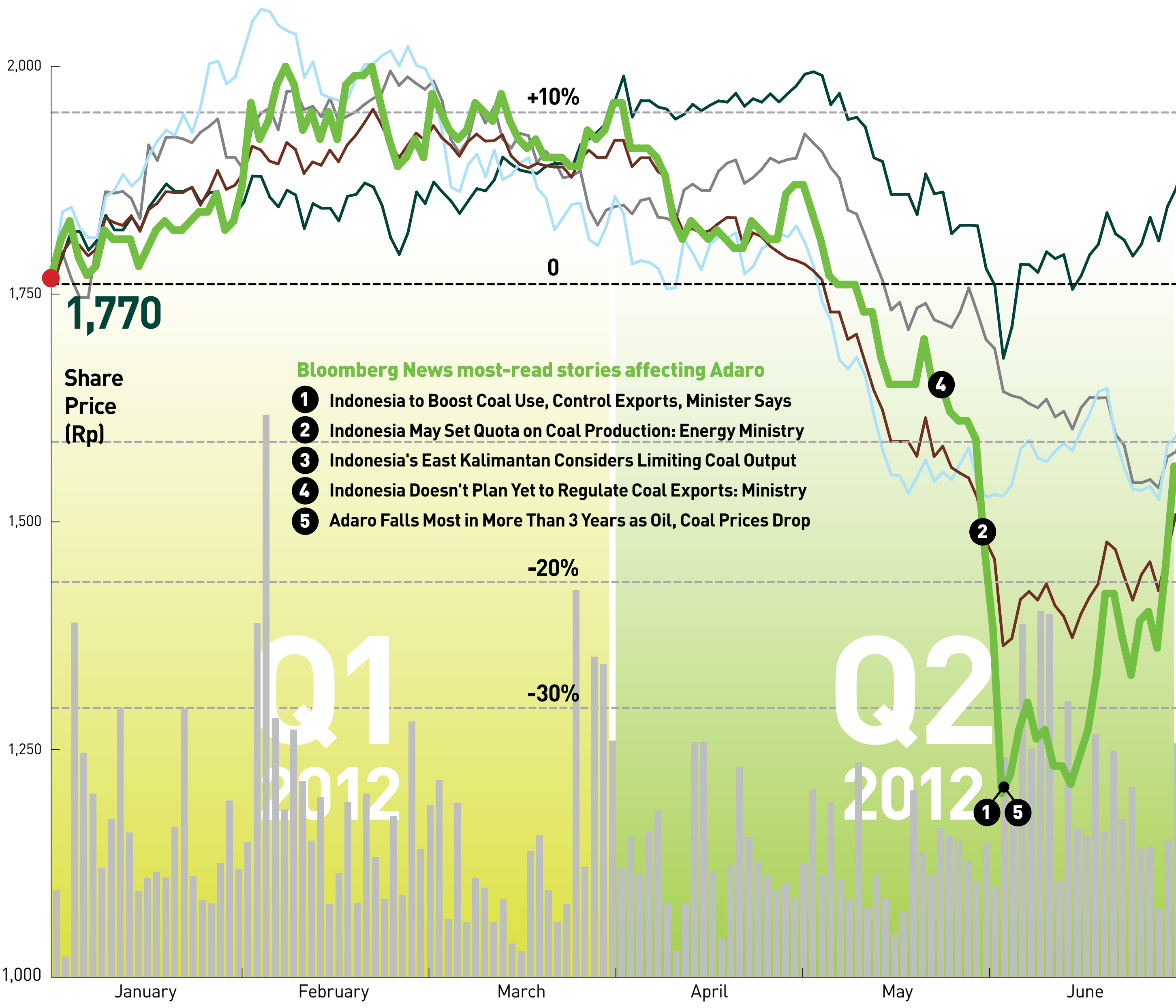
FY12 average share price
Rp1,606

FY12 average daily volume
38.9 million shares, second-highest in Indonesian coal sector and double Indonesian coal sector average of 19.5 million shares per day.

Adaro Share Performance

Adaro's stock suffered a downward trend over 2012, particularly in the second quarter. It hit a high of Rp2,000 on February 22 and low of Rp1,200 on June 4. The year closed with Adaro's stock at Rp1,590, down 10.17% from Rp1,770 at the end of 2011. The downward trend was reflected throughout the mining industry, as seen in the decline of the IDX's Mining Index, due to the continuing global economic weakness.

The decline in Adaro's share price meant a decline in its market capitalization. In October and November 2012, Adaro dropped to second in the ranking of listed mining companies by market capitalization, but returned to the top as Adaro shares picked up in December. By the end of 2012, Adaro's market capitalization was Rp50.86 trillion, a 10.17% drop from the end of 2011. Adaro contributed 1.23% to the total market capitalization of JCI constituents, and it was ranked 18th among total issuers in the IDX by market capitalization. Adaro shares are consistently included in various indices besides the JCI in the IDX, namely the Main Board Index, Mining Index, Jakarta Islamic Index, LQ45, Kompas 100, Bisnis-27 and SRI-Kehati.



ADRO vs International Indices

	July 16 2008 Open	Jan 2 2012 Open	Dec 31 2012 Close	% Change Jan-Dec 2012
ADRO	**1,100**	**1,760.00**	**1,590.00**	**-10%**
IDX Composite	2,215	3,809.14	4,316.69	**13%**
DJIA	10,963	12,397.38	13,104.14	**6%**
S&P 500	1,245	1,277.06	1,426.19	**12%**
FTSE 100	5,172	5,699.91	5,897.81	**3%**
NIKKEI	12,755	8,560.11	10,395.18	**21%**
IDX Mining	2,215	2,528.48	1,863.67	**-26%**
Bloomberg Mining	405	297.98	305.90	**3%**
Bloomberg Coal	903	394.75	363.22	**-8%**
HSBC Mining	5,172	1,154.53	1,152.85	**0%**
HSBC Coal	12,755	1,164.14	967.97	**-17%**

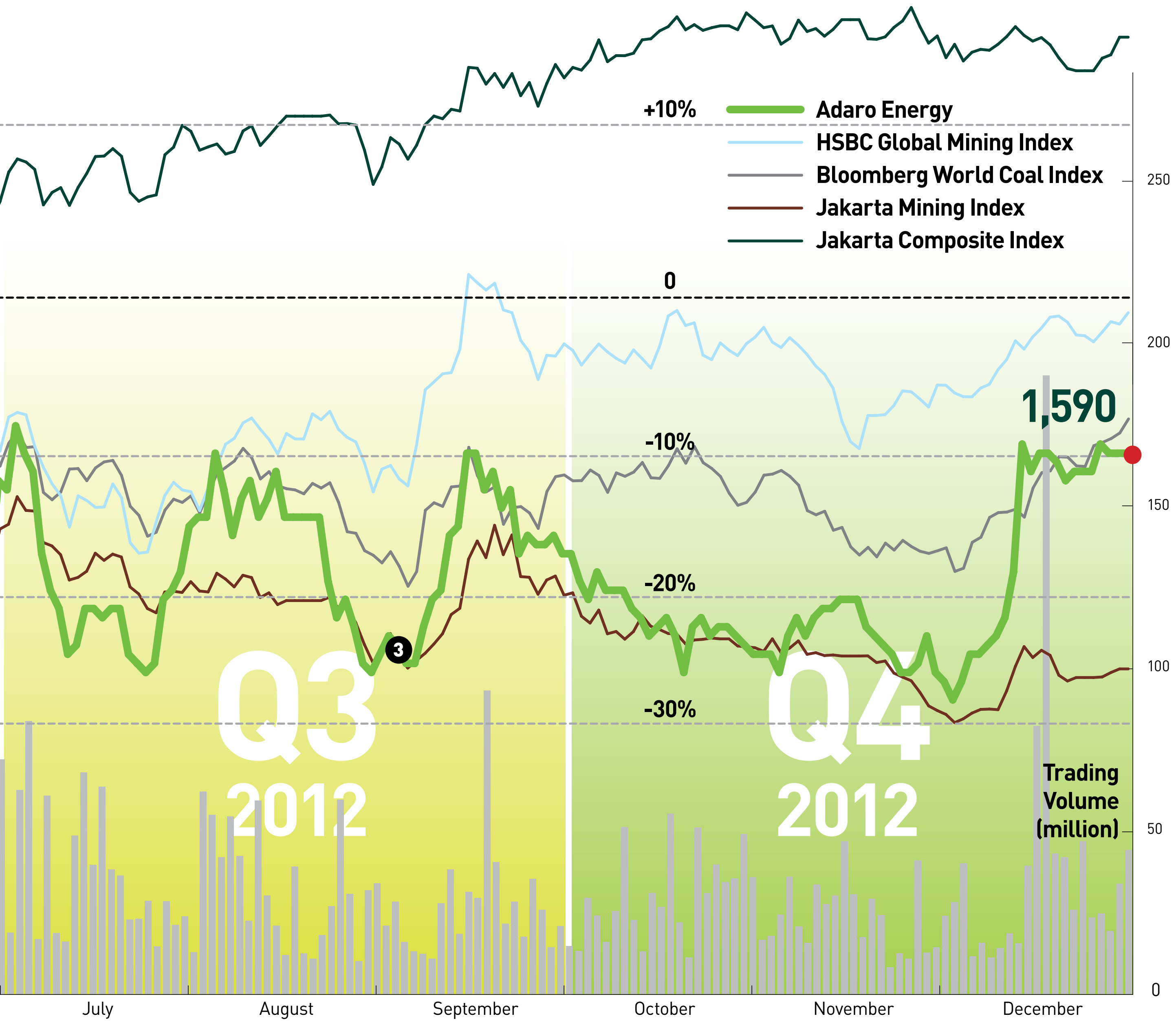
Dividend Payment and Policy

Dividend Payment

On April 27, 2012, Adaro Energy's 2011 Annual General Meeting of Shareholders approved a total dividend payment of US$259.09 million (US$0.0081 per share), equivalent to 47.08% of the 2011 fiscal year net profit. This comprised an interim cash dividend payment of US$75.17 million on December 9, 2011, and US$183.92 million for the final dividend payment.

On April 24, 2012, Adaro Energy's Board of Directors and Board of Commissioners also approved a first interim cash dividend for the 2012 fiscal year in the amount of US$41.58 million (US$0.0013 per share) from the company's net profit, which was reduced by net profit attributable to non-controlling interests for the three months ended March 31, 2012.

The payments for both the 2011 final cash



dividend (US$183.92 million) and the first interim cash dividend for the 2012 fiscal year were implemented on June 12, 2012, in rupiah using the conversion rate of Rp9,333/US$1.

On November 21, 2012, Adaro Energy's Board of Directors and Board of Commissioners approved the second interim cash dividend payment for the 2012 fiscal year in the amount of US$35.18 million (US$0.0011 per share) from the company's net profit, which was reduced by net profit attributable to non-controlling interests for the nine months ended September 30, 2012. The dividend payment was implemented on January 15, 2013.

Dividend Policy

According to Adaro Energy's Articles of Association, if the company books a net profit, then Adaro Energy may distribute dividends to its shareholders upon the recommendation of the Board of Directors after obtaining approval from the General Meeting of Shareholders.

Adaro Energy will declare dividends with respect to:

1) Operating income, cash flow, capital adequacy and the financial condition of Adaro Energy and its subsidiaries with regard to reaching optimum growth in the future;

2) The required fulfillment of reserve funds;

3) Adaro Energy and its subsidiaries' obligations based on agreements with third parties (including creditors); and

4) Compliance with prevailing laws and regulations and GM approval.

The terms of the lending agreements allow Adaro Energy's operating companies to distribute dividends equivalent to up to 50% of the aggregate net profit of the borrowers. The interim dividend can be paid based on the Board of Directors' decision after having obtained the Board of Commissioners' approval. ■

Dividend Distributions SInce IPO

Fiscal year	2008	2009	2009	2010
Type of dividend	Final	Interim	Final	Interim
Net Income	Rp887,198,605,378		Rp4,367,251,806,020	
Date of announcement	5 Aug 09	23 Nov 09	12 May 10	8 Nov 10
Media placement	BI & Republika	BI & Republika	IDI & Republika	BI & Republika
Cum-dividend date (regular & negotiated market)	25 Aug 09	11 Dec 09	2 Jun 10	26 Nov 10
Cum-dividend date (cash market)	28 Aug 09	16 Dec 09	7 Jun 10	1 Dec 10
Ex-dividend date (regular & negotiated market)	26 Aug 09	14 Dec 09	3 Jun 10	29 Nov 10
Ex-dividend date (cash market)	31 Aug 09	17 Dec 09	8 Jun 10	2 Dec 10
Recording date (DPS)	28 Aug 09	16 Dec 09	7 Jun 10	1 Dec 10
Distribution date	11 Sep 09	30 Dec 09	18 Jun 10	10 Dec 10
Dividend per share	Rp11.80	Rp12.00	Rp17.00	Rp9.85
Number of shares	31,985,962,000	31,985,962,000	31,985,962,000	31,985,962,000
Total dividend	Rp377,434,351,600	Rp383,831,544,000	Rp543,761,354,000	Rp315,061,725,700
Dividend payout ratio	42.54%		21.24%	

Fiscal year	2010	2011	2011	2012	2012
Type of dividend	Final	Interim	Final	Interim	Interim
Net Income	Rp2,207,312,362,331		US$550,354,261		
Date of announcement	27 Apr 11	9 Nov 11	7 May 12	7 May 12	5 Dec 12
Media placement	IDI & Republika	IDI & Republika	IDI & Republika	IDI & Republika	IFT & Republika
Cum-dividend date (regular & negotiated market)	27 May 11	28 Nov 11	29 May 12	29 May 12	26 Dec 12
Cum-dividend date (cash market)	1 Jun11	1 Dec 11	1 Jun 12	1 Jun 12	2 Jan 13
Ex-dividend date (regular & negotiated market)	30 May 11	29 Nov 11	30 May 12	30 May 12	27 Dec 12
Ex-dividend date (cash market)	3 Jun 11	2 Dec 11	4 Jun 12	4 Jun 12	3 Jan 13
Recording date (DPS)	1 Jun 11	1 Dec 11	1 Jun 12	1 Jun 12	2 Jan 13
Distribution date	9 Jun 11	9 Dec 11	12 Jun 12	12 Jun 12	15 Jan 13
Dividend per share	Rp20.50	Rp 21.35 / US$0.00235	US$0.00575	US$0.00130	$0.0011
Number of shares	31,985,962,000	31,985,962,000	31,985,962,000	31,985,962,000	31,985,962,000
Total dividend	Rp655,712,221,000	Rp 682,900,288,700 / US$75,167,010.70	US$183,919,281.50	US$41,581,750.60	$35,184,558
Dividend payout ratio	43.98%		47.08%		

Notes: 1) BI: Bisnis Indonesia Daily, IDI: Investor Daily Indonesia 2) Bank Indonesia middle rate as of Dec 1, 2011 (recording date): Rp9,085/$1

Corporate Identity & Contact Details
PT Adaro Energy Tbk

Name of Corporation
PT Adaro Energy Tbk

Founded
July 28, 2004

Line of Business
Integrated coal mining through subsidiaries

Authorized Capital
Rp 8,000 billion

Issued and Fully Paid Capital
Rp 3,198.60 billion

Ownership
PT Adaro Strategic Investments: 43.91%
Garibaldi Thohir: 6.18%
Other key shareholders and public: 49.91%

Headquarters Address:
Jl. H.R. Rasuna Said,
Blok X-5, Kav. 1-2,
Jakarta 12950,
Indonesia.
Tel: +62 21 521 1265

Stock Exchange
The common stock of PT Adaro Energy Tbk (trading symbol ADRO) is listed on the Indonesia Stock Exchange (IDX)

Public Accountant
Tanudiredja, Wibisana & Rekan (a member of PricewaterhouseCoopers global network)
Jl. H.R. Rasuna Said Kav. X-7 No.6,
Jakarta 12940,
Indonesia.
Tel: (021) 521 2901
Fax: (021) 529 0555

Share Registrar
PT Ficomindo Buana Registrar
Mayapada Tower 10th Floor, Suite 2b
Jl. Jenderal Sudirman Kav. 28
Jakarta 12920,
Indonesia
Tel: +62 21 521 2316/17
Fax: +62 21 521 2320

For further information
Please contact:
Devindra Ratzarwin, Corporate Secretary
Cameron Tough, Head of Investor Relations
Tel.: (021) 521 1265
Fax: (021) 5794 4685
Email: corsec@ptadaro.com
cameron.tough@ptadaro.com

We want to begin an ongoing dialogue with you. For more information or to join our email distribution list, please contact us at **investor.relations @ptadaro.com** or visit our website at www.adaro.com

Investor Calendar 2013

April 19
Annual General Meeting of Shareholders (AGM) at Balai Kartini, Jl. Jendral Gatot Subroto Kav.37, Kelurahan Kuningan Timur, Setiabudi, Jakarta 12950, Indonesia.

April 30
1Q13 Quarterly Activities Report
1Q13 Financial Press Release
1Q13 Unaudited Financial Statements and Notes

May 2
Institutional Investor Day at Indonesia Stock Exchange

July 31
2Q13 Quarterly Activities Report

August 29
1H13 Financial Press Release
1H13 Limited Review Financial Statements and Notes

October 31
3Q13 Quarterly Activities Report
9M13 Financial Press Release
9M13 Unaudited Financial Statements and Notes

- Quarterly conference calls will be held after the release of financial statements and notes, normally within a week.
- The company will regularly participate in international investments conferences and conducts at least two international roadshows per year to the major global financial centers.

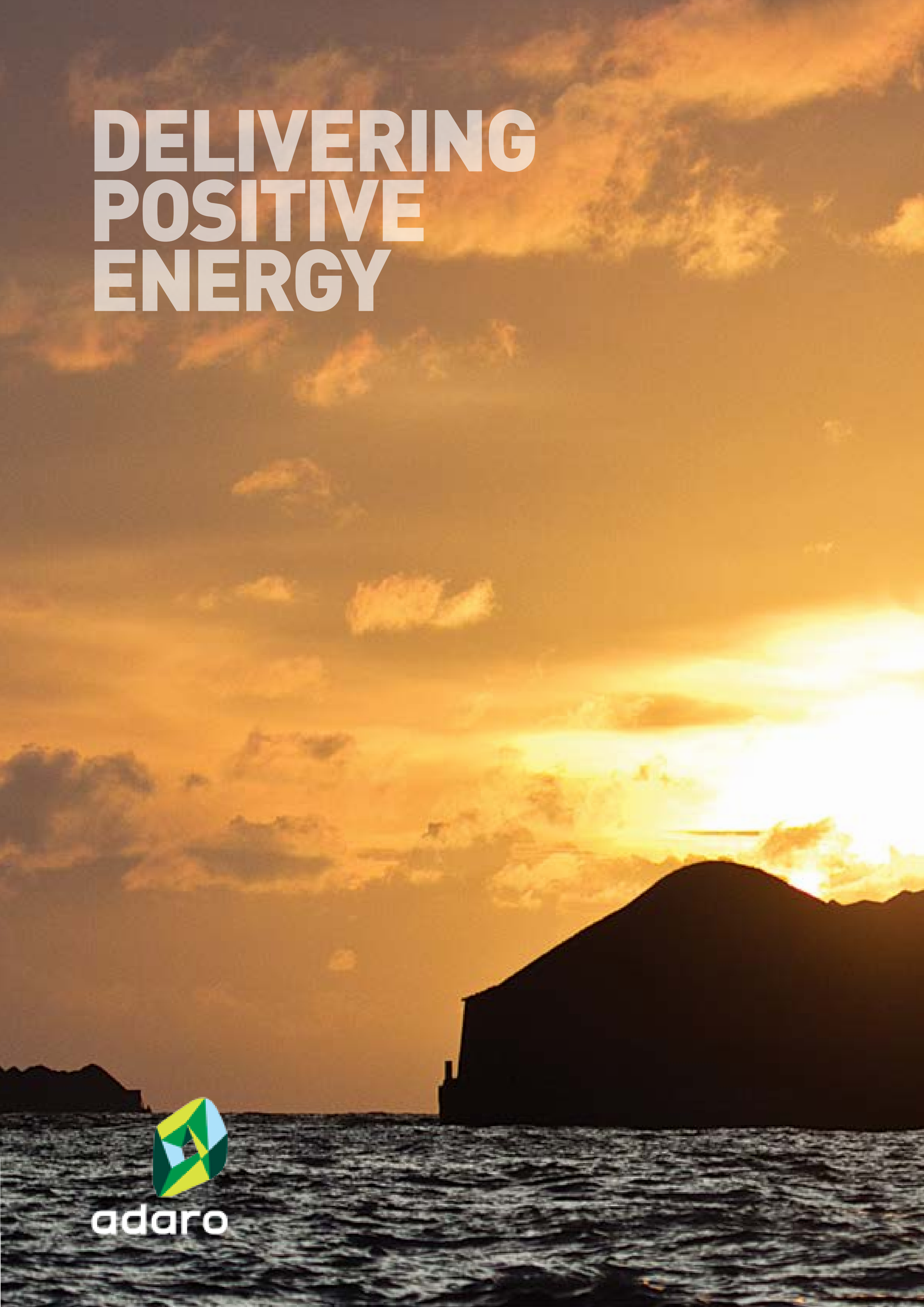
Forward-Looking Statements: Disclaimer

This annual report contains "forward-looking" statements that relate to future events, which are, by their nature, subject to significant risks and uncertainties. All statements other than statements of historical fact contained in this report, including, without limitation, those regarding Adaro Energy's future financial position and results of operations, strategy, plans, objectives, goals and targets, future developments in the markets where they participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe," "expect," "aim," "intend," "will," "may," "project," "estimate," "anticipate," "predict," "seek," "should" or similar expressions, are forward-looking statements.

The future events referred to in these forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond the control of Adaro Energy, which may cause the actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements as a result, among other factors, of changes in general, national or regional economic and political conditions, changes in foreign exchange rates, changes in the prices and supply and demand on the commodity markets, changes in the size and nature of the company's competition, changes in legislation or regulations and accounting principles, policies and guidelines and changes in the assumptions used in making such forward looking statements.

When relying on forward-looking statements, you should carefully consider possible such risks, uncertainties and events, especially in light of the political, economic, social and legal environment in which Adaro Energy and its subsidiaries and affiliates operate. Adaro Energy makes no representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario. Accordingly, you should not place undue reliance on any forward-looking statements.

DELIVERING POSITIVE ENERGY



Our reputation as an innovator in the coal industry is underscored by our shiploading operations at the Taboneo anchorage which we pioneered in 1991 and which today is the largest coal transshipment operation in the world.


adaro

IN THIS SECTION

OUR FINANCES

PT ADARO ENERGY Tbk
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2012 AND 2011

adaro

BOARD OF DIRECTORS' STATEMENT REGARDING
THE RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

PT ADARO ENERGY Tbk AND SUBSIDIARIES

On behalf of the Board of Directors, we, the undersigned:

1. Name	:	Garibaldi Thohir
Office address	:	Menara Karya Lt. 23, Jl. HR Rasuna Said Blok X-5 Kav. 1-2, Jakarta
Address of domicile	:	GD. Peluru Blok E/139, Tebet, Jakarta Selatan
Telephone	:	+62 21 5211265
Position	:	President Director
2. Name	:	David Tendian
Office address	:	Menara Karya Lt. 23, Jl. HR Rasuna Said Blok X-5 Kav. 1-2, Jakarta
Address of domicile	:	Jl. Gunung Balong II/15, Lebak Bulus, Jakarta
Telephone	:	+62 21 5211265
Position	:	Director

declare that:

1. The Board of Directors is responsible for the preparation and presentation of the consolidated financial statements of PT Adaro Energy Tbk and its subsidiaries (the "Group");

2. The Group's consolidated financial statements have been prepared and presented in accordance with Indonesian Financial Accounting Standards;

3. a. All information has been fully and correctly disclosed in the Group's consolidated financial statements;

   b. The Group's consolidated financial statements do not contain false material information or facts, nor do they omit material information or facts; and

4. The Board of Directors is responsible for the Group's internal control systems.

This statement is made truthfully.

For and on behalf of the Board of Directors

Signature

6000 DJP

Garibaldi Thohir
President Director

David Tendian
Director

JAKARTA
18 March 2013

PT Adaro Energy, Tbk.
Menara Karya 23rd Floor, Jl. H.R. Rasuna Said, Block X-5, Kav. 1-2, Jakarta 12950, Indonesia
T 6221 521 1265 F 6221 5794 4687

www.adaro.com

OUR FINANCES

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF

PT ADARO ENERGY Tbk.

We have audited the accompanying consolidated statements of financial position of PT Adaro Energy Tbk. (the "Company") and subsidiaries (collectively herein referred to as the "Group") as at 31 December 2012, 31 December 2011, and 1 January 2011, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2012 and 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards established by the Indonesian Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of PT Adaro Energy Tbk. and subsidiaries as at 31 December 2012, 31 December 2011, and 1 January 2011, and the results of their operations, and their cash flows for the years ended 31 December 2012 and 2011, in conformity with Indonesian Financial Accounting Standards.

As disclosed in Note 33b to the consolidated financial statements as at 31 December 2012, PT Adaro Indonesia, a 100% indirectly owned subsidiary, has receivables balances relating to Value Added Tax (VAT) input and vehicle fuel tax (PBBKB) amounting to US$38.0 million and US$51.3 million, respectively. Further, up to 31 December 2012, PT Adaro Indonesia has offset cumulative VAT input and PBBKB receivables totalling US$707.8 million and US$47.3 million, respectively, against royalty payments to the Government of Indonesia. However, the Government of Indonesia has not yet made any decision regarding this treatment. The consolidated financial statements do not include any adjustments that might ultimately result from the decision made by the Government of Indonesia regarding this matter.

As disclosed in Note 44 and Note 2b of the consolidated financial statements, the Group has restated comparative information in the consolidated financial statements to conform with the presentation requirements of (1) Decree of the Chairman of Bapepam-LK No. KEP-347/BL/2012 dated 25 June 2012 regarding the Presentation and Disclosure of Financial Statements of Issuers or Public Companies; and (2) new Statements of Financial Accounting Standards.

JAKARTA
18 March 2013

Yanto, S.E., Ak., M.Ak., CPA
Licence of Public Accountant No. AP.0241

NOTICE TO READERS

The accompanying consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Indonesia. The standards, procedures and practices utilised in Indonesia to audit such consolidated financial statements may differ from those generally accepted in countries and jurisdictions other than Indonesia. Accordingly, the accompanying consolidated financial statements and the auditor's report thereon are not intended for use by those who are not informed about Indonesian accounting principles and auditing standards, and their application in practice.

Kantor Akuntan Publik Tanudiredja, Wibisana & Rekan
Plaza 89, Jl. H.R. Rasuna Said Kav. X-7 No.6 Jakarta 12940 - INDONESIA, P.O. Box 2473 JKP 10001
T: +62 21 5212901, F: + 62 21 52905555 / 52905050, www.pwc.com/id

Nomor Izin Usaha: KEP-151/KM.1/2010.

