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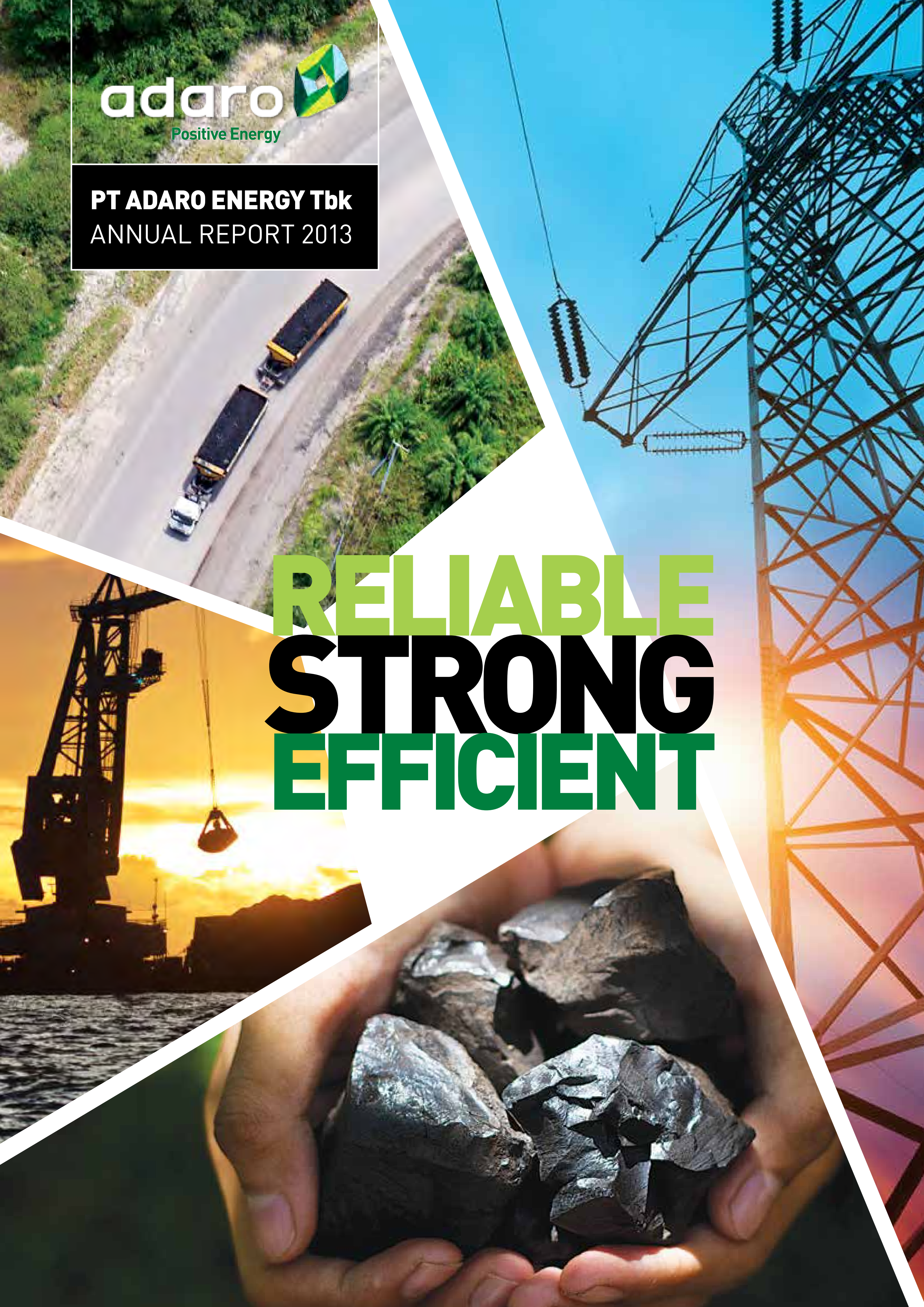
Positive Energy

PT ADARO ENERGY Tbk
ANNUAL REPORT 2013



RELIABLE STRONG EFFICIENT

Welcome

Dear Sir or Madam,

Welcome to the sixth edition of Adaro Energy's Annual Report. The theme of this year's report is "Reliable, Strong, Efficient." It is derived from an analysis of the facts of what happened in 2013, 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 among all of our people.

This 2013 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,

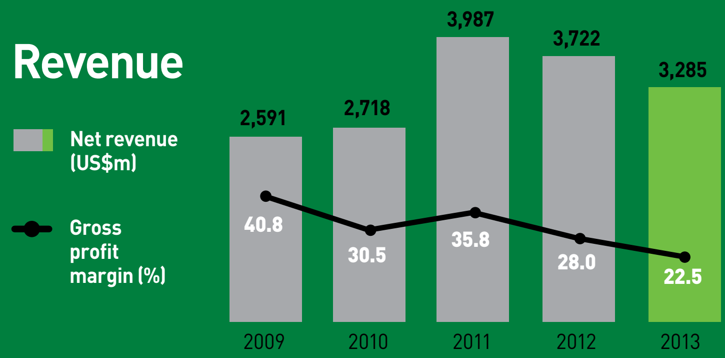
Cameron Tough
Investor Relations &
Corporate Secretary
Division Head,
PT Adaro Energy Tbk

Our Annual Report's Mission

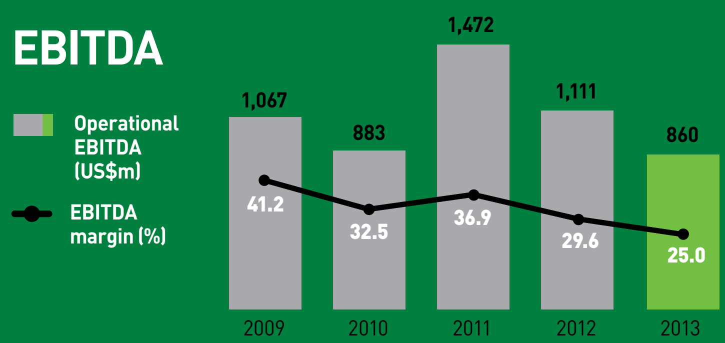
To produce a report that builds understanding of Adaro Energy with timely, balanced and relevant information.

Financial Highlights

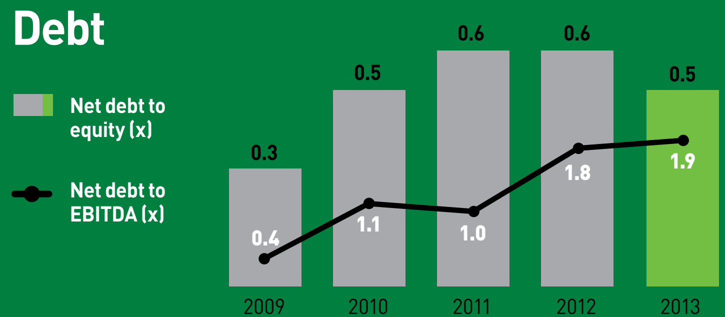
Revenue



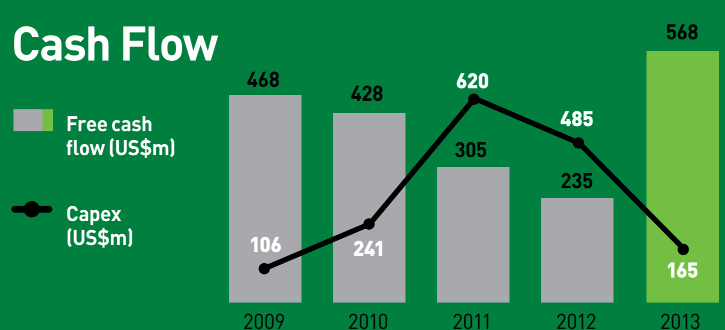
EBITDA



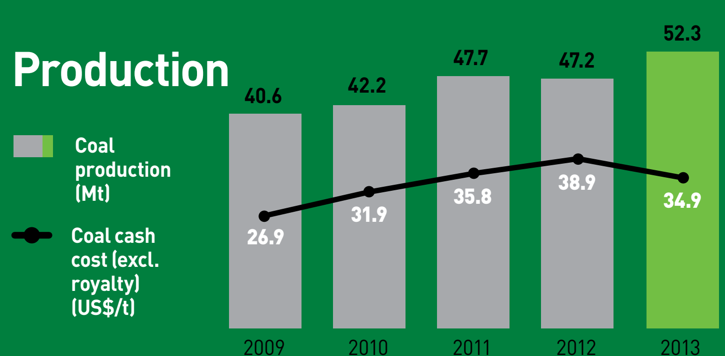
Debt



Cash Flow



Production



Figures in US$ millions unless stated	2009	2010	2011	2012	2013
Financial Performance					
Net revenue	2,591	2,718	3,987	3,722	3,285
Cost of revenue	(1,534)	(1,889)	(2,559)	(2,680)	(2,546)
Gross profit	1,057	829	1,428	1,043	739
EBITDA	1,067	883	1,472	1,101	822
Operational EBITDA	1,067	883	1,472	1,111	860
Operating income*	898	638	1,131	836	534
Net income	417	247	552	383	229
Core Earnings	456	287	597	440	284
Basic earnings per share (EPS) (US$)	0.01297	0.00773	0.01721	0.01205	0.00723
Current assets	1,660	1,110	1,298	1,414	1,371
Total assets	4,530	4,470	5,659	6,692	6,734
Current liabilities	847	644	779	899	774
Total liabilities	2,648	2,438	3,217	3,697	3,539
Stockholders' equity	1,882	2,032	2,442	2,995	3,195
Interest-bearing debt	1,676	1,592	2,105	2,445	2,221
Cash and cash equivalents	1,199	607	559	500	681
Net debt	477	985	1,546	1,945	1,540
Capex	106	241	620	485	165
Free cash flow*	468	428	305	235	568
Financial Ratios					
Gross profit margin (%)	40.8	30.5	35.8	28.0	22.5
EBITDA margin (%)	41.2	32.5	36.9	29.6	25.0
Operating margin (%)	34.7	23.5	28.4	22.5	16.3
Return on equity (%)	24.5	12.6	24.7	14.1	7.4
Return on assets (%)	10.6	5.5	10.9	6.2	3.4
Return on invested capital (%)	16.4	9.8	15.1	9.2	5.4
Net debt to equity (x)	0.3	0.5	0.6	0.6	0.5
Net debt to EBITDA (x)	0.4	1.1	1.0	1.8	1.9
Cash from operations to capex (x)	6.5	1.2	1.1	0.9	4.4
Current ratio (x)	2.0	1.7	1.7	1.6	1.8
Operating Statistics					
Coal production volume (Mt)	40.6	42.2	47.7	47.2	52.3
Sales volume (Mt)	41.4	43.8	50.8	48.6	53.5
Overburden removal (Mbcm)	208.5	225.9	299.3	331.5	294.9
Planned strip ratio (x)	5	5.5	5.9	6.4	5.8
Coal cash cost, excl. royalty (US$/t)	26.9	31.9	35.8	38.9	34.9

Our EBITDA was in line with our 2013 guidance of US$750-US$ 900 million.

Our Operational EBITDA reflected our earning power and the resilience of our business model.

Our Core Earnings demonstrated our quality after-tax earnings.

As our project spending was completed, 2013 Capex was only for maintenance and land acquisitions.

Free cash flow was 141% higher y-o-y on the back of strong operating cash flow and low capex.

Despite market headwinds, we booked solid EBITDA margin, one of the highest among Indonesian peers.

Our capital structure remained strong with low leverage as well as access to US$1.1 billion of liquidity in the form of cash and bank facilities.

We achieved a new annual record for production of 52.3Mt.

We beat our 2013 coal cash cost guidance of US$35-US$38 per tonne thanks to our cost-reduction initiatives and lower than expected fuel prices.

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

*EBITDA - Income Tax - Changes in Working Capital - Capex

ADARO ENERGY 2013 ANNUAL REPORT

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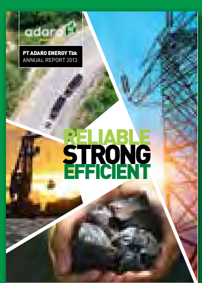
Ways to Read This Report

In all cases, the report is available in English and in Indonesian.



Print

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

Tablet

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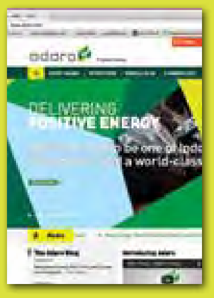
PDF

Download at www.adaro.com/investor_relations/reports



Web

Read an e-book version of the report at www.adaro.com

One of the coal seams in AI's Tutupan pit, its 18km-long flagship mine in South Kalimantan.

OUR PROFILE

IN THIS SECTION

Our Business at a Glance

What Is Adaro?

We are all about creating maximum sustainable value from Indonesian coal. We are focused on integrated coal mining through our subsidiaries. Our principal location is in South Kalimantan, where we mine Envirocoal, a sub-bituminous, moderate heat-value, low-pollutant coal. 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, increase reserves and diversify coal products, 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 is made up of subsidiary companies organized into six vertically aligned business segments

Mining Assets

PT Alam Tri Abadi (100%)

1 **PT Adaro Indonesia (AI)**
Coal mining (100%). Operates a concession in South Kalimantan with three mines: Tutupan, Wara and Paringin. It produced 52.3 million tonnes of Envirocoal sub-bituminous coal in 2013, mostly for blue-chip power utilities in Indonesia and worldwide.

2 **Balangan Coal**
Coal mining, South Kalimantan (75%). Preparing to commence mining in 2014.

3 **PT Mustika Indah Permai (MIP)**
Coal mining, South Sumatra (75%). Pre-production work and planning under way.

4 **PT Bukit Enim Energi (BEE)**
Coal mining, South Sumatra (61.04%). Geological studies under way.

5 **PT Bhakti Energi Persada (BEP)**
Coal mining, East Kalimantan (10.22% with option to acquire up to 90%). Developing low-rank coal mine.

6 **IndoMet Coal Project (IMC)**
Coal mining with BHP Billiton, Central and East Kalimantan (25%). Developing metallurgical coal mine.

Mining Services

1 **PT Saptaindra Sejati (SIS)**
Mining and hauling contractor (100%)

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

3 **PT Adaro Eksplorasi Indonesia (AEI)**
Mining exploration (100%)

4 **PT Adaro Mining Technologies (AMT)**
Coal research and development (100%)

Our Vision

To be a leading Indonesian mining and energy group.

Our Mission

We are in the business of mining and energy to:

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

Note: % in brackets refers to ownership by AE

Logistics

PT Adaro Logistics (100%)

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 & maintenance contractor in Barito River mouth (51.2%)
4. **PT Puradika Bongkar Muat Makmur (PBMM)** Stevedoring (100%)
5. **PT Indonesia Multi Purpose Terminal (IMPT)** Port management and terminal operator (85%)
6. **PT Indonesia Bulk Terminal (IBT)** Coal terminal and fuel storage (100%)

Trading

1. **Coaltrade Services International Pte Ltd (CTI)** Marketing agent, trading thermal coal for AE and third-party coal producers and customers (100%)

Land Asset Management

1. **PT Adaro Persada Mandiri (APM)** Land management (100%)

Power

PT Adaro Power (100%)

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. **PT Tanjung Power Indonesia (TPI)** Partner in 2x100MW power station project in South Kalimantan (65%)

Adaro Energy in 2013

March 30

FY12

AE filed its FY12 financial press release along with audited financial statements and notes to the Indonesia Stock Exchange (IDX) and Financial Services Authority (OJK).

19 April

AE held its Annual General Meeting of Shareholders to approve the use of US$117.07 million, or 30.38% of the company's 2012 net income, for the final cash dividend payment. This includes the interim cash dividend amounting to US$76.77 million paid on June 12, 2012 and January 15, 2013.

April 25

We signed a share purchase agreement to acquire 75% of three companies that form the Balangan Coal project for Rp3.9 billion (US$405,311). The enterprise value was US$30.4 million with estimated coal resources, reported in accordance with JORC, of 172.3 million tonnes as of the end of 2012.

June 3

$

PT Adaro Indonesia (AI) secured a US$380 million loan that will mature in May 2020. AI received total commitments of US$2.85 billion, 7.5x oversubscribed, from a group of 12 international banks. The new facility was used to refinance our US$500 million amortizing revolving credit facility obtained in 2009 to extend our debt maturity profile and strengthen our capital structure.

October 1

Happy Birthday to Adaro! We celebrated the company's 21st anniversary since Adaro Indonesia first started producing coal in South Kalimantan.

October 6

The Government of Indonesia extended the October 6, 2013 deadline to achieve financial closure for the US$4 billion, 2x1,000MW Central Java Power Project (CJPP).

Quarterly Activities Reports:
Filed by AE to the IDX and OJK

4Q12 January 31

1Q13 April 29

April 19

Julius Aslan was appointed as AE's Director & Chief HRGA-IT Officer. He has more than two decades of professional experience, primarily in senior human resources positions.

June 12

$ AE distributed the remaining cash dividend for 2012 of US$40.30 million.

August 29

1H13

AE filed its 1H13 financial press release along with financial statements and notes (limited review) to the IDX and OJK.

October 8

PT Adaro Logistics (AL) inaugurated PT Indonesia Multi Purpose Terminal (IMPT) to co-ordinate ship-loading activities at Taboneo and the new Floating Transfer Unit (FTU) of PT Maritim Barito Perkasa (MBP) in Banjarmasin. The new FTU has a ship-loading capacity of 60,000 tonnes per day, which will enable us to load a Capesize vessel in 2.5 days.

2Q13 July 31 **3Q13** October 31

Also in 2013...

We strengthened the company's corporate values and culture, then translated those into key behaviors that can be internalized and adopted by our employees:

Integrity

- Protect the company's assets from fraud, theft, and unauthorized use.
- Prioritize the company's interest above the individual interest.
- Only provide factual data and information.

Meritocracy

- Compete fairly and ethically by building competence and delivering the best performance.
- Support subordinates' growth by giving equal opportunity.
- Appraise subordinates' performance objectively.

Openness

- Dare to express different opinions for the best interest of the company.
- Dare to admit mistakes and wrongdoings.
- Welcome others' constructive inputs and feedback.

Respect

- Demonstrate good manners and avoid using rude language.
- Treat everybody with full respect by appreciating their differences.
- Show respect to others by listening to them attentively.

Excellence

- Execute PDCA — Plan, Do, Check, Action — consistently for the achievement of company's objectives.
- Do the best to reach the optimal balance between quality and efficiency.
- Strive to exceed customer expectations.

Why Invest in Adaro?
Reliability, Strength and Efficiency

1. Strong Operational Performance
2. High-Quality Coal and Significant Reserves
3. Efficient Vertically Integrated Business Model
4. Low-Cost Operations
5. Resilient Strategy to Create Sustainable Value
6. Solid Financial Profile
7. Supportive Key Shareholders
8. Industry Fundamentals Remain Intact

The Power of Positive Energy

Each time we ship Envirocoal, the cleanest thermal coal available on the export market, on schedule 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 that 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 by building strong, healthy communities surrounding our operations, as we create maximum sustainable value from Indonesian coal, we deliver positive energy.

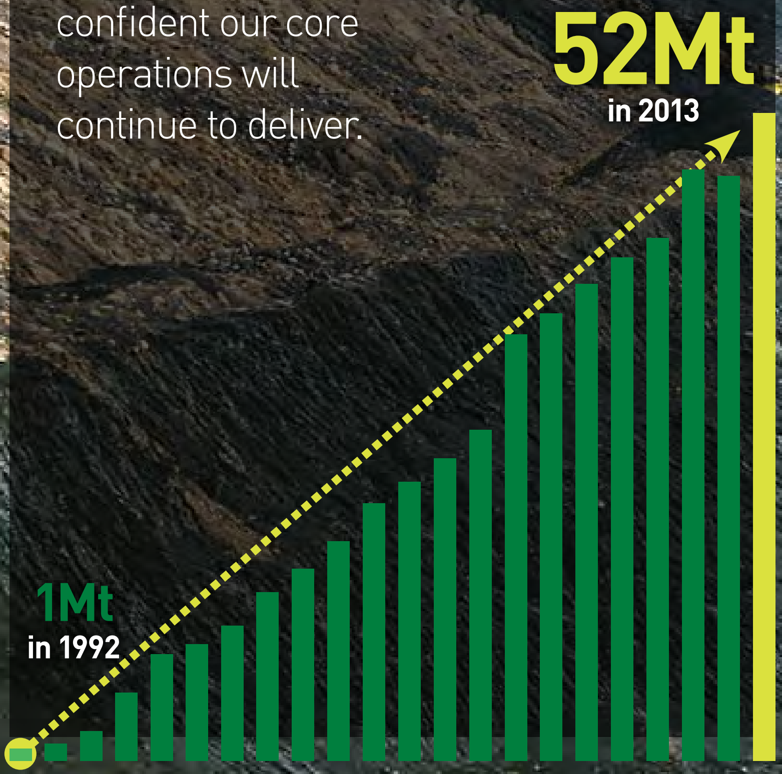
In 2013 we delivered 52.3 million tonnes of Envirocoal, in this exciting time of growth in Indonesia and the Asia-Pacific region, it is a great honor to be able to make such a positive impact.

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

1 Strong Operational Performance

Since producing our first million tonnes of coal in 1992, we have consistently grown our production volume, achieving a 10-year compound annual growth rate (CAGR) of 9%. Our blue chip customers know that we are a reliable supplier with an exemplary track record of growth.

Despite the challenging market conditions in 2013, we achieved a record annual production of 52.3Mt due to our strong operational performance. We have been through difficult times in the past and we are confident our core operations will continue to deliver.



2 High Quality Coal and Significant Reserves

Our reserve and resource base is among the largest in Indonesia, and we produce from one of the largest single-site concessions in the world. We also have assets in each of Indonesia's four key coal-producing provinces. We hold and have an option on 12.8Bt of coal resources and 1.1Bt of reserves, all reported in accordance with the JORC code.

Resources

12.8Bt*

Reserves

1.1Bt

We produce a preferred type of sub-bituminous coal trademarked as Envirocoal. This high-quality, low-pollutant coal contains ultra-low ash, NO_x and sulphur, and has a low-to-moderate heat value ranging from 4,000 kcal/kg to 5,000 kcal/kg on a gross as received basis (GAR).

*Includes an option to acquire 7.9 billion tonnes of coal in East Kalimantan held by BEP.

3 Efficient, Vertically Integrated Business Model

PIT

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POWER

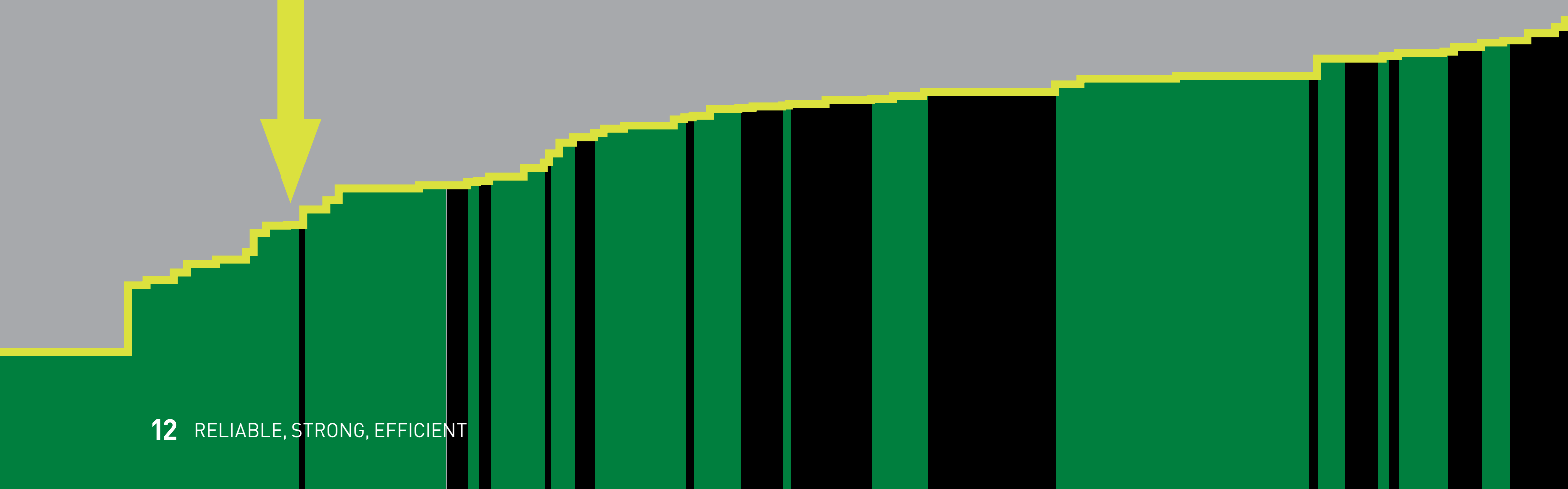
4 Low-Cost Operations

We lowered our coal cash cost by 11% to US$34.86 (excluding royalty) in 2013, beating our 2013 guidance of US$35 to US$38. We are at the low end of the thermal coal cash cost curve and are one of the lowest cost coal producers globally.

We promote efficiency in all aspects of our business without compromising quality.

Adaro coal cash cost (ex. royalty)

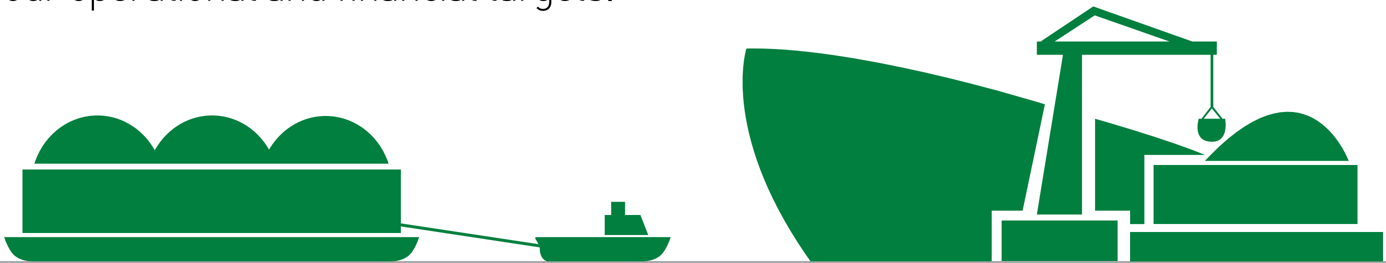
US$34.86



Our vertically integrated business model is designed for efficiency and grants us direct control over all parts of the coal supply chain, including exploration, mining services, hauling, barging, loading and marketing.

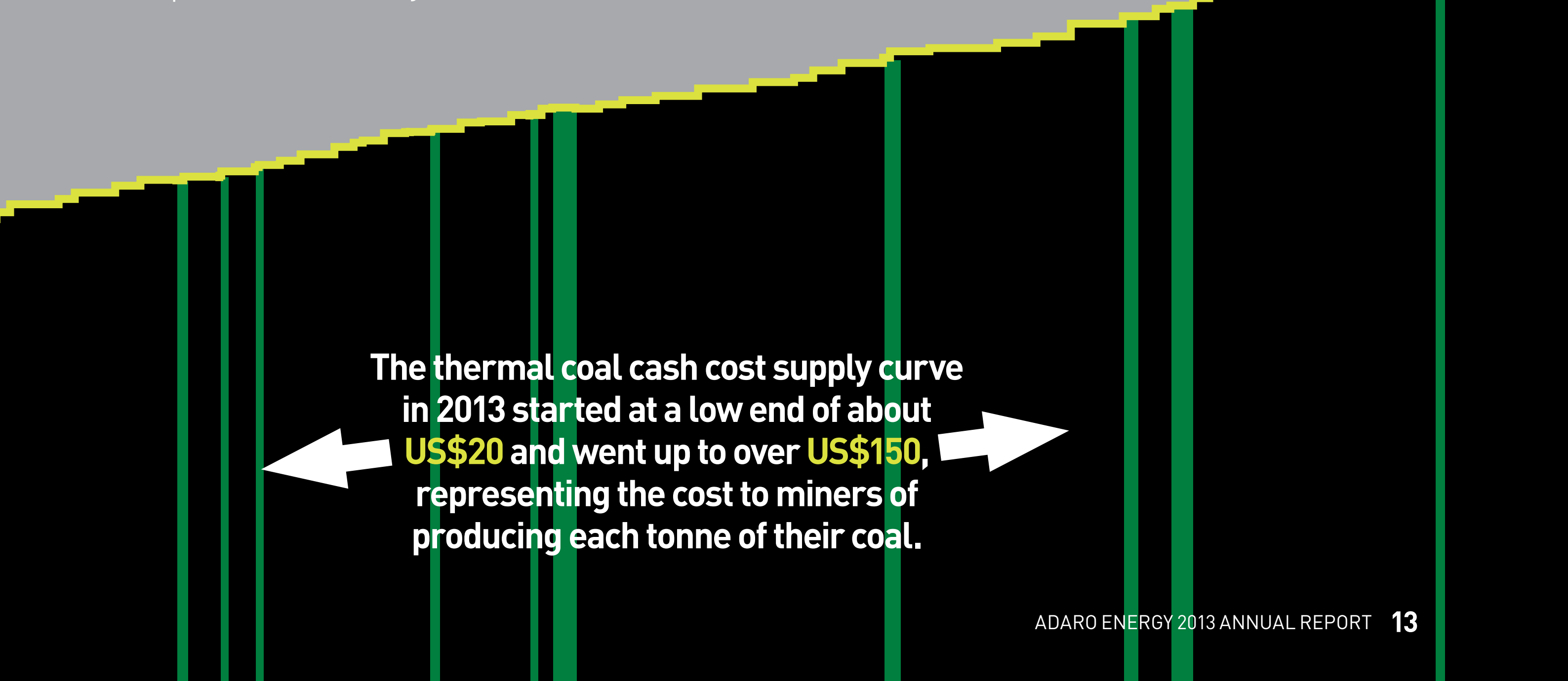
This business model allows us to reduce counterparty risk, ensuring we deliver a reliable supply to our customers, which improves the marketability and acceptance of our coal.

Our resilient business model helps us weather the challenging market conditions and deliver on our operational and financial targets.



safety or performance. We also negotiated more competitive mining rates with our contractors for the new contract term.

By controlling each step of the supply chain, we can better control our costs and improve efficiency.



5 Resilient Strategy to Create Sustainable Value

Value creation is our ultimate goal. We are on track to achieve our objective of creating maximum sustainable value from Indonesian coal.

We focus on developing our business in Indonesia, and we are well positioned to meet the growing energy needs of the country and of the region. To create value, we will:

1 Grow organically from our current reserve base.

2 Focus on efficiency in our coal supply chain and improve cost control.

3 Increase reserves and diversify our products, locations and licenses.

4 Continue to deepen our vertical integration into power generation.

6 Solid Financial Profile

On the back of our strong performance and efficiency measures, we have positioned ourselves as one of the most profitable coal mining companies in Indonesia. Despite the cyclical downturn, we achieved our EBITDA target of US$750 million to US$900 million and recorded **EBITDA of US$822 million** and **Operational EBITDA of US$860 million**, with an **EBITDA margin of 25%**, among the best for Indonesian coal miners.

Our capital structure remains healthy with a **net debt to EBITDA ratio of 1.87x**, plus we have a US$681 million cash balance as well as US$433 million in undrawn, fully committed credit facilities, giving us **access to liquidity of US$1.1 billion**.

Our **free cash flow increased 141%** in 2013 to US$568 million as we applied strict capital discipline across the organization, resulting in lower operational costs and capital expenditures, as well as sound working capital management.

Our strong and healthy capital structure, cash position and liquidity allow us to weather these challenging times and continue to execute on our business model.

7 Supportive Key Shareholders

Five highly respected Indonesian families with reputable track records in business collectively own approximately 65% of the company. The majority owners each have a relatively equal stake in the company, providing for better checks and balances in decision-making and good corporate governance. Mining is a long-term, capital intensive business and our shareholders are committed to building a great company.

8 Industry Fundamentals Remain Intact

Indonesia currently has a 40GW electricity grid, roughly half of which is coal-fired. From 2011-2017, China will add 50GW of power production capacity each year on average and require about 175Mt of additional coal. China and India will together account for 4.0Bt of the 4.7Bt total demand increase in thermal coal expected over the long term to 2035.

Wood Mackenzie forecasts China's thermal consumption to increase by 2.9Bt between now and 2035. India will also see a sizeable increase of 1.1Bt while Southeast Asian total consumption is to almost triple to 600Mt by 2030.

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Awards for Adaro in 2013

Aditama and Utama awards. AI received the Aditama (gold) award for environmental management and PT Saptaindra Sejati (SIS) received the Utama award for safety performance from the Ministry of Energy and Mineral Resources.

RobecoSAM. AE received the Bronze Class Sustainability Award 2014 from RobecoSAM, one of the world's most prominent sustainability investment groups. We are the only Indonesian company included in the 2014 Sustainability Yearbook.

ASEAN Coal Awards 2013. AI was the winner of the Best Coal Distribution Activity award and the first runner up for Best Mining Practices in Surface Coal Mining at the ASEAN Coal Awards 2013. The awards were given by the ASEAN Centre for Energy (ACE) during the 31st ASEAN Ministers of Energy Meeting (AMEM) at the Bali Nusa Dua Convention Center on September 25, 2013.

World Coal Association. AI was the runner up for the Excellence in Environmental Program award given by the World Coal Association for its water treatment program.

International Business Awards. AE's "Posyandu" community movement In Ambahai Village, South Kalimantan, won the bronze Stevie Award for CSR Program of the Year in Asia, Australia and New Zealand.

AI President Director Chia Ah Hoo (left) accepts an Aditama Gold award from Thamrin Sihite, Director General for Coal and Mineral Resources. AI has won this award four years in a row.

Global CSR Awards. AI won bronze in the Environmental Excellence Award category of the Pinnacle Group's Global CSR Awards 2013 for its sustainable clean water program.

Indonesia MDG Award. AE received the Indonesia MDG Award in the category of private company — HIV/AIDS and infectious diseases eradication program. The award was given to institutions deemed to have conducted effective programs qualified to be developed and replicated in the national level.

PROPER Green Award. AI received a PROPER Green award for environmental management from the Ministry of Environment.

Gold GKPM Award. AE received the Gold GKPM award from the Co-ordinating Ministry of Public Welfare for its participation in the achievement of Millennium Development Goals.

Platts Top 250 Global Energy Companies. AE was ranked 179th overall in the annual Top 250 Global Energy Companies list by Platts, a global provider of energy, petrochemicals and metals information and analysis. AE was also ranked 8th in the worldwide Coal and Consumable Fuels category. It was the fourth year in a row that Adaro appeared in the top 250. The annual ranking is based on an assessment of asset worth, revenues, profits, and return on invested capital.

Bank Indonesia. AI was named Best Exporter in Reporting of Export Proceeds by Bank Indonesia

Ministry of Energy and Mineral Resources. AI received the Best Management of Country's Assets award from the Minister of Energy and Mineral Resources

Fortune Indonesia's Most Admired Companies. AE was ranked among the top 20 of the magazine's 2013 list of the 100 Most Admired Companies in Indonesia. Adaro was ranked top in the mining category.

Southeast Asia Institutional Investor Corporate Awards. AE won four awards in June 2013 at investment magazine Alpha Southeast Asia's third annual poll of Southeast Asia's top companies. Adaro was voted to have Indonesia's Most Organized Investor Relations, Indonesia's Strongest Adherence to Corporate Governance, Indonesia's Best Strategic Corporate Social Responsibility and Best Annual Report in Southeast Asia.

Corporate Identity

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: 6.21%
Other key shareholders: 14.62%
Public: 35.26%

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
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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 2014

April 25
Annual General Meeting of Shareholders (AGMS) at JS Luwansa Hotel & Convention Center, Ballroom 1, Jl. H.R. Rasuna Said Kav. C-22, Jakarta 12940

April 30
1Q14 Quarterly Activities Report
1Q14 Financial Press Release
1Q14 Unaudited Financial Statements and Notes

May 8
Public Expose and press conference

July 31
2Q14 Quarterly Activities Report

August 28
1H14 Financial Press Release
1H14 Financial Statements and Notes (Limited Review)

October 30
3Q14 Quarterly Activities Report
9M14 Financial Press Release
9M14 Unaudited Financial Statements and Notes

• Quarterly conference calls may 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.

A key challenge of our mining operation is growing production to meet customers' demands while keeping costs down.

OUR MESSAGES

IN THIS SECTION

A LETTER FROM THE BOARD OF COMMISSIONERS

Edwin Soeryadjaya
President Commissioner

We look forward to seeing AE succeed amid another challenging year and deliver on its targets, ready to take advantage of when the global thermal coal market recovers.

Dear Esteemed Shareholders,

We witnessed another milestone in the history of Adaro Energy (AE). We achieved our highest coal production of 52.3Mt in 2013 in the midst of challenging coal market conditions, mainly due to an oversupply in the coal market and softer domestic prices in China. We continuously strive and work with our business partners to improve our operations within our resilient vertically integrated business model from pit to port to power, further instill a culture of cost discipline throughout the company, and provide reliable coal supply to our customers.

We believe the fundamentals of the coal industry remain strong, as energy demand from ASEAN, China and India increases due to their large population base, robust economic growth, low levels of electrification and the low cost of electricity produced from coal. In addition, Indonesian coal will remain competitive due to its low cost of production and close proximity to major export destinations.

Review of Year-End Results

We are pleased with our 2013 operational and financial performance. The Board of Directors (BoD) was able to deliver on the 2013 targets despite macro headwinds. AE's record annual production of 52.3Mt represented an 11% growth from the 47.2Mt produced in 2012 and was at the high end of our guidance of 50Mt to 53Mt. AE's EBITDA of US$822 million was also in line with our guidance of US$750 million to US$900 million with a 25% margin — among the best in the Indonesian thermal coal industry. AE's revenue of US$3,285 million was 12% lower than the US$3,722 million revenue in 2012, as the average selling price in 2013 was 19% lower than in the previous year due to an oversupply in the coal market. Moreover, AE's cost of revenue decreased by 5% to US$2,546 million from US$2,680 million in 2012. Consequently, our net income contracted by 40% to US$229 million.

Starting from last year's financial performance, the BoD introduced the concepts of Operational EBITDA and Core Earnings. We agree with such concepts as they more accurately reflect the earning power and quality of earnings.

Our work on projects like the 2x30MW coal-fired mine mouth power plant, overburden out-of-pit crushing and conveying system (OPCC), and Kelanis Dedicated Coal Terminal expansion progressed in 2013. These projects are aimed at improving our efficiency and cost control. Moreover, we have several business development initiatives, like the IndoMet Coal Project (IMC) with BHP Billiton, the 2x1000MW Central Java Power Plant, South Sumatra coal investments, and the Bhakti Energi

Persada and Balangan Coal projects, that are part of our long-term strategy to create maximum sustainable value for our shareholders. We are in full support of the decision made by the BoD to divest our shares in Servo Meda Sejahtera, as it was in line with our long-term objective of focusing on pit-to-power integration in South Sumatra. We were also happy to know that some of our coal investments are now at the "mine readiness" phase.

In carrying out our supervisory task, we conducted regular meetings every quarter with members of the BoD. In these meetings, we were able to monitor the progress and development of the company's projects and investments, as well as evaluate its operational and financial performance. In improving the implementation of good corporate governance (GCG), we are assisted by our Audit Committee. In the future, we expect the company to establish a Nomination and Remuneration Committee and Risk Management Committee.

Corporate Social Responsibility and Community Development

We believe that GCG goes hand-in-hand with corporate social responsibility (CSR), therefore it is important to balance economic, environmental, and social matters in all our activities. We acknlowledge that the BoD realizes the importance of CSR in achieving the company's long-term objectives, hence CSR is embedded in our strategic plan. The company's commitments to continuously improve the welfare of local communities and preserve the environment in our operational areas have been demonstrated well and continue to define our business practices and methods.

Our CSR programs, guided by the Millenium Development Goals, have become critical integrated aspects of all our activities, particularly in our operational areas. We are fully aware that we should provide sustainable benefits to surrounding communities to establish an independent and sustainable society.

Aside from our extensive community programs, AE applies strict standards on all phases of its operations through an Environmental Policy and Master Plan to ensure that negative impacts are minimized. We monitor air and water quality as well as the application of strict programs for air, water and waste handling through an extensive range of equipments to handle all aspects of monitoring and analysis. Our committed efforts to applying the best environmental practices have earned prestigious recognitions. We are pleased to have received the PROPER Green Award in 2013 from the Ministry of Environment. Adaro Indonesia previously received the PROPER Green Award for four consecutive years, and obtained the PROPER Gold Award in 2012. Moreover, we also received the Aditama Award for environmental management from the Ministry of Energy and Mineral Resources with the highest scores for the fourth consecutive year, as well as other awards for our CSR activities in recognition of our commitment to become a good corporate citizen.

Corporate Governance

As a publicly listed mining and energy company whose commercial operations started in 1992 and whose shares have been listed at the Indonesia Stock Exchange since 2008, AE has long been exposed to high standards of GCG. As our business grows and expands, our corporate governance must also be enhanced in line with best practices. We are pleased with our current corporate governance structure and systems in that we have met the various regulatory requirements. We currently have an Audit Committee under the Board of Commissioners

Adaro Energy's Dynamic Approach to Corporate Governance

Our approach to corporate governance is based on 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 of them, 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 among 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.

See profiles of our Commissioners on page 90

The exterior of the crushing unit at the start of our new out-of-pit overburden crusher and conveyor OPCC). The OPCC project was one of several aimed at achieving greater efficiencies that progressed in 2013.

We believe the BoD has solid long-term plans and strategies, and has taken the necessary steps to generate sustainable growth.

(BoC), and pending the establishment of formal risk management and nomination and remuneration committees, the management team has taken on these functions.

We believe that GCG should go beyond merely complying with prevailing rules and regulations; GCG should be integrated in all aspects of the business. We are pleased that the BoD is in agreement to establish GCG as a permanent system, ensuring the interests of our shareholders and stakeholders are safeguarded, and ensuring the sustainability of the company.

Dividend Distributions

The Annual General Meeting of Shareholders (AGMS) held on April 19, 2013 approved the use of 30.38% of the company's net income for the fiscal year 2012 for the final dividend payment of US$117.07 million. This included an interim dividend payment of US$76.77 million, which was paid on June 12, 2012 and January 15, 2013, while the remaining US$40.30 million was paid on June 12, 2013. We believe the dividend distributions made by the BoD are balanced between providing returns to shareholder investments and retaining income for business growth, taking advantage of opportunites and facing challenges ahead. AE's dividend policy is to pay a regular cash dividend every year in line with our creditors' agreements.

Change in the Board of Commissioners and Board of Directors

During the AGMS on April 19, 2013, shareholders also approved the dismissal of the entire members of the Board of Commissioners (BoC) and granted full release and discharge (acquit et de charge). The shareholders also approved the reappointment of the entire BoC except for Lim Soon Huat, whose term as a commissioner ended. We would like to thank Lim Soon Huat for his contributions and services during his tenure with the company. The new composition of the BoC remains in compliance with regulations, with independent commissioners comprising more than 30% of the seats.

The shareholders also approved the appointment of a new BoD member. We would like to welcome Julius Aslan, who is now in charge of overseeing the company's Human Resources, General Affairs, and Information Technology functions. With his more than two decades of professional experience, primarily in senior human resources positions, we expect to see improvements in the management of our human resources in the future.

Prospects Ahead

For 2014, we look forward to seeing AE succeed amid another challenging year and deliver on its targets, ready to take advantage of when the global thermal coal market recovers. Given the increasingly important role that coal will play in the energy mix both in Indonesia and globally, AE has enormous room to grow. We believe the BoD has solid long-term plans and strategies, and has taken the necessary steps to generate sustainable growth. We agreed with the BoD decision not to make any strategic shifts in direction and to continue focusing on our stated objectives. While we are confident that our business model will take us profitably through the cycle, we have to stay humble and continue to work hard and prepare for any potential risks. To achieve our targets and support business growth and development, improving the business process and productivity along the coal supply chain, instilling cost consciousness throughout the company, enhancing the working environment, and retaining and recruiting good human capital are all necessary.

Maintaining good relationships with our stakeholders is also key to achieving our targets. Therefore, we encourage the BoD, senior management and staff to continue improving their relations with all stakeholders.

Closing Remarks

We are delighted with our operational and financial achievements last year, and we're proud to have obtained national and international recognition of our accomplishments in 2013. These achievements are evidence of our unyielding efforts to create maximum sustainable value from Indonesian coal for the benefit of our shareholders and stakeholders.

Our progress and results in 2013 would not have been possible without the patronage and strong support of our customers and partners, as well as the commitment, dedication and hard work of the BoD, senior management and staff.

As a final remark, I would like to extend my sincere appreciation to the BoD, employees and all of our stakeholders for their commitment and efforts during a challenging year. We count on their continuing trust and support to ensure our sustainable growth for many years to come.

On behalf of the Board of Commissioners,

Edwin Soeryadjaya
President Commissioner

A LETTER FROM THE BOARD OF DIRECTORS

Garibaldi Thohir
President Director & CEO

Our results demonstrated the strength and efficiency of our core business as well as the resiliency of our business model.

Dear Shareholders,

In 2013, the thermal coal markets were affected by a chronic oversupply of coal that is responsible for the decline in prices that began in 2011 and continues to work itself out of the system. Importantly, the cause was not demand destruction. Demand has held up nicely; China and India hit record highs in both 2012 and 2013 and their imports are due to increase again in 2014.

Although the conditions are different, this is a cyclical downturn and we have been here before. For many in the industry, there is a sense of relief as the industry is getting back to normal. Established miners are doing what they always do in a downturn: focus on increasing market share and lowering spending and costs. We expect the oversupply situation to persist for about another 12 to 18 months, following which we should see at least the contours of a rebalancing in the thermal coal market and the beginning of a sustainable price recovery. Our business is reliable, strong and efficient, and we are on track and are set to achieve our objective of creating maximum long-term sustainable value from Indonesian coal.

A Strong Performance Despite the Conditions

In cyclical downturns, it is crucial to focus on your strengths. It is not a time to embark upon new ventures, but instead to recognize your limitations and to keep things simple. This is what we did in 2013. What we do is create maximum value from Indonesian coal, and the past year showed that we can still do it very well. The results we posted in 2013 demonstrate that throughout this supply imbalance and price volatility we have not wavered in our commitment to our country, our customers, our employees, our communities, our lenders, our shareholders, and all of our stakeholders to reliably, safely and efficiently create maximum sustainable value from Indonesian coal.

In 2013, we hit our targets and delivered on our 2013 guidance. We are on track to achieve our long-term goals. We are pleased with our results; the business ran well, despite the difficult circumstances and macro headwinds. Our results demonstrated the strength and efficiency of our core business as well as the resiliency of our business model.

We generated revenue of US$3,285 million, a decline of 12% mainly due to lower coal prices. Our top class operations team at Adaro Indonesia (AI) increased production by 11% to a new record of 52.3 million tonnes (Mt) and delivered on the higher end of our guidance of 50Mt to 53Mt. Due to the hard work of our outstanding marketing team, despite the difficult conditions and chronic oversupply, our sales volume increased an impressive 10% to 53.5Mt. Our 2013 net income decreased 40% to US$229 million mostly due to lower international coal prices. Our EBITDA declined 25% to US$822 million. However, we delivered on our guidance of US$750 million to US$900 million.

The international coal price is a factor and it impacts our operations. If the coal prices were higher, our results would have been better in terms of higher profit and higher returns. The main reason for our lower profits is the drop in our average selling price (ASP). We are price takers as we have no control over the international coal price. Yet despite the price drop, we still delivered.

One thing we can better control is costs. We lowered our coal cash cost by 11% to US$34.86 per tonne, thus beating our cost guidance of US$35 to US$38 per tonne, due to cost reduction initiatives and lower-than-expected fuel prices. We lowered our cost of revenue by 5% to US$2,546 million.

In addition to our efforts on the cost reduction side — via lowering the strip ratio and reducing our fuel cost — we also went for quick wins to set the pace and create an atmosphere of success and efficiency. For example, we reviewed our external services and cut off those we do not need, and we rewrote policies. There is a sense of crisis and urgency, and our workforce understands we really need to do more with less and action needs to be taken. Thanks to augmented overburden stripping in the prior years, in 2013, we were able to lower our strip ratio to 5.75x, still above the life of mine average, so as to not harm our reserves or our long-term plans. Due to our strong efforts to improve efficiency and lower costs, we delivered an EBITDA margin of 25%, which according to the Bloomberg data available on April 8, 2014, was the best in Indonesian thermal coal.

We lowered our capital spending, generated positive cash flows and continued to pay down our debt. Capital expenditure declined 66% from 2012 to come in at the low end of our guidance of US$150 million to US$200 million as we increased capacity utilization. We made better use of the fleet we have and spent very little on heavy equipment, just like we are planning to do in 2014. Our free cash flow surged 141% to US$568 million.

We had a strong balance sheet supported by the long maturity profiles of our borrowings, a healthy cash position and solid liquidity. In 2013, we lowered our interest bearing debt by 9% to US$2,221 million, resulting in net debt to EBITDA of 1.87x. At the end of 2013, our liquidity had improved to US$1.1 billion with cash of $681 million and long-term, undrawn, fully committed credit facilities of US$433 million.

The resiliency of our business model was better reflected in our quality earnings, which we think more accurately indicate the true earning power of our firm. We are now publishing our Operational EBITDA and Core Earnings, both of which exclude non-operational accounting items. These are numbers the Board of Directors and the key shareholders of the firm use to judge performance. Operational EBITDA declined by 23% to US$860 million and our core earnings declined by 36% to US$284 million. As these results declined at a lower rate than our reported figures, they demonstrate the high quality of our earnings and the sustainability of our business model. The rating agencies continue to place Adaro Energy (AE) among the highest-rated coal mining companies in the world (Fitch: BB+, stable, Moody's: Ba1, stable, JCR: BBB-, stable).

Our Business Model is Now Proven: On to the Next Phase

Every cyclical downturn is a process of discovery, to see how the business runs when times are tough. No two cycles are the same and since the last cyclical downturn that began at the end of 2008, through the process of careful planning and investing, we have transformed the company. AE is still focused on creating maximum long-term value from Indonesian coal. However, the business model has changed into one of vertical integration. Through its subsidiaries, AE is no longer a single coal operation in South Kalimantan, as we are now a vertically integrated pit-to-port coal supply chain. We are now a company developing several carefully selected coal assets in each of the four major coal provinces of Indonesia. We are now a company developing a power division, through our subsidiary Adaro Power, in Central Java, South Kalimantan and possibly South Sumatra.

What we discovered is this: despite our long-term investments in other coal assets and embarking upon a strategy to move further downstream into the power business, and despite the difficult market conditions, the core foundations of our business continued to perform very well. We discovered that our business model is resilient. In some cases, our business performed better than expected, such as with costs, which came in below our guidance. We do expect that our business will continue to deliver, and we are encouraged to know that we are on the right track.

A few years ago we set out to extend our vertical integration into Indonesian power generation. We see tremendous opportunities in this sector, as Indonesia's demand for power is set to dramatically increase by at least 3GW per year. Our move into power has yet to be proven and is still a work in progress, possibly requiring another five to six years. But as our pit-to-port business strategy — the first phase of building AE into a great company — has been proven resilient and profitable, we now ask the market and our other stakeholders to give us some

We are on track to achieve our medium-term goals of 80Mt of annual coal production and moving downstream into power generation. We have not had to make any strategic shifts, and continue to focus on creating maximum long-term value from Indonesian coal.

time to prove the next phase of our growth: power generation. We look to a large Chinese company that also has pit to power integration as an example of the wisdom of moving downstream into power. We understand their 2013 profits declined the least amount compared to other coal peers, as their power division and coal processing division offset the impact of lower coal prices.

Our Strategy to Create Maximum Value from Indonesian Coal

Our strategy to create maximum sustainable value from Indonesian coal is as effective as it is straightforward. The strategy has four prongs consisting of growing organically from our existing reserves base, improving efficiency and cost control across the coal supply chain, increasing reserves and diversifying coal products and locations, and, finally, moving downstream into power generation to become fully integrated from pit to power.

With the 2013 results, we demonstrated the resiliency of our business model and the sensibility of our strategy. We are on track to achieve our medium-term goals of 80Mt of annual coal production and moving downstream into power generation. We have not had to make any strategic shifts, and continue to focus on creating maximum long-term value from Indonesian coal. We are still pleased with our past investments and will continue to develop them, although holding off for the time being on big expenditures.

In 2014, our strategy is to focus on our core business and operational excellence, by reliably supplying coal to our customers, improving operational efficiency and maintaining good margins, and strengthening our capital structure by reducing spending, preserving cash, and lowering debt.

How We Allocate Capital and Our Approach to Returns

When making decisions about how to allocate our capital, we are always cognizant of the need to stay focused on our business model and strategy. The main thing to consider is the future productivity of our assets.

We must therefore ensure the investment will generate attractive long-term returns. Sometimes for strategic reasons or in the initial phases of development, the annual returns may temporarily dip below our target. Certainly, whether at the project level or the level of AE, we will always aim for returns that are at least higher than our hurdle rate; either the weighted average cost of capital or the cost of equity. If we do not find investments that meet our minimum requirements as regards our business strategy and attractive returns, then we focus on deleveraging and returning cash to shareholders.

As we have more than enough reserves and resources, the plan for 2014 is to remain capex light and to focus on deleveraging and paying cash dividends to shareholders. We aim to repay US$300 million to US$400 million of debt above our regular debt repayment schedule and to pay at least a US$75 million cash dividend to shareholders.

As a response to the lower returns over the past two to three years, brought on by the lower coal prices, we are doing everything we can to expedite the optimal commencement of our various high quality investments. In addition, we are committed to building maximum market understanding and trust, and further lowering our cost of borrowing, so as to continue to lower the weighted average cost of capital (WACC) of the firm. As of April 8, 2014, AE's WACC of 8.26% was lower than that of our Indonesian coal peers and among the lowest in global coal according to Bloomberg.

Our Approach to Returns

At AE, we have an unwavering focus on returns. However, the approach to returns that a successful investor in mining needs to adopt is slightly different from those of other industries. Mining is a capital-intensive, long-term, risky and slow-yielding endeavor that requires specialized knowledge. It is difficult to get a mine up and running. But with good planning that takes into account all the variables, a mine, such as AI which commenced operations in 1992, will continue to operate profitably and generate reliable cash flows for several years.

We recognize that AE's returns have been declining over the past few years. This is mostly due to declining coal prices, but also because the investments we made since 2010 in several coal assets and to move into power generation have yet to generate cash flow. It took us six years to prove the resiliency of the pit-to-port business model and it will take time for these recent investments to generate returns. It is not dissimilar to a when a plantation buys land and is in the planting phase; the returns should only be calculated once harvesting has begun.

Our coal operations at AI are consistently generating good returns of above 20%. Our other subsidiaries along the AI coal supply chain are also generating good returns. It is the success of AI, which took many years to develop, that encourages us. We know one day our recently acquired coal assets will create maximum sustainable value, as AI does. We know one day our investments in power will generate good returns with little risk, almost like an annuity. We must not be distracted by the short-term price fluctuations and instead stay focused on the development and future productivity of our assets. We look at AI and its pit-to-port integration as the model for generating solid and reliable returns from our other coal assets.

For mining, it all boils down to the reserves and resources. When assessing an investment in a coal deposit, from the perspective of a mining company, three criteria are paramount: location, quality and size. If you get these three elements right, and you have the resources and experience to develop those assets, you will eventually operate profitably and sustainably. We must not be distracted by declining returns during a cyclical downturn especially when many of our assets are in the development phase.

In Downturns, In Mining, It Is All About the Cash

During times like this, it is all about the cash and cash returns, and getting back to the basic elements of success. Which investments are generating, or burning, cash? Keeping track of the cash is not only about monitoring the cash holdings. It is also about avoiding surprises by having good mid-term and long-term forecasts. While it is important to be profitable, for a mining company — especially in a downturn — the important thing is to be cash flow positive. We need to make sure we are generating enough cash to meet the capital needs of the company. In 2013, therefore, we increased free cash flow 141% to $568 million. If companies cannot generate enough cash to maintain operations, equipment will break down and production will decline. We need to concentrate on cash flows to keep our operations running reliably.

Our Outlook: 2014 and the Medium Term

In 2014, we plan to produce 54Mt to 56Mt of coal (pending government approval). We intend to maintain our strip ratio at 5.78x and coal cash costs at US$35 to US$38 per tonne. We are aiming to generate a healthy EBITDA of US$750 million to US$1 billion. In 2014, we expect slightly higher capital expenditures of US$200 million to US$250 million mainly for maintenance and replacement equipment. Depending on international coal prices, we also expect our ASP will be flat. We will continue to focus on cash preservation and will be capex light over the next few years, enabling us to repay debt and return more cash to shareholders. We will maintain a strong capital structure with net debt to EBITDA no higher than 2.0x and by maintaining a large cash position.

We know our valued long-term investors need at least five years of visibility. We hope this annual report can help you make a rough estimate of AE's future earnings and understand how we look at our future earnings. We encourage you to contact us so we can maintain an ongoing dialogue. We plan to continue growing coal production volumes each year, in increments according to customer demand, towards a medium-term target of 80Mt mostly from AI but also from Balangan and our other coal assets. We are planning the optimal time and manner to develop our recent coal acquisitions, and we are always improving our reserves and resources estimates in accordance with the JORC Code. In five years, we also intend to commence generating revenues from Adaro Power, our wholly owned power division. Please read more about the current status of our various investments and projects in this report.

On Our Strong Capital Structure

Our balance sheet stood ready to support the growth of the company and to safeguard the firm during downturns. Our liquidity will allow us to weather the current cyclical downturn and stay on track in implementing our business model.

Our Industry: Looking Resilient

According to Wood Mackenzie, global seaborne demand will total 951Mt in 2013 and grow to 2.1Bt by 2035. Demand has remained strong, with India increasing imports by an impressive 28Mt, more than China, and nearly surpassing Japan as the second

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.

See profiles of our Directors on page 92.

largest buyer. China, the largest buyer accounting for about 20% of demand, increased its imports by 21Mt for another record year, despite slower economic growth.

Coal is a low-cost, reliable and readily available source of electricity and will therefore remain a key source of energy in Asia Pacific. Over the long term to 2035, China and India will together account for 4.0Bt of the 4.7Bt total increase in demand for thermal coal. Low-rank coal is the future: By 2035, nearly half the coal consumed in China and India will be low rank, most of which will come from Indonesia. We must not forget Southeast Asia, where total consumption is projected to almost triple to 600Mt by 2030, with Indonesian consumption almost quadrupling.

The cause of the decrease in prices over the past few years is oversupply, not decreased demand. However, although demand remained robust, it was not enough to absorb the excess capacity, leading to a fall in prices. In situations like this, prices are not determined by the traditional nexus of the supply and demand curves, but instead by producers' cost of production. The most important part of this is the cost of supply in China.

Lower demand in China, oversupply and reductions in average mine costs resulted in domestic price falls in China in 2013, which in turn caused international spot prices to decline as well. Australian producers, which need to stay competitive in China as they do not compete in India, had no choice but to drastically reduce their costs.

However, Wood Mackenzie, a well-known industry consultant, confirms that global spot prices are now largely settled in China. China's lower mine costs have resulted in lower international spot prices and those prices are sitting close to the marginal cost of production.

Wood Mackenzie predicts that real FOB Newcastle prices will range from US$80 to $85 per tonne for 10 years. By 2035, FOB Newcastle will reach US$112 per tonne. These healthy price levels are based on expectations that marginal costs of production in China, as elsewhere, are likely to increase going forward.

There is a lot of evidence in the market to suggest a healthy correction is well underway. By some estimates, at least 25Mt of Indonesian production will have negative cash margins in 2014. In a recent report, Wood Mackenzie identified at least 11 assets at high risk of closure in 2014, and any strengthening of the Australian dollar would exacerbate this situation.

In 2013, there were indeed impressive cost reductions and reduced spending across the industry. Most miners in Indonesia made significant cuts to overburden removal. However, such cost reductions and lower spending will not be sustainable. Lowering strip ratios further and not spending on maintenance will begin to reduce the capacity, output, reserves and lifespan of several operations.

Total coal production increased 10% in 2013 to 479Mt in Indonesia, the largest supplier by far to the global seaborne thermal coal market, as producers increased capacity utilization and others with high debt levels ramped up to make their payments.

The top nine producers in Indonesia maintained their market share in 2013 at just under 60% of the total. However, as the rebalancing continues, we expect the market share of the established miners to increase in 2014 and beyond. We also expect a more meaningful supply response from smaller and marginal coal miners in Indonesia, as their contribution to supply growth drops from 21.1Mt in 2013 to 3.2Mt in 2014.

At this point, many Australian coal miners are operating at a loss. Operating margins for seaborne thermal export coal fell by an average of 46%, with average margins for some regions cash negative.