A130318003/DC2/YAN/III/2013-a

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012 AND 2011 AND 1 JANUARY 2011
(Expressed in thousands of US Dollars, except for par value and share data)

	Notes	2012	2011*	1 January 2011*
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	5	500,368	558,872	607,271
Restricted cash and time deposits - current portion	6	-	140	282
Trade receivables				
- Third parties	7	474,013	471,116	275,426
- Related party	7, 34	-	226	-
Inventories	9	64,487	52,420	32,045
Prepaid taxes	33a	142,906	25,574	71,463
Recoverable taxes - current portion	33b	89,266	80,410	78,412
Other receivables - third parties		11,205	13,528	3,110
Loans to third parties	22	36,670	36,542	-
Loan to related party	34	44,562	15,508	-
Derivative financial instruments		-	666	-
Advances and prepayments - current portion	8	46,062	40,301	41,612
Other current assets		4,336	2,222	155
Total current assets		1,413,875	1,297,525	1,109,776
NON-CURRENT ASSETS				
Restricted cash and time deposits - non-current portion	6	801	801	1,012
Investments in associates	12	393,647	395,783	357,347
Available-for-sale financial assets	4e	-	65,708	-
Advances and prepayments - non-current portion	8	88,157	122,491	77,330
Recoverable taxes - non-current portion	33b	15,451	16,540	-
Deferred stripping costs	24	42,808	47,911	-
Exploration and evaluation assets	10	570	-	-
Mining properties	13	1,927,467	1,254,972	1,013,212
Fixed assets	11	1,769,016	1,432,299	967,797
Goodwill	14	1,022,173	1,005,506	930,743
Deferred tax assets	33e	8,340	5,544	4,789
Other non-current assets		9,951	13,881	8,113
Total non-current assets		5,278,381	4,361,436	3,360,343
TOTAL ASSETS		6,692,256	5,658,961	4,470,119

* As restated, refer to Note 44

The accompanying notes form an integral part of these consolidated financial statements

PT ADARO ENERGY Tbk AND SUBSIDIARIES | Schedule 1/2

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012 AND 2011 AND 1 JANUARY 2011
(Expressed in thousands of US Dollars, except for par value and share data)

	Notes	2012	2011*	1 January 2011*
LIABILITIES AND EQUITY				
LIABILITIES				
CURRENT LIABILITIES				
Trade payables	15	352,675	388,342	268,394
Dividend payable	28	35,185	-	-
Accrued expenses	17	35,539	39,192	82,080
Taxes payable	33c	40,637	69,591	15,110
Royalties payable	16	128,392	132,429	75,906
Current maturity of long-term borrowings:				
- Finance lease payables	18	31,643	35,695	41,001
- Bank loans	19	268,408	102,549	149,814
Derivative financial instruments		1,979	4,097	10,100
Other liabilities		4,765	7,306	2,091
Total current liabilities		899,223	779,201	644,496
NON-CURRENT LIABILITIES				
Long-term borrowings, net of current maturities:				
- Finance lease payables	18	58,819	39,551	47,760
- Bank loans	19	1,298,082	1,139,480	567,522
Senior Notes	20	788,530	787,292	786,148
Derivative financial instruments		467	1,385	6,131
Accrued stripping costs	24	-	-	34,304
Deferred tax liabilities	33e	601,089	435,694	325,781
Non-trade related party payables	34	500	500	500
Post employment benefit obligations	21	34,281	20,915	15,814
Provision for mine reclamation and closure	23	16,211	12,720	9,452
Total non-current liabilities		2,797,979	2,437,537	1,793,412
EQUITY				
Equity attributable to owners of the parent				
Share capital - authorised 80,000,000,000 shares; issued and fully paid 31,985,962,000 shares at par value of Rp 100 per share	25	342,940	342,940	342,940
Additional paid-in-capital, net	26	1,154,494	1,154,494	1,154,494
Retained earnings	27	1,066,661	942,000	542,557
Other comprehensive income	2i	(5,125)	(3,563)	(10,988)
Total equity attributable to owners of the parent		2,558,970	2,435,871	2,029,003
Non-controlling interests	29	436,084	6,352	3,208
Total equity		2,995,054	2,442,223	2,032,211
TOTAL LIABILITIES AND EQUITY		6,692,256	5,658,961	4,470,119

* As restated, refer to Note 44

The accompanying notes form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011
(Expressed in thousands of US Dollars, except for basic and diluted earnings per share)

	Notes	2012	2011*
Revenue	30	3,722,489	3,987,405
Cost of revenue	31	(2,679,867)	(2,559,012)
Gross profit		1,042,622	1,428,393
Operating expenses	32	(173,067)	(144,822)
Other expenses, net	35	(33,171)	(152,365)
Operating income		836,384	1,131,206
Finance costs		(118,347)	(119,758)
Finance income		11,119	6,718
Share in net loss of associates	12	(15,432)	(15,555)
		(122,660)	(128,595)
Profit before income tax		713,724	1,002,611
Income tax expense	33d	(330,417)	(450,508)
Profit for the year		383,307	552,103
Other comprehensive income for the year, net of tax			
Exchange difference due to financial statements translation		(2,143)	(860)
Share of other comprehensive income of associates		(166)	(565)
Effective portion of gains on hedging instruments designated as cash flow hedges		1,324	12,003
Related income tax expense on other comprehensive income		(577)	(3,181)
Total other comprehensive income for the year, net of tax		(1,562)	7,397
Total comprehensive income for the year		381,745	559,500
Profit for the year attributable to:			
Owners of the parent		385,347	550,354
Non-controlling interests	29	(2,040)	1,749
Profit for the year		383,307	552,103
Total comprehensive income for the year attributable to:			
Owners of the parent		383,785	557,779
Non-controlling interests	29	(2,040)	1,721
Total comprehensive income for the year		381,745	559,500
Earnings per share	36		
- basic		0.01205	0.01721
- diluted		0.01155	0.01721

* As restated, refer to Note 44

The accompanying notes form an integral part of these consolidated financial statements

PT ADARO ENERGY Tbk AND SUBSIDIARIES **Schedule 3**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

(Expressed in thousand of US Dollars)

		Attributable to owners of the parent									
						Other comprehensive income					
				Retained earnings							
	Notes	Share capital	Additional paid-in-capital, net	Appropriated	Unappropriated	Cumulative translation adjustments	Share of other comprehensive income of associates	Cash flow hedges	Total	Non-controlling interests	Total equity
Balance as at 1 January 2011		342,940	1,154,494	25,583	516,974	(46)	444	(11,386)	2,029,003	3,208	2,032,211
Total comprehensive income for the year		-	-	-	550,354	(799)	(565)	8,789	557,779	1,721	559,500
Appropriation of retained earnings	27	-	-	12,148	(12,148)	-	-	-	-	-	-
Dividend	28	-	-	-	(150,911)	-	-	-	(150,911)	-	(150,911)
Acquisition of a subsidiary		-	-	-	-	-	-	-	-	823	823
Addition during the year		-	-	-	-	-	-	-	-	600	600
Balance as at 31 December 2011		342,940	1,154,494	37,731	904,269	(845)	(121)	(2,597)	2,435,871	6,352	2,442,223
Total comprehensive income for the year		-	-	-	385,347	(2,143)	(166)	747	383,785	(2,040)	381,745
Appropriation of retained earnings	27	-	-	5,504	(5,504)	-	-	-	-	-	-
Dividend	28	-	-	-	(260,686)	-	-	-	(260,686)	(487)	(261,173)
Acquisition of a subsidiary		-	-	-	-	-	-	-	-	432,524	432,524
Purchase of non controlling interest by the Group		-	-	-	-	-	-	-	-	(265)	(265)
Balance as at 31 December 2012		**342,940**	**1,154,494**	**43,235**	**1,023,426**	**(2,988)**	**(287)**	**(1,850)**	**2,558,970**	**436,084**	**2,995,054**

The accompanying notes form an integral part of these consolidated financial statements

PT ADARO ENERGY Tbk AND SUBSIDIARIES **Schedule 4**

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011
(Expressed in thousands of US Dollars)

	2012	2011
Cash flows from operating activities		
Receipts from customers	3,709,818	3,791,489
Payments to suppliers	(2,371,050)	(2,195,407)
Payments to employees	(131,694)	(110,410)
Receipts of finance income	7,173	6,210
Payments of royalties	(201,759)	(198,333)
Payments of income taxes	(445,866)	(329,933)
Payments of interest and finance costs	(114,879)	(106,013)
Other payments, net	(19,026)	(145,447)
Net cash flows provided from operating activities	432,717	712,156
Cash flows from investing activities		
Addition of fixed assets and mining properties	(490,034)	(625,562)
Proceeds from disposal of fixed assets	5,723	5,699
Purchase of interest in associates	-	(25,887)
Purchase of equity securities	-	(65,708)
Loan to a third party	-	(36,542)
Loan to a related party	(26,474)	(15,000)
Net cash inflow/(outflow) from acquisition of subsidiaries	1,345	(301,458)
Payment for addition of exploration and evaluation assets	(340)	-
Net cash flows used in investing activities	(509,780)	(1,064,458)
Cash flows from financing activities		
Purchase of non-controlling interest	(231)	-
Proceeds of bank loans	495,000	870,000
Repayments of bank loans	(162,500)	(326,410)
Repayment of loan to third parties	(35,745)	-
Payments of loan related costs	(5,451)	(44,659)
Receipts from issue of new shares in subsidiary from minority party	-	600
Transfer from restricted cash and time deposits	140	353
Payments of dividends	(225,501)	(150,911)
Payment of dividend to non-controlling interest	(487)	-
Payments of obligations under finance leases	(40,560)	(44,498)
Net cash flows provided from financing activities	24,665	304,475
Net decrease in cash and cash equivalents	(52,398)	(47,827)
Cash and cash equivalents at the beginning of the year	558,872	607,271
Effect of exchange rate changes on cash and cash equivalents	(6,106)	(572)
Cash and cash equivalents at the end of the year (refer to Note 5)	500,368	558,872

Refer to Note 38 for presentation of the Group's non-cash transactions.

OUR WORLD
OUR THOUGHTS
OUR BUSINESS
OUR PEOPLE
OUR COMMUNITIES
OUR GOVERNANCE
OUR INVESTORS
OUR FINANCES

The accompanying notes form an integral part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2012 AND 2011
(Expressed in thousands of US Dollars, unless otherwise stated)

1. GENERAL

a. Establishment of the Company and other information

PT Adaro Energy Tbk (the "Company") was established by Notarial Deed No. 25 dated 28 July 2004 of Sukawaty Sumadi, S.H., Notary in Jakarta. The Deed was published in State Gazette of the Republic of Indonesia No. 59, dated 25 July 2006, State Gazette Supplementary No. 8036 and was approved by the Minister of Justice of the Republic of Indonesia in Decree No. C-21493 HT.01.01.TH.2004 dated 26 August 2004. The Articles of Association of the Company have been amended several times with the most recent change based on Notarial Deed No. 65 dated 31 October 2008 of Humberg Lie, S.H., S.E., M.Kn., to conform with the requirements of the Regulations of the Capital Market and Financial Institutions Supervisory Board ("Bapepam-LK") No. IX.J.1 dated 14 May 2008 regarding the Principles for the Articles of Association of Companies which Conduct Public Offerings of Equity Securities and of Public Companies. The amendment of the Articles of Association was accepted by the Minister of Law and Human Rights of the Republic of Indonesia in Decree No. AHU-AH.01.10-24501, dated 1 December 2008 and No. AHU-AH.01.10-24502, dated 1 December 2008.

In July 2008, the Company conducted an Initial Public Offering ("IPO") of 11,139,331,000 shares (34.8% of 31,985,962,000 shares issued and fully paid-up). The shares offered to the public in the IPO were listed on the Indonesian Stock Exchange on 16 July 2008.

In accordance with Article 3 of the Articles of Association, the Company is engaged in trading, services, industry, coal hauling, workshop activities, mining and construction. The Company's subsidiaries are engaged in coal mining, coal trading, mining contractor services, infrastructure, coal logistics and power generation activities.

The Company commenced its commercial operations in July 2005. The Company's head office is in Jakarta and located at the Menara Karya Building, 23rd floor, Jl. H.R. Rasuna Said Block X-5, Kav. 1-2, South Jakarta.

The Company's Boards of Commissioners and Directors as at 31 December 2012, were as follows:

President Commissioner	:	Edwin Soeryadjaya
Vice President Commissioner	:	Theodore Permadi Rachmat
Commissioners	:	Ir. Subianto
		Lim Soon Huat
Independent Commissioners	:	Ir. Palgunadi Tatit Setyawan
		Dr. Ir. Raden Pardede
President Director	:	Garibaldi Thohir
Vice President Director	:	Christian Ariano Rachmat
Directors	:	Sandiaga Salahuddin Uno
		David Tendian
		Chia Ah Hoo
		M. Syah Indra Aman

The Company's Boards of Commissioners and Directors as at 31 December 2011, were as follows:

President Commissioner	:	Edwin Soeryadjaya
Vice President Commissioner	:	Theodore Permadi Rachmat
Commissioners	:	Ir. Subianto
		Lim Soon Huat
Independent Commissioners	:	Ir. Palgunadi Tatit Setyawan
		Dr. Ir. Raden Pardede
President Director	:	Garibaldi Thohir
Vice President Director	:	Christian Ariano Rachmat
Directors	:	Sandiaga Salahuddin Uno
		Andre Johannes Mamuaya*)
		David Tendian
		Chia Ah Hoo
		M. Syah Indra Aman

*) In accordance with Article 12 paragraph 11 of the Company's Articles of Association, the position as a member of the Board of Directors ends upon the death of that director. On 21 August 2012, Andre Johannes Mamuaya, a director of the Company, passed away, therefore his position as a director of the Company ended as of that date.

1. GENERAL (continued)

a. Establishment of the Company and other information (continued)

The composition of the Company's Audit Committee as at 31 December 2012 and 2011 was as follows:

Chairman	:	Ir. Palgunadi Tatit Setyawan
Members	:	Prof. Dr. Ir. Irwandy Arif, MSc
		Mamat Ma'mun, SE.

As at 31 December 2012, the Group had 8,681 employees (2011: 7,476 employees) (unaudited).

In these consolidated financial statements, the Company and its subsidiaries are collectively referred to as the "Group".

b. Group structure

As at 31 December 2012 and 2011, the structure of the Group was as follows:

	Business activity	Domicile	Commencement of commercial operations	Effective percentage of ownership		Total assets (in thousands of US Dollars, before elimination)	
				2012	2011	2012	2011
Directly owned subsidiaries							
PT Alam Tri Abadi ("ATA") a)	Trading and service	Indonesia	2007	100%	100%	6,925,787	5,801,801
PT Saptaindra Sejati ("SIS")	Mining services	Indonesia	2002	100%	100%	617,869	566,742
Indirectly owned subsidiaries							
PT Adaro Indonesia ("Adaro")	Mining	Indonesia	1992	100%	100%	2,927,407	2,699,588
PT Dianlia Setyamukti ("Dianlia")	Investment	Indonesia	1995	100%	100%	38,971	32,467
PT Jasapower Indonesia ("JPI") a)	Mining services	Indonesia	-	100%	100%	260,745	129,308
PT Biscayne Investments ("Biscayne") a)	Investment	Indonesia	-	100%	100%	97,202	97,967
PT Indonesia Bulk Terminal ("IBT")	Terminal handling services	Indonesia	1997	100%	100%	94,724	94,422
PT Adaro Persada a) c) Mandiri ("APM")	Service	Indonesia	2006	100%	100%	41,644	24,313
Rachpore Investments Pte Ltd ("Rachpore") a)	Investment	Singapore	-	100%	100%	7,175	7,175
Arindo Holdings (Mauritius) Ltd ("Arindo Holdings") a)	Investment	Mauritius	-	100%	100%	415,009	443,917

1. **GENERAL** (continued)

b. **Group structure** (continued)

	Business activity	Domicile	Commencement of commercial operations	Effective percentage of ownership 2012	Effective percentage of ownership 2011	Total assets (in thousands of US Dollars, before elimination) 2012	Total assets (in thousands of US Dollars, before elimination) 2011
Indirectly owned subsidiaries (continued)							
Vindoor Investments (Mauritius) Ltd ("Vindoor") [a]	Investment	Mauritius	-	100%	100%	151,163	207,408
Coaltrade Services International Pte Ltd ("Coaltrade")	Coal trading	Singapore	2001	100%	100%	151,079	207,394
PT Viscaya Investments ("Viscaya")	Investment	Indonesia	-	100%	100%	236,520	219,048
Rachmalta Investment Ltd ("Rachmalta")	Investment	Malta	-	100%	100%	6,709	6,709
PT Sarana Daya Mandiri ("SDM")	Service	Indonesia	2009	51%	51%	44,348	44,455
Coronado Holdings Pte Ltd ("Coronado")	Investment	Singapore	-	86%	86%	1,429	3,781
Orchard Maritime Logistics Pte Ltd ("OML") [a]	Coal handling and barging	Singapore	2006	95%	95%	6,573	8,124
Orchard Maritime Netherlands B.V. ("OMN")	Investment	Netherlands	-	95%	95%	336	320
PT Adaro Logistics ("AL") [a] [b]	Investment	Indonesia	-	100%	100%	224,946	157,783
PT Maritim Barito Perkasa ("MBP")	Coal handling and barging	Indonesia	2004	100%	100%	221,387	152,840
PT Harapan Bahtera Internusa ("HBI")	Coal handling and barging	Indonesia	2004	100%	100%	6,193	2,265
PT Maritim Indonesia ("Marindo")	Service	Indonesia	-	72%	72%	653	660
PT Adaro Power ("Adaro Power") [a]	Service	Indonesia	-	100%	100%	166,503	137,585
PT Makmur Sejahtera Wisesa ("MSW")	Trading and power plant service	Indonesia	-	100%	100%	152,615	125,341
PT Puradika Bongkar Muat Makmur Jasa ("PBMM")	Service	Indonesia	-	100%	100%	-	-

1. **GENERAL** (continued)

b. **Group structure** (continued)

	Business activity	Domicile	Commencement of commercial operations	Effective percentage of ownership		Total assets (in thousands of US Dollars, before elimination)	
				2012	2011	2012	2011
Indirectly owned subsidiaries (continued)							
PT Rehabilitasi Lingkungan Indonesia ("RLI")	Service	Indonesia	-	100%	100%	1,381	1,395
PT Indonesia Multi Purpose Terminal ("IMPT")	Terminal handling services	Indonesia	-	85%	85%	2,646	2,529
PT Mustika Indah Permai ("MIP")	Mining	Indonesia	-	75%	75%	31,148	17,853
PT Bukit Enim Energi ("BEE")	Mining	Indonesia	-	61%	61%	101	108
PT Adaro Mining Technologies ("AMT") [a]	Service	Indonesia	-	100%	100%	1,433	440
PT Adaro Eksplorasi Indonesia ("AEI")	Service	Indonesia	2007	51%	51%	941	1,067
PT Bhakti Energi Persada ("BEP") [d]	Investment	Indonesia	-	10%	10%	44,958	33,506
PT Persada Multi Bara ("PMB") [d]	Mining	Indonesia	-	10%	10%	10,720	8,935
PT Khazana Bumi Kaliman ("KBK") [d]	Mining	Indonesia	-	9%	9%	3,571	1,326
PT Bumi Kaliman Sejahtera ("BKS") [d]	Mining	Indonesia	-	9%	9%	5,110	1,359
PT Telen Eco Coal ("TEC") [d]	Mining	Indonesia	-	10%	10%	10,804	10,106
PT Bumi Murau Coal ("BMC") [d]	Mining	Indonesia	-	10%	10%	3,326	2,954
PT Birawa Pandu Selaras ("BPS") [d]	Mining	Indonesia	-	9%	9%	310	160
PT Tri Panuntun Persada ("TPP") [d]	Mining	Indonesia	-	9%	9%	289	122
PT Wahau Tutung Investindo ("WTI") [d]	Trading and construction services	Indonesia	-	10%	10%	8,751	4,826
PT Bhakti Kutai Transportindo ("BKT") [d]	Transportation	Indonesia	-	6%	6%	1,699	2,232
PT Bukit Bara Alampersada ("BBA") [a] [d]	Investment	Indonesia	-	10%	10%	4,150	3,589

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2012 AND 2011
(Expressed in thousands of US Dollars, unless otherwise stated)

1. GENERAL (continued)

b. Group structure (continued)

	Business activity	Domicile	Commencement of commercial operations	Effective percentage of ownership 2012	Effective percentage of ownership 2011	Total assets (in thousands of US Dollars, before elimination) 2012	Total assets (in thousands of US Dollars, before elimination) 2011
Indirectly owned subsidiaries (continued)							
PT Bhakti Kumala Sakti ("BKI") [d]	Service	Indonesia	-	10%	10%	1	1
PT Wahau Sumber Alam ("WSA") [d]	Service	Indonesia	-	10%	10%	102	1
PT Sarana Rekreasi Mandiri ("SRM")	Service	Indonesia	-	100%	-	10	-

[a] and subsidiaries
[b] previously PT Sarana Multi Persada
[c] previously PT Satya Mandiri Persada
[d] for the acquisition of BEP and subsidiaries, refer to Note 4e

c. Coal Cooperation Agreement

Adaro's activities are governed by the provisions of a Coal Cooperation Agreement (the "CCA") which was entered into by Adaro and PT Tambang Batubara Bukit Asam (Persero) Tbk ("PTBA"), formerly Perusahaan Negara Tambang Batubara, on 16 November 1982. Based on Presidential Decree No. 75/1996 dated 25 September 1996 and the amendment to CCA No. J2/Ji.DU/52/82 between PTBA and Adaro on 27 June 1997, all of the rights and obligations of PTBA under the CCA were transferred to the Government of the Republic of Indonesia (the "Government") represented by the Minister of Mines and Energy, effective from 1 July 1997.

Under the terms of the CCA, Adaro acts as a contractor to the Government, and is responsible for coal mining operations in an area located in South Kalimantan. Adaro commenced its 30-year operating period on 1 October 1992 with coal produced from the Paringin area of interest. Adaro is entitled to 86.5% of the coal produced with the remaining 13.5% being the Government's share of production. However, the Government's share of production is, in practice, settled in cash when the sales of coal are actually completed. Therefore, the amount of royalty payable that is settled in cash to the Government depends on the actual volume of sales made in that particular period.

Adaro's sales reflect 100% of the revenue generated from coal sales and the Government royalty expense is recorded as part of the cost of revenue.

d. Cooperation Agreement

On 25 August 1990, IBT entered into a Basic Agreement with PT (Persero) Pelabuhan Indonesia III (formerly Perum Pelabuhan III) ("Pelindo III") for the construction, development and operation of a Public Coal Port in Pulau Laut, South Kalimantan. On 10 November 1994, IBT and Pelindo III amended the Basic Agreement to become a Cooperation Agreement. Under the terms of the Cooperation Agreement, IBT commenced its 30-year operating period on 21 August 1997.

On 18 August 2009, IBT and Pelindo III amended the Cooperation Agreement in relation to the expansion of IBT's business to include the management of the liquid bulk terminal. Under the agreement, IBT has an obligation to pay Pelindo III a share of the handling fee for the management of the liquid bulk terminal services for a certain amount per tonne for unloading and loading activities.

According to the Cooperation Agreement, IBT has an obligation to pay royalties to Pelindo III based on a certain percentage of the revenue from coal bulk terminal management services. On 9 February 2011, IBT and Pelindo III has further agreed to amend the royalty fee for the management of the coal bulk terminal services from a certain percentage of the revenue to a fixed rate per tonne. The new rate is effective from 1 January 2010 to 31 August 2012 which then amended and is effective to 20 August 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2012 AND 2011
(Expressed in thousands of US Dollars, unless otherwise stated)

1. GENERAL (continued)

e. Barito Channel Cooperation Agreement

On 28 August 2007, PT Ambang Barito Nusapersada ("Ambapers") appointed SDM as a partner to execute the Barito Channel dredging, which includes the activities of river mouth dredging, maintenance dredging and financing the channel dredging project. On 25 March 2008, SDM entered into a Cooperation Agreement with Ambapers to execute this appointment. The term of the agreement is 15 years commencing on the date on which the channel utilisation service fee is charged by Ambapers. Afterwards, SDM will be given the first right to consider extension or refusal to extend for the next five years, with a guarantee from Ambapers that the terms and conditions offered to third parties will not be easier to satisfy or more beneficial than the terms offered to SDM.

Ambapers charges a channel fee for every ship that passes through the Barito Channel in accordance with the regulations set by the local government. Revenue from channel fees is distributed to the local government, Ambapers and SDM in the determined proportions on the fifth day of the following month.

f. Mining Business Permits

As at 31 December 2012 other than the CCA entered into by Adaro, the Group has the following mining business permits:

	Decree			Permit		Period	
No	Number	Date	By	Type	Holder	(Years)	Location
1	No. 503/188/KEP/ PERTAMBEN/2010	29 April 2010	Regent of Lahat	IUPOP	MIP	20	Lahat Regency, South Sumatera Province
2	No. 256/KPTS/ TAMBEN/2011	9 March 2011	Regent of Muara Enim	IUPOP	BEE	20	Muara Enim Regency, South Sumatera Province
3	No. 540.1/K.288/ HK/V/2011	10 May 2011	Regent of East Kutai	IUPOP	BMC	20	East Kutai Regency, East Kalimantan Province
4	No. 540.1/K.289/ HK/V/2011	10 May 2011	Regent of East Kutai	IUPOP	PMB	20	East Kutai Regency, East Kalimantan Province
5	No. 540.1/K.490/ HK/V/2010	21 May 2010	Regent of East Kutai	IUPOP	TEC	28	East Kutai Regency, East Kalimantan Province
6	No. 540.1/K.665/ HK/VIII/2012	6 August 2012	Regent of East Kutai	IUPOP	KBK	20	East Kutai Regency, East Kalimantan Province
7	No. 540.1/K.666/ HK/VIII/2012	6 August 2012	Regent of East Kutai	IUPOP	BKS	20	East Kutai Regency, East Kalimantan Province
8	No. 188.4.45/437/ HK/VIII/2009	18 August 2009	Regent of East Kutai	IUPE	TPP	4	East Kutai Regency, East Kalimantan Province
9	No. 188.4.45/439/ HK/VIII/2009	18 August 2009	Regent of East Kutai	IUPE	BPS	4	East Kutai Regency, East Kalimantan Province

IUPOP: Operation and Production Mining Business Permit
IUPE: Exploration Mining Business Permit

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Presented below are the significant accounting policies adopted in preparing the consolidated financial statements of the Group, which are in conformity with Indonesian Financial Accounting Standards. The consolidated financial statements have also been prepared in conformity with Decree of the Chairman of Bapepam-LK No. KEP-347/BL/2012 dated 25 June 2012 regarding the Presentation and Disclosure of Financial Statements of Issuers or Public Companies. These policies have been consistently applied to all the years presented, unless otherwise stated.

a. Basis of preparation of the consolidated financial statements

The consolidated financial statements have been prepared on the basis of historical cost, except for available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) which are measured at fair value through profit or loss, and using the accrual basis except for the consolidated statements of cash flows.

The preparation of financial statements in conformity with Indonesian Financial Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement when applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

b. Changes to Statements of Financial Accounting Standards and Interpretations of Financial Accounting Standards

On 1 January 2012, the Group adopted new and revised Statements of Financial Accounting Standards ("SFAS") and Interpretations of Statements of Financial Accounting Standards ("IFAS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective standards and interpretations.

The adoption of the following new or revised standards and interpretations, which are relevant to the Group's operations and resulted in an effect on the consolidated financial statements, are as follows:

- SFAS No. 33 (Revised 2011), "Stripping Activities and Environmental Management in General Mining" and SFAS No. 64, "Exploration and Evaluation of Mineral Resources"

  The revised SFAS No. 33, "Stripping Activities and Environmental Management in General Mining" only prescribes the accounting treatment of costs related to stripping activities and environmental management activities. There have been no significant changes in accounting for costs related to stripping activity and environmental management activity as a result of modifications to SFAS No. 33.

  The accounting treatment of exploration and evaluation activity is now addressed by SFAS No. 64, "Exploration and Evaluation of Mineral Resources". An entity shall not apply SFAS No. 64 to account for expenditure incurred before the entity has obtained the legal rights to explore a specific area, or after the technical feasibility and commercial viability of extracting mineral resources is demonstrable. The accounting treatment of development or construction activity is addressed by SFAS No.19, "Intangible Assets" and "Conceptual Framework". Before 1 January 2012, the accounting treatment of these activities had been addressed by the previous version of SFAS No. 33. There are no significant changes to the accounting policy resulting from applying SFAS No.19 and the Conceptual Framework.

  Implementing SFAS No. 64 has not resulted in changes to the actual amounts of exploration and evaluation expenditure capitalised by the Group. This is because the SFAS No. 64 transitional provisions allow an entity to retain its previous initial recognition policy (as set out in Note 2n) and the Group has decided to do so. Following analysis, the Group has also determined there is no change in the subsequent measurement of the exploration and evaluation asset from the previous accounting policy under the new requirements of SFAS No. 64.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Changes to Statements of Financial Accounting Standards and Interpretations of Financial Accounting Standards (continued)

- SFAS No. 33 (Revised 2011), "Stripping Activities and Environmental Management in General Mining" and SFAS No. 64, "Exploration and Evaluation of Mineral Resources" (continued)

  SFAS No. 64 introduces a new impairment-testing regime for exploration and evaluation assets. The Group assesses exploration and evaluation assets for impairment only when there are indicators that impairment exists. Indicators of impairment include, but are not limited to:

  - Rights to explore in an area have expired or will expire in the near future without renewal;
  - No further exploration or evaluation is planned or budgeted;
  - A decision to discontinue exploration and evaluation in an area because of the absence of commercial reserves; and
  - Sufficient data exists to indicate that the book value will not be fully recovered from future development and production.

  The introduction of the new impairment-testing requirements has not resulted in any impairment charge for the Group.

  Following the adoption of SFAS No. 64, exploration and evaluation assets for which technically feasible and commercially viable reserves have been identified are reclassified to "mines under development" within mining properties, whereas under the previous policy they remained in the deferred exploration and development expenditure. For the accounting policy on exploration and evaluation assets and mining properties, please see Notes 2n and 2o, respectively.

  SFAS No. 64 recognises that some exploration and evaluation assets are intangible and others are tangible according to their nature. However, SFAS No. 64 does not prescribe whether exploration and evaluation assets should be classified as tangible or intangible. The Group has determined that their exploration and evaluation asset is an intangible asset, unless it relates to a physical asset.

  On the adoption of SFAS No. 33 and SFAS No. 64, the Group is required to reclassify deferred exploration and development expenditure as: (i) exploration and evaluation assets for all expenditure incurred for exploration and evaluation activities where commercial reserves have not yet been found; and (ii) mining properties for all expenditure incurred for exploration and evaluation activities where commercial reserves have been found, including all expenditure incurred to develop such reserves/mines. The Group has reclassified its deferred exploration and development expenditure to mining properties in accordance with the new SFAS (refer to Note 44).

- SFAS No. 60, "Financial Instruments: Disclosure"

  SFAS No. 60 consolidates and expands a number of existing disclosure requirements and adds some significant new disclosures relating to financial instruments about fair value measurements and liquidity risk. In particular, the amendment requires the disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the standard results in additional disclosures but does not have an impact on the financial position or the comprehensive income of the Group since it does not have any impact on the classification and valuation of the Group's financial instruments.

  The overriding principle of this standard is to disclose sufficient information to enable users of financial statements to evaluate the significance of financial instruments for an entity's financial performance and position. SFAS No. 60 contains new disclosures on risks and risk management and requires reporting entities to report the sensitivity of their financial instruments to movements in risk.

  The Group has incorporated the disclosure requirements of SFAS No. 60 for the consolidated financial statements as at 31 December 2012 in Note 43.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Changes to Statements of Financial Accounting Standards and Interpretations of Financial Accounting Standards (continued)

The adoption of the following new and revised standards and interpretations did not result in significant changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years:

- SFAS No. 13 (Revised 2011), "Investment Property"
- SFAS No. 16 (Revised 2011), "Fixed Assets"
- SFAS No. 18 (Revised 2010), "Accounting and Reporting by Retirement Benefit Plans"
- SFAS No. 24 (Revised 2010), "Employee Benefits"
- SFAS No. 26 (Revised 2011), "Borrowing Costs"
- SFAS No. 28 (Revised 2010), "Accounting for Loss Insurance"
- SFAS No. 30 (Revised 2011), "Leases"
- SFAS No. 34 (Revised 2010), "Construction Contracts"
- SFAS No. 36 (Revised 2010), "Accounting for Life Insurance"
- SFAS No. 45 (Revised 2010), "Financial Reporting for Non-profit Organisations"
- SFAS No. 46 (Revised 2010), "Income Taxes"
- SFAS No. 50 (Revised 2010), "Financial Instruments: Presentation"
- SFAS No. 53 (Revised 2010), "Share-based Payments"
- SFAS No. 55 (Revised 2011), "Financial Instruments: Recognition and Measurement"
- SFAS No. 56 (Revised 2010), "Earnings per Share"
- SFAS No. 61, "Accounting for Government Grants and Disclosure of Government Assistance"
- SFAS No. 62, "Insurance Contracts"
- SFAS No. 63, "Financial Reporting in Hyperinflationary Economies"
- IFAS No. 13, "Hedges of a Net Investment in a Foreign Operation"
- IFAS No. 15, "SFAS No. 24 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"
- IFAS No. 16, "Service Concession Arrangements"
- IFAS No. 18, "Government Assistance - No Specific Relation to Operating Activities"
- IFAS No. 19, "Applying the Restatement Approach under SFAS No. 63: Financial Reporting in Hyperinflationary Economies"
- IFAS No. 20, "Income Taxes - Changes in the Tax Status of an Entity or its Shareholders"
- IFAS No. 22, "Service Concession Arrangements: Disclosures"
- IFAS No. 23, "Operating Leases - Incentives"
- IFAS No. 24, "Evaluating the Substance of Transactions Involving the Legal Form of a Lease"
- IFAS No. 25, "Land Rights"
- IFAS No. 26, "Reassessment of Embedded Derivatives"

The Group early adopted SFAS No. 10 (Revised 2010), "The Effects of Changes in Foreign Exchange Rates" on 1 January 2011. Please refer to Note 2d for the accounting policy on functional and presentation currency.