The supply response is underway and the market is rebalancing. We expect that the market will switch from over-supply into under-supply at some point in 2014.

Thank You

We want to thank our customers, our shareholders, our local communities, our contractors and suppliers, our government and all other stakeholders for their continued support. But most of all, I want to thank our employees for their dedication and devotion to building a great company: Adaro Energy is going to get even better in the future. We took real action to get us through this downturn and it has paid off. The current situation is the result of a classic cyclical downturn and things will get better, so let's continue to deliver positive energy, and be reliable, strong and efficient.

On behalf of the Board of Directors,

Garibaldi Thohir
President Director &
Chief Executive Officer

PRESIDENT DIRECTOR'S MESSAGE FOR 2014

Continue to Strengthen the Foundation for Sustainable Growth

August 30, 2013

Praise be to God, most gracious, as the Adaro Group is still strong despite the unfavorable business situation. The coal industry is currently experiencing an oversupply that weakens selling prices. The global economy is expected to slow down, and the International Monetary Fund has lowered its global economic growth forecast for 2014 from 4.0% to 3.8%. We cannot predict when macroeconomic conditions will recover, but the important thing is to determine how we can survive and even grow despite the unfavorable situation.

Entering the year 2014 with the theme "Continue to Strengthen the Foundation for Sustainable Growth", we will continue the work we did last year in order to improve our performance.

There is an interesting fact about the palm tree that is able to grow in the desert amid very hot weather and almost no water. How is it possible? Palm tree seeds are planted by placing them in the ground and then covering the hole with stones. Unlike other fruit trees, the palm tree's roots will grow hundreds of meters into the soil to find a water supply. Only when it does will the sprout grow, pushing against the stones above it, and continue to grow to become a tall tree. A palm tree can live in a very difficult environment because it has strong roots connected to water supply under the desert.

Learning from successful world-class companies that have lasted more than a hundred years such as GE, Shell, BHP, and Citibank, we see that they all have a solid business foundation and have proven track records in surviving various crises. Given the long-term nature of the business, which Adaro Energy operates, of course, we should have the mindset and long-term perspective to build a solid business foundation. There are three keys to building a successful and sustainable business foundation: competitive advantage, operational excellence, and a winning team.

Competitive Advantage

Fierce competition is almost always a certainty in all industries, so it is not easy to maintain market share and profitability. In order to continue to grow, companies must have a competitive advantage, which builds upon the uniqueness of the company and is supported by human resources and appropriate competencies so that competitors would not be able to easily imitate.

Operational Excellence

Excellence in operations through productivity, efficiency, reliability, and others have already become standard in almost every industry. We should maintain our operational excellence through continuous improvement. Benchmarking against the best companies in order to expand our knowledge, and take the best practices and implement them. Cost issues are very important; it should always be well managed through a careful planning with effective execution and supervision.

Winning Team

A winning team is a critical success factor to ensure the survival of the organization. Build a great team consisting of the best and the right people in all levels of the organization. Build a conducive working environment by applying good values and exemplary leadership. Let no one be an authoritarian leader, because this is counter-productive and will soon harm the organization. A good leader will determine the organization's success. As the military proverb said, "There is no bad soldier, only bad commanders". A survey in the United States by Watson Wyatt Worldwide in 2007 found that only 49% of employees believe in their senior leader. What about us, have we already become a good example for our employees?

Communication is also very important and should not be forgotten. Communication technology advances through the Internet are very helpful to us, but never assume that simply by sending an email is sufficient for all things. Build good communications and meet with each other directly if necessary to build respect and trust.

In a 2012 survey by the American Management Association, more than half of the executives surveyed said making people work together is one of the biggest obstacles they face.

Despite the unfavorable macroeconomic conditions, I remain optimistic that our business will continue to grow in the future, because energy needs will increase along with population and economic growth. Entering 2014, let us prepare well and work hard, and also plead with God Almighty. Hopefully we will be more successful, God willing.

Garibaldi Thohir

> The palm tree's roots will grow up to hundreds of meters into the soil to find a source of water. Only when it does will the sprout grow, push against the stones above it, and continue to grow to become a tall tree.

An AI worker monitors the daily achievement chart. 2013 was a record year for coal production.

OUR BUSINESS

IN THIS SECTION

Corporate Overview

Reliable, Strong and Efficient

Adaro Energy (AE) is a holding company dedicated to creating maximum sustainable value from Indonesian coal. The vision of the company is to be a leading Indonesian mining and energy group. Adaro Energy has various investments and subsidiaries involved in all aspects of the Indonesian coal industry and is moving into Indonesian power generation. As at the end of 2013, Adaro Energy had a market capitalization of US$2.86 billion.

Despite macro headwinds, our vertically integrated business model remained resilient, and enabled us to deliver on our 2013 operational and financial targets. This pit to port to power business model enables us to control each step of the coal supply chain.

When our majority shareholders acquired AI in 2005, one of their first priorities was to improve our coal supply chain. Their experience at building PT Astra International Tbk provided them with an appreciation of the importance of supply chain management and the necessary knowledge and expertise to develop it.

To gain better control and improve our coal supply chain, we acquired the majority of mining contractor PT Saptaindra Sejati (SIS) in 2005 and acquired channel dredging and maintenance contractor PT Sarana Daya Mandiri (SDM) in 2008. To complete the vertical integration, we then acquired barging and ship-loading contractor PT Maritim Barito Perkasa (MBP) in 2008. Having a subsidiary at each part of the coal supply chain gives us better control over our costs, improves efficiency and reduces counterparty risks, including reducing the likelihood of disruptions to our operations and expansion plans. This enables us to offer more reliable coal supply to our customers, which in turn improves the marketability of our coal.

How our Coal Supply Chain Works

Our coal supply chain begins with PT Adaro Eksplorasi Indonesia (AEI), which engages in geological and exploration work in AI's concession and AE's other coal concessions. AEI assists the company in the areas of resources and reserves calculation, as well as mine planning.

Our core subsidiary, AI, contributed approximately 85% of AE's total revenue in 2013. It operates under a first-generation coal cooperation agreement (CCA) with the Indonesian government that is valid until 2022. AI's mining operation includes three main coal pits — Tutupan, Paringin and Wara — all of which are located in the Tabalong and Balangan districts of South Kalimantan and contain a total of 900 million tonnes of reserves with 4.9 billion tonnes of resources, reported in accordance with the JORC Code as at the end of 2013.

The next part of our coal supply chain is from the AI pit to the Kelanis Dedicated Coal Terminal (Kelanis). Our operations start with overburden removal and coal mining at the three pits in AI's concession. There are five mining contractors, including SIS, that work under multi-year contracts to handle overburden removal and transportation, coal hauling and mine reclamation

Our Coal Supply Chain

In 2013, AE's coal all came from the deposits in South Kalimantan mined by AI. The physical mining and transporting of coal to customers is done by contractors appointed by AI.

We tightly control this coal supply chain by using a subsidiary company at each stage as one of the dominant contractors.

1. AI mining area, with coal extracted from three areas, the Tutupan, Wara and Paringin pits.
2. AI performs mining activities supported by its contractors, including AE subsidiary SIS and third-party contractors PAMA, BUMA, RA and RMI.
3. Coal is trucked along haul road owned by AI to a port on the Barito River. Hauling is done by SIS, PAMA, BUMA and RA.
4. At the Kelanis Dedicated Coal Terminal (Kelanis), AI crushes the coal, stores it when necessary and loads it to barges.
5. Coal is barged to the sea by our subsidiary MBP and third-party contractors.
6. At the river mouth, our subsidiary PT Sarana Daya Mandiri (SDM) dredges and maintains a shipping channel.
7. Coal is barged to Taboneo offshore anchorage for loading to customers' ships or direct to some Indonesian customers or to our nearby coal terminal. Barging and loading is done by MBP.
8. Our coal terminal at Pulau Laut is run by our subsidiary IBT.

activities. Each contractor is responsible for providing its own equipment, supplies and labor requirements to mine within its allocated areas and achieve production targets every year. The use of contractors significantly reduces our capital expenditures and working capital required mining operations. It further allows us to focus on value-added activities, such as exploration and mine planning, safety, quality control and marketing, to ensure we continue to maintain high-quality and reliable output for our customers.

In 2013, at the AI concession, 35% of the overburden and 37% of the coal mining and hauling activities were done by our subsidiary SIS. Due to its strong performance, SIS was given the responsibility of taking over overburden removal and coal mining activities at North Tutupan since the beginning of 2013.

From the pit, we transport the coal along our privately owned 80km hauling road using double-trailer road trains with an average capacity of 130 tonnes to Kelanis where we crush the coal and load

Our vertically integrated business model remained resilient, and enabled us to deliver on our 2013 operational and financial targets. This pit to port to power business model enables us to control each step of the coal supply chain.

it on to barges. The activities along this first part of the coal supply chain account for approximately 54% of our cost of revenue.

The next part of our coal supply chain runs 240km from Kelanis along the Barito River to the Taboneo offshore anchorage in the Java Sea. We then load our coal onto customer vessels using floating cranes for export, or continue to barge to the island of Java for delivery to domestic customers.

We have a number of companies involved in logistical operations, and so we gave PT Adaro Logistics (AL) responsibility in 2013 to better

Al mines and transports about 150,000 tonnes of coal every day across its three pits in South Kalimantan.

Milestones in Adaro's History

1982
AI received a Coal Cooperation Agreement (CCA) from the Indonesian Government, with a validity period until 2022.

1991
AI obtained trademarks for Envirocoal because of its ultra-low ash and sulphur and low NOx.

1992
AI started commercial production of the E5000 coal from Paringin pit — producing 1 million tonnes.

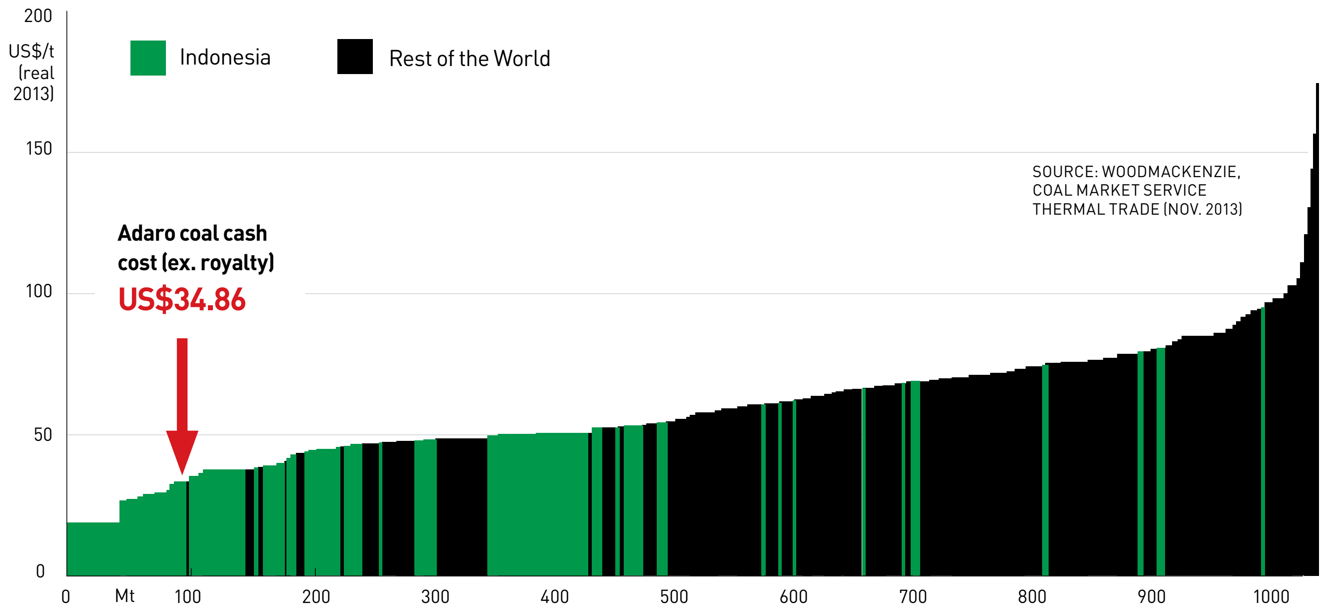
2005
The majority shareholders acquired AI through a leveraged buyout in June 2005. The buyout entailed debt funding of US$923 million and equity of US$50 million.

2006
AI increased production by more than 28% from the previous year to 34.4 million tonnes.

2008
IPO of Adaro Energy (AE) on the Indonesia Stock Exchange raises Rp 12.2 trillion (US$1.3 billion), with 35% of the company listed, to fund acquisitions to simplify the corporate structure into a single holding company with independent operating subsidiaries.

The Cost of Our Coal

With a coal cash cost of US$34.86 per tonne (ex. royalty), we are at the bottom end of 2013 global cash cost curve.



manage and co-ordinate their activities. One of our subsidiaries, MBP, carried out 50% of our barging activities and 61% of ship-loading activities. Our IBT port was responsible for 5% of ship-loading activities. SDM, the Barito River channel dredging and maintenance contractor, continued to dredge and maintain the depth of the channel to ensure ease of passage. A new subsidiary, PT Puradika Bongkar Muat Makmur (PBMM), provides stevedoring and manages incoming and outgoing customer vessels at Taboneo, ensuring they receive their coal on time.

Our marketing subsidiary Coaltrade Services International Pte Ltd (CTI) conducts third-party trading with existing customers while actively securing new ones.

Our involvement in power generation makes up the final segment of our pit-to-power vertical integration. In addition to providing good returns, we expect our power segment to contribute to our future revenues by providing a reliable base load revenue stream, reduce the volatility of our earnings, and create captive demand for our coal. Through our subsidiary PT Adaro Power (AP), we have strategic involvement in power generation with a current portfolio of a mine-mouth power plant and two IPP s. We aim to have our subsidiaries handle 50% of total coal production, while third-party contractors handle the remaining tonnage. We position our subsidiaries as independent profit centers and if it is determined that taking our subsidiaries public would create shareholder value, we may list them on a public exchange in the future.

Each stage of the coal supply chain presents opportunities for us to create value. We create value by successfully carrying out our operational activities, applying our distinctive strengths and capabilities, as well as creating jobs and employment, investment, and revenue for the government and communities.

Solid Position

AE's vision is to be a leading Indonesian mining and energy group. To achieve this vision, we continue to build on our strengths and opportunities to develop growth strategies, as well as identify our weaknesses and threats to manage business risks. On the next page is the outline of our SWOT analysis.

2009
Received ratings upgrade by Moody's to Ba1. To increase financial strength and provide funds to grow, AI 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
AE'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
AE established its foothold in South Sumatra by acquiring two coal concessions, MIP and BEE.

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

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

2013
AE acquired Balangan Coal, which has three IUPs at a concession near AI's operations.

Business Analysis

A classic SWOT matrix analyzing key internal and external strengths and weaknesses of Adaro's business.

	HELPFUL	HARMFUL
INTERNAL	**Strengths** • Resilient vertically integrated pit-to-power business model that creates efficient operations. • Unique product of low to medium calorific value, sub-bituminous coal with ultra-low pollutant characteristics. • Low cost producer with proven track record of production growth. • Vast coal resources and reserves. • Long-term contracted tonnage with diversified blue-chip customers. • Financial strength. • Supportive shareholders and strong management team.	**Weaknesses** • Single site concession and supporting infrastructure, accounting for all of current production. However, new concessions are in the pipeline for future production. • Adaro's operations are located far inland and in remote locations. • Coal mining is long-term, high-risk and slow yielding. • Mine development is capital-intensive and requires specialized knowledge. • Limited product line. (However, we are diversifying into power generation and will have varying products from low rank coal to coking coal through our acquisitions.)
EXTERNAL	**Opportunities** • Strong domestic electricity demand supports our move into power, a natural hedge against volatile coal markets. • The Asia-Pacific region's economic growth will boost demand for energy. • New boiler technologies enable the use of sub-bituminous coal as fuel. • Tighter environmental standards support Envirocoal's ultra-low pollutant characteristics. • Scarcity of high-rank coal promotes structural changes in the coal industry.	**Threats** • Coal mining is a volatile, cyclical business. • Alternative energy sources compete as suppliers for power generation. • Regulatory uncertainty in both domestic and export markets. • Growing concern on environmental impact of carbon emissions. • Development in China, India and Mongolia allows for greater coal supply. • Global economic slowdown may reduce demand for coal.

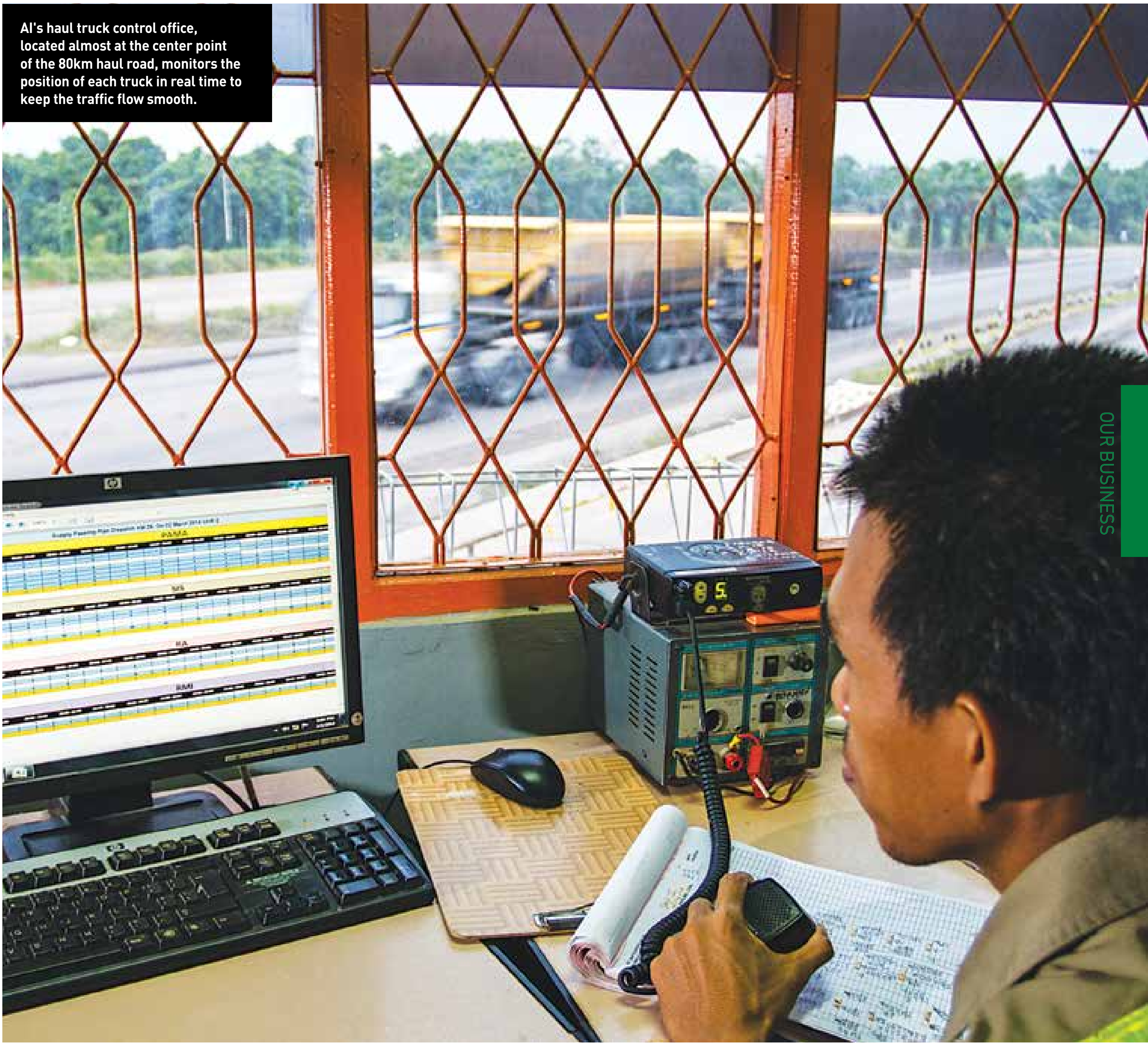
Our Focus on Value Creation

We have a long-term objective to create maximum sustainable value from Indonesian coal. To achieve this objective, we implement a multi-pronged approach to growth as follows:

1) Organic growth from current reserves base.
We strive to increase production from AI's Tutupan, Paringin and Wara deposits. We continue to examine our customers' demands and align our production with their needs. In the fourth quarter of 2013, we introduced Envirocoal 4900 (E4900), which has received strong acceptance from existing and new customers in China, India, Hong Kong, Taiwan and Thailand. Given its success, we are committed to further develop the long-term market for E4900.

2) Improve efficiency and productivity of our coal supply chain and focus on cost control.
Our vertically integrated business model allows for better control over costs while maintaining operational quality and performance. 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.

In 2013, we successfully met our production target, recording a record production of 52.3Mt without new investments in heavy equipment. Our coal cash cost of US$34.86 per tonne was better than guidance and 11% lower than 2012. We expect our infrastructure projects, the OPCC and the 2x30MW mine-mouth power plant to come online in 2014 and further promote efficiency by curbing haulage and diesel fuel costs.



AI's haul truck control office, located almost at the center point of the 80km haul road, monitors the position of each truck in real time to keep the traffic flow smooth.

3) Increase reserves, and diversify products, locations and licenses. In our industry, everything boils down to reserves. Our strategy is to acquire greenfield and high-quality coal deposits in Indonesia with sizable reserves. Through our investments in South, East and Central Kalimantan and South Sumatra, we currently possess approximately 1.1Bt of coal reserves with 12.8Bt of coal resources (including an option to acquire 7.9Bt in East Kalimantan), and a product portfolio ranging from low-rank to coking coal. Our approach to developing these assets will follow that of AI, i.e. low cost, low capex development, and growing incrementally with market demand. We are well positioned to achieve our medium-term annual production target of 80Mt. Our focus now is to prepare the mine readiness of these new concessions and bring them online at the optimal time.

4) Deepen our vertical integration into power generation. 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. We see enormous opportunity in Indonesia's power generation sector, supported by a growing population, industrialization and economic growth. 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. 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.

Coal Industry Outlook
Continuing Demand Growth

Our internal research showed that despite macro headwinds, demand for seaborne coal grew by 5.5% in 2013. Coal continues to be the leading source of fuel in emerging Asian countries, led by China and India, both imported record volumes in 2013. In 2013, India increased imports by an impressive 28Mt to 133Mt, more than China, and nearly surpassing Japan as the second largest buyer. China increased its imports by more than 20Mt to more than 210Mt, achieving another record year despite slower economic growth.

China and India are expected to continue to be the drivers of global coal consumption. Combined, both countries will contribute 87% of global coal consumption growth to 2035. BP Energy Outlook forecasts that China will continue to be the largest coal consumer in 2035, accounting for 51% of global coal consumption. Between now and 2035, WoodMackenzie's study shows that China's thermal coal consumption will increase by 2.9Bt. More favorable delivered cost compared to China's domestic production from Shanxi, Shaanxi and Inner Mongolia, has steadily increased the market share for imported coal in China since 2008. Therefore imported coal will remain as an important component in China's fuel mix.

In India, GDP and industrial production growth of more than 6% will drive higher electrification. India anticipates that 160 GW out of the expected total 250 GW of installed capacity in the country by 2030 will be coal-fired power plants. The complexity surrounding domestic coal production in India will hinder the ability of domestic production to cope with demand and will create a natural market for imported coal. India's coal import is expected to at least double by 2030 from its current level and reached 1.1Bt by 2035 according to WoodMackenzie and the International Energy Agency's (IEA) estimates.

Another part of the growth story is Southeast Asia. Southeast Asia region are also poised to increase coal consumption along with increased in economic activities. Indonesian domestic demand is expected to grow at a steady rate to reach over 130 million tonnes per year by 2020. Other Southeast Asian countries are also expected to grow coal import in the same increment within the period. Indonesia, the largest coal producer in Southeast Asia, is well-positioned to accommodate that demand.

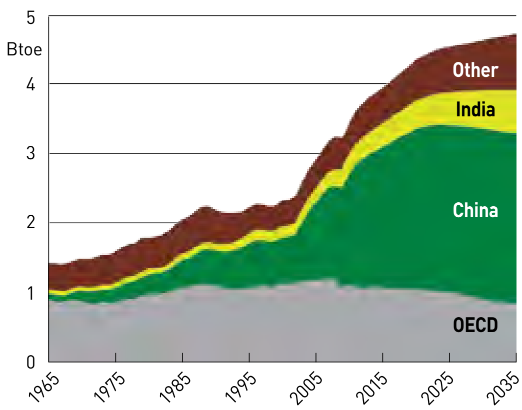
Although the industry shows a solid outlook, in recent years, international coal spot prices have dropped 43% since peaking at US$131 per tonne three years ago to US$74 per tonne just recently. This is caused by undisciplined supply growth and overinvestment. While demand is growing at a healthy rate, it is not enough to absorb the excess capacity. We believe that prices have bottomed out, however the market has not yet rebalanced. We expect a 12-18 month period of further rebalancing after which, prices should rebound.

Outlook of Coal Demand from the Power Sector

The power sector will continue to be the key driver in coal demand. The IEA predicts that coal-fired generation will grow by 6% per annum to make up half, or 700 terawatt hours (TWh), of total global power generation by 2035.

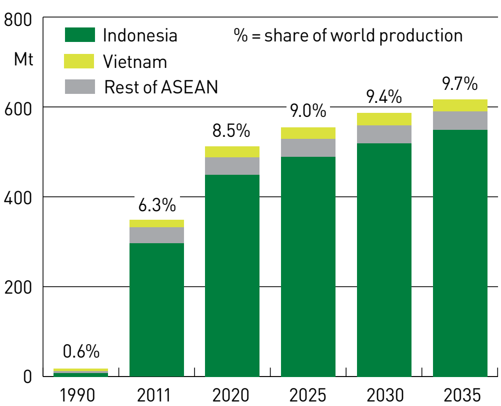
In 2013, coal accounted for about 75% of fuel inputs to electricity in China, India, Japan and Indonesia. Although input from gas is projected to

Coal Consumption by Region

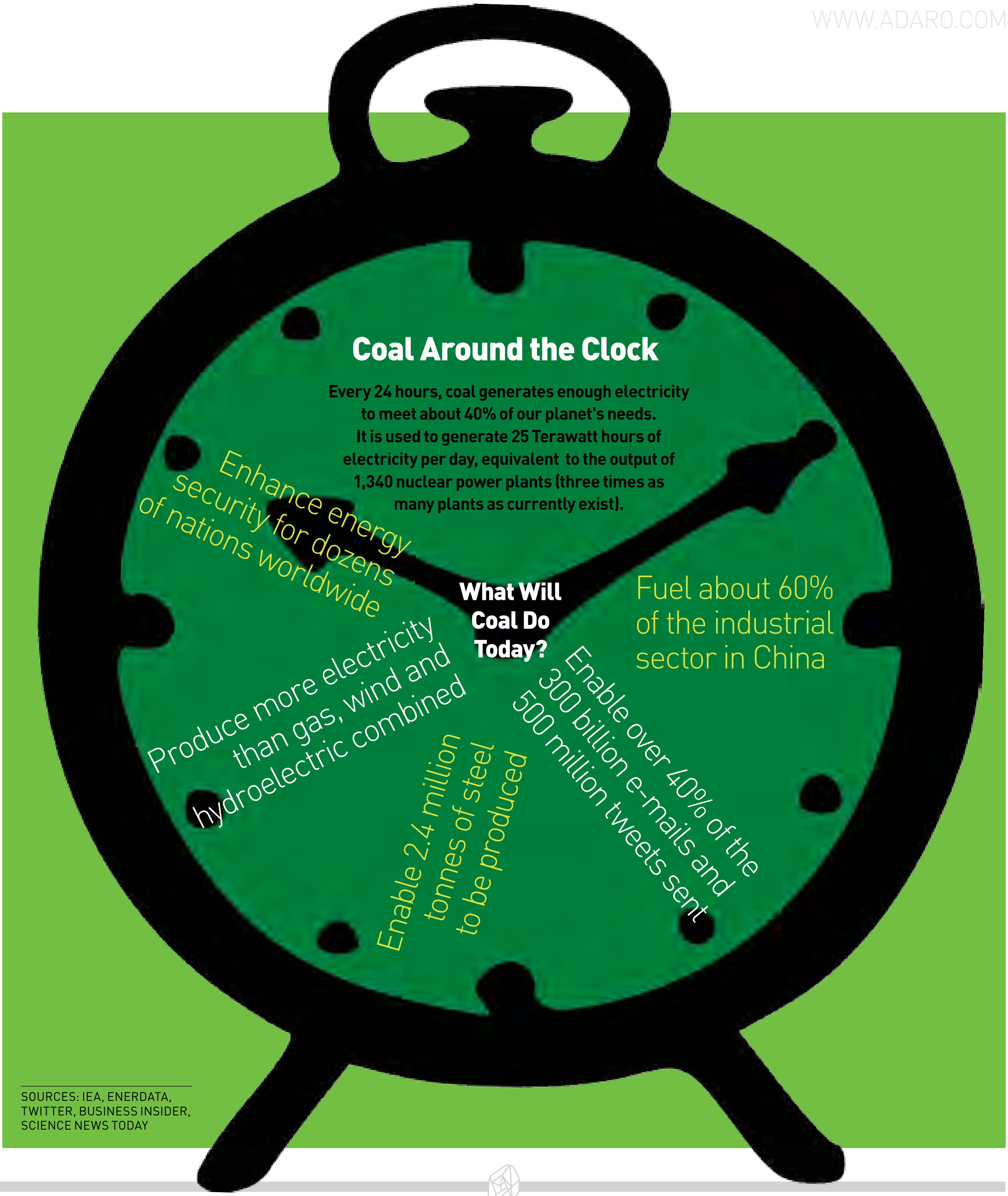


SOURCE: BP ENERGY OUTLOOK 2035

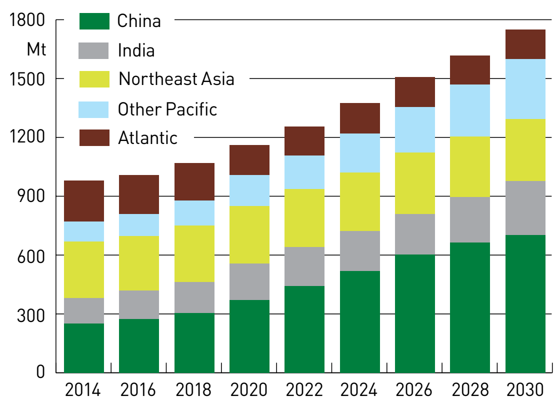
Coal Production in Southeast Asia



SOURCE: IEA SOUTHEAST ASIA ENERGY OUTLOOK (SEP 2013)

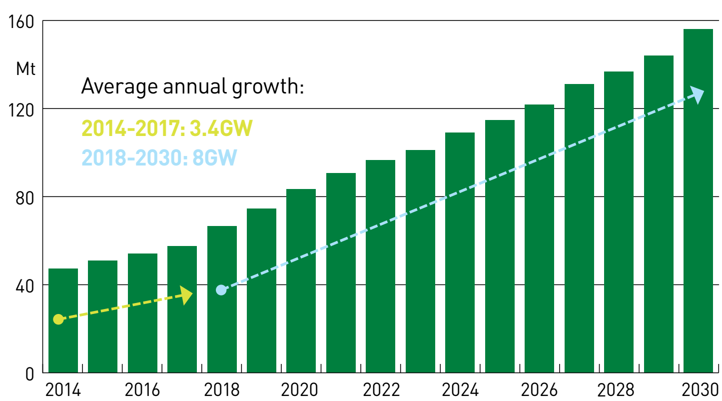


Coal Demand by Region



SOURCE: WOODMACKENZIE, COAL MARKET SERVICE 2013

Coal-Fired Capacity in Southeast Asia



SOURCE: WOODMACKENZIE, ENERGY MARKET SERVICE 2013 AND ADARO RESEARCH increase significantly by 2030 to approximately 19.6%, coal will remain as the largest fuel source in the aforementioned countries accounting for 68.8%.