The withdrawal of the following accounting standards and interpretations did not result in significant changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years:

- SFAS No. 11, "Translation of Financial Statements in Foreign Currencies"
- SFAS No. 27, "Accounting for Cooperatives"
- SFAS No. 29, "Accounting for Oil and Gas"
- SFAS No. 39, "Accounting for Joint Operations"
- SFAS No. 47, "Accounting for Land"
- SFAS No. 52, "Reporting Currency"
- IFAS No. 4, "Allowed Alternative Treatment on Exchange Differences"
- IFAS No. 5, "Reporting Changes in Fair Value of Securities included in Available for Sale Investments"

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Changes to Statements of Financial Accounting Standards and Interpretations of Financial Accounting Standards (continued)

In addition, management is of the opinion that the revision to SFAS No. 38, "Business Combinations on Entities under Common Control" and withdrawal of SFAS No. 51, "Quasi Reorganisation (PPSAK No. 10)" which are mandatory for financial reporting periods beginning on or after 1 January 2013 will not have any impact to the Group's consolidated financial statements.

c. Principles of consolidation

i. Subsidiaries

i.1. Consolidation

Subsidiaries are all entities (including special purpose entities), over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses the existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies, etc.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date when that control ceases.

Intragroup balances, transactions, income and expenses are eliminated. Profits and losses resulting from intragroup transactions that are recognised in assets are also eliminated. The accounting policies of subsidiaries have been amended where necessary to ensure consistency with the policies adopted by the Group.

i.2. Acquisition

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Non-controlling interest is reported as equity in the consolidated statement of financial position, separate from the owner of the parent's equity.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the Group shall remeasure its previously held equity interest in the acquiree at its acquisition date and recognise the resulting gain or loss, if any, in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Principles of consolidation (continued)

i. Subsidiaries (continued)

i.2. Acquisition (continued)

The excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

ii. Changes in ownership interest in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

iii. Disposal of subsidiaries

When the Group loses control of a subsidiary, the Group derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost. Amounts previously recognised in other comprehensive income are also reclassified to profit or loss, or transferred directly to retained earnings if required in accordance with other SFAS.

Any investment retained in the former subsidiary is recognised at its fair value. The difference between the carrying amount of the investment retained at the date when the control is lost and its fair value is recognised in profit or loss.

iv. Associated companies

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%. Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

- Acquisitions

  Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets provided, equity instruments issued or liabilities incurred or assumed as at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies represents the excess of the cost of acquisition of the associate over the Group's share of the fair value of the identifiable net assets of the associate and is included in the carrying amount of the investment.

- Equity method of accounting

  In applying the equity method of accounting, the Group's share of its associated companies' post-acquisition profits or losses are recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from associated companies are adjusted against the carrying amounts of the investments. When the Group's share of the losses of an associated company equals or exceeds its interest in the associated company, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations to make or has made payments on behalf of the associated company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Principles of consolidation (continued)

iv. Associated companies (continued)

- Equity method of accounting (continued)

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. The accounting policies of associated companies have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Dividends receivable from associates are recognised as reduction in the carrying amount of the investment.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associated companies is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associated companies and its carrying value and recognises the amount in the profit or loss.

- Disposals

Investments in associated companies are derecognised when the Group loses significant influence and any retained equity interest in the entity is remeasured at its fair value. The difference between the carrying amount of the retained interest at the date when significant influence is lost and its fair value is recognised in profit or loss.

Gains and losses arising from partial disposals or dilutions of investments in associated companies in which significant influence is retained are recognised in profit or loss, and only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

d. Foreign currency translation

i. Functional and presentation currency

Items included in the financial statements of each of the entities within the Group are measured using the currency of the primary economic environment in which the relevant entity operates (the functional currency). The consolidated financial statements are presented in US Dollars, which is the Company's functional and presentation currency.

ii. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(Expressed in thousands of US Dollars, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Foreign currency translation (continued)

ii. Transactions and balances (continued)

As at the consolidated statement of financial position dates, the exchange rates used, based on the middle rates published by Bank Indonesia, were as follows (full US Dollar amount):

	2012	2011
Rupiah 10,000 ("Rp")	1.03	1.10
Great Britain Pound Sterling ("£")	1.61	1.54
Singapore Dollars ("S$")	0.82	0.77
Australian Dollars ("A$")	1.04	1.01
Euro ("€")	1.32	1.29
Japanese Yen 100 ("¥")	1.28	1.29

iii. Group companies

The results of the operations and financial position of all the Group's subsidiaries (none of which has the currency of a hyperinflationary economy) that have a functional currency which is different from the presentation currency of the Company are translated as follows:

(a) The assets and liabilities presented in the consolidated statement of financial position are translated at the closing rate at the date of that consolidated statement of financial position;
(b) The income and expenses for each profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case the income and expenses are translated at the rate on the dates of the transactions); and
(c) All of the resulting exchange differences are recognised in other comprehensive income.

e. Cash and cash equivalents

Cash and cash equivalents are cash on hand, cash in banks and time deposits with maturity periods of three months or less at the time of placement and which are not used as collateral or are not restricted.

The consolidated statements of cash flows have been prepared using the direct method by classifying the cash flows on the basis of operating, investing and financing activities. For the purpose of the consolidated statements of cash flows, cash and cash equivalents are presented net of overdrafts.

f. Trade receivables

Trade receivables are amounts due from customers for coal sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, if the impact of discounting is significant, less provision for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Inventories

Coal inventories are stated at the lower of cost or net realisable value. Cost is determined based on the average cost method. The cost of coal inventories includes mining costs, other direct costs and an appropriate portion of fixed and variable overheads. It excludes borrowing costs. The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Spare parts, fuel, lubricants and supplies are valued at cost less a provision for obsolete and slow moving inventory. Cost is determined based on the average cost method. A provision for obsolete and slow moving inventory is determined on the basis of estimated future usage or sale of individual inventory items. Supplies of maintenance materials are charged to production costs in the year in which they are used.

h. Financial assets

h.1. Classifications, recognition and measurement

The Group classifies its financial assets in the following categories: (i) fair value through profit or loss, (ii) held-to-maturity investments, (iii) loans and receivables, and (iv) available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current assets.

Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss and subsequently carried at fair value.

Gains or losses arising from changes in the fair values of the financial assets are presented in profit or loss within "other gains/(losses), net" in the year in which they arise. Dividend income from the financial assets at fair value through profit or loss is also recognised in profit or loss within "other gains/(losses), net" when the Group's right to receive payments is established. Interest income from these financial assets is included within "finance income".

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity, except for:

(a) investments that upon initial recognition are designated as financial assets at fair value through profit or loss;
(b) investments that are designated in the category of available-for-sale; and
(c) investments that meet the definition of loans and receivables.

They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting year.

Held-to-maturity investments are initially recognised at fair value including directly attributable transaction costs and subsequently carried at amortised cost using the effective interest method.

Interest on the investments calculated using the effective interest method is recognised in profit or loss as part of "finance income".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Financial assets (continued)

h.1. Classifications, recognition and measurement (continued)

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting year. These are classified as non-current assets. The Group's loans and receivables comprise cash and cash equivalents, trade receivables, other receivables, loans to related party and loans to third parties.

Loans and receivables are initially recognised at fair value including directly attributable transaction costs and subsequently carried at amortised cost using the effective interest method.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as available-for-sale or that are not classified in any other categories. They are included in non-current assets unless the investment matures or management intends to dispose of them within 12 months of the end of the reporting period.

Available-for-sale financial assets are initially recognised at fair value, including directly attributable transaction costs. Subsequently, the financial assets are carried at fair value, with gains or losses recognised in other comprehensive income, except for impairment losses and foreign exchange gains or losses, until the financial assets are derecognised. If the available-for-sale financial assets are sold or impaired, the cumulative gain or loss previously recognised in other comprehensive income within equity, is recognised in profit or loss as gain and losses on investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognised in profit or loss as part of "finance income". Dividends on available-for-sale equity instruments are recognised in profit or loss as part of "other gains/(losses), net" when the Group's right to receive payment is established.

h.2. Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

h.3. Offsetting financial instruments

Financial assets and liabilities are offset and their net amounts are reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

i. Derivative financial instruments and hedging activities

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair values. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, on the nature of the item being hedged. The Group designates certain derivatives as either (a) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (b) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Derivative financial instruments and hedging activities (continued)

The Group documents at the inception of the transaction the relationship between hedging instruments and hedging items, as well as its risk management objectives and strategy for undertaking hedge transactions. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the fair value or cash flow from hedged items.

The full value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

(i) fair value hedge

Changes in the fair values of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss, together with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk. The gain or loss relating to the effective portion of such fair value hedge is recognised in profit or loss in the similar line of changes in the fair value of the hedge items to which it is charged. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within "other gains/(losses), net".

(ii) cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within "other gains/(losses), net".

Amounts accumulated in other comprehensive income within equity are reclassified to profit or loss in the years when the hedged item affects profit or loss. The gain or loss relating to the effective portion of the cash flow hedge is recognised in profit or loss in the similar line of the hedged items to which it is usually charged. However, when the forecast transaction that is being hedged against results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of revenue in the case of inventory or in depreciation in the case of fixed assets.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss within "other gains/(losses)-net".

Changes in the fair value of any derivative instruments that are not designated or do not qualify for hedge accounting are recognised immediately in profit or loss.

j. Impairment of financial assets

j.1. Assets carried at amortised cost

The Group assesses at the end of each reporting year whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Impairment of financial assets (continued)

j.1. Assets carried at amortised cost (continued)

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category or held-to-maturity investments carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flow (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss will be reversed either directly or by adjusting an allowance account. The reversal will not result in the carrying amount of a financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date at which the impairment was reversed. The reversal amount will be recognised in profit or loss.

j.2. Assets classified as available-for-sale

The Group assesses at the end of each reporting year whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in point j.1 above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

k. Fixed assets and depreciation

Land rights are recognised at cost and not depreciated, unless the land meets any of the following criteria:

- Management is of the opinion that the quality of the land's condition after a certain year is no longer sufficient for it to be utilised for the Group's main operations.
- The main characteristic of the operation is to leave the land after completion of the project/activity.
- The government's policy is to use the land for public interest so that an extension of renewal of rights cannot be obtained.

(Expressed in thousands of US Dollars, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Fixed assets and depreciation (continued)

In such a case, land rights are depreciated using the straight-line method over the expected useful life of land rights as follows:

- the year of land utilisation that is expected to be achieved; or
- the year of expected productivity of the land; or
- the year of rights, if the rights cannot be renewed or extended and the rights are shorter than the year of land utilisation or the year of expected productivity of land.

Costs related to renewal of land rights are recognised as intangible assets and amortised over the contractual life of the land rights.

Fixed assets are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Fixed assets, except for the fixed assets of Adaro, are depreciated using the straight-line method to their residual values over their expected useful lives as follows:

	Years
Buildings	20
Infrastructure	5 – 30
Operational equipment	6 – 10
Vessels	5 – 20
Project equipment	4
Mining equipment	4
Vehicles	4 – 8
Office equipment	4 – 5

The fixed assets of Adaro are depreciated using the straight-line method over the lesser of the estimated useful lives of the assets, the life of the mine or the term of the CCA, stated as follows:

	Years
Buildings	10 – 20
Machinery, operational equipment and vehicles	3 – 10
Office equipment	10
Crushing and handling facilities	10 – 30
Roads and bridges	10 – 30
Stockpile facilities	17 – 20
Dock facilities	20

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when 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. The carrying amounts of replaced parts are derecognised. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Assets' useful lives, residual values and depreciation methods are reviewed and adjusted if appropriate, at least at each financial year-end. The effects of any revisions are recognised in profit or loss, when the changes arise.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

For assets which are no longer utilised or sold or surrendered to the Government, the carrying amounts are eliminated from the consolidated financial statements and the resulting gains and losses on disposals of fixed assets are recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Fixed assets and depreciation (continued)

The accumulated costs of the construction of buildings and plants and the installation of machinery are capitalised as construction in progress. These costs are reclassified to the fixed asset accounts when the construction or installation is completed and is ready for use in the manner intended by management. Depreciation is charged from that date.

l. Goodwill

Goodwill represents the excess of the acquisition cost over the fair value of the Group's share of the identifiable net assets acquired.

m. Impairment of non-financial assets

Assets that have an indefinite useful life - for example, goodwill or intangible assets not ready to use - are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Reversal on impairment loss for assets other than goodwill would be recognised if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment test was carried out. Reversal on impairment losses will be immediately recognised in profit or loss. The reversal will not result in the carrying amount of an asset that exceeds what the depreciated cost would have been had the impairment not been recognised at the date at which the impairment was reversed. Impairment losses relating to goodwill would not be reserved.

n. Exploration and evaluation assets

Exploration and evaluation activity involves the search for mineral resources after the Group has obtained legal rights to explore in a specific area, determination of the technical feasibility and assessment of the commercial viability of an identified resource.

Exploration and evaluation expenditure comprise costs that are directly attributable to:

- acquisition of rights to explore;
- topographical, geological, geochemical and geophysical studies;
- exploratory drilling;
- trenching and sampling; and
- activities involved in evaluating the technical feasibility and commercial viability of extracting mineral resources.

Exploration and evaluation expenditure related to an area of interest is written off as incurred, unless they are capitalised and carried forward, on an area of interest basis, provided one of the following conditions is met:

(i) the rights of tenure of an area are current and it is considered probable that the costs will be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or

(ii) exploration activities in the area of interest have not yet reached the stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in or in relation to the area of interest are continuing.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Exploration and evaluation assets (continued)

Capitalised costs include costs directly related to exploration and evaluation activities in the relevant area of interest, and exclude physical assets, which are recorded in fixed assets. General and administrative costs are allocated to an exploration or evaluation asset only to the extent that those costs can be related directly to operational activities in the relevant area of interest.

Capitalised exploration and evaluation expenditure is written off where the above conditions are no longer satisfied.

Identifiable exploration and evaluation assets acquired in a business combination are recognised initially as assets at fair value on acquisition and subsequently at cost less impairment charges. Exploration and evaluation expenditure incurred subsequent to the acquisition of an exploration asset in a business combination is accounted for in accordance with the policy outlined above.

As the exploration and evaluation asset is not available for use, it is not depreciated.

Exploration and evaluation assets are assessed for impairment if facts and circumstances indicate that impairment may exist. Exploration and evaluation assets are also tested for impairment once commercial reserves are found, before the assets are transferred to "mining properties - mines under development".

o. Mining properties

Development expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest in which economically recoverable resources have been identified. Such expenditure comprises costs directly attributable to the construction of a mine and the related infrastructure and excludes physical assets and land rights (i.e. right to build, right to cultivate and right to use) which are recorded as fixed assets.

Once a development decision has been taken, the carrying amount of the exploration and evaluation assets in respect of the area of interest is transferred to "mines under development" within mining properties and aggregated with the subsequent development expenditure.

"Mines under development" are reclassified as "mines in production" within mining properties at the end of the commissioning phase, when the mine is capable of operating in the manner intended by management.

No depreciation is recognised for "mines under development" until they are reclassified as "mines in production".

When further development expenditure is incurred on a mining property after the commencement of production, the expenditure is carried forward as part of the "mines in production" when it is probable that additional future economic benefits associated with the expenditure will flow to the Group. Otherwise such expenditure is classified as a cost of production.

"Mines in production" (including reclassified exploration, evaluation and any development expenditure, and payments to acquire mineral rights and leases) are amortised using the units-of-production method, with separate calculations being made for each area of interest. "Mines in production" will be depleted using a unit-of-production method on the basis of proved and probable reserves.

Identifiable mining properties acquired in a business combination are recognised as assets at their fair value. Development expenses incurred subsequent to the acquisition of the mining properties is accounted for in accordance with the policy outlined above.

"Mines under development" and "mines in production" are tested for impairment in accordance with the policy described in Note 2m.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p. Stripping costs

Stripping costs are the costs of removing overburden from a mine. Stripping costs incurred in the development of a mine before production commences are capitalised as part of the cost of developing the mine and are subsequently depleted using a unit-of-production method on the basis of proved and probable reserves.

The ongoing stripping costs are normally recognised as production costs based on the annual planned stripping ratio. The annual planned stripping ratio is determined based on the average five years mine plan. In situations where the actual stripping ratio is not significantly different from the planned stripping ratio, the stripping costs incurred during the year are recognised as production costs. When the actual stripping ratio is significantly higher than the planned ratio, the excess stripping costs are recorded in the consolidated statement of financial position as deferred stripping costs. These deferred costs are expensed as production costs in periods where the actual ratio is significantly lower than the average ratio. In addition, the beginning balance of deferred stripping assets is also amortised on a straight-line basis over the remaining mine life, or the remaining term of the CCA, whichever is shorter.

Changes in the planned stripping ratio are considered as changes in estimates and are accounted for on a prospective basis.

Deferred stripping costs are included in the cost base of assets when determining a cash generating unit for impairment assessment purposes.

q. Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

r. Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the year of the lease.

Leases of fixed assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property or the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each year.

Fixed assets acquired under finance leases are depreciated similarly to owned assets. If there is no reasonable certainty that the Group will hold the ownership by the end of the lease term, the asset is depreciated over the shorter of the useful life of the asset and the lease term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s. Provisions

(i) Provision for decommissioning, mine reclamation and closure

Restoration, rehabilitation and environmental expenditure to be incurred related to remediation of disturbed areas during the production phase are charged to cost of revenue when the obligation arising from the disturbance occurs as extraction progresses. These obligations are recognised as liabilities when a legal or constructive obligation has arisen from activities which have already been performed, with the initial and subsequent measurement of the obligation at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate, that reflects current market assessments of the time value of money and the risks specific to the obligation. Changes in the measurement of a liability which arises during production are also charged to cost of revenue, while the increase in the provision due to the passage of time is recognised as finance cost.

Decommissioning of mining assets and related post mining activities as well as abandonment and decommissioning of other long-lived assets provides for the legal obligations associated with the retirement of mining related assets and other long lived assets including the decommissioning of building, equipment, crushing and handling system, infrastructure and other facilities that result from the acquisition, construction or development and/or the normal operation of such assets. These obligations are recognised as liabilities when a legal or constructive obligation with respect to the retirement of an asset is incurred, with the initial and subsequent measurement of the obligation at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. An asset retirement cost equivalent to these liabilities is capitalised as part of the related asset's carrying value and is subsequently depreciated or depleted over the asset's useful life. The increase in these obligations due to the passage of time is recognised as finance cost.

The changes in the measurement of decommissioning obligations that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits (e.g. cash flow) required to settle the obligations, or a change in the discount rate will be added to or deducted from, the cost of the related asset in the current year. The amount deducted from the cost of the asset should not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in profit or loss. If the adjustment results in an addition to the cost of an asset, the Group will consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the Group will test the asset for impairment by estimating its recoverable amount and will account for any impairment loss incurred, if any.

(ii) Other provisions

Provisions for restructuring costs, legal claims, environmental issues that may not involve the retirement of an asset, reclamation and closure of mining areas and others are recognised when:

- the Group has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- the amount can be reliably estimated.

Restructuring provision may comprise items such as lease termination penalties and employee termination payments. Provision is not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Although the likelihood of outflow for any one item may be small, it may well be probable that some outflow of resources will be needed to settle the class of obligations as a whole. If that is the case, a provision is recognised.

Provision is measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Increase in the provision due to the passage of time is recognised as finance cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

t. Borrowings

Borrowings are recognised initially at their fair value, net of any transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the year of the borrowing, using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawndown. In this case, the fee is deferred until the drawdown occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawndown, the fee is capitalised as a prepayment for liquidity services and amortised over the year of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer the settlement of the liability for at least 12 months after the reporting date.

u. Borrowing costs

Borrowing costs either directly or indirectly attributable to the acquisition, construction or production of a qualifying asset, are capitalised as part of the cost of those asset until such time as the assets are substantially ready for their intended use or sale. For borrowings directly attributable to a qualifying asset, the amount to be capitalised is determined as the actual borrowing costs incurred during the year, less any income earned on the temporary investment of such borrowings. For borrowings that are not directly attributable to a qualifying asset, the amount to be capitalised is determined by applying a capitalisation rate to the amount expended on the qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

v. Employee benefits

(i) Post employment benefits

Pension schemes are classified as either defined contribution plans or defined benefit plans, depending on the economic substance of the plan as derived from its principal terms and conditions. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The Group is required to provide a minimum amount of pension benefit in accordance with Labour Law No. 13/2003 or the Group's Collective Labour Agreement (the "CLA"), whichever is higher. Since the Labour Law or the CLA sets the formula for determining the minimum amount of benefits, in substance pension plans under the Labour Law or the CLA represent defined benefit plans.

The liability recognised in the consolidated statement of financial position in relation to the defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting year less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms of maturity approximating the terms of the related pension obligations. In countries where there is no deep market for such bonds, the market rates on government bonds are used.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

v. Employee benefits (continued)

(i) Post employment benefits (continued)

Expenses charged to profit or loss include current service costs, finance cost, amortisation of past service cost and actuarial gains and losses.

Past-service costs are recognised immediately in profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified year of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, when exceeding 10% of the present value of the defined benefit obligation (before deducting any plan assets) or 10% of the fair value of any plan assets at the end of the reporting year, are charged or credited to profit or loss over the average remaining service lives of the employees participating in the plan.

For defined contribution plans the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they become due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(ii) Termination benefits

Termination benefits are payable when an employee's employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the Group has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. Benefits falling due more than 12 months after the end of the reporting year are discounted to their present value.

w. Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction, net of tax, from the proceeds.

x. Earnings per share

Basic earnings per share are calculated by dividing the profit for the year attributable to owners of the parent of the Company by the weighted-average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the profit for the year attributable to owners of the parent of the Company adjusted for finance cost and foreign exchange gains or losses on convertible bonds and the related tax effects, by the weighted-average number of issued and fully paid-up shares during the year, assuming that all options have been exercised and all convertible bonds have been converted.

y. Dividend distribution

Dividend distributions to the Company's shareholders are recognised as liabilities in the consolidated financial statements in the year in which the dividends are declared by the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

z. Difference in value from restructuring transactions of entities under common control

Restructuring transactions among entities under common control are accounted for using the pooling-of-interests method.

The difference between the transfer price and the book value of each restructuring transaction among entities under common control is recorded under the account "difference in value from restructuring transactions of entities under common control" which will be classified as part of additional paid-in capital in the equity section of the consolidated statement of financial position.

The balance of the account "difference in value from restructuring transactions of entities under common control" can change when:

(i) there are reciprocal transactions between entities under common control;
(ii) there is quasi-reorganisation;
(iii) under common control status is lost between transacting entities; or
(iv) there is a transfer of the assets, liabilities, share or other ownership instruments that has caused the difference from restructuring transactions of entities under common control to another party that is not under common control.

When changes in the balance of this account result from point (i), the existing balance is netted off against the new transaction, hence creating a new balance for the account.

When changes in the balance of the account arise from point (ii), the balance is used to eliminate or add to the negative retained earnings balance.

When changes in the balance of the account arise from points (iii) or (iv), the balance is recognised as a realised gain or loss.

aa. Revenue and expenses recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of coal and services rendered in the ordinary course of the Group's activities. Revenue is shown net of value added tax ("VAT"), returns, rebates and discounts and after eliminating intra-group sales.

i. Sales of coal

Revenue from sales of coal is recognised when all of the following conditions are met:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the coal;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the coal sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in relation to the sales transaction can be measured reliably.

The satisfaction of these conditions depends on the terms of trade with individual customers. Generally the risks and rewards are considered to be transferred to the customer when the title and insurable risk of loss are transferred.

The Group's coal sales can be subject to an adjustment based on the inspection of shipments by the customer. In these cases, revenue is recognised based on the Group's best estimate of the grade and/or quantity at the time of shipment, and any subsequent adjustments are recorded against revenue. Historically, the differences between estimated and actual grade and/or quantity are not significant.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

aa. Revenue and expenses recognition (continued)

ii. Rendering of mining and logistics services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised with reference to the stage of completion of the transaction at the consolidated statement of financial position date. The outcome of a transaction can be estimated reliably when all of the following conditions are met:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group;
- the stage of completion of the transaction at the end of the reporting year can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

iii. Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues to unwind the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

iv. Rental income

Rental income from operating leases (net of any incentives given to the lessor) is recognised on a straight-line basis over the lease term.

Expenses are recognised as incurred on an accruals basis.

bb. Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax expense is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax expense is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted as at the reporting date in the countries where the Company and its subsidiaries operate and generate taxable income. Specifically for Adaro, the tax rate used is 45% as stipulated in its CCA.

Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined, except for Adaro, using tax rates (or laws) that have been enacted or substantially enacted as at the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. The tax rate used by Adaro is, in accordance with the CCA, 45%.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

bb. Current and deferred income tax (continued)

Deferred tax liability is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liabilities where the timing of the reversal of temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or on different taxable entities where there is an intention to settle the balances on a net basis.

For income which is subject to final tax, income tax expense is recognised proportionally with the accounting revenue recognised in the current year. The difference between the amount of final tax payable and the amount charged as current tax for the calculation of profit or loss is recognised as prepaid tax or accrued tax.

Amendments to taxation obligations are recorded when an assessment letter is received or, if objected to or appealed against, when the results of the objection or appeal are determined.

Management periodically evaluates the positions taken in Annual Tax Returns in situations in which the applicable tax regulations are subject to interpretation. Where appropriate, it establishes a provision on the basis of the amounts expected to be paid to the tax authorities.

cc. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments and making strategic decision, has been identified as the Board of Director.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements in conformity with Indonesian Financial Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting year. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group has identified the following matters under which significant judgements, estimates and assumptions are made and where actual results may differ from these estimates under different assumptions and conditions and may materially affect the consolidated financial results or the financial position of the Group reported in future years.

- Deferred stripping costs

  Stripping of overburden takes place throughout the production stage of the mine or pit. Some mining companies expense their production stage stripping costs as they are incurred, while others (including the Group) defer these stripping costs. In operations that experience material fluctuations in the stripping ratio on a year to year basis over the life of the mine or pit, deferring stripping costs reduces the volatility of the cost of stripping expensed in individual reporting years. Those mining companies that expense stripping costs as incurred will therefore report greater volatility in the results of their operations from year to year.

  The average five year mine plan or the pit stripping ratio is a function of an individual mine's pit design and therefore changes to that design will generally result in changes to the ratio. Changes in other technical or economic parameters that have an impact on reserves will also have an impact on the average five year mine plan or the pit stripping ratio even if they do not affect the mine or pit design. Changes to the average five year mine plan or the pit stripping ratio are accounted for prospectively.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

- Deferred stripping costs (continued)

  The Group's determination of whether multiple pit mines are considered separate or integrated operations depends on each mine's specific circumstances and the analysis requires judgement. Another company could make the determination that a mine is separate or integrated differently than the Group, even if the fact pattern appears to be similar. To the extent that the determination is different, the resulting accounting would also be different.

- Income taxes and other taxes

  The calculations of income tax expense for each company within the Group require judgements and assumptions in determining the capital allowances and deductibility of certain expenses during the estimation process. In particular, the calculation of Adaro's income tax expense involves the interpretation of applicable tax laws and regulations including Adaro's CCA. The tax regulation under the CCA is specific to Adaro and therefore may not prescribe specific tax rules on all the many transactions that the Group has.

  The revenue of the companies within the Group is sometimes also subject to both final and non-final income tax. Determining the amount of revenue subject to final and non-final tax as well as expenses relating to revenue from the non-final income tax regime requires judgements and estimates.

  All judgements and estimates taken by management as discussed above may be challenged by the Directorate General of Taxation or the Government Auditors. As a result, the ultimate tax determination becomes uncertain. The resolution of tax positions taken by the Group, can take several years to complete and in some cases it is difficult to predict the ultimate outcome. Where the final outcome of these matters is different from the amounts initially recorded, such differences will have an impact on the income tax and deferred income tax provision in the year in which this determination is made.

  Deferred tax assets, including those arising from tax losses carried forward, capital allowances and other temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Similar to "impairment of non-financial assets", assumptions about the generation of future taxable profits is heavily impacted by management's estimates and assumptions regarding expected production levels, sales volumes, commodity prices, etc; which are subject to risk and uncertainty, and hence there is a possibility that changes in circumstances will alter the projected future taxable profits.

  There is uncertainty about the recoverability of VAT input and vehicle fuel tax (refer to Note 33b).

- Provision for decommissioning and abandonment of mining related assets

  As discussed in Note 40 to the consolidated financial statements, Government Regulation No. 78/2010 ("GR 78") deals with reclamation and post-mining activities for both IUP-Exploration and IUP-Production Operation holders. The transitional provisions in GR 78 make it clear that CCA holders are also required to comply with this regulation. Therefore, Adaro has calculated provisions for reclamation and mine closure based on GR 78.

  As discussed in Note 2s to the consolidated financial statements, restoration, rehabilitation and environmental expenditure to be incurred related to remediation of disturbed areas during the production phase are charged to cost of revenue when the obligation arising from the disturbance occurs as extraction progresses. The reclamation of disturbed areas and decommissioning of mining assets and other long lived assets will be undertaken during several years in the future and precise requirements are constantly changing to satisfy political, environmental, safety and public expectations. As such, the timing and amounts of future cash flows required to settle the obligations at each of the statement of financial position dates are subject to significant uncertainty. Changes in the expected future costs could have a material impact to the Group's consolidated financial statements.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

- Reserve estimates

Coal reserves are estimates of the amounts of coal that can be economically and legally extracted from the Group's properties. The Group determines and reports its coal reserves under the principles incorporated in the Joint Ore Reserves Committees Code for the Reporting of Mineral Resources and Ore Reserves (the "JORC Code"). In order to estimate coal reserves, assumptions are required about a range of geological, technical and economic factors, including quantities, production techniques, stripping ratios, production costs, transport costs, commodity demand, commodity prices and exchange rates.

Estimating the quantity and/or calorific value of coal reserves requires the size, shape and depth of coal bodies or fields to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgements to interpret the data.

Because the economic assumptions used to estimate reserves change from year to year and because additional geological data is generated during the course of operations, estimates of reserves may change from year to year. Changes in reported reserves may affect the Group's consolidated financial results and financial position in a number of ways, including the following:

- Asset carrying values may be affected due to changes in the estimated future cash flows.
- Depreciation, depletion and amortisation charged to profit or loss may change where such charges are determined based on a unit-of-production method or where the economic useful lives of assets change.
- Overburden removal costs recorded in the consolidated statement of financial position or charged to profit or loss may change due to changes in stripping ratios.
- Provision for mine closure may change where changes in estimated reserves affect expectations about the timing or cost of these activities.
- The carrying value of deferred tax assets/liabilities may change due to changes in estimates of the likelihood of the recoverability of the tax benefits.

- Impairment of non-financial assets and fixed assets

The recoverable amount of an asset or cash-generating group of assets is measured at the higher of its fair value less costs to sell or value-in-use. The determination of fair value less costs to sell or value-in-use requires management to make estimates and assumptions regarding expected production levels and sales volumes, commodity prices (considering current and historical prices, price trends and related factors), reserves (see 'Reserve Estimates'), operating costs, closure and rehabilitation costs and future capital expenditure. These estimates and assumptions are subject to risk and uncertainty, and hence there is a possibility that changes in circumstances will alter these projections, which may have an impact on the recoverable amount of the assets. In such circumstances, some or all of the carrying values of the assets may be further impaired or the impairment charges be reduced with the impact being recorded in profit or loss.