According to WoodMackenzie, coal-fired installations in Southeast Asia will increase by an average of 8GW per annum from 2018 to 2030 which will drive demand for Indonesian coal given Indonesia's strategic location. China's coal-fired power generation will continue to grow at a rate of 50GW per annum until 2017, following which growth is expected to drop by more than half to around 26GW per annum. Non-OECD countries account for the greater part of rising electricity demand, driven by faster economic and population growth, increasing urbaization and better standards of living.

Indonesia's Coal Industry: Supply & Demand

Supply of Indonesian Coal

Proximity to expanding markets, abundant coal resources and a competitive cost structure have been the main reasons for Indonesia's success as a coal exporter. Indonesia has emerged as the biggest thermal coal exporter in the world, surpassing Australia in 2005. Indonesia's coal production grew from 2003 to 2013 by approximately three times that of Australia or Colombia, the second and third fastest-growing coal origins in the exports market.

Indonesia's total coal reserves are estimated at 28Bt with resources of 120Bt. Thermal coal makes up over 95% of the marketable reserves while the rest is metallurgical coal. Most of the reserves are in Kalimantan (exportable steam coals, typically of sub-bituminous or bituminous quality) and Sumatra (mostly low-quality lignite and sub-bituminous). Metallurgical coal is mostly found in Central Kalimantan. Since 2010, reserves have increased substantially with a 45% rise in bituminous coal and 15% rise in sub-bituminous coal. On average, Indonesian coal has medium energy content, making it perfect for blending with higher-energy coals, and is generally low in ash and sulphur content.

Kalimantan's relatively lower cost of production compared to Sumatra will continue to support the development of this region as Indonesia's main coal producer. However, as many of the mines in Kalimantan are maturing, this production growth will significantly slow down over the next 10 years.

IEA projects that Indonesia's coal production will continue to expand rapidly in the medium term to meet the booming demand from both the domestic and export markets. Increasing electricity demand in emerging Asian countries and new power plants built using ultra-super critical boilers designed to use low-calorific value coal will strengthen Indonesia's position as the world's leading thermal coal exporter.

Indonesia's coal output is projected to grow on average 4.8% per year through 2020. Production growth is then expected to slow to an average of 1.4% per year, reaching around 550Mt of production by 2035, as the global thermal coal trade plateaus. Net exports are expected to grow by 4.2 % per year until 2020, when it will reach around 360Mt. Thereafter, rising domestic demand, the leveling-off of the global thermal coal trade, and declining coal quality should lead to a slower growth rate for net coal exports to reach 385Mt by 2035. Coal exports as a share of total production will fall from around 85% in 2011 to 70% in 2035. However, Indonesia will remain the world's leading steam coal exporter during the period, maintaining a global market share above 40%.

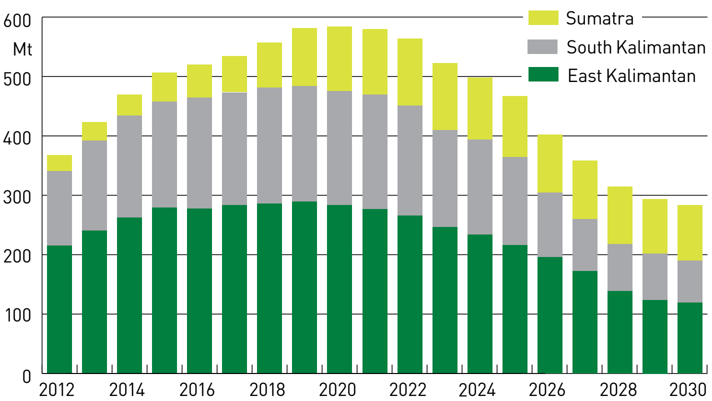
Indonesian coal is exported to approximately 20 countries, with key markets in Asia, such as China, India, Japan and South Korea.

Demand for Indonesian Coal

WoodMackenzie projects that demand and supply in International markets and expansion in the main Asian coal markets will outpace the availability of coal exports from Indonesia. India, China and Southeast Asia will need to increase their imports from origins other than Indonesia, which will have higher production costs and require more capital to develop. This will have a positive impact on coal prices. Further, Indonesian production cash cost margins will remain among the best in the industry as a result of a stable cost structure. Hence, Indonesia has the potential to actually increase production and fill the gap.

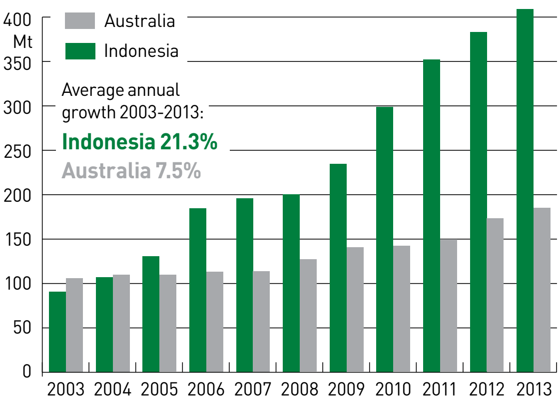
Indonesian coal demand is expected to grow

Indonesian Coal Production by Region



SOURCE: WOODMACKENZIE, COAL SUPPLY SERVICE 2012 AND ADARO RESEARCH

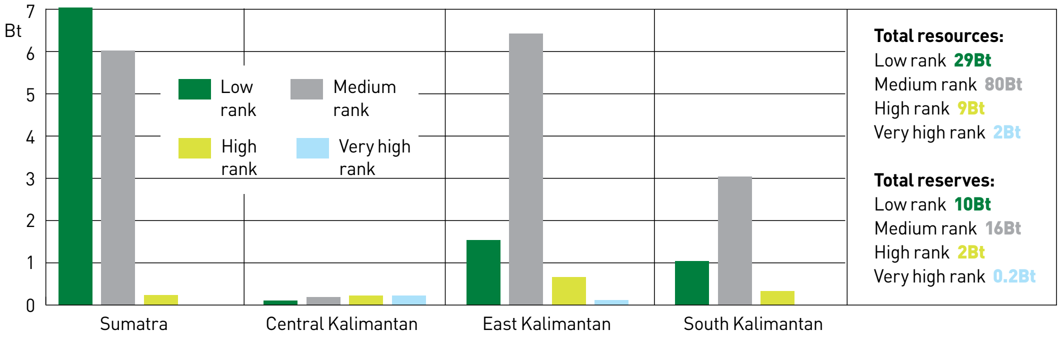
Indonesian Coal Production Growth

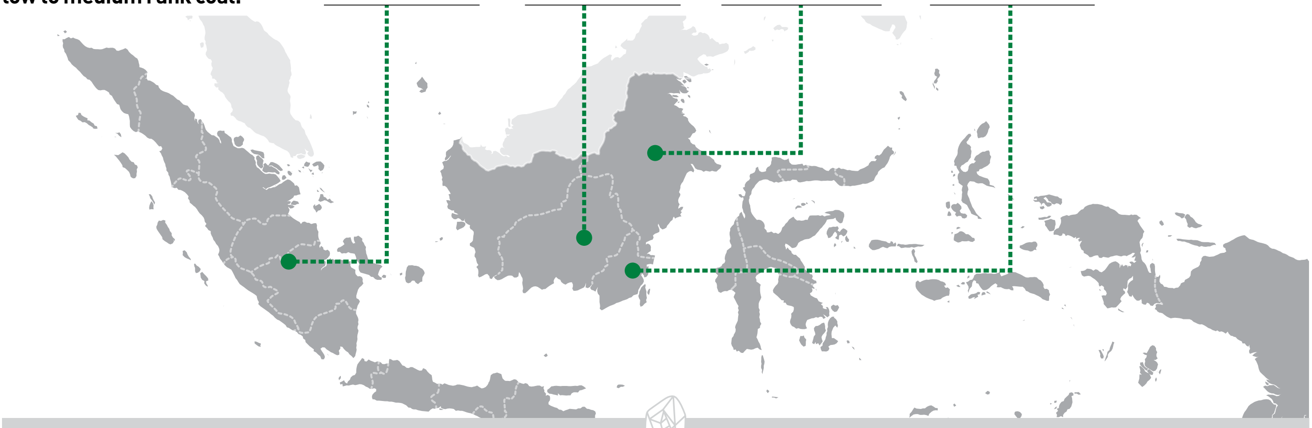


SOURCE: WOODMACKENZIE, COAL MARKET SERVICE 2013

Coal Reserves in Indonesia

Most of the coal reserves in Indonesia are low to medium rank, including sub-bituminous coals and lignites, and are mainly in Kalimantan and Sumatra. Most power plants being built are designed to burn low to medium rank coal.





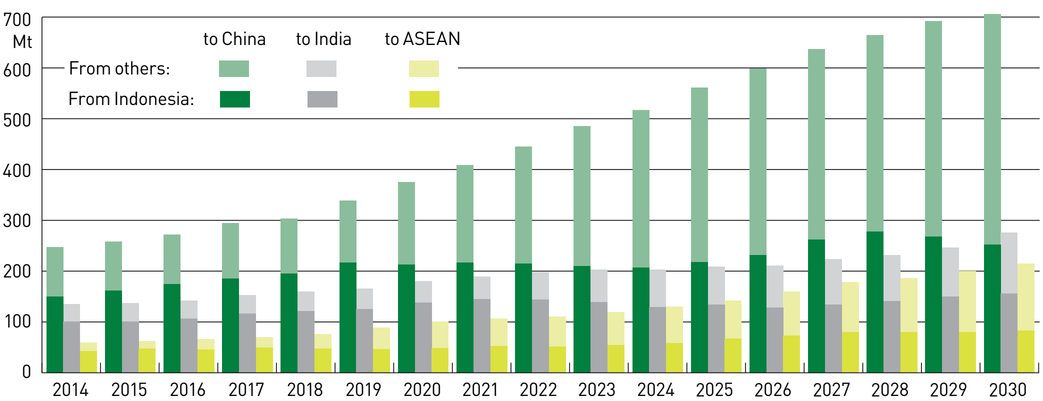
rapidly on the back of a rising domestic power sector. Expansion of coal-fired power generation is required in order to support domestic growth. Subsequently, Indonesian suppliers are required to comply with a minimum production obligation whereby a fixed share of coal must be sold to domestic customers.

Indonesia's domestic demand will potentially outpace exports. As pointed out by WoodMackenzie, PLN expects 5GW of new coal-fired capacity to be in place by the end of 2014 or early 2015. PLN's second fast-track program will include 7GW of coal-fired capacity. Approximately 4Mt per annum of domestic coal is needed for each gigawatt of coal-fired capacity. Therefore, by the end of 2014 or early 2015, if PLN remains on its revised target schedule, domestic demand may increase by approximately 20Mt per annum. The second fast-track program will add another 28Mt per annum to domestic thermal coal demand beyond 2016.

Pricing for Indonesian coal is based on international and domestic coal prices, with a price floor set by the Ministry of Energy and Mineral Resources (ESDM) every month based on global indices and is basically the same for export and domestic sales. Support for coal prices has been based on growing production costs as higher-cost reserves are accessed and developed. Following around five years of overinvestment, we believe that the coal market is currently at the bottom of a classic cycle caused by oversupply.

Despite concerns on oversupply, we believe that the era of cheap coal is over, and we expect coal prices to recover and continue their upward trend. The cause of the decline in coal price is oversupply, not decreased demand. Demand growth has held up well in the past few years, with for example China and India importing record volumes in 2013 as they did the year before.

Coal Imports from Indonesia to China, India and ASEAN



SOURCE: WOODMACKENZIE, COAL MARKET SERVICE 2013

Coal Sales Review

Growth Story Continues

The 21-year-growth story of Adaro Indonesia (AI) was bolstered by a robust performance in 2013. AI remained one of the largest single-site coal producers with a new coal sales record of 52.2 million tonnes (Mt), approximately 10% more than 2012's 47.4Mt achievement. The increase was supported by strong demand from India in the first half of the year and consistent demand from Indonesia's domestic market, North Asia and China. The year's achievement was also boosted by record fourth quarter sales, in spite of Indonesia's usual seasonal factors, proving the strength and resilience of our business model.

AI, the largest single-site coal producer in the Southern hemisphere, produces its trademark Envirocoal from three operating pits: Tutupan, Paringin, and Wara. Located in South Kalimantan, AI's total concession area of around 35,000 hectares (ha) benefits from excellent mining conditions and coal quality. All coal is supplied by a robust, vertically integrated coal supply chain.

Our Envirocoal products, with their ultra-low pollutant characteristics, consistently attain strong demand and competitive value on a US$-per-unit-of-energy basis compared to higher rank coals. Envirocoal's low ash content means lower maintenance costs for pulverisers, coal pipes and boiler tubes, as well as reduced ash disposal, which reduces operating expenses for end users. Envirocoal also helps to meet our customer's strict environmental regulations.

With growing demand from our long-term customers, AI in 2013 further expanded its range of mid-calorific value products, which have typical heat values between 4,000kcal/kg and 5,000kcal/kg on a gross as-received (GAR) basis. In the fourth quarter, AI introduced its latest product installment, Envirocoal 4900 or simply E4900.

Coal Sales 2013

	2013	2012	2011
Volume (Mt)			
E5000 (Tutupan + Paringin)	34.09	37.70	41.69
E4700	8.43	-	-
E4500	-	1.95	-
E4000 (Wara)	9.64	7.76	5.48
Subtotal	**52.16**	**47.41**	**47.17**
CTI third-party sales	1.31	1.21	3.61
Total	**53.47**	**48.62**	**50.78**

Our Envirocoal products, with their ultra-low pollutant characteristics, consistently attain strong demand and competitive value on a US$-per-unit-of-energy basis compared to higher rank coals.

Mined in existing and new development areas of the North Tutupan region, E4900 has been very well received by both existing and new customers in China, India, Hong Kong, Taiwan and Thailand. Given its success, AI is committed to further developing this market for the long term.

2013 Market Review

Seaborne thermal coal trade experienced unprecedented growth over the last decade, increasing by approximately 5% in 2013. This reinforces the medium to long-term view that coal is essential in the global energy mix.

To a certain extent, coal pricing throughout 2013 was driven by the largest players and normal seasonal factors. Fresh demand was concentrated mainly in China and India, while Indonesia and Australia continued to bring on committed capacity. As a result, the market was cyclical, with strong demand during the monsoon and winter stocking periods contrasted by weakness in the hydro season during the third quarter.

Despite the challenges, there were some interesting developments throughout the year. Tightness in the low-rank thermal coal market in the first half was attributed to strong demand from China and India along with increased controls in the use of available infrastructure in the South Kalimantan region. This resulted in a temporary price increase for coal with a calorific range of 4,200 kcal/kg and below of approximately US$3.00 to US$4.00 per tonne, demonstrating how dependent the Pacific market has become on low-rank material.

Another noteworthy event was the structural change in the way quarterly pricing was settled in China. Intervention from the National Development and Reform Commission (NDRC) was no longer allowed in coal price negotiations, leading to increasing difficulty in price agreements between the state-owned utilities and major Chinese coal producers. As a result, the Qinhuangdao Index faced downward pressure in the third quarter.

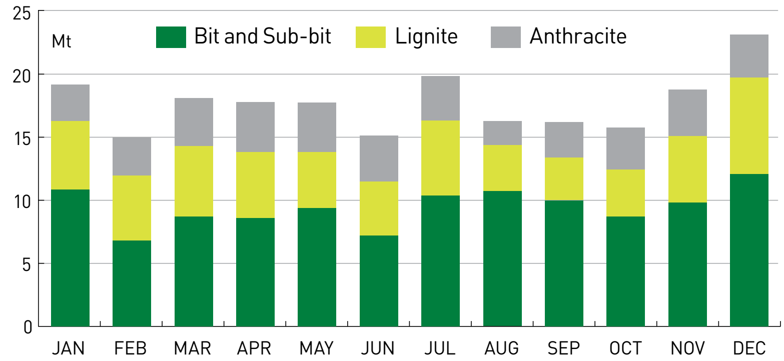
The bearish trend reversed during winter re-stocking in the fourth quarter, with the index regaining most of the losses. Chinese thermal coal imports ended the year above 210Mt, an increase of more than 20Mt from 2012.

The Indian market was also seasonal in 2013, starting with extremely strong demand in the first half. By the middle of the year, coal growth was on track to break the 40Mt mark, a record for India and a substantial number by any account.

However, with the second-half fall in the rupee value, Indian buyers were unable to purchase coal at prevailing international prices, reducing the pace of demand growth. Moreover, stocks stayed in a comfortable place as hydropower supported the slow-down in coal purchasing activities. Despite this, Indian imports still grew by more than 25Mt in 2013, surpassing the total growth in Chinese imports.

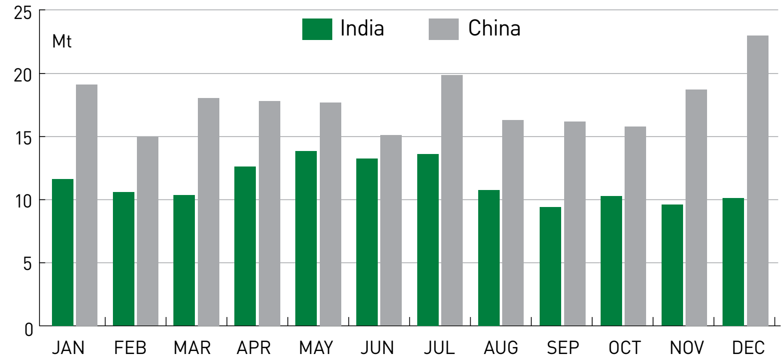
In China, an interesting pattern emerged late in

China Coal Imports in 2013



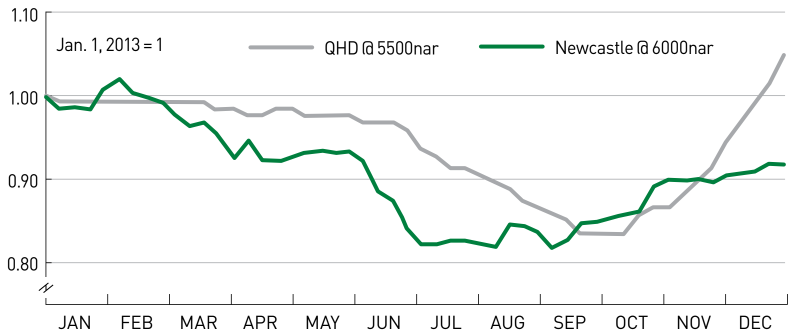
SOURCE: CHINA COAL RESOURCE, 2014

China vs. India Coal Imports in 2013



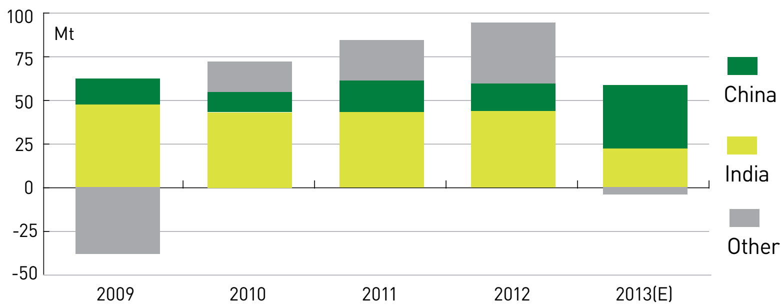
SOURCE: SALVA REPORT, 2014; CHINA COAL RESOURCE, 2014

Qinhuangdao vs. Newcastle Prices



SOURCE: CHINA COAL RESOURCE, 2014; GLOBALCOAL, 2014

Growth in Seaborne Traded Coal



SOURCE: WOODMACKENZIE COAL MARKET SERVICE, 2013

2013. Buyers increased purchasing activities, taking advantage of the reduced imports from India. The year ended on a strong note, with the globalCOAL Newcastle Index up by 8% and Qinhuangdao price up by 26% from the third quarter to the fourth quarter.

As expected, the North Asian and ASEAN markets only changed modestly. The main exception was Japan, which continued to face shortness in electricity supply due to the 2011 shutdown of its nuclear generation. This resulted in Japan imports growing by approximately 5Mt to 132Mt for the year.

Most of the surprises in the Atlantic market came from Colombia. The main suppliers, Cerrejón and Drummond, suffered disruptions from labor strikes and environmental permit issues. These forced the European market to tap into South African and American supplies, elevating prices during the periods of disruption.

Another important development was the effect of the currency depreciation on coal prices. The strengthening of the US dollar lowered production costs in Australia, Russia, South Africa and Indonesia, which in turn pressured coal prices.

For global producers, the 2013 thermal coal market was not without its challenges. Despite the headwinds, AI maintained its competitive advantage, excelling at what we do best — providing reliable, strong and efficient coal supply to our customers.

Domestic Market Update

Indonesia remained the largest market for AI in 2013. We continued to be a leading supplier to the domestic market. We always commit to supporting Indonesia's growing coal demand.

In total, Indonesia's thermal coal consumption increased in 2013 by more than 5Mt to 72Mt (Salva Report, Salva Indonesia Dataset, 2014). In line with this, Indonesia's state-owned electricity company PT PLN (Persero) has announced that electricity generation will grow at approximately 9% (CAGR) over the next six years. Coal remained Indonesia's primary fuel source in 2013 and accounted for more than 50% of the domestic fuel mix. Thermal coal plays an important role in reducing Indonesia's use of high cost oil and gas based fuels, which combined represents 36% of the country's total fuel requirements (WoodMackenzie, Energy Market Service, 2014).

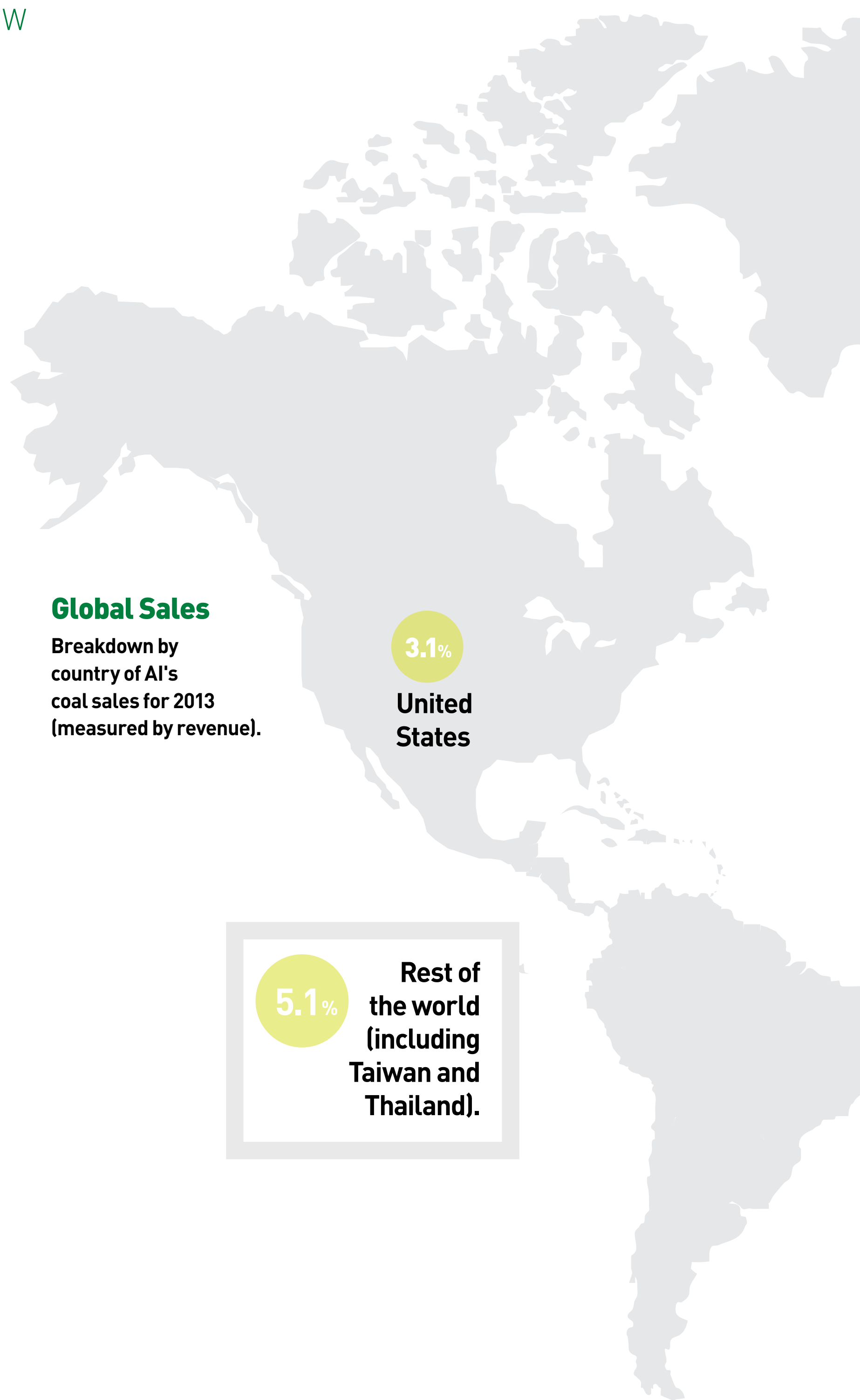
Many of our domestic customers benefited from Indonesia's robust 5.6% GDP growth (World Bank, December 2013). Indonesia's industrial sector supported domestic coal demand with total consumption of 13Mt in 2013, an 8% increase. Industrial customers accounted for 3% of AI's total domestic sales volume in 2013.

AI worked hard to maintain its competitive edge in the domestic market in 2013. Cost management and operational efficiency were key considerations. AI's proximity to the island of Java is also a key strategic advantage. Java, in addition to having 60% of Indonesia's 250 million inhabitants, is also a key growth area for industry and power generation.

AI's expanding product range also continued to gain traction in 2013. AI's mainstay Envirocoal

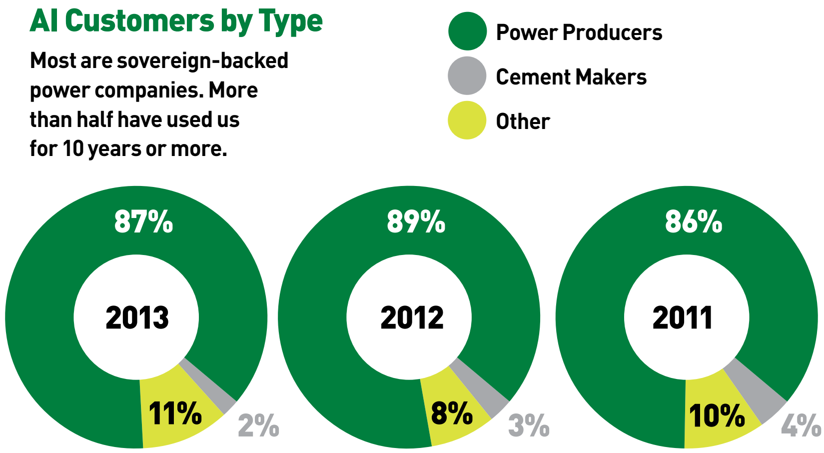
Global Sales

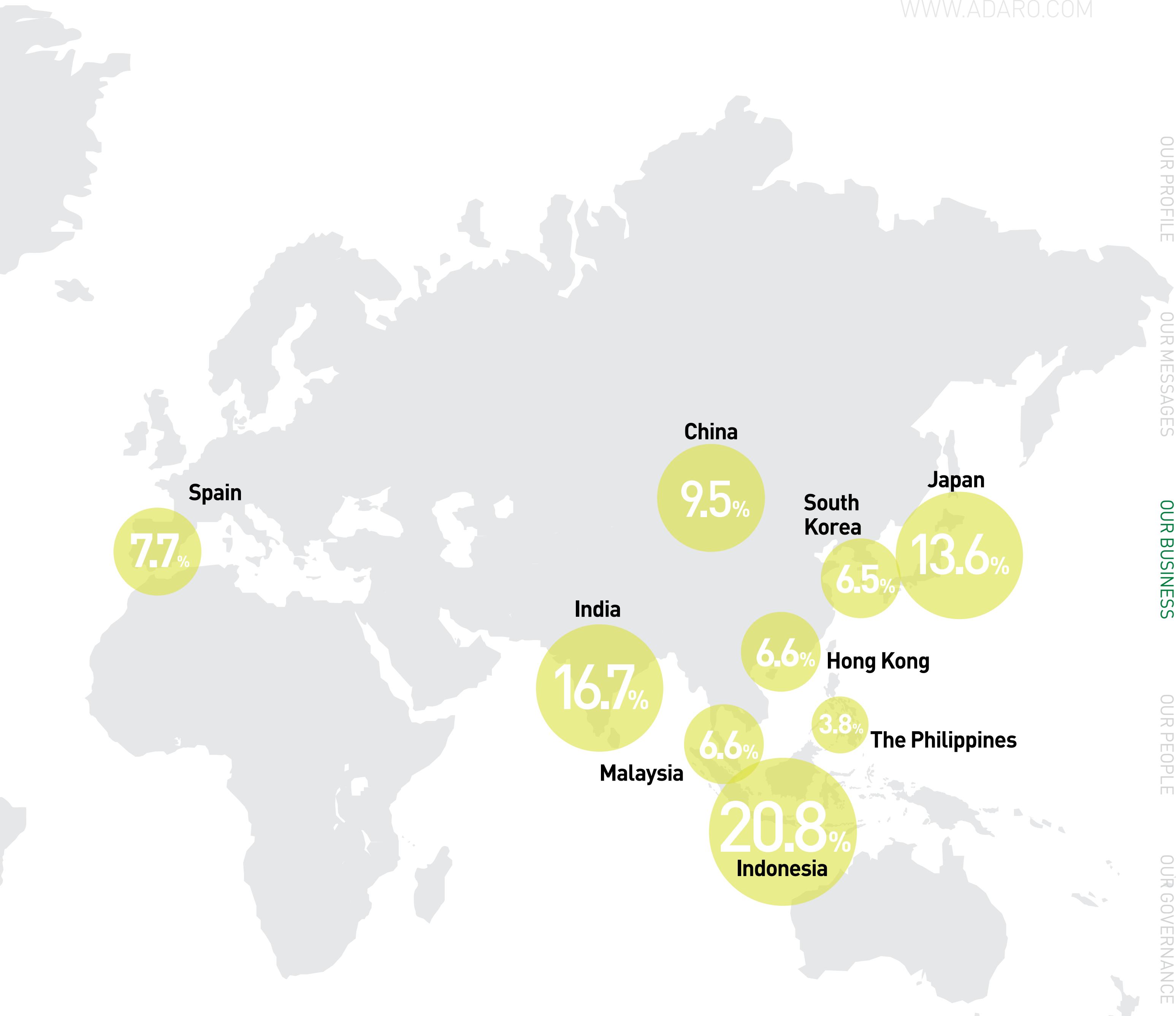
Breakdown by country of AI's coal sales for 2013 (measured by revenue).