- Fair values of acquired identifiable assets and liabilities from business acquisition and fair values of the option to purchase the shares of PT Bhakti Energi Persada

The fair values of acquired identifiable assets and liabilities due to the business acquisition of BEP and the fair value of the option to purchase the shares of BEP are determined by using valuation techniques. The Group uses its judgement to select a variety of methods and makes assumptions that are mainly based on market conditions existing at the acquisition date. As described in Note 4e, as at 31 December 2012, the Group had not yet completed the fair value calculations and as such has not yet completed the purchase price allocation process. The fair value calculations are expected to be completed within twelve months of the date of acquisition of BEP on 28 May 2012.

(Expressed in thousands of US Dollars, unless otherwise stated)

4. BUSINESS COMBINATIONS

a. Acquisition of PT Indonesia Multi Purpose Terminal

On 1 July 2011, PT Adaro Logistics acquired an 85% interest in IMPT for Rp 2,125 million (equivalent to US$247). This acquisition has been accounted for as a purchase of assets.

	2011
Purchase consideration through cash payment	247
Fair value of net liabilities acquired	1,261
Intangible assets	1,508

Details of assets and liabilities arising from purchase of assets are as follows:

	2011
Cash and cash equivalents	1
Advances and prepayments	788
Fixed assets, net	34
Other assets	79
Accrued expenses	(103)
Other liabilities	(2,282)
Net liabilities	(1,483)
Interest acquired	85%
Net liabilities acquired	(1,261)
Intangible asset	1,508
Purchase consideration through cash payment	247
Cash and cash equivalents in IMPT	(1)
Net cash outflow from the purchase of intangible assets	246

The total loss of IMPT since the acquisition date recognised in 2011 profit or loss amounted to US$272.

The total loss of IMPT recognised in 2011 profit or loss if IMPT had already been acquired from the beginning of 2011 would have amounted to US$370.

b. Acquisition of PT Mustika Indah Permai

On 19 August 2011, ATA acquired a 75% interest in MIP for US$234,211.

	2011
Purchase consideration through cash payment	234,211
Fair value of net assets acquired	(2,129)
Mining properties and goodwill	232,082

(Expressed in thousands of US Dollars, unless otherwise stated)

4. BUSINESS COMBINATIONS (continued)

b. Acquisition of PT Mustika Indah Permai (continued)

Details of assets and liabilities arising from the acquisition are as follows:

	2011
Cash and cash equivalents	155
Other receivables	63
Advances and prepayments	4,234
Fixed assets, net	188
Mining properties	2,516
Deferred tax assets	2
Other assets	20
Trade payables	(41)
Accrued expenses	(21)
Taxes payable	(3)
Bank loans	(64)
Other liabilities	(4,210)
Net assets	2,839
Interest acquired	75%
Net assets acquired	2,129
Mining properties	232,082
Goodwill	58,020
Deferred tax liabilities	(58,020)
Purchase consideration through cash payment	234,211
Cash and cash equivalents in MIP	(155)
Net cash outflow from acquisition of subsidiary	234,056

The total loss of MIP since the acquisition date recognised in 2011 profit or loss amounted to US$192.

The total loss of MIP recognised in 2011 profit or loss if MIP had already been acquired from the beginning of 2011 would have amounted to US$289.

For details of MIP's legal issues, refer to Note 40r.

c. Acquisition of PT Bukit Enim Energi

On 4 July 2011 and 14 October 2011, ATA acquired 15.04% and 46% interests in BEE, respectively, for a total cost of US$67,040.

	2011
Purchase consideration through cash payment	67,040
Fair value of net assets acquired	(68)
Mining properties	66,972

(Expressed in thousands of US Dollars, unless otherwise stated)

4. BUSINESS COMBINATIONS (continued)

c. Acquisition of PT Bukit Enim Energi (continued)

Details of assets and liabilities arising from the acquisition are as follows:

	2011
Fixed assets, net	4
Other assets	107
Net assets	111
Interest acquired	61%
Net assets acquired	68
Mining properties	66,972
Goodwill	16,743
Deferred tax liabilities	(16,743)
Purchase consideration through cash payment	67,040
Cash and cash equivalents in BEE	-
Net cash outflow from acquisition of subsidiary	67,040

The total loss of BEE since the acquisition date recognised in 2011 profit or loss amounted to US$0.2.

d. Acquisition of PT Trikarya Intidrill Persada and change of name

The total loss of BEE recognised in 2011 profit or loss if BEE had already been acquired from the beginning of 2011 would have amounted to US$2.3.

On 17 October 2011, ATA acquired a 40% interest in PT Trikarya Intidrill Persada for Rp 1.4 billion.

On 15 December 2011, PT Trikarya Intidrill Persada's Extraordinary General Shareholders Meeting approved the change of name from PT Trikarya Intidrill Persada ("TIP") to PT Adaro Eksplorasi Indonesia ("AEI") and approved the issue of 450 new shares that will be taken and paid by AMT for Rp 450 million. The change of name and issuance of new shares has been approved by the Minister of Law and Human Rights of the Republic of Indonesia in Decree No. AHU-63496.AH.01.02.Tahun 2011.

After the issuance of the new shares, AMT owns an 18.37% interest in AEI and the ownership of ATA in AEI is diluted to 32.65%. As at 31 December 2011, the total ownership of the Group in AEI is 51.02%.

	2011
Purchase consideration through cash payment	208
Fair value of net assets acquired	(306)
Negative goodwill - charged to profit or loss	98

(Expressed in thousands of US Dollars, unless otherwise stated)

4. BUSINESS COMBINATIONS (continued)

d. Acquisition of PT Trikarya Intidrill Persada and change of name (continued)

Details of assets and liabilities arising from the acquisition are as follows:

	2011
Cash and cash equivalents	92
Trade receivables	627
Advances and prepayments	77
Inventories	9
Prepaid taxes	71
Fixed assets, net	190
Trade payables	(419)
Accrued expenses	(11)
Taxes payable	(37)
Net assets	599
Interest acquired	51%
Net assets acquired	306
Negative goodwill	(98)
Purchase consideration through cash payment	208
Cash and cash equivalents in AEI	(92)
Net cash outflow from acquisition of subsidiary	116

The total loss of AEI since the acquisition date recognised in 2011 profit or loss amounted to US$nil.

The total loss of AEI recognised in 2011 profit or loss if AEI had already been acquired from the beginning of 2011 would have amounted to US$16.

On 12 March 2012, AMT purchased an additional 48.98% interest in AEI for Rp 2.1 billion (or equivalent to US$231). Therefore, the Group has a 100% interest in AEI.

e. Acquisition of control over BEP

On 27 January 2011, as amended on 28 February 2011, ATA entered into a Conditional Sale and Purchase Agreement to acquire a 10.22% interest in BEP for US$65,708, followed by a Settlement Agreement on 14 June 2011 to effect the closing of this transaction.

On 28 May 2012, ATA entered into a Convertible Loan & Shares Subscription Agreement with BEP, PT Persada Capital Investama ("PCI"), PT Triputra Investindo Arya ("TIA"), PT Arya Citra International, PT Bara Murau Coal, PT Millenium Capital Investment, Arieska Lianawati Konar Suhananto ("Arieska"), Andrianto Oetomo ("Andrianto") and Arianto Oetomo ("Arianto") ("Convertible Loan Agreement"). ATA has the option to provide loans to BEP with a maximum facility of US$500,000 within a period of three years. By lending to BEP, ATA has the right to convert the loan into up to 51% of BEP's issued and outstanding shares plus shares to be issued by BEP. By entering into the Convertible Loan Agreement, ATA is able to appoint the majority of BEP's Board of Directors and to govern the financial policies as well as to control BEP's operation. As a result, the Group has consolidated BEP since 28 May 2012.

On the same date, ATA entered into an Option Agreement with BEP, PCI, TIA, Arieska, Andrianto and Arianto ("Option Agreement"). ATA has the right to purchase, within three years since the date of the Option Agreement, shares in BEP owned by TIA, PCI, Ariesta, Andrianto, and Arianto, which represent a total ownership of 79.8%. The proceeds from the purchase of the shares owned by TIA, PCI, Arieska, Andrianto and Arianto in BEP will be used to purchase the Company's shares up to a maximum of 2,381,729,663 (full amount) shares.

(Expressed in thousands of US Dollars, unless otherwise stated)

OUR WORLD
OUR THOUGHTS
OUR BUSINESS
OUR PEOPLE
OUR COMMUNITIES
OUR GOVERNANCE
OUR INVESTORS
OUR FINANCES

4. BUSINESS COMBINATIONS (continued)

e. Acquisition of control over BEP (continued)

ATA has the option to execute either one of the agreements mentioned above.

The following table summarises the consideration paid for the acquisition of BEP, the amounts of the assets acquired and liabilities assumed as at the acquisition date:

Consideration transferred	
Fair value of equity interest in BEP held before the business combination	65,708
Total consideration transferred	65,708
Recognised fair value amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	1,345
Other receivables - third parties	965
Advances and prepayments	236
Fixed assets	5,101
Mining properties	675,480
Goodwill	83
Exploration and evaluation assets	230
Other non-current assets	126
Trade payables	(29)
Taxes payable	(200)
Accrued expenses	(2)
Shareholder loan	(3,015)
Loans from third parties	(35,745)
Post employment benefit obligations	(466)
Deferred tax liabilites	(162,461)
Non-controlling interests	(767)
Fair value amounts of identifiable net assets acquired	480,881
Non-controlling interests	(431,757)
Goodwill	16,584
Purchase price	65,708

Goodwill of US$ 16,584 has been recognized, from the acquisition of BEP, as a result of the excess of the consideration transferred, the amount of non-controlling interests in BEP and the fair value amounts of identifiable net assets acquired.

The fair value of the non-controlling interest in BEP was estimated by using the purchase price paid for acquisition of the 10.22% stake in BEP.

As at 31 December 2012, the calculation of the fair value of the acquired identifiable assets and liabilities and the fair value of the option to purchase shares of BEP is not yet complete because of the complexity of the calculations. The fair value calculations are expected to be finalised within twelve months of the date of acquisition of BEP.

The total loss of BEP from the acquisition date until the reporting date recognised in profit or loss amounts to US$3,795.

(Expressed in thousands of US Dollars, unless otherwise stated)

4. **BUSINESS COMBINATIONS** (continued)

e. **Acquisition of control over BEP** (continued)

The total loss of BEP for the reporting year as if BEP had already been acquired from the beginning of the reporting year would have amounted to US$6,334.

All of the business combination transactions entered into by the Group were in compliance with the relevant Bapepam-LK regulations. The business acquisitions made by the Group were intended to diversify and integrate the Group's operations and to increase the Group's coal reserves.

5. CASH AND CASH EQUIVALENTS

	2012	2011
Cash on hand	181	107
Cash in banks - Rupiah		
PT Bank OCBC NISP Tbk	54,795	19,278
Others (each below US$50,000)	31,397	23,526
Total Rupiah accounts	86,192	42,804
Cash in Banks - US Dollars		
PT Bank OCBC NISP Tbk	155,411	128,360
Oversea-Chinese Banking Corporation Ltd	86,853	61,842
PT Bank DBS Indonesia	61,581	64,466
PT Bank Mandiri (Persero) Tbk	5,709	53,658
Sumitomo Mitsui Banking Corporation	1,558	61,117
Others (each below US$50,000)	11,501	36,735
Total US Dollars accounts	322,613	406,178
Cash in Banks - Other currencies		
Others (each below US$50,000)	1,271	2,768
Total other currencies accounts	1,271	2,768
Total cash in banks	410,076	451,750
Deposits - Rupiah		
Others (each below US$50,000)	47,347	18,167
Total Rupiah deposits	47,347	18,167
Deposits - US Dollars		
Others (each below US$50,000)	42,764	88,848
Total US Dollars deposits	42,764	88,848
Total deposits	90,111	107,015
Total cash and cash equivalents	500,368	558,872

There are no cash and cash equivalents with related parties.

(Expressed in thousands of US Dollars, unless otherwise stated)

5. CASH AND CASH EQUIVALENTS (continued)

The contractual interest rates on deposits during the year were as follows:

	2012	2011
Rupiah	3.5%-6.75%	3.7%-11.0%
US Dollars	0.13%-2.75%	0.1%-2.7%

6. RESTRICTED CASH AND TIME DEPOSITS

	2012	2011
Bank - Rupiah		
PT Bank OCBC NISP Tbk	-	140
Deposits - US Dollars		
The Hongkong and Shanghai Banking Corporation Ltd	601	601
PT Bank DBS Indonesia	200	200
	801	801
Total restricted cash and time deposits	801	941
Less: current portion	-	(140)
Non-current portion	801	801

The contractual interest rates on the restricted cash and time deposits during the year were as follows:

	2012	2011
US Dollars	0.5% - 0.8%	0.4% – 0.8%

There are no restricted cash and time deposits with related parties.

The restricted deposits in The Hongkong and Shanghai Banking Corporation Ltd and PT Bank DBS Indonesia are placed as security for bank guarantees issued by these banks, as described in Note 40e.

The balance in PT Bank OCBC NISP Tbk represents the placement of a sinking fund by SDM to pay installments of the principal and interest that will be due, in relation to the bank loan to PT Bank OCBC NISP Tbk as described in Note 19b.

7. TRADE RECEIVABLES

	2012	2011
Third parties	484,013	471,116
Related party:		
PT Jasa Tambang Indonesia	-	226
	484,013	471,342
Provision for impairment	(10,000)	-
	474,013	471,342

(Expressed in thousands of US Dollars, unless otherwise stated)

7. TRADE RECEIVABLES (continued)

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2012	2011
US Dollars	325,488	351,537
Rupiah	158,525	119,805
	484,013	471,342

The aging analysis of trade receivables is as follows:

	2012	2011
Current	401,181	399,606
Overdue by 1 - 30 days	33,694	49,683
Overdue by 31 - 60 days	6,898	20,146
Overdue by 61 - 90 days	4,851	2
Overdue by more than 90 days	37,389	1,905
	484,013	471,342

As at 31 December 2012, provision for impairment of US$10,000 was made (2011: US$nil). Management is of the opinion that the trade receivables will be collected in full and the provision balance is sufficient to cover any possible loss from the outstanding trade receivables.

As at 31 December 2012, the trade receivables of SDM amounting to US$3,724 were pledged as collateral for a loan from PT Bank OCBC NISP Tbk, as described in Note 19b.

The carrying amounts of the trade receivables are approximately equal to their fair values due to their short term nature.

Refer to Note 34 for details of related party balances and transactions.

8. ADVANCES AND PREPAYMENTS

	2012	2011
Advances to suppliers	78,231	99,053
Advances for the purchase of fuel	21,020	11,342
Prepayment for liquidity services	11,536	23,503
Advances for investments	5,413	18,875
Prepaid rent and insurance	4,106	3,001
Others	13,913	7,018
Total advances and prepayments	134,219	162,792
Less: current portion	(46,062)	(40,301)
Non-current portion	88,157	122,491

Advances for investments represent the placement of funds by ATA for the future development of a coal mining project (refer to Note 12). The funds will be reclassified as investments in associates when they are used by associates through the issue of new shares.

53% of the advances to suppliers represent advance payments for the purchase of fixed assets.

(Expressed in thousands of US Dollars, unless otherwise stated)

9. INVENTORIES

	2012	2011
Coal inventory	32,251	27,556
Tools and supplies	21,677	11,537
Spare parts	7,631	9,380
Fuel and lubricants	2,928	3,947
Total inventories	64,487	52,420

The cost of inventories, other than coal inventory which was recognised as expenses and included in cost of revenue amounted to US$76,840 (2011: US$100,562).

The Group's management is of the opinion that the inventories can be either used or sold. In addition, the net realisable value of inventories exceed the carrying value of inventories, therefore a provision for obsolete stock and decline in value is not considered necessary.

As at 31 December 2012, the Group's inventories were covered by insurance against the risk of material damage with total coverage of US$46,099 (2011: US$27,944). The Group's management is of the opinion that the inventories are adequately insured to cover the risk of loss and damage.

10. EXPLORATION AND EVALUATION ASSETS

	2012	2011*
Muara Wahau	570	-
	570	-

* As restated, refer to Note 44

The Group's management is of the opinion that there are no facts and circumstances during the year that indicate that the exploration and evaluation assets are impaired. As such, there has been no impairment of the carrying amounts of exploration and evaluation assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2012 AND 2011
(Expressed in thousands of US Dollars, unless otherwise stated)

11. FIXED ASSETS

	2012					
	Beginning balance	Acquisition	Additions	Disposals/ reclassification	Exchange differences due to financial statement translation	Ending balance
Acquisition costs						
Direct ownership						
Land	64,946	146	132	-	(158)	65,066
Buildings	33,580	200	13,656	1,577	(187)	48,826
Infrastructure	81,466	-	8,124	-	-	89,590
Machinery, operational equipment and vehicles	732,951	131	166,870	57,254	(13)	957,193
Vessels	155,412	-	14,524	1,389	-	171,325
Mining equipment	1,525	-	629	(29)	-	2,125
Project equipment	6,454	-	3,290	(66)	-	9,678
Office equipment	11,452	853	9,659	1,473	(93)	23,344
Crushing and handling facilities	242,747	-	203	1,469	-	244,419
Roads and bridges	131,928	-	145	13,971	-	146,044
Stockpile facilities	6,101	-	-	-	-	6,101
Dock facilities	2,459	-	-	-	-	2,459
	1,471,021	1,330	217,232	77,038	(451)	1,766,170
Construction in progress	268,588	4,315	261,811	(26,436)	(1,133)	507,145
Leased assets						
Operational equipment	180,120	-	55,776	(75,200)	-	160,696
	1,919,729	5,645	534,819	(24,598)	(1,584)	2,434,011
Accumulated depreciation						
Direct ownership						
Buildings	(6,644)	(30)	(2,298)	35	59	(8,878)
Infrastructure	(19,641)	-	(4,633)	-	-	(24,274)
Machinery, operational equipment and vehicles	(263,974)	(49)	(120,858)	(23,599)	26	(408,454)
Vessels	(17,934)	-	(9,472)	352	-	(27,054)
Mining equipment	(627)	-	(427)	29	-	(1,025)
Project equipment	(3,080)	-	(1,668)	60	-	(4,688)
Office equipment	(7,304)	(465)	(3,277)	177	2	(10,867)
Crushing and handling facilities	(52,792)		(18,706)	-	-	(71,498)
Roads and bridges	(49,503)	-	(7,952)	-	-	(57,455)
Stockpile facilities	(4,556)	-	(273)	-	-	(4,829)
Dock facilities	(2,058)	-	(94)	-	-	(2,152)
	(428,113)	(544)	(169,658)	(22,946)	87	(621,174)
Leased assets						
Operational equipment	(59,317)	-	(24,494)	39,990	-	(43,821)
	(487,430)	(544)	(194,152)	17,044	87	(664,995)
Net book value	1,432,299					1,769,016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2012 AND 2011
(Expressed in thousands of US Dollars, unless otherwise stated)

11. FIXED ASSETS (continued)

	2011					
	Beginning balance	Acquisition	Additions	Disposals/ reclassification	Exchange differences due to financial statement translation	Ending balance
Acquisition costs						
Direct ownership						
Land	64,609	-	251	107	(21)	64,946
Buildings	25,093	-	3,992	4,519	(24)	33,580
Infrastructure	78,049	-	89	3,328	-	81,466
Machinery, operational equipment and vehicles	447,123	465	276,204	9,177	(18)	732,951
Vessels	134,383	-	6,334	14,695	-	155,412
Mining equipment	976	-	551	(2)	-	1,525
Project equipment	4,921	-	1,585	(52)	-	6,454
Office equipment	8,406	124	2,772	155	(5)	11,452
Crushing and handling facilities	143,397	-	92,823	6,527	-	242,747
Roads and bridges	115,061	-	-	16,867	-	131,928
Stockpile facilities	6,101	-	-	-	-	6,101
Dock facilities	2,459	-	-	-	-	2,459
	1,030,578	589	384,601	55,321	(68)	1,471,021
Construction in progress	116,076	-	204,884	(52,285)	(87)	268,588
Leased assets						
Operational equipment	176,267	-	30,982	(27,129)	-	180,120
	1,322,921	589	620,467	(24,093)	(155)	1,919,729
Accumulated depreciation						
Direct ownership						
Buildings	(5,195)	-	(1,572)	111	12	(6,644)
Infrastructure	(15,245)	-	(4,396)	-	-	(19,641)
Machinery, operational equipment and vehicles	(180,655)	(138)	(83,992)	803	8	(263,974)
Vessels	(9,888)	-	(8,386)	340	-	(17,934)
Mining equipment	(354)	-	(279)	6	-	(627)
Project equipment	(1,997)	-	(1,137)	54	-	(3,080)
Office equipment	(5,756)	(35)	(1,571)	55	3	(7,304)
Crushing and handling facilities	(39,104)	-	(13,688)	-	-	(52,792)
Roads and bridges	(43,127)	-	(6,376)	-	-	(49,503)
Stockpile facilities	(4,249)	-	(307)	-	-	(4,556)
Dock facilities	(1,926)	-	(132)	-	-	(2,058)
	(307,496)	(173)	(121,836)	1,369	23	(428,113)
Leased assets						
Operational equipment	(47,628)	-	(25,890)	14,201	-	(59,317)
	(355,124)	(173)	(147,726)	15,570	23	(487,430)
Net book value	967,797					1,432,299

Depreciation expenses for the years ended 31 December 2012 and 2011 were allocated as follows:

	2012	2011
Cost of revenue	189,068	144,909
Operating expenses	5,084	2,817
	194,152	147,726

(Expressed in thousands of US Dollars, unless otherwise stated)

11. FIXED ASSETS (continued)

The calculation of losses on disposals of fixed assets for the years ended 31 December 2012 and 2011 were as follows:

	2012	2011
Acquisition costs	24,598	24,093
Accumulated depreciation	(17,044)	(15,570)
Carrying values of disposed fixed assets	7,554	8,523
Proceeds from disposals of fixed assets	5,723	5,699
Losses on disposals of fixed assets	(1,831)	(2,824)

In accordance with the CCA, the fixed assets of Adaro as at 31 December 2012 amounting to US$643,764 (2011: US$543,638) remain the property of the Government. However, Adaro has an exclusive right to use these assets over the contract period or their useful lives, whichever is shorter.

In accordance with the Cooperation Agreement, the fixed assets of IBT in the coal port operation as at 31 December 2012 amounting to US$63,277 (2011: US$67,824) become the property of Pelindo III at the end of the 30-year operation period.

The Group owns 28 plots of land with "Hak Guna Bangunan" titles ("Building-Use Titles" or "HGB") with remaining useful lives of between 8 and 29 years. The Group's management believes that there will be no difficulty extending the land rights as the land was acquired legally and this is supported by sufficient evidence of ownership.

In August 2008, ATA purchased land amounting to US$60,000 to PT Cakung Permata Nusa ("Cakung"), PT Cakradenta Agung Pertiwi ("Cakradenta") and PT Astra Agro Lestari Tbk ("AAL") to settle the status of overlapping land plots between the mining area owned by Adaro and the plantation areas owned by Cakung and Cakradenta of 7,163 hectares. Currently, the land title is still in the process of being transferred to ATA.

As at 31 December 2012, the Group's fixed assets were insured against all risks of damage, with total coverage of approximately US$1,699,354 (2011: US$1,507,528) which also included the construction of the Tanjung Tabalong coal fired power plant project by MSW, except for fixed assets that could not be insured such as land, the Barito channel dredging and some construction in progress. The Group's management believes that the fixed assets as at 31 December 2012 were adequately insured.

As at 31 December 2012, the acquisition cost of the zero net book value in the Group's fixed assets amounted to US$83,636 (2011: US$26,597).

As at December 31, 2012 and 2011, all leased assets are pledged for finance lease payable (refer to Note 18) and there are no direct owned fixed assets that have been pledged.

As at 31 December 2012, management believes that there was no indication of impairment in the fixed assets value.

(Expressed in thousands of US Dollars, unless otherwise stated)

11. FIXED ASSETS (continued)

Construction in progress

Construction in progress represents projects that were not completed as at the consolidated statements of financial position date as follows:

2012 Construction in progress	Percentage of completion	Accumulated costs	Estimated completion
Overburden crushing and conveying system	97%	213,093	May 2013
Power plant	95%	137,597	June 2013
Crushing and handling facilities	24%-98%	60,904	January - December 2013
Vessels	26%-89%	36,014	April - June 2013
Roads and bridges	30%-99%	18,187	January - June 2013
Conveyor belt	10%	16,741	On hold
Others (each below US$10,000)	1%-99%	24,609	Various
		507,145	

2011 Construction in progress	Percentage of completion	Accumulated costs	Estimated completion
Power plant	83%	119,810	May 2012
Overburden crushing and conveying system	38%	96,103	May 2013
Crushing and handling facilities	3% – 95%	22,474	February - December 2012
Conveyor belt	10%	16,726	On hold
Others (each below US$10,000)	3% – 99%	13,475	Various
		268,588	

The conveyor belt project is on hold due to the Group giving priority to other projects which are considered to be more urgent operational requirements. The Group's management believes that the cost accumulated for conveyor belt project is recoverable, as such the Group's management has not impaired the conveyor belt project carrying cost.

Borrowing costs capitalised as fixed assets for the year ended 31 December 2012 amounted to US$16,955 (2011: US$9,111).

12. INVESTMENTS IN ASSOCIATES

	2012				
Associates	Beginning balances	Additions	Share in net income /(losses)	Other comprehensive income	Ending balance
PT Juloi Coal	144,739	3,013	(6,240)	-	141,512
PT Kalteng Coal	74,545	70	(252)	-	74,363
PT Maruwai Coal	55,369	2,250	(169)	-	57,450
PT Lahai Coal	53,320	8,000	(5,904)	-	55,416
PT Sumber Barito Coal	28,049	-	(193)	-	27,856
PT Servo Meda Sejahtera	21,787	-	(2,836)	(166)	18,785
PT Ratah Coal	7,080	42	(65)	-	7,057
PT Pari Coal	7,027	87	(71)	-	7,043
PT Bhimasena Power Indonesia	3,363	-	298	-	3,661
PT Rachindo Investment	504	-	-	-	504
	395,783	13,462	(15,432)	(166)	393,647

(Expressed in thousands of US Dollars, unless otherwise stated)

12. INVESTMENTS IN ASSOCIATES (continued)

	2011				
Associates	Beginning balances	Additions	Share in net losses	Other comprehensive income	Ending balance
PT Juloi Coal	142,305	9,435	(7,001)	-	144,739
PT Kalteng Coal	74,627	532	(614)	-	74,545
PT Maruwai Coal	54,049	2,961	(1,641)	-	55,369
PT Lahai Coal	43,547	14,705	(4,932)	-	53,320
PT Sumber Barito Coal	28,058	550	(559)	-	28,049
PT Servo Meda Sejahtera	-	22,335	(427)	(121)	21,787
PT Ratah Coal	7,153	66	(139)	-	7,080
PT Pari Coal	7,104	128	(205)	-	7,027
PT Bhimasena Power Indonesia	-	3,400	(37)	-	3,363
PT Rachindo Investment	504	-	-	-	504
	357,347	54,112	(15,555)	(121)	395,783

On 25 July 2011, Adaro Power, Electric Power Development Co Ltd and Itochu Corporation established PT Bhimasena Power Indonesia with issued and fully paid-up capital of US$3,400, US$3,400 and US$3,200, respectively and for ownership of 34%, 34% and 32%, respectively.

On 10 October 2011, ATA and PT Servo Infrastruktur ("SI") signed Sales and Purchase and Shares Transfer Deeds, whereby ATA purchased a 35% interest in PT Servo Meda Sejahtera ("SMS") from SI, for Rp 200 billion (equivalent to US$22,335)

During the year, the Group made additional capital contributions to the associates amounting to US$13,462 (2011: US$28,377). Capital contributions were made proportionately by all investors without changing the relative percentage of ownership of the associates.

The Group's ownership of its associates, all of which are unlisted, and its assets and liabilities, revenue and profit or loss, are as follows:

	Country of domicile	Assets	Liabilities	Revenues	Profit/(loss)	Interest held (%)
2012						
PT Juloi Coal	Indonesia	13,710	8,634	-	(24,961)	25.00
PT Kalteng Coal	Indonesia	1,308	33	-	(1,006)	25.00
PT Maruwai Coal	Indonesia	144,875	731	-	(676)	25.00
PT Lahai Coal	Indonesia	93,047	5,144	-	(23,616)	25.00
PT Sumber Barito Coal	Indonesia	1,157	326	-	(772)	25.00
PT Servo Meda Sejahtera	Indonesia	71,298	71,047	1,627	(8,102)	35.00
PT Ratah Coal	Indonesia	213	149	-	(262)	25.00
PT Pari Coal	Indonesia	589	16	-	(284)	25.00
PT Bhimasena Power Indonesia	Indonesia	104,073	93,221	67,899	863	34.00
PT Rachindo Investment	Indonesia	1,010	-	-	-	50.00
2011						
PT Juloi Coal	Indonesia	20,277	6,191	-	(28,005)	25.00
PT Kalteng Coal	Indonesia	1,780	417	-	(2,454)	25.00
PT Maruwai Coal	Indonesia	136,595	1,675	-	(6,563)	25.00
PT Lahai Coal	Indonesia	63,802	8,905	-	(19,729)	25.00
PT Sumber Barito Coal	Indonesia	1,663	285	-	(2,234)	25.00
PT Servo Meda Sejahtera	Indonesia	54,146	44,587	6,817	(3,328)	35.00
PT Ratah Coal	Indonesia	247	91	-	(556)	25.00
PT Pari Coal	Indonesia	560	128	-	(821)	25.00
PT Bhimasena Power Indonesia	Indonesia	40,453	30,562	-	(109)	34.00
PT Rachindo Investment	Indonesia	1,010	-	-	-	50.00

The Group has representation on the Boards of Directors in the above associates.

(Expressed in thousands of US Dollars, unless otherwise stated)

13. MINING PROPERTIES

	2012			
	Acquisition of mining rights	Mines under development	Mines in production	Total
Acquisition costs				
Carrying amount - beginning balance*	1,436,054	3,056	36,701	1,475,811
Acquisitions	649,842	25,638	-	675,480
Addition	-	9,735	55,868	65,603
	2,085,896	38,429	92,569	2,216,894
Accumulated amortisation				
Carrying amount - beginning balance*	(191,404)	-	(29,435)	(220,839)
Amortisation	(65,043)	-	(3,545)	(68,588)
	(256,447)	-	(32,980)	(289,427)
	1,829,449	38,429	59,589	1,927,467

* As restated, refer to Note 44

	2011*			
	Acquisition of mining rights	Mines under development	Mines in production	Total
Acquisition costs				
Carrying amount - beginning balance	1,137,000	-	36,701	1,173,701
Acquisitions	299,054	2,516	-	301,570
Addition	-	540	-	540
	1,436,054	3,056	36,701	1,475,811
Accumulated amortisation				
Carrying amount - beginning balance	(131,730)	-	(28,759)	(160,489)
Amortisation	(59,674)	-	(676)	(60,350)
	(191,404)	-	(29,435)	(220,839)
	1,244,650	3,056	7,266	1,254,972

* As restated, refer to Note 44

All amortisation of mining properties has been allocated to the cost of revenue.