AI Customers by Type

Most are sovereign-backed power companies. More than half have used us for 10 years or more.




China
9.5%
Spain
7.7%
South Korea
6.5%
Japan
13.6%
India
16.7%
6.6%
Hong Kong
3.8%
The Philippines
6.6%
Malaysia
20.8%
Indonesia


Our Coal Sales
Record sales in 2013 continued our long-term growth trend
Mt
55
50
45
40
35
30
25
20
15
10
5
0
E5000
E4700
E4500
E4000
CTI third-party sales
1992 1.0
1993 1.2
1994 2.5
1995 5.6
1996 8.3
1997 9.6
1998 11.2
1999 13.8
2000 16.2
2001 18.8
2002 21.2
2003 23.1
2004 25.1
2005 26.3
2006 34.7
2007 37.6
2008 41.1
2009 41.4
2010 43.8
2011 50.8
2012 48.6
2013 53.5

5000 (E5000) and our mid-to-low range coals, with typical heat values of 4,000kcal/kg to 5,000kcal/kg, supplied more than 12% of Indonesia's total coal requirements. Independent power plants (IPP), cement and manufacturing customers, in particular, found the ultra-low sulphur, ash and nitrogen features of our products to be key components of their fuel needs.

We also focused in 2013 on new IPP developments and our strategic long-term relationships. AI is one of a select group of Indonesian suppliers who can offer a bankable track record of reliability and significant reserves in order to provide long-term supply. AI's goal in this space has been to provide IPPs with continuous support to meet strict financing requirements, which typically cover terms of 10 to 15 years, in addition to offering proven supply ability.

Supply to the domestic market will continue to be a foundation for AI. The Board of Directors and management are steadfast in their commitment to supporting domestic prosperity, which in turn supports AI's development. Our focus on cost management, efficiency and sustainable growth were also vital in supporting Indonesia's energy requirements in 2013. We believe our proximity, bankability and commitment to long-term supply will continue to provide a strategic advantage for Indonesia's growing IPP and general industry sectors. AI remains well-positioned to support Indonesia's increasing energy needs in the short, medium and long term.

China Update

The growth of AI's sales to China outpaced that to other markets in 2013, with an increase of more than 75%. The backbone of this success was AI's efforts in building direct relationships with major state-owned utilities.

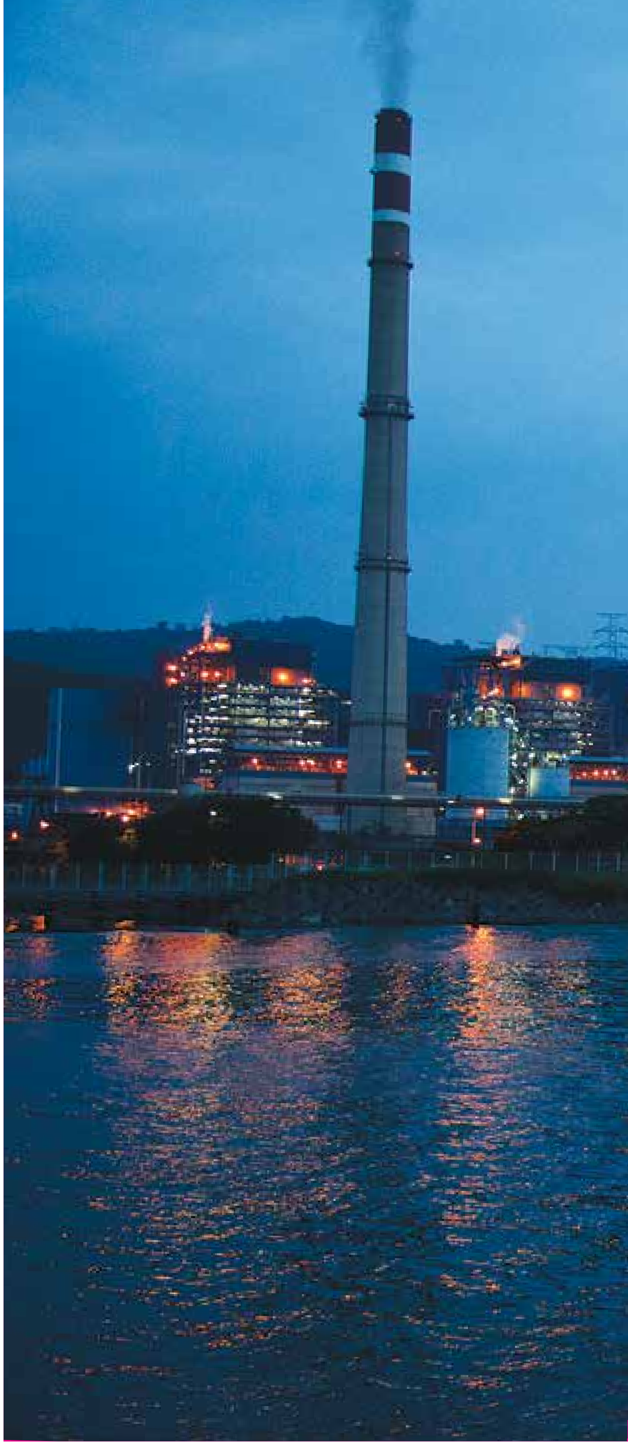
The introduction of E4900 was also a significant factor with respect to new market development in China. E4900's specification virtually resembles E5000's ultra-low ash and sulphur characteristics at 2.5% and 0.15%, respectively, on an as received basis. Additionally, E4900 is a good match for Chinese coastal power plants in terms of calorific value at 4,600 kcal/kg net as received basis. This means it can be used by several utilities without having to blend other coals.

The past year was also successful in terms of the diversification of AI's Chinese customer base. As recently as 2011, AI's Chinese counterparts were limited to three. In 2013, AI's reach extended to more than 15 companies in Guanxi, Guangdong, Fujian, Shanghai, Zhejiang and Shandong provinces. They included experienced coal traders and six state-owned utilities, whose reputations are considered among the best in the Chinese market.

India Update

In 2013, India was AI's largest export market with total sales of approximately 10.1Mt, or 19% of our total sales volume. This represents an increase of 2.6Mt or 35% over 2012.

AI has developed a portfolio of reliable long-term customers in India, including some of its



largest financially strong companies. These companies are mature coal buyers who have been loyal customers to AI throughout the various cycles of the coal market.

In the 1990s, Indian consumers were among the first to embrace Indonesian coal due to their highly competitive landed costs and the excellent combustion and environmental characteristics of ultra-low sulphur, ash and nitrogen coal. The large growth in AI's sales to India reflects the continued increase in demand for sub-bituminous coal, due to the commissioning of new coastal thermal power plants designed to use Indonesian coal. AI's coals are also used in the industrial sector, which also grew in 2013.

AI's reliability and financial strength remains a key reason the company is a preferred supplier in India. In addition, our ability to deliver on-time and on-spec is well recognized in the industry. Furthermore, many new IPPs typically require coal sales agreements with bankable suppliers in order to secure financing from international banks,

The Paiton power station in East Java is one of AI's largest Indonesian customers.

and AI is one of the few Indonesian coal suppliers considered bankable.

AI's future prospects in India are positive. In addition to local companies developing new power plants, foreign companies are also investing in the country's electricity sector. These companies are typically large, well-established and financially strong international energy groups. AI is in discussions with a number of these companies for long-term coal supply to India.

North Asia Update

AI has always maintained a strategy of partnering with high-value customers for both sale and purchase dependability. Japan, Hong Kong, Republic of Korea and Taiwan represent a solid base for AI in North Asia. We shipped 15Mt to the region in 2013, accounting for 29% of total sales volume, a respectable 2% increase. A notable contributor to the increase was Japan and Hong Kong with a combined increase of 22%.

E5000 and E4700 comprised the bulk of the

Supply to the domestic market will continue to be a foundation for AI. The Board of Directors and management are steadfast in their commitment to supporting domestic prosperity, which in turn supports AI's development.

envirocoal

Among the World's Cleanest Coals

Adaro Indonesia'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.

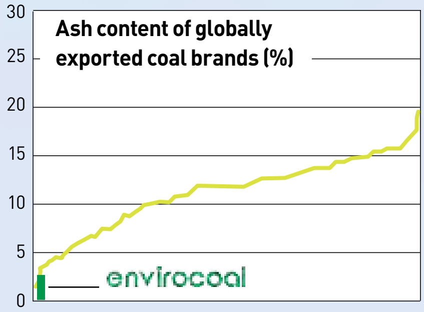
Because of its rare qualities, Envirocoal also provides excellent economic and technical benefits through lower maintenance and operating costs and improved combustion, ash handling and ash disposal efficiencies, making it the most environmentally acceptable and cost effective solid fuel available.

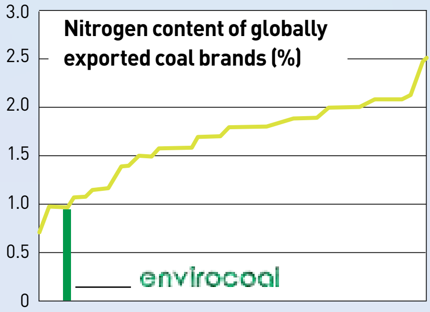
supply to the region. In the latter part of the year, successful North Asian trials were also completed for E4900, comprising 14% of total sales.

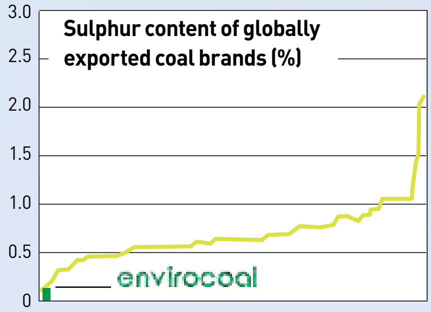
AI's continued market penetration in North Asia is both product and market-driven. In Japan, AI's ultra-low ash represents considerable value to power utilities due to the lower costs that result from lower rates of ash disposal. Further, from a market perspective, with all 50 of Japan's nuclear reactors off-line, Japan remains heavily reliant on coal generation to offset higher thermal fuel costs for oil and LNG. Japan's total coal consumption also grew from 132Mt in 2012 by 6% to more than 137Mt in 2013. Notably, Tokyo Electric Power Company (TEPCO) commissioned new coal-fired generation units with a total capacity of 1,600MW.

In the Republic of Korea, despite a year of robust price competition, AI's customer base increased while tonnage was virtually unchanged y-o-y. The country's total coal consumption was consistent at approximately 92Mt from 2012 to 2013. In addition to the environmental and cost-efficient advantages of AI's coal, our proximity to this growth region also provides us a competitive advantage over other major thermal coal exporters such as Australia, Canada, the USA and Colombia.

In competitive markets, a strong focus on efficiency, reliability and cost management are imperative to securing the ongoing trust of partners whose scope for capital investment ranges from 15 to 30 years. For all of AI's supply partners, quantifying this type of long-term commitment is not always easily achieved. AI's proven ability to support its customers' capacity requirements with timely investment in critical infrastructure, in combination with cost management flexibility, present a solid case for our partners who undoubtedly value our commitment to the long term.







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.

Thanks to Colin for Sales Support in Japan

AI would like to extend its sincere gratitude and best wishes to Kozo (Colin) Tamura at Mitsubishi Materials Corporation for his 29 tireless years of service in coal.

As General Manager of the Marketing Department, Mineral Resources Division, Mineral Resources & Recycling Business Unit, Colin played an instrumental role in the early development of AI's sales in Japan. In 2013, Colin's ongoing efforts contributed to AI's total Japanese sales exceeding more than 5Mt.

Colin's determination, integrity and enduring support of AI's efforts to support customers with reliable service and consistent supply was well documented within AI.

Colin has now been promoted to Mitsubishi Materials Corporation's Copper Division based in Santiago, Chile, and we wish him the very best.

Operations Review

Integration to Build Strength

PT Adaro Indonesia: Delivering Our Targets

Adaro Indonesia (AI) achieved a record coal production of 52.3Mt in 2013, up 11% from the previous year and at the top end of our production guidance of 50Mt to 53Mt. Robust demand for our coal, good weather conditions and the quality performance of our contractors enabled us to maintain a strong operational performance.

We began 2013 with a strategy to consolidate strengths across the company and partnerships with our contractors. We focused on improving business processes and reducing costs through better collaboration with all contractors to pursue effective, efficient and safe operations. As prolonged oversupply in the coal market put coal prices under pressure in 2013, we sharpened our focus on efficiency and productivity across our workforce and contractors. The result was reflected in productivity gains and we did not need to invest in heavy equipment during the year.

Our growth is based on a sustainable and responsible approach. We want to grow along with demand and prioritize operating margin. With a disciplined operational and financial framework, we expect our company to continue generating strong returns. While we still experience volatility in the industry, we believe that the long-term fundamentals for coal remain intact and the industry can provide attractive returns in the long run.

In 2014, we strive to further improve operational efficiencies and enhance safety performance to reduce costs and disruptions so we can continue to maintain the reliability of coal supply to our customers. All our efforts will continue to focus on creating maximum sustainable long-term value from Indonesian coal.

AI operates in South Kalimantan under a CCA between AI and the Government of Indonesia. We have three pits — Tutupan, Paringin and Wara — that produce sub-bituminous medium heat value coal between 4,000kcal/kg and 5,000 kcal/kg within the concession.

We reward our contractors based on performance and other efficiency measures. As we aim to operate productively in a more efficient manner, we reorganized some of the work done by our contractors at the beginning of 2013.

In 2014, we strive to further improve operational efficiencies and enhance safety performance to reduce costs and disruptions so we can continue to maintain the reliability of coal supply to our customers. All our efforts will continue to focus on creating maximum sustainable long-term value from Indonesian coal.

One of SIS's trailer trucks arriving at Kelanis with a delivery of coal.

AI Operations in 2013

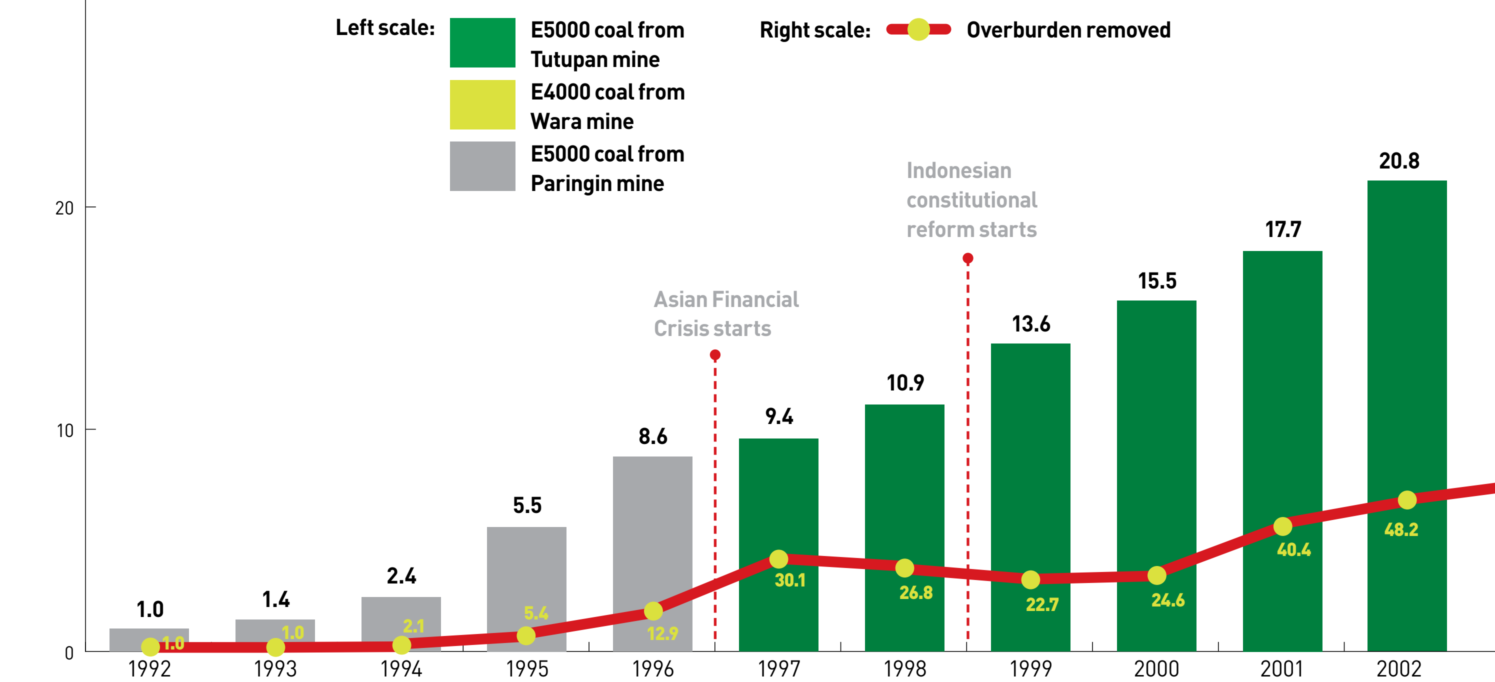
Millions of tonnes unless specified	FY13	FY12	% Change
Coal Production			
Total	**52.26**	**47.19**	**11%**
Tutupan	38.65	38.62	0%
Paringin	5.74	0.94	511%
Wara	7.87	7.63	3%
Coal Sales			
Total	**52.16**	**47.41**	**10%**
E5000	34.09	37.71	-10%
E4700 & E4900	8.43	-	-
E4000 & E4500	9.64	9.70	-1%
Overburden Removal			
Overburden stripping (Mbcm)	294.86	331.48	-11%
Average Planned Strip Ratio (x)	5.75	6.4	-10%

AI 5-Year Highlights

	2009	2010	2011	2012	2013
Key Financial Highlights (US$ million)					
Total assets	2,304.4	1,885.0	2,699.6	2,927.4	**2,912.3**
Total liabilities	1,844.1	1,648.6	2,312.1	2,508.3	**2,401.3**
Interest-bearing debt	1,204.3	1,141.3	1,629.7	1,806.9	**1,688.2**
Total equity	459.3	236.4	387.5	419.1	**511.0**
Revenue	2,406.9	2,412.0	3,386.2	3,343.1	**2,984.6**
Operating Statistics					
Coal production (Mt)	40.6	42.2	47.7	47.2	**52.3**
Coal sales (Mt)	41.1	42.5	47.2	47.4	**52.2**
Overburden removal (Mbcm)	208.5	225.9	299.3	331.5	**294.9**
Average planned strip ratio (x)	5.0	5.5	5.9	6.4	**5.75**

AI Coal Production and Overburden Stripping

AI continues its long-term trend of growing production volume at its South Kalimantan mines



Previously, four contractors worked in the Tutupan pit, while three contractors split the work in Wara and Paringin pits. Starting in 2013, we have two contractors working in Tutupan, two contractors in Wara and one contractor in Paringin. This allowed for better co-ordination in each pit, thereby improving productivity. We will also negotiate mining contracting rates to be more competitive for 2014.

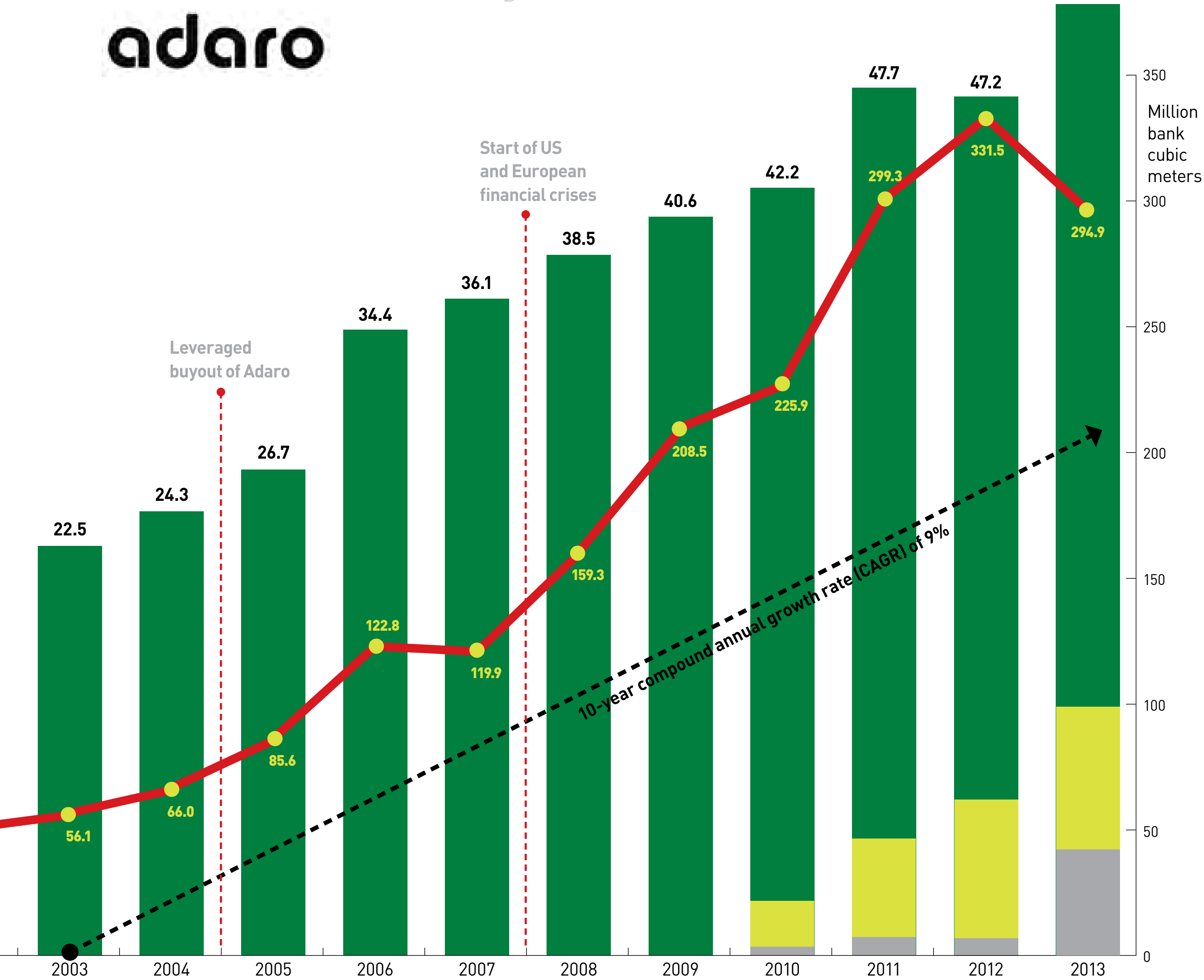
In addition to the new annual production record of 52.3Mt, AI and its contractors also achieved a quarterly production record of 13.73Mt in 3Q13, as well as a daily coal-hauling record of 187,331 tonnes in December 2013. The following table shows the breakdown of overburden removal, and coal mining and hauling activities of our contractors as a percentage of the company's total in 2013. Having a number of contractors helps us obtain good results in terms of cost and performance.

Safety is always a top priority. Safe and reliable operations create trust with our partners, which is important to achieve our objective of creating sustainable value from Indonesian coal. In 2013, AI recorded a lost time injury frequency rate (LTIFR) of 0.16 compared to 0.28 in 2012, better than our target of 0.25. We had 10 lost time injuries (LTIs), a 44% improvement from 18 LTIs in 2012. With a total of 62,060,850 work hours, we went 6.3 million hours without a single accident. We had no LTIs in December 2013, an exemplary safety performance.

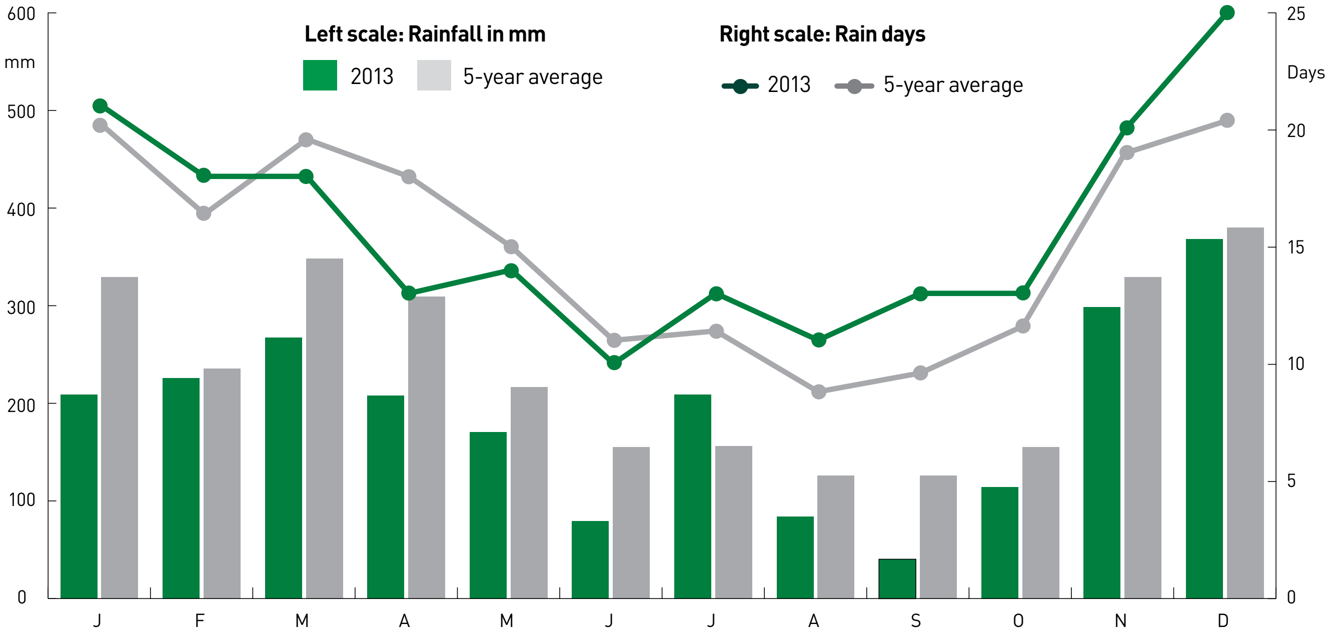
Coal Mining

2013 was our best year of production with 52.3Mt of thermal coal mined and hauled, an 11% increase. Strong customer demand, normal weather conditions and good performance by the contractors combined to help attain our record results. Our contractors performed at a high level, with 145,680 tonnes mined daily on average from all three pits.

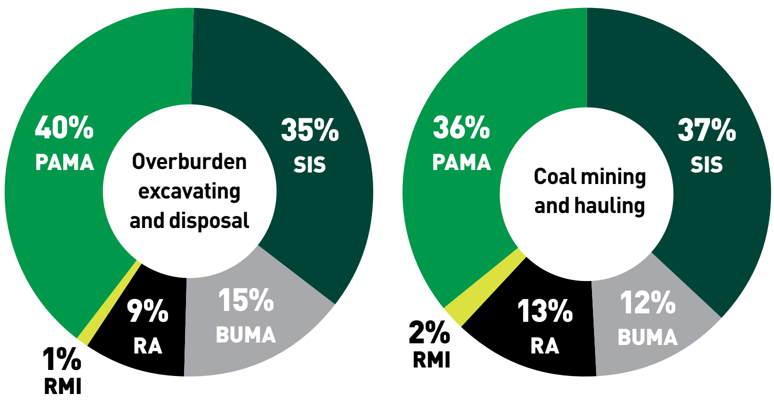
Tutupan remains our main mine, producing 38.65Mt in 2013, relatively flat year-on-year. Production from Wara was 7.87Mt in 2013, a 3% increase, while Paringin grew by more than five



Rainfall at the Tutupan Mining Area in 2013



AI Use of Mining Contractors 2013



Key
PAMA: Pamapersada Nusantara
SIS: Saptaindra Sejati
BUMA: Bukit Makmur Mandiri
RA: Rahman Abdijaya
RMI: Rante Mutiara Insani

times to 5.74Mt from 0.94Mt in 2012 as the demand for our premium E5000 product was strong during the year.

Overburden Removal and Strip Ratio. We reduced our actual strip ratio in 2013 by 19% to 5.64x, lower than the average planned strip ratio of 5.75x set at the beginning of the year. We removed 294.86Mbcm of overburden in 2013, an 11% decrease, which was near our target of 305Mbcm. We were able to lower our strip ratio without affecting our long-term mine plan due to investments to increase overburden removal during the higher coal price environment in 2011 and 2012. Furthermore, this lower-than-average planned strip ratio remained higher than the life-of-mine strip ratio. Average daily overburden stripping for 2013 was 823,170 tonnes.

Rainfall and Pit De-watering. In 2013, we had a total rainfall of 2,265mm, 32% lower compared to the five-year average, and a total of 189 rain days, 5% higher compared to the five-year average. Normal weather patterns during the year assisted in our record production achievement.