Management is of the opinion that there has been no impairment of the carrying amounts of mining properties.

(Expressed in thousands of US Dollars, unless otherwise stated)

14. GOODWILL

	2012	2011
Carrying amount - beginning balance	1,005,506	930,743
Additions	16,667	74,763
	1,022,173	1,005,506

Details of goodwill based on segment reporting, are as follows:

	Coal mining and trading	Mining services	Others	Total
31 December 2012	750,377	39,665	232,131	1,022,173
31 December 2011	733,710	39,665	232,131	1,005,506

In accordance with the Group's accounting policies, management test its goodwill annually for impairment and for the purpose of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows (cash generating unit). There was no impairment recognised in profit or loss in 2012 and 2011.

The recoverable amounts of the cash-generating units have been determined based on the higher of their value-in-use or fair value less costs to sell. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated in the following table. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

The key assumptions used for recoverable amount calculations as at 31 December 2012 are as follows:

	Coal mining and trading	Mining services	Others
Growth rate after five years	0%	0%	0%
Pre-tax discount rate (for value-in-use calculation)	23.1%	-	8.2%
Post-tax discount rate (for fair value less costs to sell calculation)	5.5% – 10.5%	7.6%	10.7%

Management determined that the key assumptions are based on the combination of past experience and external sources.

The pre-tax discount rate is the post-tax discount rate adjusted to reflect the specific amount and timing of estimated future tax cash flow. Discounting post-tax cash flow at a post-tax discount rate and discounting pre-tax cash flow at a pre-tax discount rate will give the same result.

The Group's cash generating unit with the lowest sensitivity is in the "Others" segment, where the cash generating unit has an excess of recoverable amount, which is calculated based on the fair value less costs to sell method, from the carrying value of US$5,422. A rise in the discount rate of 0.31% would remove the remaining headroom of the relevant cash generating unit.

(Expressed in thousands of US Dollars, unless otherwise stated)

15. TRADE PAYABLES

	2012	2011
Third parties	328,590	370,941
Related parties:		
- PT Rahman Abdijaya	13,861	10,471
- PT Pulau Seroja Jaya	10,224	6,530
- Others	-	400
	24,085	17,401
	352,675	388,342

Details of trade payables based on currencies are as follows:

	2012	2011
US Dollars	297,571	326,144
Rupiah	46,661	47,920
Australian Dollars	4,651	4,460
Euro	2,868	7,410
Singapore Dollars	668	1,018
Great Britain Pound Sterling	230	1,346
Japanese Yen	26	44
	352,675	388,342

Trade payables balances mainly arose from the purchase of fuel, spare parts, repair and maintenance services, coal transportation services and coal mining services.

Due to their short-term nature, their carrying amount approximates their fair value.

Refer to Note 34 for details of related party balances and transactions.

16. ROYALTIES PAYABLE

	2012	2011
Government royalties payable, net	128,392	132,429

Government royalties payable is subject to audit by the Directorate of Mineral and Coal Business Supervision, the Ministry of Energy and Mineral Resources ("MoEMR"). Adaro has offset VAT input and vehicle fuel tax receivables against royalty payments due (refer to Note 33b).

17. ACCRUED EXPENSES

	2012	2011
Accrued interest	16,869	16,542
Freight cost	3,757	8,701
Others	14,913	13,949
	35,539	39,192

(Expressed in thousands of US Dollars, unless otherwise stated)

18. FINANCE LEASE PAYABLES

	2012	2011
PT Komatsu Astra Finance	58,973	59,270
PT Orix Indonesia Finance	22,091	-
PT Austindo Nusantara Jaya Finance	8,701	13,915
Others (each below US$5,000)	697	2,061
	90,462	75,246
Less: Current portion	(31,643)	(35,695)
Non-current portion	58,819	39,551

Future minimum lease payments under finance leases together with the present value of the minimum lease payments as of 31 December 2012 and 2011 were as follows:

	2012	2011
Payable not later than one year	33,276	37,495
Payable later than one year and not later than five years	60,241	41,401
	93,517	78,896
Less: Future financing charges	(3,055)	(3,650)
Present value of minimum finance lease payments	90,462	75,246
Payable not later than one year	31,643	35,695
Payable later than one year and not later than five years	58,819	39,551
Present value of minimum finance lease payments	90,462	75,246

The significant general terms and conditions of the finance leases are as follows:

- the Group is restricted from selling, lending, leasing, or otherwise disposing of or ceasing to exercise direct control over the leased assets;
- the Group is restricted from creating or allowing any encumbrance to all or any part of the leased assets; and
- all leased assets are pledged as collateral for the underlying finance lease payables.

Refer to Note 43d for the fair value of finance lease payables.

(Expressed in thousands of US Dollars, unless otherwise stated)

19. LONG-TERM BANK LOANS

	2012	2011
US Dollars		
Syndicated Loan, net of unamortised financing cost of US$794 (2011: US$2,554)	286,706	384,946
Syndicated Bank Loan, net of unamortised financing cost of US$11,052 (2011: US$13,191)	308,948	286,809
US$750,000 Facility Agreement, net of unamortised financing cost of US$15,771 (2011: US$5,876)	429,729	144,124
Amortising Revolving Credit Facility, net of unamortised financing cost of US$3,404 (2011: US$5,349)	376,596	414,651
US$160,000 Facilities Agreement, net of unamortised financing cost of US$3,988 (2011: US$nil)	156,012	-
PT Bank OCBC NISP Tbk, net of unamortised financing cost of US$nil (2011: US$nil)	8,499	11,499
	1,566,490	1,242,029
Less: Current portion	(268,408)	(102,549)
Non-current portion	1,298,082	1,139,480

Refer to Note 43d for the fair value of the long-term bank loans.

The interest rates on the long-term bank loans are as follows:

	2012	2011
US Dollars	1.8% - 4.8%	1.7% - 4.6%

a. Syndicated Loan

On 2 November 2007, Adaro and Coaltrade, as the Borrowers, entered into a syndicated loan facility agreement with several foreign banks (the "Lenders"), which consisted of DBS Bank Ltd, Standard Chartered Bank (Singapore branch), Sumitomo Mitsui Banking Corporation (Singapore branch) ("SMBC"), The Bank of Tokyo-Mitsubishi UFJ Ltd (Singapore branch) and United Overseas Bank Ltd (Singapore and Labuan branch), wherein DBS Bank Ltd acted as the facility agent. Based on the agreement, the Lenders agreed to grant bank loan facilities of US$750,000, of which Adaro and Coaltrade obtained facilities of US$550,000 and US$200,000, respectively. These facilities consisted of a term loan facility of US$650,000 and a revolving loan facility of US$100,000 with interest at the London Interbank Offered Rate ("LIBOR") plus a certain percentage. These facilities were used to refinance certain existing loans of Adaro.

Based on the amended agreement dated 25 March 2010, the Company, IBT and the Borrowers (collectively hereinafter referred to as the "Guarantors"), act as the guarantors of this syndicated loan.

On 30 September 2010, the Borrowers, the Guarantors and DBS Bank Ltd, as the facility agent, entered into an amendment agreement to amend the maturity date of the term loan facility to 7 December 2015 and all amounts outstanding under the revolving loan facility shall be deemed to be amounts outstanding under the term loan facility. The margin of interest was increased by a certain percentage. The effective date of this amendment agreement is 7 October 2010.

(Expressed in thousands of US Dollars, unless otherwise stated)

19. LONG-TERM BANK LOANS (continued)

a. Syndicated Loan (continued)

The payment schedule for the outstanding term loan as at 31 December 2012, is as follows:

Year	Adaro	Coaltrade	Total
2013	US$73,079	US$26,921	US$100,000
2014	US$73,079	US$26,921	US$100,000
2015	US$65,864	US$21,636	US$87,500
	US$212,022	US$75,478	US$287,500

In accordance with the loan agreements, Adaro, IBT and Coaltrade (the "Primary Operating Companies") are required to maintain certain financial ratios, with which the Primary Operating Companies were in compliance as at 31 December 2012. The Primary Operating Companies are also required to comply with certain terms and conditions relating to its Articles of Association, the nature of business, dividends, corporate actions, financing activities and other matters. The Primary Operating Companies are in compliance with the terms and conditions.

b. PT Bank OCBC NISP Tbk

On 3 December 2009, SDM obtained a term loan facility of US$15,000 from PT Bank OCBC NISP Tbk. This credit facility was used for the purpose of refinancing a portion of the Barito Channel project cost which was previously financed by ATA. The facility has a final maturity date of five years after first withdrawal and is payable on a semester basis. The loan bears interest at the three-month Singapore Interbank Offered Rate ("SIBOR") plus a certain percentage and is payable on a quarterly basis.

The loan is collateralised by:

- all trade receivables owned by SDM at the maximum of US$15,000;
- insurance claim which covers the risk of operating loss; and
- Letter of Comfort from Adaro.

As at 31 December 2012, the outstanding balance of this facility was US$8,499 (2011: US$11,499) which is repayable according to the following schedule:

Payment schedule (year)	Payment amount
2013	US$3,500
2014	US$4,999
	US$8,499

Under the loan agreement, SDM is required to maintain certain financial ratios, with which SDM was in compliance as at 31 December 2012. SDM is also required to comply with certain terms and conditions regarding its Articles of Association, the nature of the business, corporate actions, financing activities and other matters. SDM is in compliance with the related terms and conditions.

(Expressed in thousands of US Dollars, unless otherwise stated)

19. LONG-TERM BANK LOANS (continued)

c. Syndicated Bank Loan

On 18 February 2011, SIS, as Borrower, entered into a Facility Agreement of US$400,000 with a syndicate of banks consisting of The Hongkong and Shanghai Banking Corporation Limited, Oversea-Chinese Banking Corporation Limited, PT Bank UOB Buana, DBS Bank Ltd, Sumitomo Mitsui Banking Corporation (Singapore Branch), PT Bank Mandiri (Persero) Tbk (Singapore Branch), The Bank of Tokyo-Mitsubishi UFJ Ltd (Jakarta Branch), PT Bank ANZ Indonesia (formerly PT ANZ Panin Bank), PT Bank OCBC NISP Tbk, Credit Agricole Corporate and Investment Bank and Standard Chartered Bank (Jakarta Branch) as Mandated Lead Arrangers, Chinatrust Commercial Bank Co Ltd (Singapore Branch) and Societe Generale (Singapore Branch) as Lead Arrangers, The Hongkong and Shanghai Banking Corporation Limited as Facility Agent, PT DBS Bank Indonesia as Security Agent and Oversea-Chinese Banking Corporation Limited and PT Bank OCBC NISP Tbk as Account Banks. The Company, under this Facility Agreement provides a corporate guarantee. This loan is collateralised by the mining service contract with Adaro. These facilities consist of a term loan facility of US$300,000 and a revolving loan facility of US$100,000.

This loan facility was used for the purpose of refinancing the Senior Credit Facility, to finance capital expenditure, payment of transaction costs and expenses associated with the facility and other general corporate purposes.

This loan facility has a final maturity date of 18 February 2018 and is payable on a quarterly basis since 2014. This facility bears interest at LIBOR plus a certain percentage.

As at 31 December 2012, the outstanding balance of the revolving loan facility was US$20,000 (2011: US$nil) and the outstanding balance of the term loan facility was US$300,000 (2011: US$300,000), which is repayable according to the following schedule:

Payment schedule (year)	Payment amount
2014	US$33,750
2015	US$45,000
2016	US$56,250
2017	US$71,250
2018	US$93,750
	US$300,000

Under this Senior Credit facility agreement, SIS is required to maintain certain financial ratios, with which SIS was in compliance as at 31 December 2012. SIS is also required to comply with certain terms and conditions relating to its Articles of Association, the nature of the business, corporate actions, financing activities and others. SIS is in compliance with the related terms and conditions.

d. Amortising Revolving Credit Facility

On 2 October 2009, Adaro entered into an Amortising Revolving Credit Facility with a syndicate of banks consisting of Oversea-Chinese Banking Corporation Ltd, DBS Bank Ltd, Sumitomo Mitsui Banking Corporation (Singapore branch), BNP Paribas (Singapore branch), The Bank of Tokyo-Mitsubishi UFJ Ltd (Singapore branch), United Overseas Bank Ltd (Labuan branch), Chinatrust Commercial Bank Co Ltd (Singapore branch), PT Bank ANZ Indonesia (formerly PT ANZ Panin Bank), PT Bank Mandiri (Persero) Tbk (Singapore branch), Standard Chartered Bank (Jakarta branch) and The Hongkong and Shanghai Banking Corporation Ltd, wherein DBS Bank Ltd acts as the facility agent, in an aggregate amount of US$500,000 for capital expenditure purposes. The Company acted as the guarantor for this loan facility.

(Expressed in thousands of US Dollars, unless otherwise stated)

19. LONG-TERM BANK LOANS (continued)

d. Amortising Revolving Credit Facility (continued)

The availability of the loan will be stepped down as set forth in the table below:

Amortising period	Maximum available facility
The date falling 12 months after 2 October 2009	US$460,000
The date falling 24 months after 2 October 2009	US$420,000
The date falling 36 months after 2 October 2009	US$380,000
The date falling 48 months after 2 October 2009	US$230,000
Final maturity 2 October 2014	US$0

This facility will be charged with interest rates at LIBOR plus a certain percentage and has a maturity date on the date falling five years after the date of this loan agreement. As at 31 December 2012, the outstanding balance of this facility amounted to US$380,000 (2011: US$420,000).

In accordance with the loan agreement, Adaro is required to maintain certain financial ratios, with which Adaro was in compliance as at 31 December 2012. Adaro is also required to comply with certain terms and conditions with regard to its Articles of Association, the nature of the business, dividends, corporate actions, financing activities and other matters. Adaro is in compliance with the related terms and conditions.

e. US$750,000 Facility Agreement

On 4 July 2011, Adaro, as the Borrower, entered into a syndicated loan facility agreement with several banks (the "Lenders") which consisted of DBS Bank Ltd, Oversea-Chinese Banking Corporation Limited, PT Bank Mandiri (Persero) Tbk, The Bank of Tokyo-Mitsubishi UFJ Ltd (Singapore and Jakarta branch), where PT Bank Mandiri (Persero) Tbk acts as the facility agent. These facilities consist of a term loan facility of US$350,000 and an amortising revolving loan facility of US$400,000, with interest rates at LIBOR plus a certain percentage. These facilities were used for capital expenditure, working capital and other general corporate purposes. The Company acts as the guarantor of this syndicated loan.

The term loan facility is payable quarterly with the first installment due on 4 October 2012.

The availability of the amortising revolving loan facility will be stepped down as set forth in the table below:

Amortising period	Maximum available facility
4 July 2011 - 4 July 2013	US$400,000
5 July 2013 - 4 July 2014	US$378,500
5 July 2014 - 4 July 2015	US$352,000
5 July 2015 - 4 July 2016	US$317,500
5 July 2016 - 4 July 2017	US$275,000
5 July 2017 - 4 July 2018	US$227,000
5 July 2018 - 4 July 2020	US$218,500
5 July 2020 - 4 April 2021	US$149,500
5 April 2021 - 4 July 2021	US$0

Both the term loan facility and the amortising revolving loan facility have a maturity date on the tenth anniversary from the date of the loan agreement.

(Expressed in thousands of US Dollars, unless otherwise stated)

19. LONG-TERM BANK LOANS (continued)

e. US$750,000 Facility Agreement (continued)

The outstanding balance of the term loan facility was US$345,500 (2011: US$150,000) which is repayable according to the following schedule:

Payment schedule (year)	Payment amount
2013	US$19,000
2014	US$24,000
2015	US$31,500
2016	US$37,500
2017	US$43,000
2018	US$34,500
2019	US$15,000
2020	US$67,750
2021	US$73,250
	US$345,500

In 2012, Adaro made drawdown from the amortising revolving loan facility amounting to US$100,000. As at 31 December 2012, the outstanding balance of the amortising revolving loan facility was US$100,000.

In accordance with the loan agreement, Adaro is required to maintain certain financial ratios, with which Adaro was in compliance as at 31 December 2012. Adaro is also required to comply with certain terms and conditions in relation to its Articles of Association, the nature of the business, dividends, corporate actions, financing activities and other matters. Adaro is in compliance with the related terms and conditions.

f. US$160,000 Facilities Agreement

On 29 May 2012, MBP, as the Borrower, entered into a syndicated loan facility agreement with several banks, which consisted of The Hongkong and Shanghai Banking Corporation Limited (Jakarta branch), Oversea-Chinese Banking Corporation Limited, The Bank of Tokyo-Mitsubishi UFJ Ltd (Jakarta branch), DBS Bank Ltd, Sumitomo Mitsui Banking Corporation, Mizuho Corporate Bank Ltd, CIMB Bank Berhad (Singapore branch), PT Bank ANZ Indonesia and Standard Chartered Bank as Mandated Lead Arrangers, Chinatrust Commercial Bank Co Ltd (Singapore branch) as Lead Arranger, Oversea-Chinese Banking Corporation Limited as Facility Agent and The Bank of Tokyo-Mitsubishi UFJ Ltd (Jakarta branch) as Security Agent. These facilities consist of a term loan facility of US$140,000 and a revolving loan facility of US$20,000, with interest rates at LIBOR plus a certain percentage. These facilities were used to refinance the intra-group loans from the Company, for capital expenditure and other general corporate purposes. The Company acts as the guarantor of this syndicated loan.

The term loan facility is payable quarterly with the first installment due on 19 August 2015. Both the term loan facility and the revolving loan facility have a maturity date of the seventh anniversary from the date of the loan agreement.

The outstanding balance of the revolving loan facility was US$20,000 and the outstanding balance of the term loan facility was US$140,000, which is repayable according to the following schedule:

Payment schedule (year)	Payment amount
2015	US$12,000
2016	US$24,000
2017	US$28,000
2018	US$36,000
2019	US$40,000
	US$140,000

(Expressed in thousands of US Dollars, unless otherwise stated)

19. LONG-TERM BANK LOANS (continued)

f. US$160,000 Facilities Agreement (continued)

In accordance with the loan agreement, MBP is required to maintain certain financial ratios, with which MBP was in compliance as at 31 December 2012. MBP is also required to comply with certain terms and conditions relating to its Articles of Association, the nature of the business, dividends, corporate actions, financing activities and other matters. MBP is in compliance with the related terms and conditions.

g. US$40,000 Facility Agreement

On 6 July 2012, MBP, as the Borrower, entered into a syndicated loan facility agreement with several banks, which consisted of Mizuho Corporate Bank Ltd, Oversea-Chinese Banking Corporation Limited, Sumitomo Mitsui Banking Corporation, DBS Bank Ltd and The Hongkong and Shanghai Banking Corporation Limited (Jakarta branch) as Mandated Lead Arrangers, with certain financial institutions as Lenders, with Oversea-Chinese Banking Corporation Limited as Facility Agent and The Bank of Tokyo-Mitsubishi UFJ Ltd (Jakarta branch) as Security Agent. The facility is a revolving loan facility of US$40,000, with interest rates at LIBOR plus a certain percentage. The facility is to be used for capital expenditure, transaction costs related to this facility and other general corporate purposes. The Company acts as the guarantor of this syndicated loan.

In accordance with the loan agreement, MBP is required to maintain certain financial ratios, with which MBP was in compliance as at 31 December 2012. MBP is also required to comply with certain terms and conditions relating to its Articles of Association, the nature of the business, dividends, corporate actions, financing activities and other matters. MBP is in compliance with the related terms and conditions.

As at 31 December 2012, MBP has not made any drawdown from this loan facility.

20. SENIOR NOTES

	2012	2011
Face value	800,000	800,000
Discount and issuance cost	(15,161)	(15,161)
Amortisation of discount and issuance cost	3,691	2,453
	788,530	787,292

On 22 October 2009, Adaro issued Guaranteed Senior Notes (the "Senior Notes") amounting to US$800,000, with a selling price of 99.141%. The Senior Notes will mature in 2019. The Senior Notes bear a fixed interest rate of 7.625%, which is payable semi-annually in arrears on 22 April and 22 October of each year commencing on 22 April 2010. The Senior Notes are unconditionally and irrevocably guaranteed by the Company.

The Senior Notes were issued under an indenture between Adaro, the Company and The Bank of New York Mellon, as the trustee.

The Senior Notes is currently rated "Ba1" by Moody's and "BB+" by Fitch. The ratings reflect the rating agencies' assessments of the likelihood of timely payment of the principal and interest on the Senior Notes.

The proceeds of the Senior Notes were used primarily to finance the expansion of the Group's infrastructure to support the expansion of Adaro's coal production capacity.

The Senior Notes and the guarantee of the Senior Notes are unsecured and rank equally with all existing and future unsecured senior debt of Adaro and the Company, respectively. The Senior Notes and the guarantees of the Senior Notes are effectively subordinated to all of Adaro's and the Company's existing and future secured debt to the extent of the assets securing this debt. The Company's guarantee of the Senior Notes is structurally subordinated to all liabilities (including trade payables) of all of the Company's other subsidiaries, which are not initially issuing guarantees for the Senior Notes. The Company may in future designate its subsidiaries to guarantee the Senior Notes.

(Expressed in thousands of US Dollars, unless otherwise stated)

20. SENIOR NOTES (continued)

The Senior Notes were listed on the Singapore Exchange Securities Trading.

At any time, depending on the circumstances specified in the indenture, Adaro may on any one or more occasions redeem all or a part of the Senior Notes, at predetermined redemption prices, plus accrued and unpaid interest.

Adaro and the Company are required to comply with certain terms and conditions on the incurrence of indebtedness and the issue of disqualified stock, the designation of the Subsidiary's Guarantor, mergers, consolidations and sales of assets, certain transactions with affiliates, business activities and other matters. As at 31 December 2012, Adaro and the Company are in compliance with the related terms and conditions.

Refer to Note 43d for the fair value of Senior Notes.

21. POST EMPLOYMENT BENEFIT OBLIGATIONS

Provision for employee benefits as at 31 December 2012 and 2011 were calculated by Padma Radya Aktuaria and PT Ricky Leonard Jasatama, independent actuaries, in various actuarial reports dated 2013.

The principal assumptions used in determining the Group's provision for employee benefit are as follows:

	2012	2011
Discount rate	1.5% - 6.5%	6.75%
Salary growth rate	5% - 15%	12% - 15%
Expected return on plan assets	7%	8%
Normal retirement age	55	55
Mortality rate from the Indonesian Mortality Table of the year	100% TMI3 and TMI2	100% TMI2

Provision for employee benefits recognised in the consolidated statements of financial position is computed as follows:

	2012	2011
Present value of funded obligation	16,978	10,369
Fair value of plan assets	(1,482)	(1,538)
Deficit of funded plans	15,496	8,831
Present value of unfunded obligations	24,860	14,605
Total	40,356	23,436
Unrecognised actuarial losses	(6,073)	(2,518)
Unrecognised past service cost	(2)	(3)
Net liability	34,281	20,915

(Expressed in thousands of US Dollars, unless otherwise stated)

21. POST EMPLOYMENT BENEFIT OBLIGATIONS (continued)

The movement in the Group's fair value of plan assets of the year is as follows:

	2012	2011
At the beginning of the year	1,538	1,487
Expected return on plan assets	83	97
Actuarial losses	(37)	(42)
Exchange difference	(102)	(4)
At end of the years	1,482	1,538

The movement in the Group's present value of obligation is as follows:

	2012	2011
At the beginning of the year	24,974	17,841
Current service cost	8,085	5,369
Interest cost	1,747	1,402
Actuarial losses	5,049	1,871
Past service cost	4,424	-
Benefits paid	(2,445)	(1,419)
Exchange difference	(462)	(90)
Liabilities acquired in business combination	466	-
At end of the year	41,838	24,974

The amount recognised in profit or loss is as follows:

	2012	2011
Current service cost	8,085	5,369
Interest cost	1,747	1,402
Expected return on plan assets	(83)	(97)
Net actuarial losses recognised in current year	1,531	(562)
Foreign exchange gain	(360)	(86)
Past service cost	4,425	(3)
	15,345	6,023

The actual return on plan assets as at 31 December 2012 was US$21 (2011: US$20).

As at 31 December 2012 and 2011, the plan asset is fully invested in time deposit.

Expected return on time deposit are based on expected future interest for time deposit as at reporting date.

Expected contributions to post employment benefit plans for the next year are US$192.

	2012
Experience adjustment on plan liabilities	1,538
Experience adjustment on plan assets	(37)

(Expressed in thousands of US Dollars, unless otherwise stated)

22. LOANS TO THIRD PARTIES

	2012	2011
US Dollars		
PT Agrarizki Media	20,000	20,000
PT Servo Infrastruktur	16,670	16,542
	36,670	36,542

The interest rates on loans to third parties are as follows:

	2012	2011
US Dollars	1.3% – 9.0%	1.3% – 9.0%

PT Agrarizki Media

On 1 July 2011, ATA entered into a Loan Agreement with PT Agrarizki Media, with which ATA provided a loan facility of US$20,000. This loan bears an annual fixed interest rate with interest is payable every three months from the date of the first drawdown. The maturity date of this loan is on 31 May 2013.

PT Servo Infrastruktur

On 10 October 2011, ATA entered into a Loan Agreement with PT Servo Infrastruktur ("SI"), with which ATA provided a loan facility of US$16,670 (equivalent to Rp 150 billion). ATA also agreed to provide an additional loan facility of US$4,440 (equivalent to Rp 40 billion) based on a written request and on the discretion of ATA. This loan bears interest at LIBOR plus a certain percentage with interest payable every month from the date of the first drawdown. The maturity of this loan is on 9 October 2013.

23. PROVISION FOR MINE RECLAMATION AND CLOSURE

	2012	2011
Beginning balance	12,720	9,452
Net movement	3,491	3,268
Ending balance	16,211	12,720

24. DEFERRED/(ACCRUED) STRIPPING COSTS

	2012	2011
Carrying amount - beginning balance	47,911	(34,304)
Amortisation	(5,103)	2,816
	42,808	(31,488)
Addition of deferred stripping costs	-	79,399
	42,808	47,911

There are no additional deferred stripping costs during the year since the actual average stripping ratio was not significantly different with the plan stripping ratio.

(Expressed in thousands of US Dollars, unless otherwise stated)

25. SHARE CAPITAL

All shares in the Company have been listed on the Indonesian Stock Exchange since 16 July 2008. The Company's shareholders as at 31 December 2012 and 2011 based on the records maintained by PT Kustodian Sentral Efek Indonesia ("KSEI"), the share administrator, were as follows:

Shareholders	Number of shares	Percentage of ownership (%)	Amount
31 December 2012			
PT Adaro Strategic Investments	14,045,425,500	43.91	150,589
Garibaldi Thohir (President Director)	1,975,832,654	6.18	21,184
Edwin Soeryadjaya (President Commissioner)	1,359,777,646	4.25	14,579
Theodore Permadi Rachmat (Vice President Commissioner)	707,420,430	2.21	7,585
Sandiaga Salahuddin Uno (Director)	640,838,202	2.00	6,871
Ir. Subianto (Commissioner)	416,932,620	1.30	4,470
Chia Ah Hoo (Director)	4,815,500	0.02	52
Lim Soon Huat (Commissioner)	1,300,000	0.00	14
Public	12,833,619,448	40.13	137,596
	31,985,962,000	100.00	342,940
31 December 2011			
PT Adaro Strategic Investments	14,045,425,500	43.91	150,589
Garibaldi Thohir (President Director)	1,967,600,654	6.15	21,096
Edwin Soeryadjaya (President Commissioner)	1,359,777,646	4.25	14,579
Theodore Permadi Rachmat (Vice President Commissioner)	707,420,430	2.21	7,585
Sandiaga Salahuddin Uno (Director)	633,338,202	1.98	6,790
Ir. Subianto (Commissioner)	416,932,620	1.30	4,470
Andre J. Mamuaya (Director)	7,545,000	0.02	81
Chia Ah Hoo (Director)	4,815,500	0.01	52
Public	12,843,106,448	40.17	137,698
	31,985,962,000	100.00	342,940

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

26. ADDITIONAL PAID-IN-CAPITAL, NET

	2012	2011*
Additional paid-in-capital from IPO	1,219,813	1,219,813
Share issuance costs	(44,532)	(44,532)
Difference in value from restructuring transactions of entites under common control	(20,787)	(20,787)
Additional paid-in-capital, net	1,154,494	1,154,494

* As restated, refer to Note 44

The additional paid-in-capital from IPO represents the balance from the initial public offering in 2008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2012 AND 2011
(Expressed in thousands of US Dollars, unless otherwise stated)

27. RETAINED EARNINGS

	Appropriated	Unappropriated	Total
Balance as at 1 January 2011	25,583	516,974	542,557
Profit for the year	-	550,354	550,354
Appropriation of retained earnings	12,148	(12,148)	-
Dividends to equity holders of the Company	-	(150,911)	(150,911)
Balance as at 31 December 2011	37,731	904,269	942,000
Balance as at 1 January 2012	37,731	904,269	942,000
Profit for the year	-	385,347	385,347
Appropriation of retained earnings	5,504	(5,504)	-
Dividends to equity holders of the Company	-	(260,686)	(260,686)
Balance as at 31 December 2012	43,235	1,023,426	1,066,661

Limited Liability Company Law of the Republic of Indonesia requires the establishment of a general reserve from net income amounting to at least 20% of a company's issued and paid-up capital. This general reserve is disclosed as appropriated retained earnings in the consolidated statements of financial position. There is no time limit on the establishment of the reserve.

28. DIVIDENDS

At the Company's AGMS held on 20 April 2011, a total cash dividend for 2010 of Rp 970,774 million or equivalent to US$111,108 (Rp 30.35/share or equivalent to US$0.0035/share-full amount) was approved. This included interim cash dividend for 2010 of Rp 315,062 million or equivalent to US$35,364, paid on 10 December 2010. The remaining Rp 655,712 million, equivalent to US$75,744, the final cash dividend for 2010, was paid on 9 June 2011.

At the Company's Board of Commissioners and Directors Meeting held on 8 November 2011, a total interim cash dividend for 2011 of US$75,167 (US$0.00235/share-full amount), was approved. The interim cash dividend was paid on 9 December 2011.

At the Company's AGMS held on 27 April 2012, a total cash dividend for 2011 of US$259,086 (US$0.0081/share-full amount) was approved. This included interim cash dividend for 2011 of US$75,167, paid on 9 December 2011. The remaining US$183,919, final cash dividend for 2011, was paid on 12 June 2012.