Coal Hauling and Barging

Hauling. During the year, road maintenance and upgrades continued to minimize cycle time, increase unit productivity and reduce fuel consumption. These efforts resulted in a new daily coal hauling record of 187,331 tonnes on December 18, 2013, which is 8.5% higher than the previous record set in 2012.

To further improve productivity and decrease cycle time along our hauling road, we constructed a coal trailer terminal at Kelanis to reduce queuing time. At the end of 2013, there were 358 double-trailer sets in operation.

Coal Processing and Barge Loading. Operations at Kelanis, which handles all coal-crushing, stockpiling and barge-loading, maintained a high level of availability throughout the year.

During the year, we completed the first stage of the upgrade at Kelanis, increasing its capacity to 60Mt annually based on average operating conditions. We continue to undertake the detailed planning for the second upgrade that will bring its total capacity to 70Mt per year. (see page 71 for details). To spend prudently and to ensure efficiency, we upgrade Kelanis in stages. The continuous upgrade program allows AI to increase production without experiencing any bottleneck in infrastructure.

Marine Logistics

We barge our coal either to transhipment facilities located at the Taboneo offshore anchorage or PT

AI's coal is barged down the Barito River. Most is loaded direct to customers' ships at the Taboneo anchorage offshore.

Indonesia Bulk Terminal's (IBT) South Pulau Laut Coal Terminal for the export market, or via direct barge shipment to domestic customers. At the end of 2013, we had 55 sets of tugs and barges serving AI, with an average capacity of 12,063dwt, a 2.7% increase over 2012's average of 11,750dwt.

In 2013, we did most of our ship-loading activities at Taboneo anchorage which accounted for 66% of our total tonnage, relatively flat y-o-y. In addition, we directly barged 18% of our total tonnage to domestic customers, 11% were loaded using self-geared vessels at Taboneo, and 5% through our IBT terminal.

AI employs four barging and three ship-loading contractors including our subsidiary, MBP. MBP handled the largest volume for AI during the year, accommodating 50% of barging activities and 61% of ship-loading activities. In 2013, the average barge cycle time was 104 hours while the average vessel waiting time was 2.2 days.

In March 2013, PT Adaro Logistics was tasked with managing and co-ordinating the logistics arm of our coal supply chain, including marine logistics. See the following section for details.

During the year, road maintenance and upgrades continued to minimize cycle time, increase unit productivity and reduce fuel consumption. These efforts resulted in a new daily coal hauling record.

Subsidiaries in Our Coal Supply Chain
A Model of Vertical Integration

PT Saptaindra Sejati (SIS)

SIS is one of Indonesia's leading mining contractors. It develops mining infrastructure and offers mining services for AI and other customers.

Across all of its customers, SIS recorded 8% higher coal mining volume to 26.5Mt in 2013, mainly due to AI's increased coal production. SIS's overburden removal declined by 15% to 163.5Mbcm in 2013, as AI reduced its planned stripping ratio from 6.4 bcm/t in 2012 to 5.75 bcm/t in 2013. SIS achieved a coal production CAGR of 32% and 28% CAGR for overburden removal over a 9-year period.

The subdued coal prices in 2013 affected SIS's operations, as its customers reduced overburden removal and coal production. SIS decided at the start of 2013 not to extend its contract with two customers due to this reason. AI remains SIS's largest customer, and in 2013 accounted for approximately 63% of its overburden removal and 74% of its coal mining. SIS expects to further increase its role within AI's operations and will gradually increase its contribution to AI. Beside AI, SIS also serves third-party customers, as well as our other mining project, Balangan Coal.

As of the end of 2013, SIS owned more than 1,300 units of heavy equipment, including 400-tonne excavators and 250-tonne haul trucks, giving SIS an annual capacity of 30Mt. SIS did not invest in any heavy equipment in 2013 as it had adequate capacity. However, SIS plans to spend approximately US$95 million to replace its older equipment in 2014.

In line with AE's improved focus on cost discipline and productivity throughout 2013, SIS focused on enhancing the utilization of its current fleet, improving the competency of its workforce in performing maintenance programs at competitive costs and ensuring customer satisfaction.

In terms of safety, SIS recorded an LTIFR of 0.1 with no fatalities, and has developed an education program to improve safety performance.

SIS 5-Year Highlights

	2009	2010	2011	2012	2013
Key Financial Highlights (US$ million)					
Total Assets	461.0	482.8	564.3	618.1	**534.1**
Total Liabilities	362.8	381.9	449.4	487.9	**404.8**
Interest Bearing Debt	311.5	309.3	362.1	399.4	**337.9**
Total Equity	98.2	101.0	115.0	130.2	**129.3**
Revenue	264.3	304.5	424.7	494.6	**410.3**
Operating Statistics					
Overburden Removal (Mbcm)	115.0	128.1	167.6	192.5	**163.5**
Coal Getting (Mt)	16.4	16.6	22.2	24.5	**26.5**

PT Adaro Logistics (AL)

In March 2013, AL was tasked with managing and co-ordinating the logistics arm of our coal supply chain, which includes coal barging and ship-loading, channel dredging, and the maintenance, stevedoring, and the port operations at the Taboneo offshore anchorage and IBT's South Pulau Laut onshore port. It aims to be reliable, efficient and the best-managed Indonesian logistics company, with high-quality occupational health and safety standards and environmental best practices.

AL focuses on providing an integrated port-to-port logistics supply chain that ensures reliable and efficient coal delivery to more than 50 customers in 12 countries. By having all the various units under one roof, AL is able to identify synergies among them to better utilize the resources within the AE Group. In 2013, AL inaugurated its subsidiary, PT Indonesia Multi Purpose Terminal (IMPT), and the operations of MBP's new floating transfer unit (FTU).

PT Maritim Barito Perkasa (MBP)

MBP is AI's main contractor for transporting coal from Kelanis to the offshore anchorage at Taboneo or IBT's South Pulau Laut Port. It also handles direct shipment to domestic customers. Beside AI, MBP also serves third-party customers.

MBP operates a total of 38 barge sets, 15 of which are chartered from third-party vendors, and four units of self-propelled barges. It has a barging capacity of 318,000 DWT, equivalent to 30.5 million tonnes of carrying capacity if the entire fleet were to barge to Taboneo. In 2013, MBP invested US$33.1 million to expand its fleet with five units of 15,000 DWT capacity barges and five units of 3,200 BHP tugs.

In 2013, MBP transported 27.36Mt of coal, 21.6% higher compared to 2012, of which 95% (25.8Mt) was from AI. Aside from coal barging, MBP also carries out ship-loading activities at Taboneo offshore anchorage. MBP's ship-loading facilities at Taboneo consist of four floating cranes with a combined annual capacity of 19Mt and one new floating transfer unit (FTU) with an annual capacity of 21Mt. The FTU, which started operations in July 2013, has a design capacity of approximately 60,000 tonnes per day, or four times the average floating crane capacity.

In 2013, 16.2Mt of coal were loaded to ships through four floating cranes, 4% higher than the previous year. The FTU contributed 4.6Mt from July to December 2013. In total, 20.8Mt of coal was loaded, 33.5% more than 2012's 15.6Mt. MBP has consistently increased its barging and ship-loading volumes as well as its contribution to AI's operations.


MBP's new floating transfer unit, commissioned in 2013, in operation at Taboneo.

OUR BUSINESS

MBP 5-Year Highlights

	2009	2010	2011	2012	2013
Key Financial Highlights (US$ million)					
Total assets	189.2	129.6	152.9	221.4	**244.3**
Total liabilities	162.7	139.2	139.8	170.6	**153.0**
Interest-bearing debt	0.1	0.1	130.6	156.0	**141.6**
Total equity	26.5	(9.6)	13.1	50.8	**91.3**
Net revenues	71.3	59.6	92.0	135.5	**123.4**
Operating Statistics (million tonnes)					
Coal barged	10.3	11.6	15.8	22.5	**27.4**
For Adaro	8.6	10.9	14.3	21.5	**25.8**
For others	1.7	0.7	1.5	1.0	**1.6**
Coal loaded to ships	11.4	12.7	13.6	15.6	**20.8**
For Adaro	11.3	12.4	13.5	15.6	**20.8**
For others	0.1	0.3	0.1	-	**-**

Note: Figures in 2009 are the combined results of OML, MBP and HBI. In October 2009, OML's assets were restructured to MBP and HBI to comply with Indonesia's cabotage law.

PT Indonesia Multi Purpose Terminal (IMPT)

IMPT is authorized by the Ministry of Transportation to function as a port management unit (Badan Usaha Pelabuhan or BUP) and to manage and operate a terminal at the Taboneo offshore anchorage at the mouth of the Barito River in South Kalimantan.

AL acquired 85% of IMPT in July 2011 and formally inaugurated it in 2013. IMPT was acquired to handle the increase in coal volume transported through the open anchorage area; to ensure safe, efficient and reliable coal handling and ship-loading activities; as well as to improve productivity at Taboneo by setting up a proper port management system that includes raising the operational standards.

IMPT manages the safety and security of the shiploading and transshipment activities at Taboneo anchorage based on international standards. IMPT is also authorized to provide other port services such as handling vessel lay-ups and tug services.

In 2013, IMPT installed six navigational buoys and one mooring buoy to demarcate its operating area for vessels calling at the IMPT port.

PT Sarana Daya Mandiri (SDM)

AE Group owns 51.2% of SDM, which is responsible for dredging and maintaining the 15km upstream shipping channel at the mouth of the Barito River.

Since 2008, SDM has regularly dredged the Barito River channel to maintain ideal navigation conditions.

Prior to 2008, the channel could only be used on average for 8 hours a day during high tide, which translates into an annual capacity of 60Mt. Barges bigger than 10,000 DWT were also unable to pass through the channel due to sedimentation that limited navigational depth. With the dredging and routine maintenance by SDM, the channel now is operational for 24 hours a day, and its annual capacity has increased to 200Mt.

To monitor traffic, SDM has 16 navigation support buoys along the channel and a radar system equipped with CCTVs.

In 2013, 91.82Mt of coal and other minerals were transported through the channel, up 9% or 7.2Mt compared to 2012. Barges that passed through the channel also increased to 9,927 from 9,435 the previous year, 99% of which were coal barges.

Our subsidiary IMPT manages a terminal at the Taboneo offshore anchorage, while SDM maintains the barging channel that leads to it.

SDM 5-Year Highlights

	2009	2010	2011	2012	2013
Key Financial Highlights (US$ million)					
Total assets	55.5	47.7	44.5	44.3	**42.1**
Total liabilities	49.4	41.9	35.3	31.3	**23.6**
Interest-bearing debt	46.1	40.2	34.0	30.0	**22.0**
Total equity	6.1	5.8	9.2	13.0	**18.6**
Operating Statistics					
Channel volume (million tonnes)	58.3	68.4	79.2	84.6	**91.8**
Barge trips through channel	6,329	7,770	8,854	9,435	**9,927**

Coal is transferred to a customer's hold at Taboneo.

PT Indonesia Bulk Terminal (IBT)

IBT is a port management company with International Ship and Port Facility Security Code (ISPS Code) certification. It has operated the coal terminal at South Pulau Laut on the southeast end of South Kalimantan since 1997. PT Shell Indonesia built an 80,000-kiloliter fuel storage facility at IBT to provide fuel for AI and third parties and to support AI's operations.

Throughout 2013, IBT loaded 3.03Mt of coal to customer vessels, a 20% decrease compared to 2012. AI accounted for 2.79Mt or 92% of IBT's total ship-loading activities. The number of vessels loaded also decreased 24% to 42 vessels compared to 2012. The declines were mainly due to subdued coal prices and the more prominent use of floating cranes.

In 2013, IBT invested US$15.5 million to replace old barge cranes and improve the barge unloading system. These works are expected to be completed in the first half of 2014. In order to improve the productivity of fuel loading and unloading activities, IBT is constructing a second fuel wharf, which was 80% complete as of the end of 2013.

IBT 5-Year Highlights

	2009	2010	2011	2012	2013
Key Financial Highlights (US$ million)					
Total assets	179.0	94.3	94.4	96.6	**91.5**
Total liabilities	29.0	28.8	28.7	29.0	**5.3**
Interest-bearing debt	1.9	-	-	-	**-**
Total equity	150.0	65.5	65.7	67.6	**86.2**
Revenue	19.3	27.0	22.0	19.1	**13.3**
Operating Statistics					
Total coal loaded (Mt)	4.6	6.2	4.4	3.8	**3.0**
For Adaro or related parties (Mt)	3.2	3.5	2.1	2.4	**2.8**
For third parties (Mt)	1.4	2.7	2.3	1.4	**0.2**
Vessels loaded	72	95	65	55	**42**

PT Puradika Bongkar Muat Makmur (PBMM)

PBMM, an AL subsidiary, started operating in June 2013 to handle central supply chain coal delivery planning and stevedoring. PBMM therefore completes the entire supply chain from the loading port to the discharging port.

Coaltrade Services International Pte Ltd (CTI)

CTI is the coal sales agency that handles AI's exports to certain destination countries. CTI also engages in coal trading by taking coal supplies from third parties and selling these to the export market.

CTI's sales in 2013 reached 4.75Mt, a 2% decrease from the previous year due to subdued coal prices. AI accounted for 73% of CTI's volume or 3.45 Mt, while third-party customers accounted for 27% or 1.30Mt, a 7% increase compared to 2012.

CTI 5-Year Highlights

	2009	2010	2011	2012	2013
Key Financial Highlights (US$ million)					
Total assets	228.3	168.2	207.4	151.1	**139.6**
Total liabilities	175.2	146.3	142.1	95.1	**70.2**
Interest-bearing debt	144.7	128.0	101.3	74.7	**48.0**
Total equity	53.1	22.0	65.3	55.9	**69.4**
Revenue	211.7	292.2	542.3	384.6	**344.1**
Operating Statistics					
Total coal sales (Mt)	3.4	4.4	6.0	4.8	**4.7**
Coal from Adaro (Mt)	3.0	3.0	2.4	3.6	**3.4**
Coal from third parties (Mt)	0.4	1.4	3.6	1.2	**1.3**

Testimonials
What Our Partners and Analysts Say

CUSTOMER

Adaro is a reliable supplier that we like to co-operate with and with which we have have built a strong relationship. We prefer Adaro coal for its environmentally friendly nature, which helps us promote sustainable development and preserve the world environment.
Shanghai Shenergy Fuel Co., Ltd

CONTRACTORS

Congratulations to Adaro for another impressive year. With turbulent market conditions, Adaro has been working hard to further improve the efficiency of its operations. Meratus Advance Maritim is proud to be a long-term member of the Adaro team and pleased to have contributed to the improved barging logistics. Adaro and Meratus share many of the same values, which makes the co-operation a perfect match: Long-term commitment, transparency, innovation, integrity. During the years we have been able to find new solutions which have benefited both parties. Fuel efficiency, improved cycle time and high availability have improved the efficiency of the Adaro logistics chain. We will continue to deliver what we promise and look forward to contribute to Adaro`s continued success in the years ahead.
Jorn Annweiler, CEO, Meratus Advance Maritim

PT Pulau Seroja Jaya (PSJ) is proud to work in partnership with Adaro. In our years of providing barging services for Adaro's operations, we have enjoyed a successful working relationship with Adaro's management team and have been impressed by their high standards of professionalism. Adaro's management team combines their breadth of skill and experience with innovative approaches to operational issues, allowing suppliers like us to continuously improve our service. We are confident that through mutual trust, our strategic relationship will continue to strengthen and in turn PSJ will grow and be transformed into an even stronger service provider.
Andreas Tjahjadi, President Director, PT Pulau Seroja Jaya

CONSULTANTS

Adaro is the only mining company in Indonesia to have received the highest Gold rating in the world-acclaimed PROPER program for environmental rating and disclosure implemented by the Indonesian Government's Ministry of Environment. By maintaining a high rating level in the PROPER program for many years, Adaro has shown its continual commitment to local environmental issues and social responsibility, particularly with the communities near its operations. Adaro has established a comprehensive team of staff to ensure that health, safety and environmental issues that affect water and local communities are properly monitored and managed.
Shakeb Afsah, Environmental Data Management Consultant, Performeks

Working together with YABN and the top leaders of Adaro Group for the vision, mission and values of the foundation has been an exciting experience. Throughout the project, they always demonstrated their competence, enthusiasm and compassion for empowering the surrounding communities. Such devotion has resulted in not merely words of formality, but the vision, mission and key behavior that reflect their spirit and true aspiration for delivering meaningful contribution to society. Congratulations and I wish you success in all of your endeavors.
Prof. Dr. Hora Tjitra, Professor, Guangzhou University and Consultant

LOCAL GOVERNMENT

We are thankful that Adaro has given a lot of attention to the growth of Tabalong, giving trainings for our educators with the purpose of enhancing the quality of education in our area. We did all of this by planning it together.
Erwan Mardani, Head of Regional Planning and Development Agency, Tabalong Regency

ANALYSTS

Despite facing another challenging year in 2013 which featured falling prices and weak supply/demand fundamentals, Adaro successfully met its guidance metrics on production, costs and EBITDA. Management are cognizant of both structural opportunities and challenges and have adapted accordingly by focusing incrementally more on cash flow and balance sheet strength near-term to help withstand market weakness while assessing longer-term options to remain a leading Indonesian coal producer.
Riaz Hyder, Macquarie Securities Group

The company has always provided the access and information that investors need to make an informed decision. I think this is a true mark of a great company.
Abdullah Hashim, CLSA

ADRO plans to grow its coal production volume and remain focused on stringent cost-cutting measures to compensate for the lower coal prices. The deep vertical integration in its coal supply chain should enable the company to further improve operating efficiencies and deliver more resilient EBITDA per tonne than peers. ADRO's unique low-rank coal and its large reserves should enable the company to gain market share in key markets like India and domestically in Indonesia. We view ADRO's investments in power plants positively and believe diversification will enable the company to sustain its earnings over the longer term. Access to cash of about US$1.1 billion should allow ADRO to execute on its business model despite weak coal prices. Moreover, the company's cash preservation policy and ability to effectively manage its capital structure should be positive for shareholders in the long term.
Shekhar Jaiswal, RHB Investment Bank

Adaro has proven itself with solid and consistent operational performances in the past few years. Moreover, we find that Adaro has a defensive nature, being a low-cost producer with consistent volume growth in terms of production and sales. Whether the commodity cycle is up or down, that should provide a better earnings reliability for investors. Going forward, large coal resources and reserves should continue to underpin Adaro's strategy. Adaro management is very committed and reliable when it comes to their guidance to the investor and analyst community.
Franky Kumendong, Buana Capital

Adaro Energy as an integrated coal group is one of top coal producers in Indonesia. We believe Adaro in foreseeable future will continue to maintain its position with globally trademarked Envirocoal as they continue to grow in organic and inorganic ways.
Revita Anggrainy, Bina Artha Parama Sekuritas

Adaro is more resilient than peers due to its ongoing efforts for cost control and integration with development of power plants.
June Ng, DBS Vickers

A challenging year ahead for Adaro, but I am enthusiastic with the company's effort to overcome the obstacles through cost efficiency plans and several project developments.

Arandi Nugraha, Batavia Prosperindo Sekuritas

Despite the specter of coal price turmoil that has engulfed the entire coal sector, the attraction of storing wealth in infrastructure development of Adaro will lead to further growth.
Andre Varian, Ciptadana Sekuritas

Adaro is one of the Indonesian coal companies that have succeeded in maintaining their efficiency as the coal price continues declining. The vertically integrated business model helps preserve that efficiency as it can reduce transactional costs. In the long run, we remain positive on Adaro as it is set to be one of biggest Indonesian energy companies. We note that Adaro's cost structure is unique. Adaro recorded the highest EBITDA margin and lowest net profit margin in the industry in FY13. That shows that most of Adaro's current operating expenditure is non-cash basis. One of those non-cash costs came from amortization of the unutilized assets and mining properties acquired in the last two years. When those are monetized, Adaro's earnings will soar.
Fajar Indra, Panin Sekuritas

Abundant coal reserves and an integrated business model will be two key drivers that enable the company to continue inking stellar performance amid a challenging market situation.
Devinna Kristanto, Kresna Sekuritas

Financial Review

Resilient and Positioned for Growth

Adaro Energy delivered on its 2013 targets, despite macro headwinds. Our operations are running well and we had a record year of production with 52.3Mt. Our low-cost business model remained resilient and we were able to lower our cash cost and deliver robust cash flow through an improved focus on cost discipline and productivity.

Analysis of Financial Performance 2013

Net Revenue and Average Selling Price

For the 12 months ended December 31, 2013, we booked a 12% y-o-y revenue decline to US$3,285 million. The decrease was attributed to average selling price (ASP) declining 19% y-o-y.

Our operations continued to run well, and demand for our coal was strong as we achieved record annual production and delivered on the higher end of our guidance of 50Mt to 53Mt, growing by 11% y-o-y to 52.3Mt from 47.2Mt. Our 4Q13 production of 13.59Mt was our second highest quarterly production ever.

Adaro Coal Mining and Trading. Our coal mining and trading division, PT Adaro Indonesia (AI) and Coaltrade Services International Pte Ltd (CTI), generated 93% of our revenue. In FY13, net revenue from coal mining and trading decreased 11% to US$3,069 million due to weaker ASP.

Adaro Mining Services. PT Saptaindra Sejati (SIS), our mining service division, is the second largest contributor to our revenue, accounting for 4% of our total revenue. SIS's third party revenue of US$148 million in FY13 was 30% lower than US$210 million in 2012. This was mainly due to SIS's decision not to extend its contract with two customers and other customers' requests to reduce overburden removal.

Adaro Logistic Services and Others. Our other business segment includes PT Alam Tri Abadi (ATA), coal terminal operator PT Indonesia Bulk Terminal (IBT), barging and ship loading division PT Maritim Barito Perkasa (MBP) and channel dredging and maintenance contractor PT Sarana Daya Mandiri (SDM). Total third-party net revenue in FY13 from these other business segments decreased 7% to US$68 million due to lower fuel sales to third party barging companies by ATA and lower coal volumes loaded at IBT, despite increased third party barging by MBP.

Cost of Revenue and Coal Cash Cost

Cost of revenue for FY13 was US$2,546 million, a decrease of 5% y-o-y due to lower third party output from SIS, which offset higher production cost from longer overburden hauling distances and larger production volumes at higher cost mines, mainly Paringin.

We beat our 2013 coal cash cost (excluding

Fiscal Year 2013 Performance

	2013	2012	% Change
Operations Performance			
Production Volume (Mt)	52.26	47.19	11%
Sales Volume (Mt)	53.46	48.62	10%
Overburden Removal (Mbcm)	294.86	331.48	-11%
Financial Performance (US$ million, unless noted)			
Net Revenue	3,285	3,722	-12%
Cost of Revenue	(2,546)	(2,680)	-5%
Gross Profit	739	1,043	-29%
Operating Income	534	836	-36%
Net Income	229	383	-40%
Core Earnings [1]	284	440	-36%
EBITDA [2]	822	1,101	-25%
Operational EBITDA [3]	860	1,111	-23%
Total Assets	6,734	6,692	1%
Total Liabilities	3,539	3,697	-4%
Stockholders' Equity	3,195	2,995	7%
Interest Bearing Debt	2,221	2,445	-9%
Cash and Cash Equivalents	681	500	36%
Net Debt	1,540	1,945	-21%
Capital Expenditure [4]	165	485	-66%
Free Cash Flow [5]	568	235	141%
Basic Earnings Per Share (EPS) (full amount, US$)	0.00723	0.01205	-40%
Coal Cash Cost (ex royalty) in US$/t	34.86	38.95	-11%
Financial Ratios			
Gross Profit Margin (%)	22.5	28.0	-20%
Operating Margin (%)	16.3	22.5	-28%
EBITDA Margin (%)	25.0	29.6	-15%
Net Debt to Equity (x)	0.48	0.65	-
Net Debt to Last 12 Months EBITDA (x)	1.87	1.77	-
Cash from Operations to Capex (x)	4.37	0.89	-

	Revenue			Net Profit		
	2013	2012	% Chg	2013	2012	% Chg
Operating Segment (US$million)						
Coal mining & trading	3,069	3,439	-11%	246	413	-40%
Mining services	148	210	-30%	-17	15	-215%
Others	68	74	-7%	22	17	29%
Elimination	-	-	-	-22	-62	-65%
Adaro Energy Group	3,285	3,722	-12%	229	383	-40%

1 Net income excluding non-operational accounting items net of tax (provision for doubtful account in trade receivable, provision for other receivables related to a non-coal investment, prior tax assessment for fiscal year 2007 and 2010, impairment for unrecoverable overland conveyor (OLC) project costs, unrealized one-time non-cash gain from Balangan acquisition, goodwill impairment of logistics business line and amortization of mining properties).

2 Net income before income tax + finance costs - interest income + foreign exchange loss — unrealized one-time non-cash gain from Balangan acquisition + goodwill impairment of logistics business line + depreciation and amortization.

3 EBITDA excluding non-operational accounting items (provision for doubtful account in trade receivable, provision for other receivables related to a non-coal investment, prior tax assessment for fiscal year 2007 and 2010 and impairment for unrecoverable OLC project costs).

4 Purchase of fixed assets — proceeds from disposal of fixed assets + payment for addition of mining properties + payment for addition of exploration and evaluation.

5 EBITDA — taxes — change in net working capital — capital expenditure.

Highlights

Resilient Business Model Generated Operational EBITDA of US$860 million and Core Earnings of US$284 million

- We posted revenue of US$3,285 million and cost of revenue of US$2,546 million. We hit our FY13 EBITDA guidance of US$750 million to US$900 million, recording an EBITDA of US$822 million, a year-on-year (y-o-y) decline of 25%, and EBITDA margin of 25%.
- Our FY13 Operational EBITDA, which excludes non-operational accounting items, declined by 23% to US$860 million, reflecting the resilience of the business model and the earning power of the firm.
- We beat our FY13 coal cash cost (excluding royalty) target of US$35 to US$38 per tonne for FY13, posting a coal cash cost of US$34.86 per tonne, down 11% due to cost reduction initiatives and lower-than-expected fuel prices.
- Our net income for FY13 decreased 40% to US$229 million, mainly driven by lower revenue from a softer average selling price (ASP).
- Our FY13 core earnings, which excludes non-operational accounting items, declined by 36% to US$284 million, representing our quality-after-tax earnings.

Solid Growth, Low Capital Expenditure and Strong Free Cash Flow

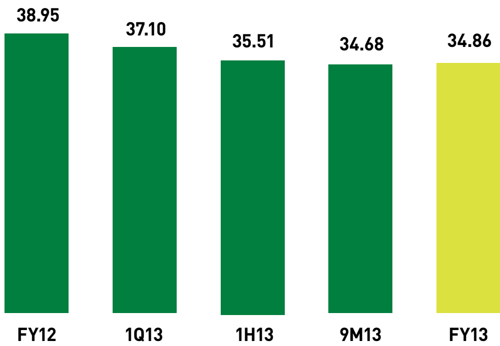
- We achieved record annual production and delivered on the higher end of our guidance of 50Mt to 53Mt, growing by 11% y-o-y to 52.3Mt from 47.2Mt. Our 4Q13 production of 13.59Mt was our second highest quarterly production.
- Capital expenditure decreased 66% to US$165 million in-line with our target of US$150 million to US$200 million. We achieved record annual production without spending for heavy equipment.
- On the back of strong cash flow from operating activities and reduced capital expenditure, our FY13 free cash flow increased by 141% to US$568 million.

Maintained Strong Financial Position for Long-Term Growth

- Our liquidity remained solid with access to cash of approximately US$1.1 billion, allowing us to weather the current cyclical downturn and continue to execute on our business model.
- We continued to reduce our debt position and lowered our interest bearing debt by 9% to US$2,221 million, resulting in net debt to EBITDA of 1.87x and net debt to equity of 0.48x as of the end of FY13.
- We will continue to preserve cash, strengthen our capital structure and extend the maturity profiles of our borrowings.

AE's Coal Cash Cost

Excluding royalty (US$)



royalty) guidance of US$35 to US$38 per tonne, posting US$34.86 per tonne. This is 11% lower y-o-y due to lower stripping ratio, lower fuel price, more volume for in-house contractors, and other cost reduction initiatives. In 2013, we continued to promote efficiency, increase productivity and improve safety. We also negotiated a more competitive mining rate with our contractors for the new contract term. We remained at the bottom end of the cost curve for coal miners worldwide.

Adaro Coal Mining and Trading. Total cost of revenue for mining and trading for FY13 was US$2,369 million, a 2% decrease y-o-y on the back of a lower stripping ratio and lower realized fuel price, despite the larger production volumes from higher cost mines in Paringin and longer overburden hauling distance. Coal mining and trading accounted for 93% of our total cost of revenue.

- ***Fuel.*** Our fuel cost for FY13 decreased 4% to mid-US$0.80s per liter. To anticipate oil price fluctuations and to lock in our margins, we hedged approximately 80% of our 2013 fuel needs in the low US$0.80's per liter. Our hedged fuel prices were below the budget we set at the beginning of FY13, helping us to stay below our coal cash cost guidance.
- ***Coal Processing.*** Coal processing costs consist of the cost to crush our coal at Kelanis and other costs not borne by mining contractors, including the cost for repair and maintenance of the hauling road. Cost of coal processing was US$126 million for FY13, a 7% y-o-y increase due to higher production volume. Coal processing accounted for 5% of our total cost of revenue.
- ***Royalties to Government.*** Our royalties to the Government of Indonesia decreased 9% to US$348 million due to lower revenues. Royalties accounted for 14% of our total cost of revenue for FY13.
- ***Freight and Handling.*** Our freight and handling cost declined 2% y-o-y to US$269 million. Freight and handling accounted for 11% of our total cost of revenue for FY13.

Adaro Mining Services. Cost of mining services decreased by 35% y-o-y to US$135 million. The decrease was due to lower third-party volume as well as associated decreases in repair and maintenance, consumables, employee costs and subcontractors. Mining services cost is associated with our mining contractor SIS and accounted for 5% of our total cost of revenue.

Adaro Logistics Services and Others. The cost of other subsidiaries, which are substantially associated to third party cost of revenue of Adaro Logistics, decreased 34% y-o-y to US$43 million, in-line with the decrease in third party revenue from this division. The cost related to our other subsidiaries accounted for less than 2% of our total cost of revenue for FY13.