At the Company's Board of Commissioners and Directors Meeting held on 24 April 2012, a total interim cash dividend for 2012 of US$41,582 (US$0.0013/share-full amount), was approved. The interim cash dividend was paid on 12 June 2012.

At the Company's Board of Commissioners and Directors Meeting held on 21 November 2012, interim cash dividend for 2012 of US$35,185 (US$0.0011/share-full amount), was approved. The interim cash dividend was paid on 15 January 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2012 AND 2011
(Expressed in thousands of US Dollars, unless otherwise stated)

29. NON-CONTROLLING INTERESTS

	2012						
	Beginning balance	Acquisition and addition	Purchase of non controlling interest	Share in net income/(loss)	Dividend	Other comprehensive income	Ending balance
PT Bhakti Energi Persada	-	431,757	-	(3,408)	-	(6)	428,343
PT Sarana Daya Mandiri	4,478	-	-	2,330	(487)	-	6,321
Others (each below US$1,000)	1,874	767	(265)	(962)	-	6	1,420
	6,352	432,524	(265)	(2,040)	(487)	-	436,084

	2011						
	Beginning balance	Acquisition and addition	Purchase of non controlling interest	Share in net income/(loss)	Dividend	Other comprehensive income	Ending balance
PT Sarana Daya Mandiri	2,834	-	-	1,644	-	-	4,478
Others (each below US$1,000)	374	1,423	-	105	-	(28)	1,874
	3,208	1,423	-	1,749	-	(28)	6,352

30. REVENUE

	2012	2011
Sales of coal		
Export	2,574,064	2,875,890
Domestic	864,564	829,893
	3,438,628	3,705,783
Mining services		
Domestic	210,317	192,249
Others		
Export	600	4,698
Domestic	72,944	84,675
	73,544	89,373
	3,722,489	3,987,405

As at 31 December 2012, revenues of approximately US$377,516 or equal to 10.14% (2011: US$nil) of the total consolidated revenue are derived from a single external customer.

All of the consolidated revenue were generated from third party transactions.

(Expressed in thousands of US Dollars, unless otherwise stated)

31. COST OF REVENUE

	2012	2011
Sales of coal		
Mining	1,314,775	1,048,413
Coal processing	128,836	146,509
Total production costs	1,443,611	1,194,922
Royalties to Government	383,700	405,376
Freight and handling costs	275,659	283,918
Purchase of coal	90,421	275,271
Depreciation and amortisation	151,246	99,920
Amortisation of mining properties	68,588	60,350
Coal inventory:		
Beginning balance	27,556	12,669
Ending balance	(32,251)	(27,556)
Increase in coal inventory	(4,695)	(14,887)
Total cost of revenue - sales of coal	2,408,530	2,304,870
Mining services		
Repair and maintenance	51,905	42,130
Consumables	44,719	41,558
Depreciation and amortisation	36,062	34,437
Employee costs	48,875	22,864
Subcontractors	11,748	14,921
Other costs (each below US$5,000)	13,915	12,973
Total cost of revenue - mining services	207,224	168,883
Others		
Consumables	32,121	59,004
Depreciation and amortisation	6,894	8,153
Other costs (each below US$5,000)	25,098	18,102
Total cost of revenue – others	64,113	85,259
	2,679,867	2,559,012

Details of suppliers with transactions that represent more than 10% of the consolidated cost of revenue are as follows:

	2012	2011
Third parties:		
PT Shell Indonesia	400,710	301,111
PT Pamapersada Nusantara	357,779	344,487
	758,489	645,598

Refer to Note 34 for details of related party balances and transactions.

(Expressed in thousands of US Dollars, unless otherwise stated)

32. OPERATING EXPENSES

	2012	2011
Selling and marketing		
Sales commission	48,258	63,162
Others	2,524	2,919
	50,782	66,081
General and administrative		
Employee costs	53,806	40,081
Others	68,479	38,660
	122,285	78,741
	173,067	144,822

33. TAXATION

a. Prepaid taxes

	2012	2011
Corporate income tax	113,967	17,644
VAT	28,939	7,930
	142,906	25,574

b. Recoverable taxes

	2012	2011
Vehicle fuel tax receivables	51,308	41,556
VAT Input	37,958	38,854
Deposit to Government	15,451	16,540
	104,717	96,950
Less: Current portion	(89,266)	(80,410)
Non-current portion	15,451	16,540

Receivables relating to VAT input represents the balance of VAT input to be offset against the royalty payable due to the Government of Indonesia.

According to Government Regulation No. 144/2000, which has been effective from 1 January 2001, raw coal prior to processing to briquettes is no longer subject to VAT. Since that date, Adaro has been unable to seek restitution for VAT input. For the year ended 31 December 2012, Adaro has offset the claim for recoverable VAT input amounting to US$157,121 (2011: US$133,238) against royalty payments due to the Government of Indonesia. From 1 January 2001 up to 31 December 2012, Adaro has offset cumulative claims for recoverable VAT input totalling US$707,801 against royalty payables.

Based on the CCA, Adaro was subject to sales tax on services received, in accordance with the prevailing laws and regulations. However, with the enforcement of Law No. 8 of 1983 regarding VAT, the regulations on sales tax were no longer valid.

(Expressed in thousands of US Dollars, unless otherwise stated)

33. TAXATION (continued)

b. Recoverable taxes (continued)

Adaro is of the opinion that sales tax is different from VAT in both form and substance, and therefore VAT is a new tax. According to the provisions of the CCA, the Government will pay and assume and hold Adaro harmless from new taxes. As such, management believes that Adaro can recover its VAT input in this manner and expects that the outstanding balance will be recovered in full. These consolidated financial statements do not include any adjustments that might ultimately result from the decision made by the Government regarding this matter. Refer to Note 40c for further details.

In 2008, the Government of Indonesia through the Financial and Development Supervisory Board ("BPKP"), commenced an audit to resolve this dispute on the offset of VAT paid against royalties payable for the years 2001 to 2007. However, as at the date of these consolidated financial statements, the formal result of this audit had not been issued by the Government of Indonesia. In September 2008, Adaro placed a fund amounting to Rp 150 billion (equivalent to US$15,451) as a deposit in relation to the settlement of this dispute. Refer to Note 40c for further details.

In August 2009, BPKP continued its audit in relation to VAT and sales tax for the fiscal years prior to 2001, as well as the 2008 fiscal year. As at the date of these consolidated financial statements, the audit is still ongoing. Management is of the opinion that the audit result will not have a material impact on the Group's financial position and cash flow.

On 6 December 2012, the Minister of Finance issued Regulation No. 194/PMK.03/2012 ("PMK 194") that governs procedures of collection, remittance and reporting of Sales Tax and treatment of VAT and/or Luxury Goods Sales Tax on first generation CCA contractors including Adaro and it has been effective since 1 January 2013. PMK 194 stipulates that the first generation of CCA contractors must collect, remit and report Sales Tax on the utilisation of particular services as listed in this regulation. PMK 194 also stipulates that Value Added Tax and/or Luxury Goods Sales Tax is not collected on the delivery of VAT-able goods and/or services by a VAT-able Entrepreneur to the contractors. The Group will comply with PMK 194 starting on 1 January 2013.

Vehicle fuel tax (Pajak Bahan Bakar Kendaraan Bermotor/"PBBKB") receivable represents the balance of PBBKB that Adaro believes should be compensated by the Government of Indonesia, since PBBKB is a new tax according to the provisions of the CCA. For the year ended 31 December 2012, Adaro has offset the claim for vehicle fuel tax against royalty payments due to the Government of Indonesia amounting to US$29,803 (2011: US$17,495). Until 31 December 2012, Adaro has offset cumulative claims for vehicle fuel tax against royalty payments due to the Government of Indonesia amounting to US$47,298.

c. Taxes payable

	2012	2011
Corporate income tax	32,087	50,774
Other taxes:		
- Income tax Articles 23 and 26	3,591	10,777
- Income tax Article 21	2,092	2,335
- Land and buildings tax	1,616	1,540
- VAT	1,041	3,291
- Final income tax Article 4(2)	112	848
- Income tax Article 22	79	-
- Income tax Article 15	19	26
	40,637	69,591

(Expressed in thousands of US Dollars, unless otherwise stated)

33. TAXATION (continued)

d. Income tax expense

	2012	2011
Current tax	330,856	420,102
Deferred tax	(439)	30,406
Total income tax expense	330,417	450,508

The tax on consolidated profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2012	2011
Consolidated profit before income tax	713,724	1,002,611
Tax calculated at applicable tax rates	325,709	439,801
Income subject to final tax	(53,298)	(32,105)
Non-deductible expenses	68,799	49,454
Tax allowance	(15,276)	(16,866)
Others (each below US$5,000)	4,483	10,224
Consolidated income tax expense	330,417	450,508

The reconciliation between the consolidated profit before income tax and estimated taxable income is as follows:

	2012	2011
Consolidated profit before income tax	713,724	1,002,611
Profit before income tax - subsidiaries	(732,056)	(1,005,743)
Adjusted for consolidation eliminations	401,928	549,881
Profit before income tax - the Company	383,596	546,749
Temporary differences:		
Provision for employee benefits	4,604	909
Permanent differences:		
Income subject to final tax	(321)	(216)
Income from investments in subsidiaries and associates	(404,060)	(559,296)
Non-deductible expenses	22,586	13,622
Others	-	6,005
Differences due to changes in reporting currency	-	(16,886)
	(381,795)	(556,771)
Taxable income/(loss) - the Company	6,405	(9,113)
Tax losses used	(6,405)	-
Current income tax - the Company	-	-
Current income tax - subsidiaries	330,856	420,102
Consolidated current income tax	330,856	420,102

(Expressed in thousands of US Dollars, unless otherwise stated)

33. TAXATION (continued)

d. Income tax expense (continued)

Current income tax computations are based on estimated taxable income. The amounts may be adjusted when the Annual Tax Returns are filed with the tax office.

The income tax charged/(credited) relating to other comprehensive income during the year is as follows:

	2012			2011		
	Before tax	Tax (charge)/ credit	After tax	Before tax	Tax (charge)/ credit	After tax
Cash flow hedges	1,324	(577)	747	12,003	(3,181)	8,822

e. Deferred tax assets/liabilities

	1/1/2012	Charged to profit or loss	Transfer to deferred tax assets	Acquisition of subsidiary	Credited to equity	31/12/2012
Deferred tax assets						
Tax losses carried forward	18,676	400	-	2,180	-	21,256
Retirement benefit obligations	1,143	1,269	-	-	-	2,412
Difference between the commercial and tax net book values of fixed assets	(473)	5	-	-	-	(468)
Losses due to changes in fair value of derivative financial instruments	183	-	-	-	(183)	-
	19,529	1,674	-	2,180	(183)	23,200
Unrecognised deferred tax assets	(13,985)	1,305	-	(2,180)	-	(14,860)
Deferred tax assets at the end of the year	5,544	2,979	-	-	(183)	8,340
Deferred tax liabilities						
Capitalised borrowing costs	8,532	6,135	-	-	-	14,667
Retirement benefit obligations	(1,552)	(527)	-	-	-	(2,079)
Mining properties	314,401	(14,635)	-	162,461	-	462,227
Losses due to changes in the fair values of derivative financial instruments	(1,638)	194	-	-	394	(1,050)
Differences between the commercial and tax net book values of fixed assets	102,975	17,605	-	-	-	120,580
Tax losses carried forward	(9,290)	6,108	-	-	-	(3,182)
Provision for impairment of trade receivables	-	(4,500)	-	-	-	(4,500)
Differences in fixed assets under finance leases and lease installments	12,976	(6,257)	-	-	-	6,719
Income from subsidiaries	-	4,525	-	-	-	4,525
	426,404	8,648	-	162,461	394	597,907
Unrecognised deferred tax liabilities	9,290	(6,108)	-	-	-	3,182
Deferred tax liabilities at the end of the year	435,694	2,540	-	162,461	394	601,089

(Expressed in thousands of US Dollars, unless otherwise stated)

33. TAXATION (continued)

e. Deferred tax assets/liabilities (continued)

	1/1/2011	Charged to profit or loss	Transfer to deferred tax assets	Acquisition of subsidiary	Credited to equity	31/12/2011
Deferred tax assets						
Tax losses carried forward	26,544	(7,868)	-	-	-	18,676
Retirement benefit obligations	406	208	529	-	-	1,143
Difference between the commercial and tax net book values of fixed assets	-	-	(473)	-	-	(473)
Losses due to changes in fair value of derivative financial instruments	634	-	-	-	(451)	183
	27,584	(7,660)	56	-	(451)	19,529
Unrecognised deferred tax assets	(22,795)	8,810	-	-	-	(13,985)
Deferred tax assets at the end of the year	4,789	1,150	56	-	(451)	5,544
Deferred tax liabilities						
Capitalised borrowing costs	4,266	4,266	-	-	-	8,532
Retirement benefit obligations	(1,763)	(318)	529	-	-	(1,552)
Mining properties	254,861	(15,223)	-	74,763	-	314,401
Losses due to changes in the fair values of derivative financial instruments	(5,270)	-	-	-	3,632	(1,638)
Differences between the commercial and tax net book values of fixed assets	63,643	39,805	(473)	-	-	102,975
Tax losses carried forward	(11,834)	2,544	-	-	-	(9,290)
Differences in fixed assets under finance leases and lease installments	10,044	2,932	-	-	-	12,976
	313,947	34,006	56	74,763	3,632	426,404
Unrecognised deferred tax liabilities	11,834	(2,544)	-	-	-	9,290
Deferred tax liabilities at the end of the year	325,781	31,462	56	74,763	3,632	435,694

Due to the fact that several subsidiaries are in a loss position and only function as a head office, there is a limitation on the future use of tax losses carried forward and uncertainty as to whether the deferred tax assets will be realised. Thus, a portion of the deferred tax assets relating to tax losses carried forward has not been recognised in these consolidated financial statements.

All of the deferred tax assets are expected to be only recovered after more than 12 months.

The analysis of deferred tax liabilities is as follows:

	2012	2011
Deferred tax liabilities to be recovered within 12 months	25,036	20,220
Deferred tax liabilities to be recovered after 12 months	576,053	415,474
	601,089	435,694

f. Administration

Under the taxation laws of Indonesia, companies within the Group which are domiciled in Indonesia calculate and pay tax on the basis of self assessment. The Directorate General of Tax ("DGT") may assess or amend taxes within ten years of the time the tax becomes due, or until the end of 2013, whichever is earlier. There are new rules applicable to the fiscal year 2008 and subsequent years stipulating that the DGT may assess or amend taxes within five years of the date the tax becomes due.

(Expressed in thousands of US Dollars, unless otherwise stated)

33. TAXATION (continued)

g. Tax assessment letter

Management of SIS disagreed with the tax assessments of corporate income tax and income tax Article 23 that were received in 2008 and therefore filed objection letters with the DGT against the tax assessment amounting to Rp 3,421 million. On 21 April 2009, the DGT accepted the objection on income tax article 23 of Rp 142 million and rejected the objection to corporate income tax of Rp 3,279 million. On 3 June 2009, SIS filed an appeal against the rejection amounting to Rp 3,279 million. On 27 June 2011, the tax court issued a decision to partially accept the appeal from SIS, amounting to Rp 2,397 million. On 8 December 2011, DGT requested a civil review of the decision of the tax court. Until the date of the consolidated financial statements, there has been no result of the civil review.

As at the date of these consolidated financial statements, the Company is being audited by the DGT for all taxes for the fiscal year 2011, Adaro for all taxes for the fiscal years 2007 and 2010, SIS for all taxes for the fiscal years 2009 and 2011, AEI for all taxes for the fiscal year 2011, Dianlia for all taxes for the fiscal year 2011, Viscaya for all taxes for the fiscal years 2008 and 2009, IBT for all taxes for the fiscal year 2011 and MSW for all taxes for the year 2011. The Company, Adaro, SIS, AEI, Dianlia, Viscaya, IBT and MSW have not yet received the tax audit results. Management is of the opinion that the tax audit results will not have a material impact on the Group's financial position and cash flow.

34. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

(a) Nature of relationships

Related parties	Nature of relationship
PT Rachindo Investments	Associate
PT Servo Meda Sejahtera	Associate
PT Anugerah Buminusantara Abadi	Affiliate
PT Pulau Seroja Jaya	Affiliate
PT Pulau Seroja Jaya Pratama	Affiliate
PT Rahman Abdijaya	Affiliate
PT Jasa Tambang Indonesia	Affiliate

(b) Transaction details

In the normal course of business, the Group engages in transactions with related parties, primarily consisting purchases of services and other financial transactions. Refer to Note 1 for details of the Company's subsidiaries and associates.

	2012	2011
Trade receivables (refer to Note 7)	-	226
Loan to related party:		
- PT Servo Meda Sejahtera	44,562	15,508
	44,562	15,734
As a percentage of total assets	0.67%	0.28%

(Expressed in thousands of US Dollars, unless otherwise stated)

34. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)

(b) Transaction details (continued)

	2012	2011
Trade payables (refer to Note 15)	24,085	17,401
Non-trade related party payables:		
- PT Rachindo Investments	500	500
	24,585	17,901
As a percentage of total liabilities	0.66%	0.56%
Cost of revenue		
Mining services:		
- PT Rahman Abdijaya	69,620	74,781
Coal barging services:		
- PT Pulau Seroja Jaya	32,952	26,561
- PT Pulau Seroja Jaya Pratama	393	895
Rental:		
- PT Anugerah Buminusantara Abadi	-	2,386
	102,965	104,623
As a percentage of cost of revenue	3.84%	4.09%

The Group's pricing policy related to the transactions with related parties is set based on contracted prices.

On 18 July 2011, ATA entered into a loan agreement ("Agreement I") with SMS and SI, based on which ATA agreed to provide a loan receivable facility of US$10,000 to SMS. Agreement I has been amended on 25 November 2011, where ATA provided an additional loan receivable facility of US$5,000 to SMS. This loan receivable bears an annual fixed interest rate and the interest will be paid every month since the date of the first drawdown. Agreement I was due on 1 December 2011. On 16 March 2012, ATA, SMS and SI extended the maturity date of this loan from 1 December 2011 to 1 June 2012 and ATA provided an additional loan of Rp 50 billion (equivalent to US$5,274) to SMS. The loan receivable was secured with the 35% shares in SMS that are owned by SI.

On 25 April 2012, ATA entered into another loan agreement ("Agreement II") with SMS and SI. Based on Agreement II, it is acknowledged and agreed that (i) ATA provides an additional loan facility of Rp 166 billion; (ii) on the date of Agreement II, the outstanding balance under Agreement I comprises (a) US$16,220, which on the date of Agreement II was converted into Rupiah currency in the amount of Rp 148.8 billion, and (b) Rp 51.3 billion (including accrued interest on Agreement I), therefore, the total outstanding balance under Agreement I was Rp 200.1 billion, which total amount has been acknowledged and agreed to become part of the total debt under Agreement II; and (iii) Agreement I was terminated. Agreement II bears an annual fixed interest, with interest payable every month, and the loan will be due on 24 October 2012. On 21 September 2012, ATA entered into Amendment I to Agreement II with SMS and SI, under which ATA agreed to provide an additional loan to SMS amounting to Rp 30 billion. The loan is secured by the pledge of 35% of shares in SMS owned by SI. On 23 October 2012, the maturity date of this loan was extended to 24 April 2013.

(Expressed in thousands of US Dollars, unless otherwise stated)

34. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)

(c) Key management compensation

The Boards of Commissioners and Directors of the Company are considered as key management personnel.

Remuneration for the Boards of Commissioners and Directors of the Company for the years ended 31 December 2012 and 2011, were as follows:

	2012	2011
Remuneration	4,758	4,701
Post employment benefit	3,542	-
	8,300	4,701

The Board of Commissioners and Directors do not receive any other benefits such as management stock options.

35. OTHER EXPENSES-NET

	2012	2011*
Compensation of customer claim	-	152,818
Other expense, net	(33,171)	(453)
	(33,171)	152,365

* As restated, refer to Note 44

Customer Claims

In 2008, MoEMR requested that Indonesian coal producers renegotiate existing term coal supply contracts to match then current market prices. Those Indonesian coal producers were instructed by MoEMR that they would be required to suspend shipments if they failed to comply with the request.

Adaro declared force majeure and suspended deliveries to three customers. One of these customers later agreed a renegotiated price with Adaro under their contract in line with the Government requirement. The remaining two customers have asserted separate claims against Adaro seeking amounts by way of compensation through arbitrations. At the end of 2010, one of the arbitration cases was withdrawn. For the other claim, the arbitration has asserted that Adaro should compensate the customer with a payment of US$152,818. With the payment of that amount in August 2011, all claims have now been resolved.

36. EARNINGS PER SHARE

	2012	2011
Profit for the year attributable to the owners of the parent	385,347	550,354
Weighted average number of ordinary shares outstanding (in thousands of shares)	31,985,962	31,985,962
Basic earnings per share (full amount)	0.01205	0.01721
Diluted earnings per share (full amount)	0.01155	0.01721
Weighted average number of ordinary shares used as the denominator In calculating basic earnings per share (in thousands of shares)	31,985,962	31,985,962
Adjustments for calculation of diluted earnings per share (in thousands of shares):		
- Share options	1,389,342	-
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share (in thousands of shares)	33,375,304	31,985,962

37. NET MONETARY ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

As at 31 December 2012 and 2011, the Group had monetary assets and liabilities denominated in currencies other than US Dollars as follows:

		2012	
		Foreign currency (full amount)	Equivalent US$
Monetary assets			
Cash and cash equivalents	Rp	1,293,006,517,056	133,714
	S$	1,091,335	892
	€	286,896	371
Trade receivables	Rp	1,532,902,723,886	158,525
Prepaid taxes	Rp	312,104,859,212	32,276
Total monetary assets			325,778
Monetary liabilities			
Trade payables	Rp	451,208,720,384	46,661
	S$	817,320	668
	€	2,164,886	2,868
	¥	2,260,034	26
	A$	4,486,254	4,651
	£	142,984	230
Accrued expenses	Rp	30,991,685,195	3,205
	S$	748	1
	€	2,597,079	3,440
Taxes payable	Rp	83,802,579,304	8,666
Total monetary liabilities			70,416
Net foreign currency monetary assets			255,362

(Expressed in thousands of US Dollars, unless otherwise stated)

37. NET MONETARY ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES (continued)

		2011	
		Foreign currency (full amount)	Equivalent US$
Monetary assets			
Cash and cash equivalents	Rp	553,818,923,064	61,073
	S$	1,345,168	1,034
	€	1,311,204	1,736
Trade receivables	Rp	1,086,391,193,881	119,805
Prepaid taxes	Rp	67,081,913,296	7,398
Recoverable taxes	Rp	352,652,772,273	38,886
Total monetary assets			229,932
Monetary liabilities			
Trade payables	Rp	434,538,107,418	47,920
	S$	1,322,790	1,018
	€	5,724,194	7,410
	¥	3,379,329	44
	A$	4,394,591	4,460
	£	873,634	1,346
Accrued expenses	Rp	14,353,690,904	1,583
	€	2,204,552	2,854
Taxes payable	Rp	102,299,214,621	11,281
Total monetary liabilities			77,916
Net foreign currency monetary assets			152,016

Monetary assets and liabilities mentioned above are translated using Bank Indonesia closing rate as at 31 December 2012 and 2011.

If assets and liabilities in currencies other than US Dollars as at 31 December 2012 are translated using the exchange rate as at the date of consolidated statement of financial position, the total net monetary assets will decrease by approximately US$641.

38. NON-CASH TRANSACTIONS

	2012	2011
Non-cash activities:		
Acquisition of assets under finance leases	55,776	30,982
Addition of investments in associates through conversion of advance for investments	13,462	28,225

(Expressed in thousands of US Dollars, unless otherwise stated)

39. OPERATING SEGMENTS

Management has determined the operating segments based on reports reviewed by the Board of Directors, which has been identified as the Group's chief operating decision maker, which makes strategic decisions.

The Board of Directors considers the business operation by business type perspective which comprises sales of coal, mining services and others (barging and ship loading, dredging and water toll contractor, coal storage and blending, ship loading terminal and fuel facility, conveyor system, port terminal, power plant, etc.).

The segment information provided to the Board of Directors for the reportable segments for the year ended 31 December 2012 and 2011, is as follows:

	For the year ended 31 December 2012				
	Sales of Coal	Services	Others	Eliminations	Consolidated
External revenue	3,438,628	210,317	73,544	-	3,722,489
Inter-segment revenue	286,602	284,610	204,082	(775,294)	-
Revenue	3,725,230	494,927	277,626	(775,294)	3,722,489
Cost of revenue	(2,726,778)	(435,436)	(173,261)	655,608	(2,679,867)
Selling and marketing expense	(97,472)	-	-	46,690	(50,782)
General and administration expense	(38,173)	(27,472)	(60,825)	4,185	(122,285)
Finance costs	(115,225)	(17,499)	(35,408)	49,785	(118,347)
Finance income	30,824	461	16,827	(36,993)	11,119
Income tax expense	(330,782)	1,457	(12,059)	10,967	(330,417)
Profit for the year	413,401	17,403	(697)	(46,800)	383,307
Depreciation and amortisation	96,021	86,264	17,841	67,222	267,348
Segment assets	3,058,253	612,475	1,830,387	1,191,141	6,692,256
Segment liabilities	2,688,889	487,295	1,860,175	(1,339,157)	3,697,202
Acquisition of fixed assets mining properties, and exploration and evaluation assets	272,822	117,933	210,007	-	600,762

(Expressed in thousands of US Dollars, unless otherwise stated)

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OUR PEOPLE
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39. OPERATING SEGMENTS (continued)

	For the year ended 31 December 2011				
	Sales of Coal	Services	Others	Eliminations	Consolidated
External revenue	3,705,783	192,249	89,373	-	3,987,405
Inter-segment revenue	220,251	232,378	252,943	(705,572)	-
Revenue	3,926,034	424,627	342,316	(705,572)	3,987,405
Cost of revenue	(2,528,350)	(372,949)	(253,282)	595,569	(2,559,012)
Selling and marketing expense	(111,858)	-	-	45,777	(66,081)
General and administration expense	(10,457)	(19,432)	(51,171)	2,319	(78,741)
Finance costs	(106,269)	(21,868)	(18,563)	26,942	(119,758)
Finance income	17,353	502	7,451	(18,588)	6,718
Income tax expense	(449,020)	(891)	(11,439)	10,842	(450,508)
Profit for the year	590,823	11,323	(8,562)	(41,481)	552,103
Depreciation and amortisation	49,793	78,166	15,842	61,908	205,709
Segment assets	2,925,103	561,003	1,988,074	184,781	5,658,961
Segment liabilities	2,469,602	453,226	1,672,033	(1,378,123)	3,216,738
Acquisition of fixed assets mining properties, and exploration and evaluation assets	315,285	138,341	167,381	-	621,007

Sales between segments are carried out at contracted prices. The revenue from external parties reported to the Board of Directors is measured in a manner consistent with that in the profit or loss.

The amounts provided to the Board of Directors with respect to total assets and liabilities are measured in a manner consistent with that of the consolidated financial statements.

40. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES

a. Coal mining, transportation, barging, transhipment and other related agreements

Adaro, as a coal producer, has entered into a number of coal mining agreements. Under the agreements, Adaro is required to pay contractors a service fee, calculated on a monthly basis, based on a formula which includes the amount of raw coal and overburden mined and transported. The contractors will provide all equipment, machinery, appliances and other supplies necessary for performing mining and transportation services and are required to meet certain minimum production requirements.

Adaro has also entered into coal barging, transport and transhipment agreements with contractors to provide coal transportation services from Adaro's main area to certain port destinations. Adaro is required to pay contractors a service fee, calculated on a monthly basis, based on a formula which includes the amount of coal transported.

(Expressed in thousands of US Dollars, unless otherwise stated)

40. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

a. Coal mining, transportation, barging, transhipment and other related agreements (continued)

In addition, Adaro has also entered into a fuel supply agreement with PT Shell Indonesia ("Shell"). Adaro is required to pay Shell a price, based on a formula which includes the amount of fuel supplied and the market price of fuel. Adaro is also required to purchase a certain minimum yearly volume of fuel.

Contractor	Agreement type	Agreement date	Contract period end
PT Pamapersada Nusantara	Coal mining and transportation	7 September 2009	31 July 2013
PT Bukit Makmur Mandiri Utama	Coal mining and transportation	6 April 2010	31 December 2013
PT Rahman Abdijaya	Coal mining and transportation	28 September 2009	31 December 2013
PT Rante Mutiara Insani	Coal mining and transportation	22 February 2010	22 February 2015
PT Pulau Seroja Jaya	Coal barging	1 October 2010	31 October 2017
PT Mitra Bahtera Segara Sejati Tbk	Coal barging	1 October 2010	31 October 2017
PT Meratus Advance Maritim	Coal barging	1 December 2010	31 October 2017
PT Shell Indonesia	Fuel supply	8 December 2009	1 October 2022
PT Bukit Makmur Mandiri Utama	Rental heavy equipment	28 September 2012	31 December 2013
PT Rahman Abdijaya	Rental heavy equipment	1 October 2012	31 December 2013
PT Rante Mutiara Insani	Rental heavy equipment	29 January 2013	31 December 2013
PT Pamapersada Nusantara	Rental heavy equipment	28 September 2012	31 December 2013

SIS provides mining contractor services to various coal producers. Under the agreements, SIS provides labour, equipment and material for overburden removal, coal mining and coal transportation and overburden hauling and is required to meet certain minimum production requirements for these activities. SIS receives a service fee calculated on a monthly basis, based on a formula which includes several adjustment clauses.

Coal producer	Agreement date	Contract period or production level (metric tonnes/MT)
PT Berau Coal (Binungan H4)	27 December 2004	31 December 2013
PT Berau Coal (Binungan Blok C 1-4)	1 March 2007	31 December 2015
PT Berau Coal (Sambarata)	25 February 2004	29 December 2015
PT Berau Coal (Sambarata Blok B-1)	21 January 2008	30 June 2017
PT Sumber Kurnia Buana	10 May 2005	31 January 2013
PT Borneo Indobara	17 October 2006	31 August 2014 or certain production level
PT Indomining	14 August 2007	31 January 2013 or certain production level

40. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

b. Land-Use Cooperation Agreement

On 4 November 2009, MSW and the Government of Tabalong Regency entered into a land-use cooperation agreement for the use of 100.2 hectares of Government of Tabalong Regency's land, located in Mabu'un village, Murung Pudak Sub-District, Tabalong Regency, in relation to the construction and operation of a Coal fired Power Plant. The Government of Tabalong Regency will provide the right to use the land. Subsequently the Group can apply for land rights for 30 years and this could be extended according to the prevailing law.

In return for the land rights, MSW will supply electricity of 1.5 Mega Watts ("MW") for regency street lighting.

c. Royalty claim

In May 2006, the MoEMR alleged that Adaro had underpaid the royalties due from coal sales for the years from 2001 onward and demanded payment. Adaro strongly rejected the allegation because it had discharged its obligation to pay such royalties by way of offsetting them against the Government's obligation to reimburse Adaro for its VAT payment as prescribed under the CCA. In May 2006, Adaro filed an objection with the Jakarta Administrative Court against the MoEMR. Upon Adaro's application, in May 2006, the Jakarta Administrative Court granted an order restricting the MoEMR from taking any further administrative steps on the issue until a final and binding judgement was delivered.

In September 2006, the Jakarta Administrative Court issued a decision in favour of Adaro. The Jakarta High Administrative Court concurred with the Jakarta Administrative Court in February 2007. On 26 September 2008, the Indonesian Supreme Court concurred with the decision of the Jakarta High Administrative Court and the decision of the Indonesian Supreme Court is final and binding.

In June 2006, the MoEMR granted authority to the Committee for State Claim Affairs (the "Committee") to pursue the alleged underpayment on its behalf. In July 2007, the Committee issued a demand for payment to Adaro. As this is an industry-wide problem, similar demands have been made by the Committee to other first-generation companies.

In September 2007, Adaro filed an objection with the Jakarta Administrative Court against the Committee. Upon Adaro's application, in September 2007 the Jakarta Administrative Court granted an order restricting the Committee from taking any further administrative steps on the issue until a final and binding judgement had been delivered. On 15 February 2008, the Jakarta Administrative Court issued a decision in favour of Adaro. The Jakarta High Administrative Court concurred with the Jakarta Admistrative Court on 1 July 2008. On 22 July 2009, the Indonesian Supreme Court concurred with the decision of the Jakarta High Administrative Court and the decision of the Indonesian Supreme Court is final and binding. On 29 January 2010, the Committee filed a civil review (Peninjauan Kembali) on the decision of the Indonesian Supreme Court. On 31 January 2011, the Jakarta Administrative Court delivered the decision on the civil review (Peninjauan Kembali), where the Supreme Court decided to reject the request of the civil review (Peninjauan Kembali) from the Committee, based on decision No. 47PK/TUN/2010 dated 20 July 2010.

Furthermore, the PMK 194 which is effective 1 January 2013, at its recitals mentioned that based on the First Generation CCA that had been signed prior to 1 April 1985, the Contractors are required to pay taxes as stated in the agreement, among others, the Sales Tax in accordance with the prevailing tax laws and regulations in Indonesia.

As management believes that Adaro has strong grounds supporting the case and the recent court decision was in favour of Adaro, no provision has been booked in the consolidated financial statements in relation to this matter.

Adaro has offset the claim for recoverable VAT input and vehicle fuel tax against royalty payments due to the Government of Indonesia (refer to Note 33b).

40. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

d. Capital expenditure

As at 31 December 2012, Adaro had outstanding purchase orders for mining equipment amounting to US$692 and SIS for operational equipment amounting to US$2,573.

e. Banking facility

On 5 September 2007, Adaro entered into a banking facility agreement with HSBC to issue a bank guarantee. This agreement has been amended several times, with the last amendment extending the maturity date of this agreement to 31 July 2013. The total limit of this facility is US$30,000, which includes the issuing of a stand-by documentary credit amounting to US$20,000, performance bonds amounting to US$15,000 and tender bonds amounting to US$15,000. This facility is not bound by any collateral.

On 20 August 2008, Adaro entered into a banking facility amendment agreement with PT Bank DBS Indonesia for banking facilities in the form of bank guarantees, bid bonds, performance bonds and stand-by letter of credit, with a total limit of US$15,000. This agreement has been amended several times, with the last amendment to extend the maturity date of this agreement to 15 July 2013. This facility is not bound by any collateral.

On 11 November 2011, Adaro entered into a banking facility agreement with PT ANZ Panin Bank to issue a bank guarantee. The total limit of this facility is US$10,000, which includes the issuing of a bank guarantee to support bid bonds, performance bonds and payment guarantees amounting to US$10,000 or stand-by letter of credit amounting to US$10,000. This facility is not bound by any collateral. On 7 January 2013, the agreement has been amended to extend the maturity date to 11 November 2013.

The use of certain banking facilities requires Adaro to maintain time deposits (refer to Note 6).

As at 31 December 2012, the total bank facilities used by Adaro which were obtained from HSBC and PT Bank DBS Indonesia and from other financial institutions (obtained without any facility) in various currencies, aggregated to US$33,616 (2011: US$43,588). These facilities had been issued in relation to sales contracts and reclamation guarantees.

f. Sales commitments

As at 31 December 2012, Adaro had various commitments to deliver approximately 194.2 million metric tonnes of coal to various buyers, subject to price agreements. The coal will be periodically delivered from 2013 until 2022.

g. Forestry fee

Based on Government Regulation No. 2 dated 4 February 2008, all companies that have activities in production and protected forest areas not related to forestry will have an obligation to pay a forestry fee ranging from Rp 1,200,000 (full amount) to Rp 3,000,000 (full amount) per hectare. This fee is effective from 2008. The Group has recognised this fee on an accrual basis.

h. Engineering, Procurement and Construction Agreement

On 23 April 2008, MSW entered into an Engineering, Procurement and Construction ("EPC") Agreement with PT Punj Lloyd Indonesia ("Punj Lloyd Indonesia"), Punj Lloyd Pte Ltd ("Punj Lloyd") with a total contract value of approximately €18,068 thousand and €34,174 thousand (equivalent to US$23,933 and US$45,268 as at 31 December 2012), respectively. Under this agreement, Punj Lloyd Indonesia will provide construction services, while Punj Lloyd will supply equipment for the construction of Tanjung Tabalong 2x30 MW coal fired power plant project, located in Kalimantan, Indonesia.

Under the agreement, MSW is required to pay a 15% advance and installments to Punj Lloyd Indonesia and Punj Lloyd upon the achievement of project milestones.

40. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

i. Legal proceedings

From time to time, the Group is involved in various legal proceedings as a normal incident to the Group's business. The Group is of the opinion that adverse decisions in any pending or threatened proceedings, or that any amounts it may be required to pay by reason thereof will not have a material adverse effect on its consolidated financial condition or the consolidated results of its operations.

j. Overland Conveyor Construction Contract

On 29 December 2009, JPI, Sandvik Asia Ltd and PT Tripatra Engineers and Constructors, entered into contracts for the construction of an Overland Conveyor, for the purpose of supporting Adaro in increasing its coal production capacity with total contract amounts (including provisional sums) of approximately US$237,000. The construction is planned to be completed within two years from the date of commencement of the project.

Until 31 December 2012, there had been no spending related to this contract and the project had been put on hold.

k. Fuel Facilities Agreement

On 1 September 2009, IBT entered into a Fuel Facilities Agreement with Shell. Based on the agreement, Shell agreed to build a fuel storage facility with a minimum capacity of 60,000 tonnes of diesel on land belonging to IBT and IBT agreed to build shared facilities within the terminal for unloading and loading of the diesel. For the use of the shared facilities, Shell agreed to pay a handling fee of a certain amount per barrel of the loaded quantities of diesel. The agreement will expire on 31 December 2022. At the end of the agreement period, Shell will transfer the ownership of the fuel storage facility to IBT.

l. Mining Law No. 4/2009

On 16 December 2008, the Indonesian Parliament passed a new Law on Mineral and Coal Mining (the "Law"), which received the assent of the President on 12 January 2009, becoming Law No. 4/2009. The CCA system under which Adaro, one of the Group's subsidiaries, operates, will no longer be available to investors. However, the Law indicates that existing CCAs, such as that held by Adaro, will be honoured. There are a number of issues which existing CCA holders, including Adaro, are currently analysing. Among others these include:

- the Law notes that existing CCAs will be honoured until their expiration. However, it also states that existing CCAs must be amended within one year to conform to the provisions of the Law (other than terms relating to State revenue - which is not defined, but presumably includes royalties and taxes); and
- the requirement for CCA holders which have already commenced some form of activity to, within one year of enactment of the Law, submit a mining activity plan for the entire contract area. If this plan is not fulfilled, the contract area may be reduced to that allowed for mining business licences ("Izin Usaha Pertambangan" or "IUP") under the Law.

In February 2010, the Government of Indonesia released two implementing regulations for Mining Law No. 4/2009, i.e. Government Regulation No. 22/2010 and 23/2010 ("GR No. 22" and "GR No. 23"). GR No. 22 deals with the establishment of the mining areas under the new mining business license ("IUP"). GR No. 23 provides clarifications surrounding the procedures to obtain the new IUP. GR No. 23 indicates that existing CCAs will be honoured by the Government although any extension of existing CCAs will be through the issue of an IUP.

On 21 February 2012, the Government of Indonesia amended GR No. 23 by issuing Government Regulation No. 24/2012 ("GR No. 24"), which regulates the transfer of IUPs, divestment and mining areas.

The Group is closely monitoring the progress of the implementing regulations for the Law and will consider the impact on its operations, if any, as these regulations are issued.

40. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

m. Ministerial Regulation No. 28/2009

In September 2009, the Minister of Energy and Mineral Resources issued Ministerial Regulation No. 28/2009, which, among others, requires the Directorate General's approval to use an affiliate as a mining services contractor. The regulation provides a definition of affiliates and provides exceptions only when there are no similar mining services companies in the regency/city and/or province, or when there are no other capable mining service companies operating in the area. The regulation requires mining concession companies under their existing contracts to conduct all coal extraction activities themselves within three years after the issue of the regulation, except for new contracts where the obligation is effective from the date of the contract.

Accordingly, Adaro will be required to develop its own extraction capabilities in lieu of relying on third party contractors. The regulation provides a three-year transition period for changes to existing arrangements.

The Director General of Mineral, Coal and Geothermal has recently issued Director General Regulation No. 376.K/30/DJB/2010 dated 10 May 2010 regarding the procedures and requirements for requesting approval for involving a subsidiary and/or an affiliate in mining services activities ("Dirgen Regulation"). The Dirgen Regulation further regulates Ministerial Regulation No. 28/2009, specifically regarding the procedures and requirements for the involvement of a subsidiary and/or an affiliate in mining services activities.

On 8 October 2012, Ministerial Regulation No. 28/2009 is partially amended with Ministerial Regulation No. 24/2012, which regulates that Adaro may lease equipment from any mining supporting companies holding the Certificate of Registration issued by the Minister, Governor, Regent in accordance to the authorities.

Management has complied with Ministerial Regulation No.28/2009 that requires Adaro to carry out coal extraction activities itself as well as Ministerial Regulation No.24/2012 regarding equipment leases. Neither regulation inflicts any impact or substantial change upon the structure of Adaro's operations.

n. Ministerial Regulation No. 34/2009

In December 2009, the Minister of Energy and Mineral Resources issued another regulation, Ministerial Regulation No. 34/2009, which provides a legal framework requiring mining companies to sell a portion of their output to domestic customers (the "Domestic Market Obligation" or "DMO").

On 11 October 2011, MoEMR issued Ministerial Decree No. 1991.K/30/MEM/2011 which set the minimum DMO percentage for the year 2012 to be 24.72%. On 31 October 2012, the Minister of Energy and Mineral Resources issued a Minister Decree No. 909.K/30/DJB/2012 regarding the Setting of the Requirement and Minimum Percentage of Coal Sales for Domestic Consumption Year 2012 which revised the minimum DMO percentage for the year 2012 to be 20.47%. The Group has met the minimum DMO requirement for the year 2012.

On 8 October 2012, the Minister of Energy and Mineral Resources issued Ministerial Decree No. 2934 K/30/MEM/2012 regarding the Setting of the Requirement and Minimum Percentage of Coal Sales for Domestic Consumption Year 2013 which states the minimum DMO percentage for the year 2013 is 20.30%.

The Group is closely monitoring the quantity of DMO for 2013 and will ensure that the Group fulfills the DMO requirement.

40. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

o. Ministerial Regulation No. 17/2010

In September 2010, the Minister of Energy and Mineral Resources issued Ministerial Regulation No. 17/2010 on the Procedure for the Setting of Benchmark Prices For Mineral and Coal Sales, which regulates that the sale of coal shall be conducted with reference to the benchmark price issued by the Government.

On 3 March 2011, the Minister of Energy and Mineral Resources issued Ministerial Decision No. 0617 K/32/MEM/2011 on The Benchmark Price for PT Perusahaan Listrik Negara (Persero) ("PLN") for the Operation of Coal Fired Power Plant.

On 24 March 2011, the Director General of Mineral, Coal and Geothermal issued Director General Regulation No. 515.K/32/DJB/2011 on the Formula for Setting the Coal Benchmark Price.

On 26 August 2011, the Director General of Mineral and Coal issued Director General Regulation No. 999.K/30/DJB/2011 on the Procedure for Determining the Adjustment Coal Benchmark Price.

The Group has complied with the requirements of the regulations, mentioned above.

p. Contract in relation to the overburden crushing and conveying system

On 25 March 2011, Adaro and FLSmidth Spokane, Inc entered into a contract in relation to the overburden crushing and conveying systems equipment supply of and for offshore services (the "FLSmidth Spokane Contract"), for the purpose of supporting Adaro's increase of its coal production capacity, with a total contract amount of US$92,003. Either party may assign their interest in the contract to another entity, with written consent from the other party.

On 10 November 2011, Adaro, JPI and FLSmidth Spokane, Inc entered into a deed of novation of a contract, whereby Adaro transfers all of its rights and obligations under the FLSmidth Spokane Contract, to JPI.

On 25 March 2011, Adaro and PT Wijaya Karya (Persero) Tbk entered into a construction contract in relation to the overburden crushing and conveying system ("WIKA Contract"), with a total contract amount of US$83,870. The construction is planned to be completed within two years from the date of the commencement of the project. Either party may assign their interest in the contract to another entity, with written consent from the other party.

On 10 November 2011, Adaro, JPI and PT Wijaya Karya (Persero) Tbk entered into a deed of novation of a contract, whereby Adaro transfers all of its rights and obligations under the WIKA Contract, to JPI.

q. Long-term Power Purchase Agreement for the Central Java Coal-Fired Independent Power Producer Project ("IPP")

The Group, together with Electric Power Development Co Ltd ("JPower") and Itochu Corporation ("Itochu"), formed a consortium - the "JPower-Adaro-Itochu" Consortium - to undertake the project. In July 2011 the Consortium established PT Bhimasena Power Indonesia ("BPI"), in which the Group, through its subsidiary PT Adaro Power, JPower and Itochu own participating interests of 34%, 34% and 32% respectively, to build, own and operate a coal-fired power plant.

On 6 October 2011, BPI and PLN signed a long-term Power Purchase Agreement ("PPA"). The PPA includes the construction of a coal-fired power plant with a total capacity of 2,000 MW in the Province of Central Java (Central Java Power Plant/"CJPP") and a 25-year supply of electricity to PLN. Upon expiration of the PPA term, the CJPP project will be transferred to PLN. In addition to the PPA, a Guarantee Agreement was also signed by and between the Government of the Republic of Indonesia, PT Penjaminan Infrastruktur Indonesia (Persero) and BPI, which in this case, guarantee PLN's payment obligations for the CJPP project under the PPA. The project is currently at the initial implementation stage.

40. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

r. MIP legal issue

On 31 January 2008, PT Tambang Batubara Bukit Asam (Persero), Tbk ("the Plaintiff") filed a lawsuit of "Tort" on (i) Lahat Regent, (ii) Head of Mines and Energy Department of Lahat Regency, (iii) Head of Mines and Energy Development Department of the Provincial Government of South Sumatera qq. South Sumatera Governor, (iv) PT Mustika Indah Permai, (v) PT Bukit Bara Alam, (vi) PT Muara Alam Sejahtera, (vii) PT Bara Alam Utama and (viii) PT Bumi Merapi Energi ("the Defendants"), through the District Court of Lahat in civil case No. 04/Pdt.G/2008/PN.LT. On 12 August 2008, the case was resolved by a decision that in principal declared that the District Court of Lahat is not authorised by its jurisdiction to adjudicate the case. The Plaintiff further appealed to the High Court of Palembang and on 16 December 2008 the High Court of Palembang issued decision No. 78/PDT/2008/PT.PLG on the appeal. For the decision of the High Court of Palembang, the Defendants filed a cassation and the Supreme Court issued Cassation decision No. 2157K/PDT/2009 on 28 January 2010.

Further to the Cassation decision, a Judicial Review has been filed to the Supreme Court, that is recorded under case register No. 405 PK/PDT/2011. The Judicial Review that was requested by (i) PT Bumi Merapi Energi, (ii) PT Bara Alam Utama, (iii) PT Mustika Indah Permai, (iv) PT Bukit Bara Alam, (v) PT Muara Alam Sejahtera, (vi) Lahat Regent and (vii) Head of Mines and Energy Department of Lahat Regency, was decided by the Supreme Court on 10 November 2011 and received on 20 March 2012 through Announcement for Judicial Review Decision No. 405 PK/PDT/2011 No. 04/Pdt.G/2008/PN.LT with the decision to grant the judicial review request of the Requestors of the Judicial Review and to revoke the decision of the Supreme Court No. 2157 K/Pdt/2009 on 28 January 2010, and to declare that the District Court of Lahat is not authorised to adjudicate case No. 04/Pdt.G/2009/PN.LT.

With the issuing of Supreme Court Decision No. 405 PK/PDT/2011 that granted the Judicial Review's request and in favor of the Judicial Review Requestors, and considering that case No. 04/Pdt.G/2008/PN.LT jo. No. 78/PDT/2008/PT.PLG jo. No. 2157K/PDT/2011 has obtained a final and binding decision ("inkracht van gewijsde") and that the Judicial Review made the final decision that no further appeal can be made to this decision, the Management is of the opinion that the decision of the Supreme Court on the Judicial Review case No. 405 PK/PDT/2011 was the final and binding decision and shall be obeyed by the disputing parties, therefore it can be the legal reference for all parties concerned.

In addition, letter from Lahat Regent to Director General of Mineral and Coal No. 540/244/Pertamb.II/2012 dated 20 March 2012, concerning the Correction on the IUP Reconciliation Announcement in Lahat Regency, as forwarded to the Defendants, declared that on 10 October 2011 the Supreme Court made a decision regarding Administrative Court Judicial Review case No. 109 PK/TUN/2011 which granted the Judicial Review request of Lahat Regent with the following decision: grant the Judicial Review request from the Judicial Review Requestor (Lahat Regent); revoke Supreme Court decision No. 326 K/TUN/2006 dated 10 May 2007; and fully reject the lawsuit of the Plaintiff (PT Tambang Batubara Bukit Asam (Persero), Tbk).

As such, the lawsuit of PT Tambang Batubara Bukit Asam (Persero), Tbk to the Lahat Regent in Administrative Case No. 06/G.TUN/2005/PTUN-PLG jo. No. 100/BDG/2005/PT.TUN-MDN jo. No. 326 K/TUN/2006 jo. No. 109 PK/TUN/2011 has been fully rejected and the case has obtained a final and binding decision ("inkracht van gewijsde"). Therefore Lahat Regent Decision No. 540/29/KEP/PERTAMBEN/2005 dated 24 January 2005, for the Determination of the Status of the Former Exploitation Mining Rights Area (KW.97.PP0350) and Exploitation Mining Rights (KW.DP.16.03.04.01.03) of PT Tambang Batubara Bukit Asam (Persero), Tbk, that confirms the authority of the Lahat Regency Government in managing the license of the mining area inside the area of Lahat Regency, and its implementations or further actions, including the process of IUP issuance is lawful, and it is therefore the legal reference for all parties concerned.

40. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

s. Letter of Intent for the South Kalimantan Coal-Fired Independent Power Producer Project ("IPP")

The Group, through its subsidiary PT Adaro Power, together with Korea East-West Power Co, Ltd, which formed a consortium with participation interests of 65% and 35%, respectively, received a Letter of Intent from PLN on 21 March 2012. PLN intends to engage in a contract (power purchase agreement) for the development of the South Kalimantan Coal-Fired Power Plant.

Under this project, the consortium will construct a coal-fired power plant with a capacity of 2x100 MW in South Kalimantan and will sell the electricity to PLN under a power purchase agreement for 25 years.

t. US$270,000 Guaranteed Bridge Facility Agreement

On 3 August 2012, BPI, an associate company, entered into a US$270,000 Guaranteed Bridge Facility Agreement with the Financial Institutions Party. The US$270,000 Guaranteed Bridge Facility will expire 364 days after the date of this agreement. The Company acts as the guarantor for the commitment of US$91,800, which is equal to 34% of the total facility.

As at 31 December 2012, BPI has made drawdowns totaling US$90,000 from this facility.

u. Overlapping land plots of PT Bhakti Energi Persada and subsidiaries

PT Bhakti Energi Persada and subsidiaries ("BEP Group") has been granted mining permits in Muara Wahau, East Kutai, East Kalimantan (the "Concession Area"). The Concession Area currently overlaps with the plantation business permit held by PT Dharma Satya Nusantara and its subsidiaries, as well as its affiliated companies (the "Plantation Companies"). The clearance of the Concession Area is subject to discussion and agreement between BEP Group and the Plantation Companies. As of 31 December 2012, BEP Group and the Plantation Companies have reached an agreement for a portion of the overlapping area within the Concession Area and are still in the process of the discussion for the remainder of the overlapping areas within the Concession Area.

41. RECLAMATION GUARANTEE

On 29 May 2008, the Minister of Energy and Mineral Resources announced a new regulation regarding mine reclamations and mine closures, as detailed in Ministerial Regulation No. 18/2008. It is stated that a company is required to provide mine reclamation and mine closure guarantees which may be in the form of a time deposit, bank guarantee or insurance, all of which with a duration corresponding to the reclamation schedule.

On 20 December 2010, the Government of Indonesia released an implementing regulation for Mining Law No. 4/2009, i.e. Government Regulation No. 78/2010 ("GR No. 78") that deals with reclamations and post-mining activities for both IUP-Exploration and IUP-Production Operation holders. This regulation updates Ministerial Regulation No. 18/2008 issued by the Minister of Energy and Mineral Resources on 29 May 2008. The transitional provisions in GR No. 78 make it clear that CCA holders are also required to comply with this regulation.

An IUP-Exploration holder, among other requirements, must include a reclamation plan in its exploration work plan and budget and provide a reclamation guarantee in the form of a time deposit placed at a state-owned bank.

An IUP-Production Operation holder, among other requirements, must prepare (1) a five-year reclamation plan; (2) a post-mining plan; (3) provide a reclamation guarantee which may be in the form of a joint account or time deposit placed at a state-owned bank, a bank guarantee, or an accounting provision (if eligible); and (4) provide a post-mine guarantee in the form of a time deposit at a state-owned bank.

The requirement to provide a reclamation guarantee and a post-mining guarantee does not release the IUP holder from the requirement to perform reclamation and post-mining activities.

41. RECLAMATION GUARANTEE (continued)

Based on the Decree of the DGoMCG No. 882/37.06/DJB/2010 dated 26 March 2010, No. 1153/30/DJB/2011 dated 11 March 2011 and No. 2016/37.06/DJB/2012 dated 18 June 2012, Adaro is required to provide a Reclamation Guarantee in the form of performance bonds. As at the consolidated statement of financial position dates, Adaro had placed reclamation guarantees in the form of performance bonds amounting to Rp 63.3 billion (2011: Rp 47.1 billion).

Adaro has submitted its mine closure plan which has been approved by MoEMR on 14 February 2013.

42. FINANCIAL ASSETS AND LIABILITIES

As at 31 December 2012, the Company and its subsidiaries classified its cash and cash equivalents, trade receivables, other receivables, loans to third parties, loans to a related party, restricted cash and time deposits, other current assets and other non-current assets amounted to US$1,077,585 (2011: US$1,112,836) as loans and receivables, its available-for-sale financial assets amounted to US$nil (2011: US$65,708) as available for sale, and its derivative financial instruments US$nil (2011: US$666) as financial assets at fair value through profit or loss.

As at 31 December 2012, the Company and its subsidiaries classified its trade payables, dividend payables, accrued expenses, other liabilities, non-trade related party payables, finance lease payables, long-term bank loans and Senior Notes amounted of US$2,874,146 (2011: US$2,539,907) as financial liabilities carried at amortised cost and its derivative financial instruments US$2,446 (2011: US$5,482) as financial liabilities at fair value through profit or loss and cash flow hedge instruments.

43. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including the effects of foreign currency exchange rates risk, commodity prices risk and interest rates risk), credit risk and liquidity risk. The objectives of the Group's risk management are to identify, measure, monitor and manage basic risks in order to safeguard the Group's long-term business continuity and to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by each operating unit under policies approved by the Board of Directors. Each operating unit's treasury identifies, evaluates and hedges financial risks. The Company's Board of Directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and the investment of excess liquidity.

a. Market risk

(i) Foreign exchange risk

The financing and the majority of revenue and operating expenditure of the operating subsidiaries of the Company are denominated in US Dollars, which indirectly represents a natural hedge on exposure to fluctuations in foreign exchange rates. However, the Group is exposed to foreign exchange risk arising from Rupiah dividend payments to the shareholders and other operation expenses. Management has set up a policy to require companies within the Group to manage their foreign exchange risk against their functional currency.

As at 31 December 2012, if the Rupiah currency had weakened/strengthened by 3% against the US Dollar with all other variables held constant, the post-tax profit for the year would have been US$7,747 lower or US$8,226 higher (2011: US$3,713 lower or US$3,943 higher), respectively, mainly as a result of foreign exchange gains/losses on the translation of Rupiah-denominated cash and cash equivalent, trade receivables, prepaid taxes, trade payables, accrued expenses and taxes payable. Profit is more sensitive to movements in currency/Rupiah exchange rates in 2012 than 2011 because of the increased amount of Rupiah-denominated assets.

43. FINANCIAL RISK MANAGEMENT (continued)

a. Market risk (continued)

(ii) Price risk

The Group is exposed to commodity price risk because coal is a commodity product traded in the world coal markets. Prices for Adaro's coal ("Envirocoal") are based on global coal prices, which tend to be highly cyclical and subject to significant fluctuations. As a commodity product, global coal prices are principally dependent on the supply and demand dynamics of coal in the world export market. The Group did not engage in trading coal contracts and has not entered into long term coal pricing agreements to hedge its exposure to fluctuations in the coal price but may do so in the future. Instead, the Group entered into one-year fixed price coal contracts with some of its customers to safeguard a portion of its revenue for each year.

The Group is also exposed to commodity price risk relating to purchases of fuel necessary to run its coal mining operations. The Group enters into fuel hedge contracts to hedge against the fluctuations in fuel prices for part of the estimated annual fuel usage. Besides this, for mining services provided to its customers, in order to manage price risk, the Group entered into long-term contracts with its customers (maximum five years) which also allows for price adjustments when the fuel price increases.

At 31 December 2012 and 2011, other than the derivative financial instruments, there were no financial assets or liabilities with a carrying amount directly linked to market commodity prices or commodity derivative contracts.

(iii) Interest rate risk

The Group's interest rate risk arises from long-term borrowing denominated in US Dollar. The interest rate risk from cash is not significant and all other financial instruments are not interest bearing. Borrowing issued at variable rates expose the Group to cash flow interest rate risk. Borrowing issued at fixed rates expose the Group with fair value interest risk.

The Group manages its cash flow interest rate risk using floating-to-fixed interest rate swaps. These interest rate swaps have the economic effect of converting borrowing from floating rates to fixed rates. Generally, the Group raises long-term borrowing at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated with reference to the agreed notional amounts.

As at 31 December 2012, if interest rates on long-term borrowings had been ten basis points higher/lower with all other variables held constant, the post-tax profit for the year would have been US$1,115 (2011: US$351) lower/higher.

b. Credit risk

As at 31 December 2012, the total maximum exposure from credit risk was US$1,067,438 (2011: US$1,097,292). Credit risk arises from cash in banks, time deposits, trade receivables, other receivables, loans to third parties, loan to related party and restricted cash and time deposits.

All the cash in bank, time deposits and restricted cash and time deposits are placed in reputable foreign and local banks. In addition, the Group also transacts its hedging activities with those reputable foreign and local banks including the Group's lenders.

(Expressed in thousands of US Dollars, unless otherwise stated)

43. FINANCIAL RISK MANAGEMENT (continued)

b. Credit risk (continued)

As at 31 December 2012 and 2011, the balance outstanding from trade receivables, other receivables, loans to third parties and loans to related parties are as follow:

	31 December 2012			
	Neither past due nor impaired	Past due but not impaired	Past due and impaired	Total
Trade receivable				
Group 1	7,188	4	-	7,192
Group 2	393,993	72,828	10,000	476,821
Other receivables				
Group 2	4,322	6,883	-	11,205
Loans to third parties				
Group 2	36,670	-	-	36,670
Loan to related party				
Group 2	44,562	-	-	44,562
Total	486,735	79,715	10,000	576,450

	31 December 2011			
	Neither past due nor impaired	Past due but not impaired	Past due and impaired	Total
Trade receivable				
Group 1	241	-	-	241
Group 2	399,656	71,445	-	471,101
Other receivables				
Group 2	6,645	6,883	-	13,528
Loans to third parties				
Group 1	16,542	-	-	16,542
Group 2	20,000	-	-	20,000
Loan to related party				
Group 2	15,508	-	-	15,508
Total	458,592	78,328	-	536,920

Group 1: new customers / third parties / related party (less than 12 months)
Group 2: existing customers / third parties / related party (more than 12 months) without default history

As at 31 December 2012, provision for impairment of US$10,000 was made (2011: US$nil). Management is of the opinion that the trade receivables will be collected in full and the provision balance is sufficient to cover any possible loss from the outstanding trade receivables.

Management is confident in its ability to continue to control and maintain minimal exposure to credit risk, since the Group has clear policies on the selection of customers, legally binding agreements in place for coal sales transactions, mining services and other services rendered, and historically low levels of bad debts.

(Expressed in thousands of US Dollars, unless otherwise stated)

43. FINANCIAL RISK MANAGEMENT (continued)

b. Credit risk (continued)

The Group's general policies for coal sales and rendering services to new and existing customers are as follows:

- selecting customers (mostly blue chip power plant companies) with a strong financial condition and a good reputation.
- acceptance of new customers and sales of coal and rendering services are approved by the authorised personnel according to the Group's delegation of authority policy.
- requesting payments by letter of credit for new customers.

As at 31 December 2012, Management is of the opinion that there is no concentration of credit risk since the entire trade receivables, other receivables, loans to third parties and loans to related party comes from many parties which values less than 10% from the total receivables and loans unless one external party (2011: two external parties) which represents 14.38% (2011: 23.27%) from the total receivables and loans.

c. Liquidity risk

Liquidity risk is defined as a risk that arises in situations where the cash inflow from short-term revenue is not enough to cover the cash outflow of short-term expenditure. To manage its liquidity risk, the Group monitors its level of cash and cash equivalents, and maintains these at a level deemed adequate to finance the Group's operational activities and to mitigate the effect of fluctuations in cash flow. The Group's management also regularly monitors projected and actual cash flow, including loan maturity profiles and continuously assesses the financial markets for opportunities to raise funds. In addition, the Group has a stand-by loan facility which can be withdrawn upon request to fund its operations when needed.