EBITDA and Operational EBITDA

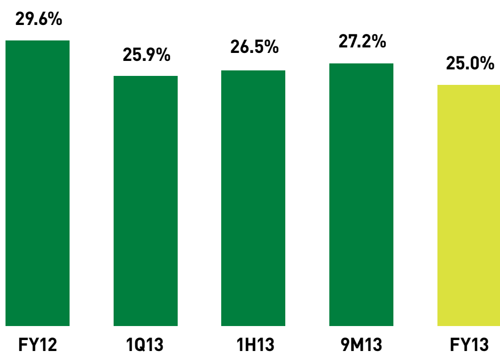
Despite weaker coal prices, we delivered EBITDA of US$822 million, in line with our FY13 guidance of US$750 million to US$900 million. EBITDA, which declined 25%, includes the US$146 million unrealized one-time non-cash gain (negative goodwill) from our Balangan acquisition, a one-time goodwill impairment of US$102 million from our logistics business line and a foreign exchange loss of US$53 million. We maintained a solid EBITDA margin of 25%, among the highest in Indonesian thermal coal. Our measures to promote efficiency, negotiate competitive contracting prices, and marketing efforts enabled us to maintain a favorable EBITDA margin.

Our Operational EBITDA declined 23% to US$860 million excluding non-operational accounting items, which consisted of a US$10 million provision for a doubtful account in trade receivables, US$7.5 million provision in other receivables related to a non-coal investment, US$14.3 million for a prior tax assessment for fiscal year 2007 and 2010, and US$5.9 million impairment for unrecoverable OLC project costs.

Operating Expenses and Other Expenses

Operating expenses for FY13 were flat at US$173 million primarily due to lower selling and marketing expenses that were offset by an increase in general and administrative costs (G&A). Selling and marketing expenses decreased 17% y-o-y to US$42 million as we did more marketing activities in-house. Employee costs decreased by 4% to

AE's EBITDA Margin



US$52 million on the back of emphasized cost discipline across the company, while other G&A costs increased 15% y-o-y to US$79 million mainly due to G&A of our subsidiaries, which commenced operational activities.

Other income/(expenses), net

In FY13 we booked other income/(expenses) of US$32 million with details as follows (see also the table at right):

• Unrealized one-time non-cash gain (negative goodwill) from our Balangan acquisition amounted to $146 million. The higher fair value than the initial value was a result of Balangan's distressed purchase price, its close proximity to AI's existing infrastructure, low capex for development and improvement on mineable tonnage.

• Loss on goodwill impairment of our logistics business line amounted to US$102 million. The fair value of our logistics business line was lower than the carrying value due to changes in its business model resulting in less business for it. This impairment strengthens our balance sheet position by reducing an under-performing asset.

• We experienced a foreign exchange loss of US$53 million due to the revaluation of our rupiah monetary assets and liabilities as the rupiah depreciated against US dollar by 26% in FY13. We held an equivalent of US$270 million of assets and US$145 million of liabilities denominated in currencies other than US dollar, primarily in rupiah.

Net Income and Core Earnings

Our net income for FY13 decreased 40% to US$229 million. Our underlying core earnings decreased by 36% to US$284 million. Core earnings excludes non-operational accounting items net of tax, which consisted of US$146 million unrealized one-time non-cash gain (negative goodwill) from our Balangan acquisition, a one-time goodwill impairment of US$102 million from our logistics business line, a US$59 million amortization of mining properties, US$5.5 million provision for a doubtful account in trade receivables, US$7.5 million provision in other receivables related to a non-coal investment, US$20 million for a prior tax assessment for fiscal year 2007 and 2010, and US$5.9 million impairment for unrecoverable OLC project costs. Lower net income was mainly driven by lower ASP and other charges.

Total Assets

Our total assets were relatively flat y-o-y at US$6,734 million. Current assets decreased by 3% to US$1,371 million mainly due to lower trade receivable and recoverable taxes. Meanwhile, non-current assets increased by 2% to US$5,363 million primarily due to an increase in mining properties from the acquisition of Balangan.

Cash. Cash increased by 36% to US$681 million as a result of our continuous effort to preserve cash and strong cash flow generation. Cash accounted for 10% of total assets, of which 86% is held in US dollars (see table above).

Other income / (expenses), net (US$million except where stated)

	2013	2012	% Chg
Negative goodwill from business acquisition	146	-	
Loss on goodwill impairment	(102)	-	
Foreign exchange loss	(53)	(12)	332%
Others	(23)	(21)	7%
Total	(32)	(33)	-4%

Cash (US$million)

	Cash in Banks	Deposits	Total	%
Rupiah (Rp)	69.4	27.6	97.0	14%
US Dollar (US$)	412.0	170.4	582.4	86%
Other currencies	1.2	0.3	1.5	0%
Total	482.6	198.3	680.9	100%

Fixed Assets. Our fixed assets for FY13 decreased 4% to US$1,706 million. Fixed assets accounted for 25% of total assets.

Mining Properties. Our mining properties increased by 13% to US$2,187 million from US$1,927 million. This increase was mainly attributed to the Balangan acquisition. The valuation of Balangan was derived from its 172Mt of resources, good quality and low pollutant coal with a 4,400 calorific value and initial capital expenditure of US$15 million to ramp up its production to 8Mt in the medium term. We continued drilling to define the coal reserves at Balangan and expect reserves to be JORC-certified in phases. First production is planned for 2014.

The unrealized one-time non-cash gain from Balangan offsets one time non-operational costs, including the impairment of our logistics business line, provision for a doubtful account in trade receivables, provision for other receivables related to a non-coal investment, and impairment for unrecoverable OLC project costs.

Goodwill. Our goodwill for FY13 decreased 10% to US$920 million due to the impairment of goodwill on our logistics business line. In accordance with our accounting policy, we test our goodwill annually for impairment. As the fair value of our logistics business line was below its carrying value, we recognized an impairment charge of US$102 million. This condition was due to changes in the business model of our logistics business line, in which the business outlook was not as robust as expected.

Deferred Stripping Costs. Our deferred stripping costs for FY13 decreased 12% to US$38 million due to the amortization of the previous year's balance on deferred stripping cost. We were able to lower the average planned strip ratio in 2013 to 5.75x from 6.40x in 2012 without harming our long-term mine plan due to our investment in overburden removal during the higher coal price environment in FY11 and FY12. The lower average planned strip ratio is still above the life of mine strip ratio. Actual strip ratio for FY13 was 5.64x, lower than 7.02x in 2012. We expensed FY13 deferred stripping costs since 2013's actual strip ratio was not significantly different from the planned strip ratio.

Total Liabilities

Our total liabilities decreased 4% to US$3,539 million. Current liabilities decreased 14% to US$774 million, due to the lower current portion of long-term borrowings.

Non-current liabilities decreased by 1% to US$2,765 million mainly due to lower net of current maturities long-term borrowings, which were partially offset by an increase in provision for mine reclamation and closure, and deferred tax liabilities.

We continue to deleverage as interest bearing debt was down by 9% in FY13 to US$2,221 million. Our balance sheet remains healthy with net debt to EBITDA of 1.87x and debt to equity of 0.48x. This provides us with more options to create a long-term growth strategy and strengthen capital structure.

Current Maturities of Long-Term Borrowings. Our current maturities of long-term borrowings for FY13 decreased 37% to US$188 million. This was largely due to our successful refinancing effort to convert short duration and maturing loans into long-term liabilities, thus creating more flexibility.

Long-Term Borrowings. Our long-term borrowings for FY13 decreased 5% to US$2,033 million as we continue to deleverage as per our debt repayment schedule.

Debt Management and Liquidity

We have a strong capital structure due to long maturity profiles of our borrowings, a healthy cash position and solid liquidity, allowing us to weather these challenging times and continue to execute on our business model. As of the end of December 2013, we had access to liquidity of more than US$1.1 billion, consisting of US$681 million in cash and US$433 million in undrawn long-term, fully committed credit facilities.

As a measure to deleverage, we made voluntary accelerated repayments totaling US$54 million during the year to some facilities on top of fixed amortization of the debt repayment schedule. Hence, in total we made US$214 million in debt repayments in 2013. Our average debt repayment schedule for the next five years from 2014 to 2018 is at a manageable level of around US$175 million per year. Further, we expect our operating subsidiaries, especially AI, to continue to generate strong cash flows to comfortably meet our financing needs.

Cash Flows from Operating Activities

Our cash flows from operating activities for FY13 increased 67% y-o-y to US$722 million, mainly due

The acquisition of the Balangan Coal property in 2013 pushed the value of AE's mining assets above US$2 billion.

to lower income taxes and payment to suppliers. Payment of income taxes dropped 45% to US$247 million due to lower revenues. Payment to suppliers decreased 16% to US$2,003 million as we continued to execute cost discipline across our organization.

Cash Flows from Investing Activities

Our cash flows used in investing activities during FY13 decreased 64% to US$184 million as we lowered our capital expenditure. Purchases of fixed assets decreased by 68% to US$136 million as we continued to optimize the capacity of our heavy equipment fleet and benefited from higher productivity gains.

Capital Expenditure. Our net capital expenditure during FY13 decreased significantly by 66% to US$165 million, in line with our 2013 guidance of US$150 million to US$200 million. We had completed our project spending and did not spend on heavy equipment in 2013. Capex spending in 2013 was mainly for maintenance and land acquisitions. Our infrastructure projects are in their final stages and our current heavy equipment fleet provides us with adequate capacity to achieve our 2014 production target. The low capex allowed us to preserve more cash.

Free Cash Flow. Our free cash flow during FY13 increased 141% to US$568 million as we applied strict capital discipline across the organization, resulting in lower operational costs and capital expenditure. Combined with strong cash flow generation from our operating activities, we expect to enhance value and returns for shareholders.

Cash Flows from Financing Activities

Net cash flow used in financing activities during FY13 was US$332 million. During the full year of 2013, we made total bank loans principal repayments of US$594 million with details as in the table above.

We secured a US$380 million loan facility in May 2013 to refinance the outstanding balance of AI's 2009 facility. This new seven-year facility will mature in May 2020 and helped us extend and spread out the maturities of our bank loans. For this transaction, AI received total commitments of US$2.85 billion, 7.5x oversubscribed, from a group of 12 international banks.

Dividend

AE pays a regular cash dividend every year. As approved during the Annual General Meeting of Shareholders on 19 April 2013, our dividend payout ratio was 30.38% of 2012 net income, equivalent to US$117.1 million or US$0.00366 per share. This included an interim cash dividend for 2012 of US$76.8 million, which was paid in June 2012 and January 2013. In June 2013, we made a final dividend payment of US$40.3 million based on 2012's net income. Furthermore, as approved at the Company's Board of Commissioners and Board of Directors Meeting held on December 2, 2013, an interim cash dividend for 2013 of US$40.0 million or US$0.00125 per share was approved and paid in January 2014.

Credit Facilities

Borrower	Facility	Secured	Undrawn
AI & CTI	US$750 million	2007	-
SDM	US$15 million	2009	-
SIS	US$400 million	2011	100.0
AI	US$750 million	2011	278.5
MBP	US$160 million	2012	15.0
MBP	US$40 million	2012	40.0
AI	US$380 million	2013	-
AI	US$800 million Notes	2009	-
Total			**433.5**

Debt repayment schedule (US$ million)

2014	2015	2016	2017	2018
159.2	210.0	148.8	170.3	188.3

Bank Loan Repayments

Borrower	Facility	Repaid (US$m)
AI & CTI	US$750 million (2007)	100.0
AI	US$500 million (2009)	380.0
SDM	US$15 million (2009)	3.5
SIS	US$400 million (2011)	53.0
AI	US$750 million (2011)	24.5
AI	US$380 million (2013)	18.0
MBP	US$160 million (2012)	15.0
Total		**594.0**

Capex spending in 2013 was mainly for maintenance and land acquisitions. Our infrastructure projects are in their final stages and our current heavy equipment fleet provides us with adequate capacity to achieve our 2014 production target. The low capex allowed us to preserve more cash.

Investing for the Future

Focus on the Long Term

We have a clear, long-term objective of creating maximum sustainable value from Indonesian coal. To achieve this, we employ a multi-pronged strategy (see pages 38-39): organic growth from our current reserves base; improving the efficiency of our coal supply chain; increasing and diversifying reserves, products and locations; and deepening integration into power generation.

This strategic vision, along with our medium-term aim to increase coal production to 80Mt per year, has seen us invest in infrastructure projects, acquire new coal assets and participate in Independent Power Producer (IPP) projects in Indonesia. From our current operations at AI, we will continue to pursue organic growth and focus on long-term reliable production from Tutupan, Paringin and Wara.

Our investments in a number of infrastructure development projects are progressing well. As at the end of 2013, the physical construction of the out-of-pit overburden crusher and conveyer (OPCC) and 2x30MW mine-mouth power plant were complete and the testing stages were under

Investments in expanding Kelanis have seen an extra coal delivery hopper added and extra barge-loading conveyors.

way. We also completed the first phase of works to expand the capacity of Kelanis. Once operational, we expect these to further enhance productivity, improve efficiency and lower our costs.

In 2013, we added coal resources through our acquisition of Balangan Coal, a greenfield coal deposit in South Kalimantan, located 11km southeast of AI's concession. During the year, we also carried on with the low capital expenditure development of our other assets to prepare for mining readiness, and continued with the works required to push our IPP projects forward.

Investing in Infrastructure

Expansion of Kelanis

Our coal-crushing, stockpiling and barge loading facilities are located at Kelanis on the Barito River. We completed the first stage of its expansion in 2013, increasing Kelanis's throughput capacity to 60Mt per year (considering average operating conditions). In 2014, we will continue to carry out detailed planning for the second stage of the upgrade that will bring the terminal total capacity to 70Mt per year.

To complete the first stage, we used two local contractors and spent approximately US$49.3 million. This project included the installation of a seventh three-stage crushing facility and conveyor system, Hopper 7 production line, which moves coal from the haul trucks to the barges, increasing the terminal barge-loading capacity to 8,500 tonnes per hour.

The first stage also included a major overhaul and upgrade of the terminal's power plant and electrical systems, which increased the total installed power to 18MW. Other upgrades included the installation of a modern three-story operations and control building, the replacement of coal-

We employ a multi-pronged strategy: organic growth from our current reserves base; improving the efficiency of our coal supply chain; increasing and diversifying reserves, products and locations; and deepening integration into power generation.

In 2013, construction was completed and trials began of the new out-of-pit overburden crusher and conveyor system at AI's Tutupan pit. Left, coal is delivered to the crusher and fed into the 10km-long conveyor. Right, at the end of the conveyor a computer-controlled arm on caterpillar tracks disposes of the crushed rock by spreading it in thin layers.

sampling equipment to improve quality control, and replacements and additions to the coal-reclaim bulldozer fleet. Once the next upgrade is completed, the increased throughput capacity of 70Mt a year will enhance Kelanis's status as one of the world's largest bulk handling river ports.

Out-of-Pit Overburden Crusher and Conveyor

Our Tutupan mine has developed into one of the largest coal mines in the world, measuring about 18km long and 2.5km wide on average. A major challenge is the handling of large volumes of overburden being stripped and hauled from the mine. In 2013, we removed 295Mbcm of rock and soil, equivalent to approximately 590Mt. As the pit gets deeper, hauling distances become progressively longer and thereby more expensive.

In order to combat rising haulage costs and reduce our dependency on fuel, we decided in 2010 to commence the mechanization of the mine with the installation of an out-of-pit overburden crushing and conveying (OPCC) system that will crush, transport and spread overburden to outlying dumping areas not practically accessible for overburden trucks.

Through an international tender process, we selected an international engineering company to do the design and construction of the system, which consists of two 7,000 tonnes per hour (tph) crushing stations and a 12,000tph, 7.7km transport conveying system, including a 2.4km movable conveyor and mobile stacking and spreading conveyor. 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.

Our subsidiary PT Makmur Sejahtera Wisesa (MSW) will supply power for the OPCC from a 2x30MW coal fired mine-mouth power station (see page 76). The use of coal-fired power will reduce diesel fuel consumption and contribute to cost savings and efficiency.

We completed the physical construction of the OPCC in 2013, and are now doing reliability testing. When the system is in full operation, it will convey up to 33Mbcm of overburden each year, which will replace up to 100 overburden dump trucks from the hauling fleet and help maintain AI's position as one of the world's lowest cost coal mining operations. We spent US$15.8 million in 2013, bringing total investment for the project to US$221.4 million.

Adaro Energy's Coal Assets

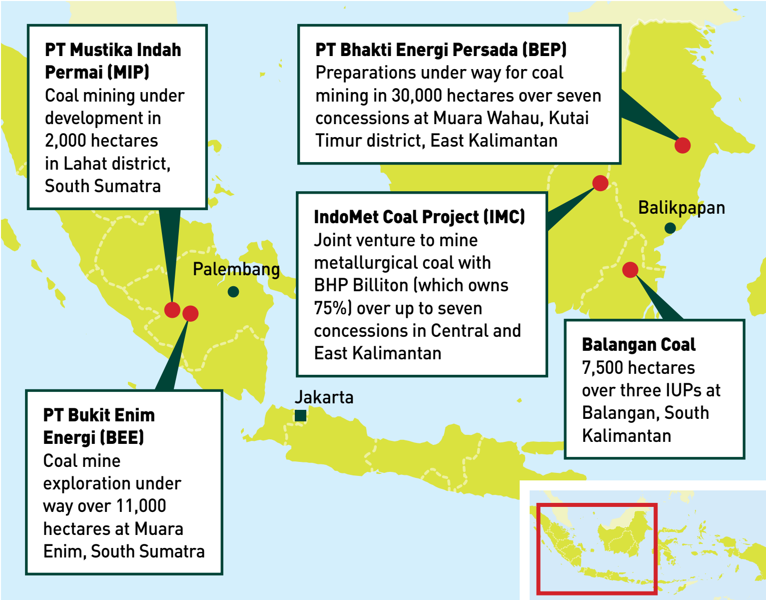
	Owned	Location	Resources/Reserves	Asset Type	License /Expiry
Adaro Indonesia	100%	South Kalimantan	4.9Bt/900Mt	Thermal coal	CCA until 2022
IndoMet Coal Project (IMC) JV with BHP Billiton	25%	Central Kalimantan	1.27Bt from 5 of 7 concessions	Metallurgical coal	CCoW 30 years after mining starts
Mustika Indah Permai (MIP)	75%	South Sumatra	288Mt/254Mt	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
Balangan Coal	75%	South Kalimantan	172Mt/ No reserves estimated	Thermal coal	IUP to 2029

Investing in Mining Assets

To increase our reserves base and to diversify products, locations and licenses, we have invested approximately US$752 million to acquire five coal concessions in Kalimantan and South Sumatra. These acquisitions have increased our resources to 12.8Bt and reserves to 1.1Bt. Our strategy to invest in large, greenfield, low-cost, expandable assets that will diversify our products, license maturities and locations has put us in a strong position to continue to deliver sustainable long-term value to our shareholders.

Given the increased challenges involved in developing large and complex greenfield sites, the Board of Directors applies a disciplined approach to the allocation of capital. As of the end of 2013, none of our coal assets were impaired, proving the diligence of our investment strategy.

While we will look at all opportunities available,



we prefer to acquire undeveloped deposits rather than mines, as we can use our specialized knowledge and experience of how to take a deposit and turn it into a profitable long-term asset. The assets we acquired play to our strengths as an expert in inland, low-rank Indonesian coal.

Three main criteria we look for in an asset are location, size and deposit quality. While we do not have a specific minimum resources amount, we are only interested in deposits that can create substantial value. Our asset development strategy is low-cost and low-capex, and grows incrementally with market demand.

1) South Kalimantan: Balangan

On April 25, 2013, we signed a share purchase agreement to acquire 75% of the Balangan Coal project (Balangan) for Rp3.9 billion (US$405,311). The enterprise value of the Balangan transaction was US$30.4 million, as we also took over Balangan's debt. Balangan has three coal licenses, known in Indonesia as Ijin Usaha Pertambangan (IUP), in the Balangan district of South Kalimantan with a total area of 7,500 ha. Balangan has two coal operation, production and mining licenses for 20 years granted in 2009, and one coal exploration license granted in 2008.

Balangan is strategically located 11km southeast of AI's concession. The initial capex is approximately US$15 million, excluding heavy equipment, to ramp up Balangan's production to 8Mt in the medium term.

During 2013, we continued haul road and bridge construction and completed land clearance, earth works and initial surfacing. We continued drilling to define the coal reserves at Balangan and expect first production in 2014.

At the end of 2012, Balangan had estimated coal resources reported in accordance with JORC of 172.3Mt with a heat value of 4,400 kcal/kg coal and similar low pollutant qualities as our Envirocoal.

Our subsidiary SIS is the contractor at Balangan.

SIS carried out early mine construction works in 2013 and started pre-stripping activities in early 2014. We are familiar with the social and physical operating environment and are confident with the geological model. Due to the attractive mining conditions, we have the ability to fast-track low capex infrastructure development.

2) Central Kalimantan: IMC

The IndoMet Coal (IMC) project marked our first venture out of our South Kalimantan home base. IMC is a joint venture between BHP Billiton (75%) and AE (25%), with a declared resource of 1.27Bt of undeveloped metallurgical coal. IMC covers seven Coal Contracts of Work (CCoW) located in East and Central Kalimantan in Indonesia.

In 2013, we continued with the development of these seven CCoWs. Early works on infrastructure development is under way, including road works and port loading facilities.

3) South Sumatra

We view South Sumatra as a strategic growth area owing to the province's proximity to the large power market of Java and its large coal resources and reserves. Our strategy to diversify our coal operations, license maturities and products led to the acquisition of two thermal coal deposits in South Sumatra in 2011 along with equity in a logistics company that owns a dedicated coal hauling road and barge-loading port.

PT Mustika Indah Permai (MIP). In August 2011, we acquired a 75% equity interest in MIP for US$222.5 million. MIP holds an IUP for a 2,000-hectare coal property located in the Lahat district of South Sumatra. 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.

In 2013, we completed an updated resources and reserve report in accordance with JORC, showing total estimated resources of 287.5Mt and reserves of 254.0Mt of 4,292 kcal/kg (GAR) coal (see pages 80-82).

PT Bukit Enim Energi (BEE). In October 2011, we acquired a 61.04% interest in BEE for US$67 million. BEE received a 20-year IUP in March 2011 for a concession area of approximately 11,130 ha that contains the coal-bearing Muara Enim formation, about 50km east of the MIP concession. BEE is 61.04% owned by AE through ATA, 20% by PAMA, 13.92% by PT Triputra Utama Selaras and 5.04% by PT Bumi Alam Sejahtera (BAS).

We also acquired in October 2011 a 35% interest, costing Rp200 billion, in PT Servo Meda Sejahtera (SMS), which has been building a common-user haul road and barge-loading terminal. In February 2014, we divested our entire interest in SMS for US$25.13 million to PT Perusahaan Palembang Investama and PT Energi Karya Persada. In addition, loans of US$16.67 million and Rp499.20 billion have also been paid and/or transferred. All of these transactions were done with parties affiliated to Titan Group and Trafigura Pte. Ltd.

We still retain certain allocation rights to use the hauling road owned by PT Servo Lintas Raya and the port facility operated by PT Swarnadwipa Dermaga Jaya, companies that are both controlled by SMS. These rights will be executed under a special agreement once the hauling road and port facility are commercially operated and will last until the licenses of our coal assets in South Sumatra expire.

In 2013, we continued with the purchase of land required for the development of our coal assets and prepared for mining readiness at both concessions. Our initial plan for South Sumatra was to replicate the successful business model we have employed in South Kalimantan for more than two decades: owning high quality coal assets, securing the transportation and logistics infrastructure, and developing a vertically integrated coal supply chain.

From left: Infrastructure preparation at Balangan Coal, South Kalimantan; a new hauling road at Balangan; AEI President Director Peter Mucalo with a team assessing conditions at MIP in South Sumatra; exploration drilling at BEP in East Kalimantan.

In 2013, a new air service went into operation near BEP at Uyang Lahai Airfield in Kongbeng, East Kalimantan. Pictured are BEP President Director Jeffrey Mulyono (right) with the deputy district chief Ardiansyah Sulaiman at the inaugural flight.

However, we believe our strategy of pit-to-power integration in South Sumatra will best create shareholder value, and we are evaluating mine-mouth power plant opportunities.

4) East Kalimantan: BEP

On May 28, 2012 we entered into option agreements to provide funds to and possibly acquire PT Bhakti Energi Persada (BEP), which has one of the largest undeveloped deposits of low-rank, low-pollutant 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%. Under an options agreement, ATA has the option to acquire BEP shares from its controlling shareholders by offering newly issued AE shares. AE has full control of the management, operations and funding of BEP from the date of the signing of the two options agreements.

BEP, established in 2002, is located in Muara Wahau, Kutai Timur district, about 250km north of Balikpapan and 120km from the coast. BEP owns seven coal licenses (IUPs) over an area totalling just under 35,000 ha. The seven IUPs cover a large contiguous thermal coal deposit with estimated resources of 7.96Bt. During the year, we continued with the acquisition of land required for BEP's transport corridor and prepared for mine readiness.

With such plentiful coal resources, the development options for BEP are numerous. Working closely with our business development, marketing, and mining technology as well as other reputable companies, we are looking to create value from BEP coal through coal beneficiations. This includes, among others, coal enhancement technology such as coal liquefaction and coal-to-gas.

Value-Adding Options for BEP's Coal

BEP is studying the feasibility with AE and other companies of adding value to its coal through technological beneficiation processes operated by industries based near its operations in East Kalimantan.

Potential uses under study for BEP coal

- **RoM coal to customers**
- **To fuel mine-mouth power plant**
- **Coal upgrading** for cleaner fuel
- **Gasification** for fertilizer
- **Coal water mixture** for liquid fuel
- **Liquefaction** (liquid fuels)

Investments in Power

To maximize shareholder value, to complement AE's coal mining activities, and to support community and national development efforts, moving downstream into power has become a key part of our long-term strategy.

In line with the growth in the country's population, economy and welfare, state-owned electricity company PLN in its 2012-2021 electricity business plan forecasts electricity demand in

Indonesia to increase 8.65% annually until it reaches 358 terawatt-hours per year in 2021.

To meet these growing needs, PLN anticipates IPPs to provide 11.3GW of electricity in western and eastern Indonesia. IPPs are also expected to provide 15.8GW to the Java-Bali corridor, or 49% of the total 32.6GW development plan in the region. About 24GW of the Java-Bali power development plan will come from coal-fired power plants.

We thus believe the power generation business will be able to provide us with good and stable returns. To develop our power generation ventures, we plan to form partnerships with blue-chip power utilities and find attractive funding opportunities. In addition to providing good returns and stable, reliable cash flows, our coal-fired power plants will also create a substantial base demand for our coal.

PT Makmur Sejahtera Wisesa

Our subsidiary MSW owns and operates our debut power plant, a 2x30MW mine-mouth power plant in Tanjung, South Kalimantan. This power plant is key component in our efforts toward the electrification of AI's mine operations and to reduce our dependency on fuel. When fully operational, the power plant will use up to 300,000 tonnes of E4000 coal per year from the nearby Wara mine. This power plant will provide power for our OPCC, to other parts of our mining operations and to surrounding communities. Excess power will be sold to PLN to help support the requirements of the Kalimantan grid system.

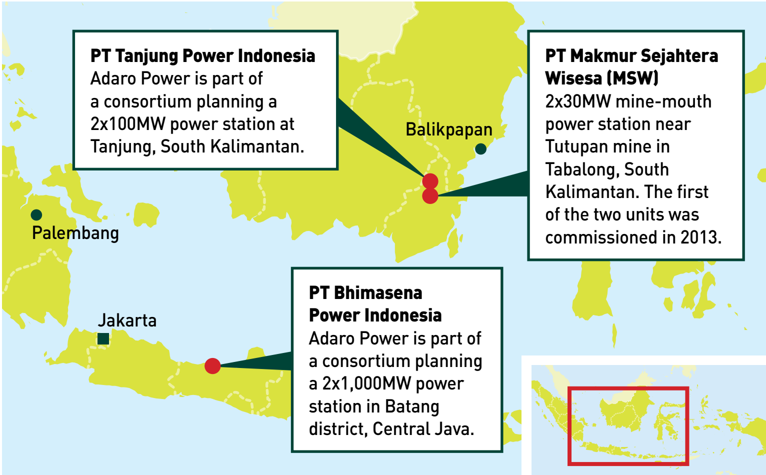
This power plant uses circulating fluidized bed (CFB) technology, which removes sulphur dioxide from flue gas by limestone injection and reduces nitrous oxide emissions due to its low-combustion temperature. It also uses electrostatic precipitators to eliminate ash emissions. We completed the commissioning of MSW's first 30MW unit in 2013 while the second unit was still under commissioning as of the end of 2013.

PT Bhimasena Power Indonesia

BPI is a consortium between our wholly owned subsidiary Adaro Power (AP) (34%), Japan's Electric Power Development Co (J-Power) (34%) and Itochu Corporation (32%). This consortium plans to build and operate a 2x1000MW IPP project in Central Java, also known as the Central Java Power Project (CJPP).

Advanced steel technology has enabled the use of large boilers to burn low calorific value coal as fuel. This technology also offers increased efficiency over conventional boiler designs and has lower environment impact from all emissions, particularly carbon dioxide. The plant's ultra super-critical boilers will be among the largest in Asia. When fully operational, the CJPP will consume up to 7Mt of coal per annum. AI will supply majority of the coal requirements, and the use of the low-pollutant Envirocoal will add to the power plant's ultra-clean environmental performance

The Government of Indonesia has agreed to extend the October 6, 2013 deadline to achieve financial closure for the 2x1,000MW Central Java Power Project (CJPP). A new Presidential Decree



We believe that the power generation business will provide us with good and stable returns. To develop our power generation ventures, we continue to form partnerships with blue-chip power utilities and find attractive funding opportunities.

(Perpres No. 66/2013) has been formally issued, which officially enabled the extension of the deadline.

The US$4 billion CJPP is of great importance to its stakeholders and is of national significance. It is the first Public-Private Partnership (PPP) infrastructure project in Indonesia, and is also part of the Master Plan for the Acceleration and Expansion of Indonesia's Economic Development (MP3EI) in that it will be the locomotive of growth in the Java Economic Corridor.

Due to circumstances not uncommon to large projects of this type and caliber, the CJPP has been faced with delays, specifically as regards challenges surrounding the task of land acquisition.

However, due to the good efforts from AE and its partners and the support of other related stakeholders, the CJPP has made good progress, including acquiring more than 85% of the power block land as well as receiving approval for its Environmental Impact Assessment (AMDAL). AE and its partners will continue to work hard and are optimistic of successfully developing the project.

PT Tanjung Power Indonesia

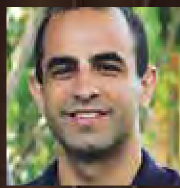
TPI was established in August 2013 to develop, build and operate a 2x100MW coal fired power plant in South Kalimantan under PLN's IPP scheme. It is a consortium between AP (65%) and PT EWP Indonesia, an indirect subsidiary of KEPCO (35%).