The table below analyses the Group's financial liabilities at the reporting date into relevant maturity groupings based on the remaining period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows including estimated interest payments:

	31 December 2012				
	Less than three months	More than three months and not later than one year	More than one year and not later than five years	More than five years	Total
Financial liabilities					
Trade payables	352,675	-	-	-	352,675
Dividend payables	35,185	-	-	-	35,185
Accrued expenses	35,539	-	-	-	35,539
Derivative financial instruments	1,979	-	467	-	2,446
Other liabilities	4,765	-	-	-	4,765
Non-trade related party payables	-	-	500	-	500
Finance lease payables	9,110	24,167	60,240	-	93,517
Bank loans	40,161	274,060	928,706	522,164	1,765,091
Senior Notes	-	61,000	244,000	922,000	1,227,000
Total financial liabilities	479,414	359,227	1,233,913	1,444,164	3,516,718

(Expressed in thousands of US Dollars, unless otherwise stated)

43. FINANCIAL RISK MANAGEMENT (continued)

c. Liquidity risk (continued)

	31 December 2011				
	Less than three months	More than three months and not later than one year	More than one year and not later than five years	More than five years	Total
Financial liabilities					
Trade payables	388,342	-	-	-	388,342
Accrued expenses	39,192	-	-	-	39,192
Royalty payables	132,429	-	-	-	132,429
Derivative financial instruments	1,708	2,389	1,385		5,482
Other liabilities	7,306	-	-	-	7,306
Non-trade related party payables	-	-	500	-	500
Finance lease payables	14,430	23,065	41,401	-	78,896
Bank loans	35,078	145,261	947,796	280,333	1,408,468
Senior Notes	-	61,000	244,000	983,000	1,288,000
Total financial liabilities	618,485	231,715	1,235,082	1,263,333	3,348,615

d. Fair value estimation

Fair value is the amount for which an asset could be exchanged or liability settled between knowledgeable and willing parties in an arm's length transaction.

The table below describes the carrying amounts and fair value of financial liabilities that are not presented by the Group at fair value:

	31 December 2012	
	Carrying amount	Fair value
Finance lease payables	90,462	87,874
Long-term bank loans	1,566,490	1,593,559
Senior Notes	788,530	893,928

	31 December 2011	
	Carrying amount	Fair value
Finance lease payables	75,246	74,575
Long-term bank loans	1,242,029	1,256,165
Senior Notes	787,292	878,184

The fair value of finance lease payables and long-term bank loans is measured using discounted cash flow based on the interest rate of the latest finance lease payable and the latest bank loan facility entered by the Group. The fair value of Senior Notes is estimated using the quoted market price as at 31 December 2012.

The carrying amounts of other financial assets and liabilities approximate their fair values because of the short-term nature of the financial instruments.

(Expressed in thousands of US Dollars, unless otherwise stated)

OUR WORLD
OUR THOUGHTS
OUR BUSINESS
OUR PEOPLE
OUR COMMUNITIES
OUR GOVERNANCE
OUR INVESTORS
OUR FINANCES

43. FINANCIAL RISK MANAGEMENT (continued)

d. Fair value estimation (continued)

The table below analyses the financial instruments carried at fair value, by the level of the valuation method. The valuation levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The Group's only financial instruments carried at fair value are the derivative instruments. For 2012 and 2011, these are measured using a level 2 method. The fair value is measured as the present value of the estimated future cash flows based on observable yield curves.

As at 31 December 2011, the Group had an available-for-sale financial asset when acquiring 10.22% interest in BEP for US$65,708 (refer to Note 4e). The carrying amount of the available-for-sale financial assets approximated its fair value due to the recent purchase of the investment.

e. Capital risk management

In managing capital, the Group safeguards its ability to continue as a going concern and to maximise benefits to the shareholders and other stakeholders.

The Group actively and regularly reviews and manages its capital to ensure the optimal capital structure and return to the shareholders, taking into consideration the efficiency of capital use based on operating cash flow and capital expenditure and also consideration of future capital needs.

The Group also seeks to maintain a balance between the level of borrowing and the equity position in order to ensure the optimal capital structure and return. There were no changes in the Group's approach to capital management during the year.

44. RECLASSIFICATION

As discussed in Note 2, the Group's consolidated financial statements have been prepared in conformity with Decree of the Chairman of BAPEPAM-LK No. KEP-347/BL/2012 dated 25 June 2012 regarding the Presentation and Disclosure of Financial Statements of an Issuer or Public Company which became effective for the financial statements ended 31 December 2012 and with the implementation of the new SFAS as explained in Note 2b. As such, certain accounts have been reclassified to conform with BAPEPAM-LK's requirements and the new SFAS.

The consolidated financial statements of the Group as at 1 January 2011 have been reclassified as follows:

	Before reclassification	Reclassification	After reclassification
Deferred exploration and development expenditure	7,942	(7,942)	-
Mining properties	1,005,270	7,942	1,013,212
Additional paid-in-capital	1,175,281	(20,787)	1,154,494
Difference in value from restructuring transactions of entities under common control	(20,787)	20,787	-

(Expressed in thousands of US Dollars, unless otherwise stated)

44. RECLASSIFICATION (continued)

The consolidated financial statements of the Group as at 31 December 2011 have been reclassified as follows:

	Before reclassification	Reclassification	After reclassification
Deferred exploration and development expenditure	10,322	(10,322)	-
Mining properties	1,244,650	10,322	1,254,972
Additional paid-in-capital	1,175,281	(20,787)	1,154,494
Difference in value from restructuring transactions of entities under common control	(20,787)	20,787	-

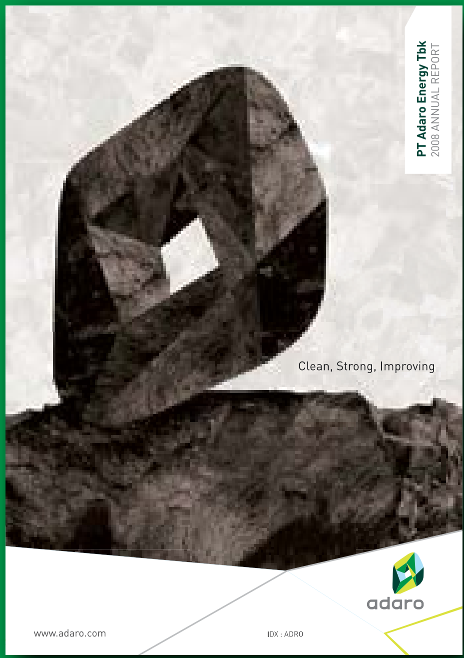
The consolidated statements of comprehensive income of the Group as at 31 December 2011 have been reclassified as follows:

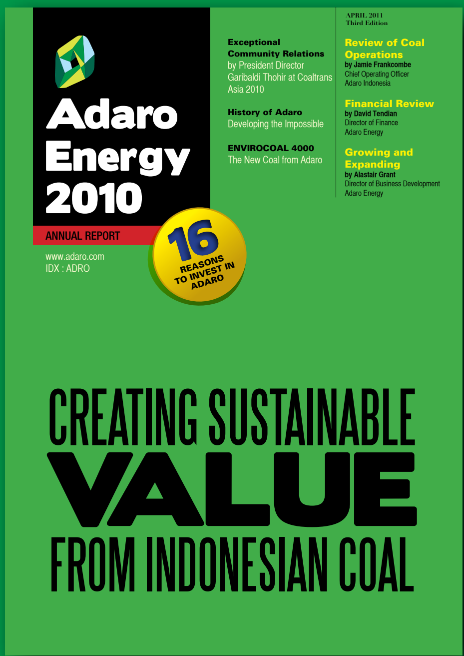
	Before reclassification	Reclassification	After reclassification
Loss on disposal of fixed assets	(2,824)	2,824	-
Foreign exchange gain, net	1,992	(1,992)	-
Other expenses, net	(151,533)	(832)	(152,365)

45. AUTHORISATION OF FINANCIAL STATEMENTS

These consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors of PT Adaro Energy Tbk on 18 March 2013.

End of Financial Statements





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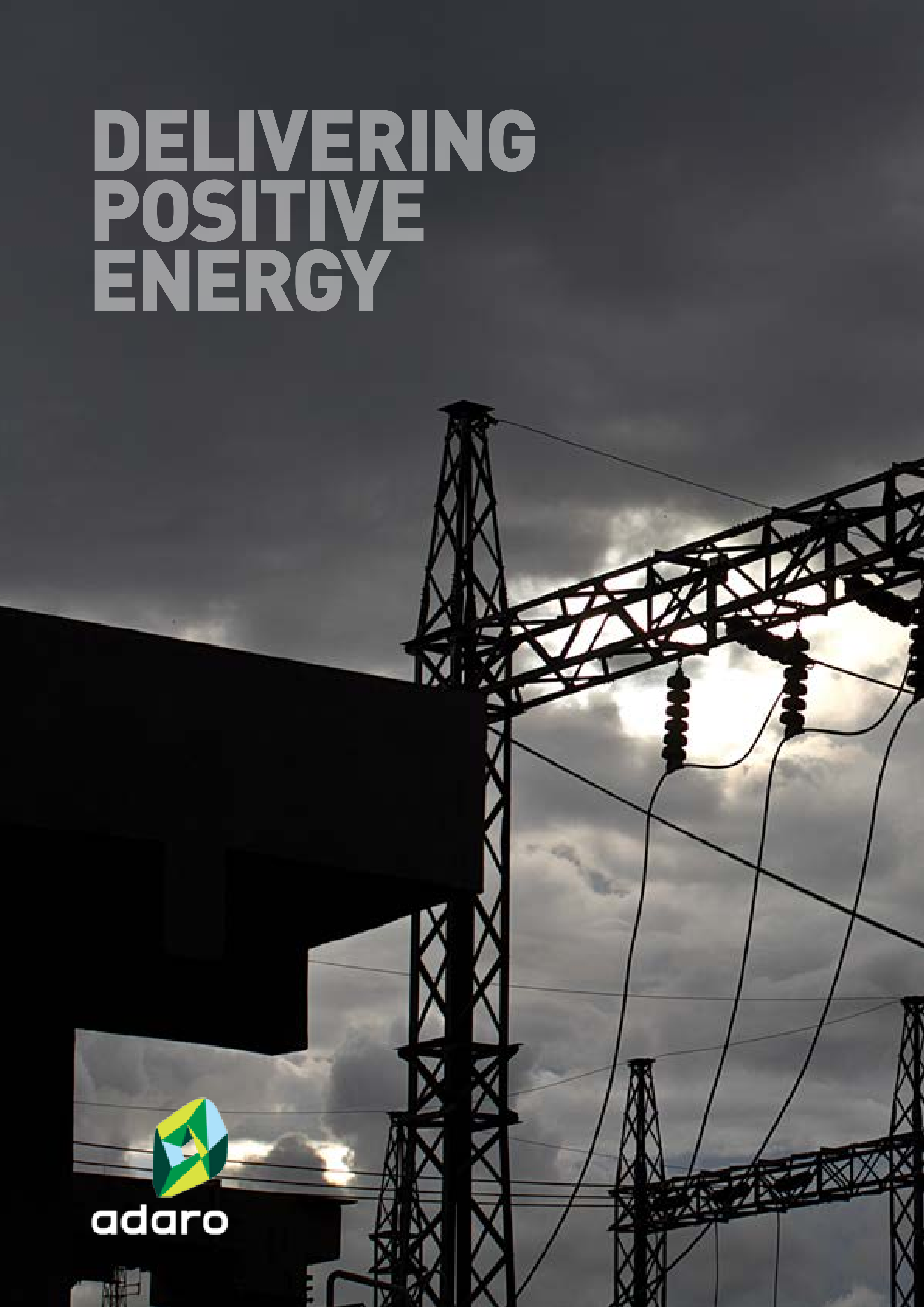
DELIVERING POSITIVE ENERGY



adaro

The MSW mine-mouth power station will use coal from our Wara mine to power our new overburden crusher and conveyor and other mine operations. Excess power will be sold to the state power utility to help supply surrounding communities.

GLOSSARY

AE >> PT Adaro Energy Tbk.

AI >> PT Adaro Indonesia.

Ash >> Impurities consisting of silica, iron, alumina and other incombustible matter that are contained in coal. Ash increases the weight of coal, adds to the cost of handling and can affect the burning characteristics. Ash content is measured as a percent by weight of coal on a dry basis.

ASP >> Average selling price.

ATA >> PT Alam Tri Abadi.

Backfill >> The process of refilling a mine opening, or the waste material (e.g. sand, rock, dirt) used for that purpose.

Backlog of Coal >> Uncompleted delivery of coal that can result in demurrage.

Barge loader >> A facility by which coal barges are loaded.

Barging >> A flat-bottomed boat used for carrying freight of coal on a river.

Baltic Dry Index (BDI) >> An index reflecting a changes in raw material freight costs on a composite number of routes, issued on a daily basis.

Bituminous coal >> A coal which is high in carbonaceous matter, often with well-defined bands of bright and dull material, and having between 15% and 50% volatile matter. It is a middle-rank coal (between sub-bituminous and anthracite) formed by additional pressure and heat on lignite. Its moisture content is usually less than 20%. The heat content of bituminous coal ranges from 5.500 to 7.000kcal/kg.

Black coal >> A general term for coal of either sub-bituminous, bituminous or anthracite rank.

Blasting >> The use of explosive charge to assist in the breaking of hard rock.

Borehole >> Any drill-hole, usually associated with mineral exploration or oil-well drilling.

Briquet >> A block of compressed coal used as fuel; also a slab or block of artificial stone.

Brown coal >> A low-rank coal that is brown or brownish-black, but rarely black. It commonly retains the structures of the original wood. It is high in moisture, low in heat value and breaks up upon drying.

Brownfield >> An exploration or development project located within an existing mineral province that can share infrastructure and management with an existing operation.

Calorific value (CV) >> The quantity of energy produced from a unit amount of coal, measured as the heat released on the unit's complete combustion in air or oxygen. Usually expressed in kilocalorie per kilogram (kcal/kg). Also known as heat value. The value can be based on different states of the coal, commonly gar (gross as received, with moisture left in the coal) or gad (gross air-dried, meaning with all non-inherent moisture removed). The basis nar (net as received) is also used as a more realistic measure of the actual heat value and is calculated by mathematically lowering the gar value to take account of the latent heat of evaporation of moisture in the coal and the moisture created during the combustion of hydrogen in the coal.

Capesize vessel >> A shipping vessel capable of carrying 120.000 tonnes to 180.000 tonnes when fully loaded, named so as it is too large to transit the Panama Canal and thus sails via the Cape of Good Hope to go from the Pacific Ocean to the Atlantic and vice versa.

Carbon content >> The amount of carbon in coal, measured in percent.

Cash costs >> Includes site costs for all mining (excluding deferred development costs), processing and administration, but excludes royalties, production taxes, amortization and rehabilitation, as well as corporate administration, capital and exploration costs.

Coal Cooperation Agreement (CCA) >> Previous form of agreement with the Government of the Republic of Indonesia giving rights to a third-party to explore for and mine coal within a defined concession area. Under the CCA, the coal contractor is entitled to an 86.5% share of the coal produced from the area, and the contractor bears all costs of mine exploration, development and production. The Indonesian Government retains entitlement to the remaining 13.5% of production. Adaro has a 30-year CCA for its South Kalimantan concession valid until 2022 and extendable for another 20 years.

Coal Contract of Work (CCoW) >> The new form of contract between the Government of the Republic of Indonesia and an Indonesian incorporated company for coal mining, also recognized as PKP2B in its Indonesian abbreviation, that replaced the CCA. Under the CCoW, the mining company is, in effect, entitled to 100 percent of the coal production, however, a royalty of 13.5% of sales revenue is paid to the Indonesian Government.

Cost and Freight (C&F) >> A method of selling cargo where the seller pays for loading costs and ocean freight.

Cost, Insurance, Freight (CIF) >> A type of sale in which the buyer of the product agrees to pay a unit price that includes the Free On Board (FOB) value of the product at the point of origin, plus all costs of insurance and transportation.

Coal >> A readily combustible black or brownish rock whose composition, including inherent moisture, consists of more than 50% by weight and more than 70% by volume of carbonaceous material. It is formed from plant remains that have been compacted, hardened, chemically altered and metamorphosed by heat and pressure over geological time.

Coalbed methane (CBM) >> A generic term for the methane originating from coal seams that can be drained from surface boreholes before mining takes place. Also called coal seam methane or coal mine methane.

Coal blending >> The process of mixing coals of different quality in predetermined and controlled quantities to give a uniform feed or product.

Coal enhancement technology >> Removing moisture from coal through the use of heat and pressure to produce an upgraded variety.

Coal liquefaction >> The process of converting coal into a synthetic fuel.

Coal scrubber >> A pollution-control device primarily installed on coal-fired electricity plants that uses limestone to remove sulphur dioxide (SO_2) from the emissions stream.

Coal seams/coal bed >> A bed or stratum of coal; generally applied to large deposits of coal.

Coking coal >> Coal that is suitable for making coke, a high-grade solid fuel product containing 80 percent of carbon produced by distillation to remove volatile constituents, used in the production of metallurgical coke and steel. Also called metallurgical coal.

Cored hole >> A borehole put down by a drill that takes a sample of the rock.

CTI >> Coaltrade Services International Pte. Ltd.

Deadweight tonnage (dwt) >> A measure of the weight a ship is carrying or can carry, calculated as the sum of the weights of cargo, fuel, fresh water, ballast water, provisions, passengers and crew.

Demurrage >> Financial compensation paid by a charterer to the vessel for delays after the laytime has expired at the load/discharge port.

Despatch >> Financial reward paid by the owner to the charterer if the load/ discharge operations are completed in advance of expiry of laytime. Usually paid at half the demurrage rate.

Dewater >> To remove water.

Dip >> The inclination of a coal seam from the horizontal; dip is always measured downwards at right angles to the strike.

Dredging >> Excavation activity or operation usually carried out at least partly underwater, in shallow seas or fresh water areas with the purpose of gathering up bottom sediments and disposing of them at a different location.

Drilling rig >> A steel structure mounted over a borehole to support the drill pipe and other equipment that is lowered and raised during drilling operations.

Dry coal >> Coal which has no moisture associated with the sample.

EPC >> Engineering, Procurement and Construction.

Envirocoal >> A trademarked name for Adaro Energy coal that is environmentally friendly, with a low sulphur content of 0.1%, ash content between 1-2% and a nitrogen level of 0.9%. Because of the ultra-low levels of these pollutants, Envirocoal can be burned in power stations without any emission control equipment and still meet stringent international emission standards.

Excavator/shovel/wheel loader >> Equipment used for loading soil or coal onto the hauling equipment.

Exploitation >> The process of economic recovery or removal of the developed mineral body.

Exploration >> The search for mineral deposits and the work done to prove or establish the extent of a mineral deposit.

Free on Board (FOB) >> The price paid for coal at the mining operation site. It excludes freight or shipping and insurance costs.

Floating crane >> A specialized vessel for lifting heavy loads. The floating crane transships coal from barges on to ships, which then transport it to power stations or other customers.

Floating Loading Facility (FLF) >> Also known as a floating transshipper. It uses two cranes and a conveyor system to achieve a high loading rate.

Flue gas desulphurization >> Technology used to remove sulphur dioxide (SO_2) from the exhaust flue gases in fossil-fuel power plants.

Formation >> A large body of rock characterized by homogeneity of its composition and texture.

gad >> Gross air-dried. See calorific value.

gar >> Gross as received. See calorific value.

Geared vessel >> A ship with on-board cranes.

Gearless >> A ship without means on board for the loading/unloading of cargo.

Geology >> The science that deals with the Earth's physical structure and substance, its history, and the processes that act on it.

Geotechnical >> The branch of civil engineering concerned with the study and modification of soil and rocks.

Geothermal energy >> Energy from hot water or steam from deep beneath the Earth's surface being channelled to power turbines and generate electricity.

GlobalCOAL >> A global marketplace facilitator for trading coal and coal related services, information and instruments. GlobalCOAL defined a range of standardized coal quality specifications that was embedded in its Standard Coal Trading Agreement. It developed an online trading platform that enables market participants to trade standardized coal contracts. It also created a methodology for coal price index calculation, which led to the establishment of the NEWC Index as the leading benchmark for coal price in Asia-Pacific.

Grabs >> A mechanical device for clutching, lifting and moving things, especially materials in bulk.

Greenfield >> Development or exploration located outside the area of influence of existing mine operations/infrastructure.

Handymax >> Inexact term, but normally taken to mean a vessel of about 40.000-60.000 dwt.

Handysize >> Inexact term, but normally taken to mean a vessel of about 10.000-40.000 dwt.

Haulage >> The carrying of supplies, coal and waste in trucks.

HBI >> PT Harapan Bahtera Internusa.

Heat value >> See calorific value.

Hydrology >> The branch of science concerned with the properties of the Earth's water, especially its movement in relation to land.

IBT >> PT Indonesia Bulk Terminal.

IFC >> International Finance Corporation.

Indicated coal resources >> Part of coal deposit for which quality and quantity can be estimated with a reasonable level of confidence, as defined in the JORC Code. Indicated Resources have a lower level of geological confidence than that applied to Measured Resources.

Inferred coal resources >> That part of a mineral resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (or quality) continuity. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

In-situ >> Total reserves of coal in a seam. Term used by geologists for coal that exists but is not necessarily mineable.

In-Pit Crusher-Conveyor (IPCC) system >> A crushing system and belt conveyor that transports coal or other materials directly from the mining operations area to a stockpile or dumping area.

Jetty >> A landing stage or small pier where boats can dock or be moored.

JORC Code >> Widely accepted standard for reporting mineral resources and ore reserves established by the Australasian Joint Ore Reserves Committee. This code sets out the principles and guidelines which should be followed in the preparation of an expert report concerning mineral Resources and Reserves.

JPI >> PT Jasapower Indonesia.

JPU >> Japanese Power Utilities.

Laytime >> The agreed upon amount of time in a voyage charter for the loading and unloading of cargo.

Lignite >> A brownish-black low-rank coal with a relatively high moisture content and relatively low heat/energy content.

Loader >> A machine for loading coal and rock.

Lost-time injury (LTI) >> A work injury disease where the injured party has at least one complete day or shift off work.

Lost-Time Injury Frequency Rate (LTIFR) >> The number of lost time injuries multiplied by one million divided by the number of man hours worked in the reporting period.

Low-rank coal >> Coal that contains 70%-80% carbon, with high moisture content (above 35%) and low calorific value (less than 5,100 kcal/kg adb).

MBP >> PT Maritime Barito Perkasa.

Measured coal resources >> Part of the coal deposit for which quality and quantity can be estimated with a high level of confidence, as defined in the JORC Code.

Metallurgical Coal >> Coking coal and pulverized coal consumed in making steel.

Methane (CH4) >> A gaseous compound of carbon and hydrogen naturally emitted from coal that can be explosive when mixed with air or oxygen between certain limits. It is the most common gas found in coal mines.

Metric ton >> Standard unit of mass for measuring coal production, equal to 1,000 kilograms (2,204.6 pounds). Expressed as "tonne." .

Mine drainage >> Refers to drainage from sources related to mining.

Mine-mouth power plant >> A coal-burning power-generation plant built near a coal mine.

Moisture content >> The quantity of moisture in coal or other minerals.

MSW >> PT Makmur Sejahtera Wisesa.

nar >> Net as received. See calorific value.

Newcastle Coal Price >> The spot price of coal at the eastern Australian port of Newcastle, a regional benchmark price.

Nitrogen Oxides (NOx) >> Formed when nitrogen (N2) combines with oxygen (O2) in the burning of fossil fuels from the natural degradation of vegetation and from the use of chemical fertilizers.

OLC >> Overland conveyor.

OML >> Orchard Maritime Logistics Pte. Ltd.

Open-cut/open-pit mining >> Surface mining technique designed to extract minerals that lie near the surface in which the working area is kept open to the sky. Waste, or overburden, is first removed, and the mineral is broken and loaded, as in a stone quarry.

Open hole >> A borehole free of any obstructing object or material and from which no core is taken.

Out-of-Pit Crusher and Conveyor (OPCC) >> A belt conveyor and crushing system that transports coal or overburden from the edge of a mine to a stockpile or overburden dumping area outside the mine.

Overburden >> Any material (including layers of dirt and rock) that overlies a deposit of coal. Overburden is removed prior to surface mining and replaced after the coal is taken from the seam.

Overburden ratio >> The amount of overburden that must be removed to excavate a given quantity of coal.

Panamax vessel >> Shipping vessel capable of carrying between 50,000 and 80,000 tonnes when fully loaded (the maximum size of a vessel that can transit the Panama Canal, which has a technical restriction on vessels with a beam of more than 32.2 meters).

Peat >> Peat is a dark brown or black deposit formed in marshes and swamps from the dead and partly decomposed remains of the marsh vegetation. It is one of the earliest stages of coal formation.

Pit >> Any mine, quarry or excavation area worked by the open-cut method to obtain material of value.

Proved reserves >> As indicated by the JORC Code, it is the economically mineable part of an measured, mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.

Probable reserves >> Similar to proved reserves but with a lower level of confidence, as the number of intersections of the coal seams by pits, trenches and boreholes in the sampling is less than that conducted in arriving at the proved reserves (as defined in the JORC Code).

Quarry >> An open pit from which stones, rocks and other materials are excavated .

Reclamation >> The restoration of land and environmental values to a surface mine site after the coal is extracted. Reclamation operations are usually underway as soon as the coal has been removed from a mine site. The process includes restoring the land to its approximate original appearance by restoring topsoil and planting native grasses and ground covers.

Recoverable reserves >> An estimate of how much coal can be recovered (mined) from the accessible reserves of the demonstrated reserve base.

Reserves >> The portion of an identified coal resource that can be economically mined with the current technology at the time of determination. Reserves can be divided into proved and probable reserves.

Resource >> Natural concentrations or deposits of coal in the Earth's crust, in such forms and amounts that economic extraction is potentially feasible.

Richards Bay Coal Terminal (RCBT) >> A large export coal terminal located in South Africa, with a design capacity of 96 million tonnes per year. Richards Bay coal price refers to the FOB price of coal from South Africa loaded at Richards Bay.

Royalty >> The payment of a certain stipulated sum on the mineral produced to the government/mineral owner under the mineral lease.

Run of Mine (ROM) >> Usually the typical quality of coal that is extracted prior to any act of benefication such as washing, crushing or screening. The term is used loosely and can be applied on a pit by pit basis and is typically also used to refer to the raw stockpile areas, or the ROM area.

Scrubbers >> Air pollution control devices used to remove particulate and/or gaseous pollutants from exhaust streams.

SDM >> PT Sarana Daya Mandiri.

Seaborne coal >> Coal that is marketed outside the mining area and is transported by sea to the customer.

Seam >> Layer or bed (of coal).

Self-propelled barge >> Powered waterway vessel that can be used to carry heavy bulk items such as coal.

Semi-soft coal >> A type of coking coal that can be blended with a hard coking coal to produce an acceptable hard coke.

Silt >> A fine-grained sediment having a particle size intermediate between that of fine sand and clay.

SIS >> PT Saptaindra Sejati.

Soft coking coal >> Coal that makes soft or weak coke when coked alone in a coke oven.

Steaming coal >> Coal used to burn for steam-raising as part of the electricity generation or industrial process.

Stratum/strata >> A layer/series of layers of rock in the ground.

Stratigraphy >> The branch of geology concerned with the order and relative position of strata and their relationship to the geological time scale. It is also the analysis of the order and position of layers of archaeological remains.

Stripping >> Removal of vegetation, topsoil and overburden.

Stripping costs >> Costs associated with the removal of vegetation, topsoil and overburden.

Stripping ratio >> The amount of vegetation, topsoil and overburden that must be removed to gain access to a unit amount of coal.

Sub-bituminous coal >> A black coal that ranks between lignite and bituminous coal with 20% to 40% of inherent moisture by weight, and heat content ranging between 4.000 and 5.500kcal/kg.

Sulphur >> One of the elements present in varying quantities in coal that contributes to environmental degradation when coal is burned. The US Energy Information Administration (EIA) classifies coal in terms of pounds of sulphur per million Btu as low (less than or equal to 0,60 pounds of sulphur), medium (between 0,61 and 1,67 pounds of sulphur) and high (greater than or equal to 1,68 pounds of sulphur). When coal is sampled, sulphur content is measured as a percent by weight of coal on an "as received" or "dry" (moisture-free) basis.

Supercritical Power Plant >> A supercritical power plant is a thermal electricity generating station that uses steam at extremely high temperature and pressure to generate electricity with improved efficiency. Above the "critical" point of water — 374°C and 22,064 megapascals (MPa) — it exists as superheated steam, which can be used to drive the turbines of a generator more efficiently than steam at a lower subcritical temperature.

Surface mine >> A mine in which the coal lies near the surface and can be extracted by removing the covering layers of rock and soil.

Thermal coal >> Coal that is used for the generation of heat for steam raising in power stations and other general industry applications. These coals generally do not exhibit any coking properties and therefore would not make coke in a conventional coke oven.

Tonne >> A metric ton, the standard unit of mass for measuring coal production, equal to 1.000 kilograms (2.204,6 pounds).

Transshipment >> Transfer of coal from one ship to another.

Topographic >> Relating to the arrangement or accurate representation of the physical features of an area.

Value Added Tax (VAT) >> Tax levied on the difference between a commodity's price before taxes and its cost of production.

Volatile Matter >> Those products given off by a material as gas or vapor (excluding moisture). It is the percentage of coal lost as volatile matter (gases) when coal is incinerated using standard conditions.

Management Responsibility for Annual Report 2012

The Board of Commissioners and the Board of Directors of PT Adaro Energy Tbk herewith state that we are fully responsible for the contents of the Annual Report 2012 of PT Adaro Energy Tbk.

Board of Commissioners

Edwin Soeryadjaya
President Commissioner

Theodore Permadi Rachmat
Vice President Commissioner

Ir. Subianto
Commissioner

Lim Soon Huat
Commissioner

Ir. Palgunadi Tatit Setyawan
Independent Commissioner

Dr. Ir. Raden Pardede
Independent Commissioner

Board of Directors

Garibaldi Thohir
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Christian Ariano Rachmat
Vice President Director

Sandiaga Salahuddin Uno
Director

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Director

Chia Ah Hoo
Director

M. Syah Indra Aman
Director

PT Adaro Energy Tbk.
Menara Karya 23rd Fl.,
Jl. H.R. Rasuna Said
Blok X Kav. 1-2,
Jakarta 12950,
Indonesia.
Tel. +62 21 5211265
Fax. +62 21 57944687
www.adaro.com
IDX: ADRO