This power plant will use approximately 1Mt of coal per annum, the majority of which will be supplied by AE. Preparation of the project agreements is ongoing.

Strategic Mine Planning
It Pays to Look to the Future

Challenging market conditions and declining coal prices in recent years have meant that miners had to redouble efforts to ensure profitability and sustainability in their operations through careful planning.

The role of the Mine Planning Department is to secure long-term coal reserves, create efficiency and increase cash margins in AE's mining operations through forward planning. These factors combined will underpin the growth of the company.



By Shahzad Chaudari, Strategic Planning Department Head (AI)

Shah joined AI in 2012 and has 13 years' mine planning experience for large-scale coal deposits working for BHP Billiton and Anglo Coal. Shah has a BE (mining) from the University of Queensland and an MBA from Latrobe University, Australia.

Efficiency through Planning

AI continues to improve its world-class coal asset through meticulous planning. During the 12 months of 2013, we managed to reduce the strip ratios associated with AI's coal reserves by more than 15%. This means that 15% less overburden would need to be removed and disposed of over the life of the mine to uncover the same amount of coal reserves.

We continue to assess a number of options to further reduce strip ratios, reduce hauling distances and maintain the quality of our products. These options include both traditional mining methods and unconventional mining technologies.

To maintain positive cash margins in 2013, many coal operations throughout the world relied on high-grading operations that focused on lower strip-ratio areas and left high strip-ratio coal behind. AI, however, has been able to maintain healthy margins on all coal mined without high-grading. Through robust planning and reporting, we have been able to understand the cost drivers within our mining businesses and react proactively to the changing global environment. In fact, AI still operates at strip ratios well above the long-term average of the deposit, allowing us to maintain long-term cost competitiveness.

Growth Ambition

AE has detailed, long-term plans to access our MIP, Balangan and AI coal reserves. These reserves underpin our future growth in coal production. Our consideration of the environments in which we operate has enabled us to produce long-term mine plans that secure these coal reserves (see page 80 for details).

At our AI and Balangan operations in South Kalimantan, we have had in place since the start of 2013 a five-year expansion plan that meets our growth target. We have detailed plans that would see our annual coal production at 80Mt in the medium term.

Detailed mine planning for MIP in South Sumatra is also well advanced, where a number of development options are being considered. AE is working with relevant business partners to assess mine plans for BEP in East Kalimantan and BHP Billiton's IndoMet mining assets in Central and East Kalimantan in order to sustain production over the next two decades.

We continue to assess a number of options to further reduce strip ratios, reduce hauling distances and maintain the quality of our products. These options include both traditional mining methods and unconventional mining technologies.

Exploration & Reserves

Knowing the Ground

As a mining company, we must continually engage in exploration and expansion of our reserve and resource base. Organic growth is one of our key strategies and essential for our long-term goal of creating value from Indonesian coal. AEI is charged with these activities not only at AI but also across the rest of our coal properties in South Sumatra, East Kalimantan, and most recently in South Kalimantan at Balangan.

AEI annually reviews AE's resources and reserves by using the most recent drilling data and assumptions to provide an accurate assessment of the coal in the ground.

AE Resources and Reserves are mostly reported according to the JORC Edition 2012. The exception this year is for the newly acquired Balangan Coal IUPs, PT Semesta Centramas (SCM), PT Paramitha Cipta Sarana (PCS) and PT Laskar Semesta Alam (LSA). These IUPs had their coal resources estimated in 2012 to the JORC 2004 Edition. More exploration was undertaken in 2013 and an update to the Balangan resources to JORC 2012 Edition is expected later this year or early in 2015.

PT Adaro Indonesia (AI)

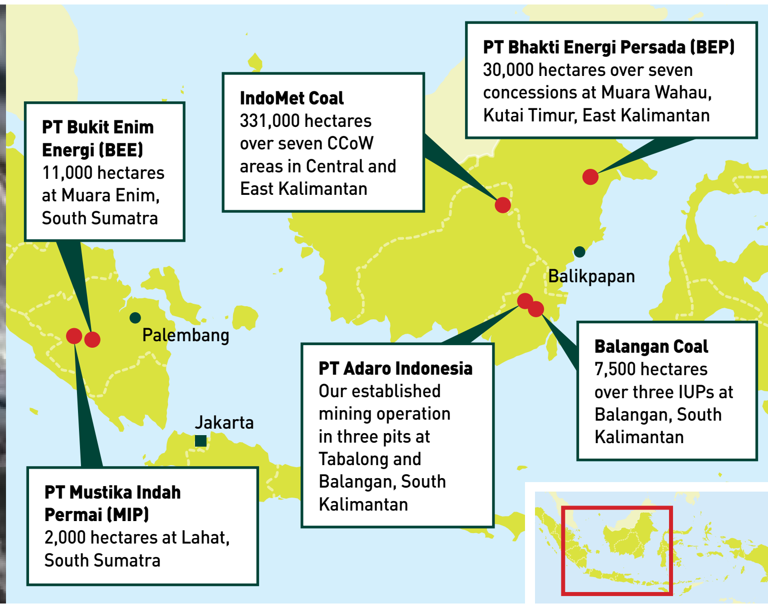
The 2013 AI Reserve Competent Person was Mr. Shahzad Chaudari MAusIMM (CP) and the 2013 AI Resource Competent Person was Joseph Crisostomo MAusIMM. The AI exploration program focused on clarifying the structure of North Tutupan, continuing exploration in North Paringin and infilling areas of inferred resources to measured and indicated status in South Tutupan. A total of 208 holes and 35,550 meters of drilling was completed in Adaro Indonesia in 2013, with 1,197 coal samples taken for analysis. Material changes relate to an increase in AI Tutupan reserves due to drilling, and a decrease in Wara 1 reserves due to revised geotechnical parameters. There was a net increase to AI resources due to drilling.

Balangan Coal

The Balangan Coal 2012 Resource Competent Person was John Devon of Marston, a Golder company. Mr. Devon is a registered member of the Society for Mining, Metallurgy and Exploration and a certified Professional Geologist member of the American Institute of Professional Geologists, both of which are JORC Recognized Overseas Professional Organizations or ROPOs.

The Balangan Coal 2013 drilling campaign provided sufficient detailed structural, quality and geotechnical information for the re-estimation of coal resources and an initial estimation of partial reserves for SCM and LSA that are still in preparation at the print date of this report. A significant amount of exploration still needs to be completed to fully frame the coal reserves in the three IUP's at Balangan Coal and its expected that this will be completed over the next five years.

Balangan Coal completed a major Lidar survey program over the three IUP areas which has provided valuable topographic, geological and hydrological information used in the reserve estimation process.



Coal Resources and Reserves in Summary

Adaro Energy (Equity Adjusted) Consolidated Coal Resources Reported according to JORC 2012 Edition

Group	Operating Company	Resources estimated as at Dec. 31, 2013				Resources estimated as at Dec. 31, 2012				Estimated changes 2013 vs. 2012	
		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 change (Mt)	Measured, indicated & inferred % change
Adaro Energy total sub-bituminous [1]	Total Adaro Indonesia plus PT Semesta Centramas, PT Paramitha Cipta Sarana & PT Laskar Semesta Alam	5,277	1,901	1,840	1,537	4,933	1,476	1,707	1,750	344	7%
Adaro Energy total metallurgical [2]	IndoMet Coal	318	21	54	243	193	21	8	164	125	65%
Adaro Energy total low-rank [3]	PT Bhakti Energi Persada	7,161	3,480	2,885	797	7,161	3,480	2,885	797	-	0%

Notes: 1) Adaro Energy's coal resources refer to resources generally suited to host open-pit mineable coal reserves unless noted otherwise. Adaro Energy's coal resources refer to JORC 2012 Edition except for PT Paramitha Cipta Sarana, PT Semesta Centramas, PT Laskar Semesta Alam, which are JORC 2004 Edition. 2) Based on BHP Billiton's 2012 and 2013 Annual Reports with permission. Some of IndoMet's coal resources are designated as resources which may host underground mining. 3) Based on Adaro Energy exercising its option to increase its 10% equity share to 90%

Adaro Energy (Equity Adjusted) Consolidated Coal Reserves Reported According to JORC 2012 Edition

Group	Operating Company	Reserves estimated as at Dec. 31, 2013			Reserves estimated as at Dec. 31, 2012			Estimated changes 2013 vs 2012	
		Total proved & probable (Mt)	Proved (Mt)	Probable (Mt)	Total proved & probable (Mt)	Proved (Mt)	Probable (Mt)	Change to proved & probable total (Mt)	% change on proved & probable total
Adaro Energy total coal reserves	PT Adaro Indonesia [1] & PT Mustika Indah Permai [2]	1,092	853	239	1,125	809	317	-34	-3%

Notes: 1) The competent person for PT Adaro Indonesia coal reserves was Shahzad Chaudari MAusIMM (CP), an employee of PT Alam Tri Abadi. 2) The competent person for the PT Mustika Indah Permai coal reserves was Leonard Dolby of Marston Inc., a Golder company.

AEI drilled a total of 155 holes totaling about 19,116 m at Balangan Coal. Most were inclined. 1,012 coal plies were sampled and analyzed. The external estimate of Balangan resources according to the JORC 2004 Edition is stated in the following AE resource tables. Revised estimates according to the 2012 Edition will be completed during 2014.

PT Mustika Indah Permai (MIP)

In 2013, an external estimate of the MIP coal resources and reserves was completed by Marston Inc., a Golder company. The Competent Person for the resources was John Devon. The Competent Person for the reserves was Leonard Dolby, an experienced mining engineer and a registered member of the Society for Mining and Metallurgy and Exploration. The MIP coal resources increased marginally as a result of minor model changes. Marston also re-estimated MIP coal reserves according to JORC. The reserves had not been estimated since additional drilling was completed in 2012. The result was a marginal fall in reserves due to the revision of the river diversion channels costs and updated pricing assumptions based on Wood Mackenzie's latest forecasts.

IndoMet Coal Project

Through the revision of geological models and additional drilling, the IndoMet Coal Project Resources increased 64% to 1,271Mt from 774Mt.

Quantity of Coal Resources

Adaro Energy Coal Resources Reported according to JORC 2012 Edition [1]

Operating Company	Locality	Coal resources as estimated at Dec. 31, 2013					
		Total measured, indicated & inferred (Mt)	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Adaro Energy ownership equity (%)	Adaro Energy attributable total measured, indicated & inferred (Mt)
PT Adaro Indonesia	Tutupan	2,708	893	928	887	100%	2,708
	North Paringin	372	104	138	130		372
	South Paringin	117	16	64	37		117
	Wara I	1,362	573	437	352		1,362
	Wara II	374	72	237	65		374
Total Adaro Indonesia		**4,932**	**1,657**	**1,804**	**1,471**	**100%**	**4,932**
Balangan	PT Semesta Centramas (SCM) [2]	62	31	25	6	75%	46
	PT Paramitha Cipta Sarana (PCS) [3]	21			21	75%	16
	PT Laskar Semesta Alam (LSA) [4]	90	16	14	60	75%	67
Total South Kalimantan		**5,105**	**1,704**	**1,842**	**1,558**	**99%**	**5,062**
PT Bhakti Energi Persada [5]	PT Bumi Kaliman Sejahtera	1,401	526	683	193	90%	1,261
	PT Bumi Murau Coal	1,817	858	808	151		1,635
	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**	**3,204**	**885**	**90%**	**7,161**
IndoMet Coal [6]	Haju (metallurgical/thermal)	14	11	2	1	25%	4
	Lampunut (metallurgical)	110	72	31	6.7		28
	Lampunut (thermal)	10	-	-	10		3
	Luon (metallurgical/thermal)	80	-	-	80		20
	Luon (metallurgical underground) [7]	60	-	-	60		15
	Bumbun (metallurgical/thermal) [8]	187	-	112	75		47
	Juloi Northwest (metallurgical/thermal) [9]	810	-	70	740		203
Total Central Kalimantan		**1,271**	**83**	**215**	**973**	**25%**	**318**
PT Mustika Indah Permai [10]	Lahat	287.5	277.7	9.6	0.2	75%	215.6
PT Bukit Enim Energi	Muara Enim	No resources estimated in 2013					
Total South Sumatra		**288**	**278**	**10**	**0**	**1**	**216**
Total Adaro Energy coal resources		**14,620**	**5,931**	**5,271**	**3,416**	**87.3%**	**12,756**

Quantity of Coal Reserves

Adaro Energy Coal Reserves Reported According to JORC 2012 Edition

Operating Company	Locality	Coal reserves as estimated as at Dec. 31, 2013				
		Total proved & probable (Mt)	Proved (Mt)	Probable (Mt)	Adaro Energy ownership equity (%)	Adaro Energy attributable total proved & probable (Mt)
PT Adaro Indonesia [1]	Tutupan [2]	536	368	169	100%	536
	North Paringin [3]	33	28	5		33
	South Paringin	No reserves estimated in 2013				-
	Wara I [4]	331	272	59		331
	Wara II	No reserves estimated in 2013				-
Total Adaro Indonesia		**900**	**668**	**233**	**100%**	**900**
Balangan Coal	PT Semesta Centramas (SCM) [5]	No reserves estimated in 2013			75%	-
	PT Paramitha Cipta Sarana (PCS) [6]				75%	-
	PT Laskar Semesta Alam (LSA) [7]				75%	-
Total South Kalimantan		**900**	**668**	**233**	**100%**	**900**
PT Bhakti Energi Persada	Muara Wahau	No reserves estimated in 2013			90%	-
Total East Kalimantan		**-**	**-**	**-**	**-**	**-**
IndoMet Coal	Central Kalimantan	No reserves estimated in 2013			25%	-
Total Central Kalimantan		**-**	**-**	**-**	**-**	**-**
PT Mustika Indah Permai [8]	Lahat	254	246	8	75%	190
PT Bukit Enim Energi	Muara Enim	No reserves estimated in 2013			61%	-
Total South Sumatra		**254**	**246**	**8**	**75%**	**191**
Total Adaro Energy proved and probable coal reserves		**1,154**	**914**	**241**	**95%**	**1,092**

Total measured, indicated & inferred (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 (%)
Coal resources as estimated at Dec. 31, 2012						Calculated changes to Adaro Energy's coal resources 2013 vs. 2012			
2,578	650	874	1,054		2,578	130	5%	130	5%
386	95	117	174		386	-14	-4%	-14	-4%
117	16	64	37	100%	117	-	-	-	-
1,267	438	409	420		1,267	95	7%	95	7%
374	72	237	65		374	-	-	-	-
4,722	**1,271**	**1,701**	**1,750**	**100%**	**4,722**	**211**	**4%**	**211**	**4%**
Not acquired until April 25, 2013						62	-	46	-
						21	-	16	-
						90	-	67	-
4,722	**1,271**	**1,701**	**1,750**	**100%**	**4,722**	**383**		**340**	**7.2%**
1,401	526	683	193		1,261	-	-	-	-
1,817	858	808	151		1,635	-	-	-	-
186	75	62	48		167	-	-	-	-
745	374	238	133	90%	671	-	-	-	-
2,696	1,307	1,186	202		2,426	-	-	-	-
1,093	712	223	157		984	-	-	-	-
19	14	4	1		**17**	-	-	-	-
7,957	**3,866**	**3,204**	**885**	**90%**	**7,161**	**-**	**-**	**-**	**-**
14	11	2	1		4	-	-	-	-
110	72	31	7		28	-	-	-	-
10			10		3	-	-	-	-
80			80		20	-	-	-	-
60			60	25 %	15	-	-	-	-
70			70		18	117	167%	29.3	167%
430			430		108	380	88%	95.0	88%
774	**83**	**33**	**658**		**194**	**497**	**64%**	**124**	**64%**
281	272.2	8.7	0.1	75%	211	6.5	2%	1.6	1%
No resources estimated in 2012						No resources estimated in 2012			
281	**272.2**	**8.7**	**0.1**	**75%**	**211**	**6.5**	**2%**	**1.6**	**1%**
13,734	**5,492**	**4,947**	**3,293**	**96.3%**	**12,288**	**887**	**6.5%**	**466**	**3.8%**

Notes

1) PT Adaro Energy's coal resources refer to resources generally suited to host open-pit mineable coal reserves unless noted otherwise. PT Adaro Energy's coal resources reported according to JORC 2012 Edition, the CP was Joseph Crisostomo MAusIMM, of PT Adaro Eksplorasi Indonesia, and the resources were estimated in March 2014. Small differences are due to decimal place rounding.

2),3),4) PT Semesta Centramas, PT Paramitha Cipta Sarana and PT Laskar Semesta Alam resources were estimated and reported in June 2012 in accordance with JORC 2004 Edition by John Devon of Marston Inc., a Golder company.

5) The CP was Peter Mucalo MAusIMM, of PT Adaro Eksplorasi Indonesia, and the coal resources were estimated in April 2013 according to JORC 2012 Edition.

6) Based on BHP Billiton's 2012 and 2013 Annual Report with the permission of BHP Billiton.

7) Luon metallurgical indicate resources are designated as having potential to host underground mining.

8 Bumbun: Increase in coal resources was due to additional drilling and an updated model.

9 Juloi Northwest: Increase in coal resources was due to additional drilling and an updated model.

10) The resources were estimated in November 2013, the CP was John Devon of Marston Inc., a Golder company.

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 (%)
Coal reserves as estimated at Dec. 31, 2012					Calculated changes to Adaro Energy's coal reserves 2013 vs 2012			
494	326	168		494	42	8%	42	8%
37	30	7		37	-4	-12%	-4	-12%
No reserves estimated in 2012			100%	-	No reserves estimated in 2013			
391	275	116		391	-60	-18%	-60	-18%
No reserves estimated in 2012				-	No reserves estimated in 2013			
921	**631**	**291**	**100%**	**921**	**-21**	**-2%**	**-21**	**-2%**
No reserves estimated in 2012			75%	-	No reserves estimated in 2012/13			
			75%	-				
			75.2%	-				
921	**631**	**291**	**100%**	**921**	**-21**	**-2%**	**-21**	**-2%**
No reserves estimated in 2012			90%	-	No reserves estimated in 2012/2013			
-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
No reserves estimated in 2012			25%	-	No reserves estimated in 2012/2013			
-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
273	238	35	75%	204	-19	-7%	-14	-7%
No reserves estimated in 2012			61%	-	No reserves estimated in 2012/2013			
273	**238**	**35**	**75%**	**204**	**-19**	**-7%**	**-14**	**-7%**
1,194	**869**	**326**	**94%**	**1,125**	**-40**	**-3%**	**-34**	**-3%**

Notes

1) The competent person (CP) for PT Adaro indonesia coal reserves was Shahzad Chaudari MAusIMM, who is an employee of PT Alam Tri Abadi.

2) The Tutupan deposit increased by 42Mt due to additional drilling and mine planning.

3) The North Paringin deposit was depleted due to production.

4) The Wara I reserves decreased by 60Mt due to a change in geotechnical assumptions used.

5), 6), 7) PT Semesta Centramas, PT Paramitha Cipta Sarana and PT Laskar Semesta Alam are separate IUPs with an informal collective name of Balangan Coal.

8) The CP for the PT Mustika Indah Permai coal reserves was Leonard Dolby of Marston Inc., a Golder company.

Quality of Coal Resources

Quality of Adaro Energy Coal Resources (Gross as Received Basis) Reported according to JORC Code 2012 Edition

Operating company	Locality	Estimated as at Dec. 31, 2013				
		Total moisture %	Ash %	Volatile matter %	Total sulphur %	Calorific value Kcal/kg
PT Adaro Indonesia [1]	Tutupan	27.5	2.1	36.1	0.13	4,886
	North Paringin	29.3	3.2	33.5	0.22	4,737
	South Paringin	30.8	2.9	32.7	0.21	4,651
	Wara I	39.0	3.1	30.5	0.24	3,975
	Wara II	43.6	3.1	28.9	0.23	3,657
Total Adaro Indonesia (thermal)		**32.1**	**2.6**	**33.8**	**0.17**	**4,524**
Balangan Coal	PT Semesta Centramas [2]	32.6	2.2	34.0	0.08	4,370
	PT Paramitha Cipta Sarana [3]	32.1	1.7	33.6	0.06	4,400
	PT Laskar Semesta Alam [4]	31.3	1.8	34.8	0.08	4,490
Total South Kalimantan (thermal)		**32.1**	**2.5**	**33.8**	**0.17**	**4,521**
PT Bhakti Energi Persada	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 Baraw	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 PT Bhakti Energi Persada (thermal)		**46.9**	**3.1**	**25.9**	**0.10**	**3,354**
Total East Kalimantan		**46.9**	**3.1**	**25.9**	**0.10**	**3,354**
PT Mustika Indah Permai [5]	Lahat	34.1	5.1	31.2	0.46	4,342
PT Bukit Enim Energi	Muara Enim	No resources estimated in 2013				
Total South Sumatra (thermal)		**34.1**	**5.1**	**31.2**	**0.46**	**4,342**
Adaro Energy total sub-bituminous coal resources (i.e. Adaro Indonesia, Balangan and Mustika Indah Permai)		**32.2**	**2.7**	**33.6**	**0.19**	**4,512**
Adaro Energy total low-rank coal resources (i.e. PT Bhakti Energi Persada)		**46.9**	**3.1**	**25.9**	**0.10**	**3,354**

Quality of Adaro Energy Coal Resources (Air Dried Basis) Reported according to JORC Code 2012 Edition

Operating company	Locality	Estimated as at Dec. 31, 2013				
		Inherent moisture %	Ash %	Volatile matter %	Total sulphur %	Calorific value Kcal/kg
PT Adaro Indonesia [1]	Tutupan	19.0	2.4	40.4	0.14	5,453
	North Paringin	20.2	3.7	37.8	0.25	5,340
	South Paringin	18.9	3.5	38.3	0.25	5,439
	Wara I	23.0	4.0	38.4	0.30	5,004
	Wara II	18.8	4.4	41.6	0.33	5,262
Total Adaro Indonesia (thermal)		**20.2**	**3.1**	**39.7**	**0.21**	**5,306**
Balangan Coal	PT Semesta Centramas [2]	24.3	2.5	38.1	0.09	4,906
	PT Paramitha Cipta Sarana [3]	17.4	2.1	40.9	0.07	5,353
	PT Laskar Semesta Alam [4]	22.6	2.0	39.2	0.09	5,058
Total South Kalimantan (thermal)		**20.3**	**3.1**	**39.7**	**0.21**	**5,297**
PT Bhakti Energi Persada	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 Baraw	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 PT Bhakti Energi Persada (thermal)		**13.6**	**5.0**	**42.1**	**0.16**	**5,457**
Total East Kalimantan		**13.6**	**5.0**	**42.1**	**0.16**	**5,457**
PT Mustika Indah Permai [5]	Lahat	21.3	6.1	37.3	0.55	5,186
PT Bukit Enim Energi	Muara Enim	No resources estimated in 2013				
Total South Sumatra (thermal)		**21.3**	**6.1**	**37.3**	**0.55**	**5,186**
Adaro Energy total sub-bituminous coal resources (i.e. Adaro Indonesia, Balangan and Mustika Indah Permai		**20.3**	**3.2**	**39.6**	**0.22**	**5,305**
Adaro Energy total low-rank coal resources (i.e. PT Bhakti Energi Persada)		**13.6**	**5.0**	**42.1**	**0.16**	**5,457**

Quality of Adaro Energy Metallurgical Coal Resources (Air Dried Basis)

Operating company	Locality	Coal quality estimated as at Dec. 31, 2013		
		Ash %	Volatile matter %	Total sulphur %
IndoMet Coal [1]	Haju (metallurgical/thermal)	4.7	39.2	0.98
	Lampunut (metallurgical)	4.2	28.5	0.55
	Lampunut (thermal)	No quality quoted		
	Luon (metallurgical/thermal)	3.6	18.7	0.72
	Luon (metallurgical) [2]	3.4	18.8	0.56
	Bumbun (metallurgical/thermal)	3.5	17.7	0.76
	Juloi Northwest (metallurgical/thermal)	4.2	26.9	0.5

As at Dec. 31, 2012					Calculated changes to the quality of coal resources 2013 vs. 2012				
Total moisture %	Ash %	Volatile matter %	Total sulphur %	Calorific value Kcal/kg	Total moisture %	Ash %	Volatile matter %	Total sulphur %	Calorific value Kcal/kg
28.0	2.0	36.0	0.11	4,843	-0.5	0.1	0.1	0.02	43
28.7	3.0	33.8	0.28	4,799	0.6	0.2	-0.3	-0.06	-62
30.8	2.9	32.7	0.21	4,651	-	-	-	0.00	-
38.9	2.9	30.5	0.22	3,997	0.1	0.2	-0.0	0.02	-22
43.6	3.1	28.9	0.23	3,657	-	-	-	0.00	-
32.3	**2.4**	**33.7**	**0.16**	**4,510**	**(0.2)**	**0.1**	**0.1**	**0.01**	**14**
Not Acquired till 2013					Not Acquired till 2013				
32.3	**2.4**	**33.7**	**0.16**	**4,510**	**(0.2)**	**0.1**	**0.1**	**0.01**	**11**
47.3	3.6	25.4	0.10	3,272	-	-	-	-	-
46.3	2.9	26.2	0.09	3,415	-	-	-	-	-
46.0	3.3	26.2	0.09	3,423	-	-	-	-	-
47.0	3.5	25.7	0.10	3,329	-	-	-	-	-
47.8	2.8	25.5	0.10	3,297	-	-	-	-	-
45.2	2.9	27.2	0.11	3,497	-	-	-	-	-
42.7	2.8	29.4	0.10	3,606	-	-	-	-	-
46.9	**3.1**	**25.9**	**0.10**	**3,354**	**-**	**-**	**-**	**-**	**-**
46.9	**3.1**	**25.9**	**0.10**	**3,354**	**-**	**-**	**-**	**-**	**-**
33.9	5.5	31.1	0.42	4,345	0.3	-0.5	0.2	-0.01	-12
No resources estimated in 2012					No resources estimated in 2012/13				
33.9	**5.5**	**31.1**	**0.42**	**4,345**	**0.3**	**-0.5**	**0.2**	**-0.01**	**-12**
32.4	**2.5**	**33.6**	**0.17**	**4,506**	**-0.2**	**0.2**	**-**	**-**	**6**
46.9	**3.1**	**25.9**	**0.10**	**3,354**	**-**	**-**	**-**	**-**	**-**

Notes

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

2),3),4) PT Semesta Centramas, PT Paramitha Cipta Sarana, and PT Laskar Semesta Alam coal quality samples have been analysed to ASTM standards.

5) PT Mustika Indah Permai's coal quality samples have been analysed to ISO standards. Elevated levels of sodium in ash averaging 3% were noted in the 2014 JORC coal reserves

As at Dec. 31, 2012					Calculated changes to the quality of coal resources 2013 vs. 2012				
Inherent moisture %	Ash %	Volatile matter %	Total sulphur %	Calorific value Kcal/kg	Inherent moisture %	Ash %	Volatile matter %	Total sulphur %	Calorific value Kcal/kg
19.1	2.2	40.5	0.12	5,436	-0.1	0.2	-0.1	0.02	17
19.1	3.4	38.4	0.32	5,443	1.1	0.3	-0.6	-0.07	-103
18.9	3.5	38.3	0.25	5,439	-	-	-	0.00	-
21.6	3.8	39.1	0.29	5,113	1.4	0.2	-0.7	0.01	-109
18.8	4.4	41.6	0.33	5,262	-	-	-	-	-
19.8	**2.9**	**40.0**	**0.20**	**5,336**	**0.4**	**0.2**	**-0.3**	**0.01**	**-30**
Not acquired until 2013					Not acquired until 2013				
19.8	**2.9**	**40.0**	**0.20**	**5,336**	**0.5**	**0.2**	**-0.3**	**0.01**	**-39**
14.3	5.9	41.4	0.17	5,328	-	-	-	-	-
14.0	4.6	41.9	0.15	5,474	-	-	-	-	-
13.5	5.3	41.9	0.15	5,488	-	-	-	-	-
13.4	5.6	41.9	0.16	5,436	-	-	-	-	-
14.2	4.6	41.8	0.16	5,418	-	-	-	-	-
13.5	4.6	42.9	0.17	5,517	-	-	-	-	-
13.6	4.2	44.4	0.16	5,441	-	-	-	-	-
13.6	**5.0**	**42.1**	**0.16**	**5,457**	**-**	**-**	**-**	**-**	**-**
13.6	**5.0**	**42.1**	**0.16**	**5,457**	**-**	**-**	**-**	**-**	**-**
21.5	6.0	37.4	0.49	5,167	0.2	0.1	-0.1	0.06	19
No resources estimated in 2012					No resources estimated in 2012/13				
21.5	**6.0**	**37.4**	**0.49**	**5,167**	**0.2**	**0.1**	**-0.1**	**0.06**	**19**
19.9	**3.0**	**39.8**	**0.20**	**5,340**	**0.4**	**0.2**	**-0.2**	**0.02**	**-35**
13.6	**5.0**	**42.1**	**0.16**	**5,457**	**-**	**-**	**-**	**-**	**-**

Notes

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

2),3),4) PT Semesta Centramas, PT Paramitha Cipta Sarana, and, PT Laskar Semesta Alam coal quality samples have been analysed to ASTM standards.

5) PT Mustika Indah Permai's coal quality samples have been analysed to ISO standards. Elevated levels of sodium in ash averaging 3% were noted in the 2014 JORC coal reserves

Coal quality estimated as at June 30, 2012			Calculated changes to the quality of coal resources 2013 vs. 2012		
Ash %	Volatile matter %	Total sulphur %	Ash %	Volatile matter %	Total sulphur %
4.7	39.2	0.98	0	0	0
4.2	28.5	0.55	0	0	0
No quality quoted			No quality quoted		
3.6	18.7	0.72	0	0	0
3.4	18.8	0.56	0	0	0
4.5	17.4	0.8	-1	0.3	-0.04
4.5	27.7	0.49	-0.3	-0.8	0.01

Notes

1) Based on BHP Billiton's 2013 Annual Report with the permission of BHP Billiton.

2 Considered an underground mining resource.

Quality of Coal Reserves

Adaro Energy Coal Reserves Quality (Gross As Received Basis) Reported according to JORC 2012 Edition

Operating Company	Locality	Calculated as at Dec. 31, 2013				
		Total moisture %	Ash %	Volatile matter %	Total sulphur %	Calorific value Kcal/kg
PT Adaro Indonesia [1]	Tutupan	26.7	1.8	36.7	0.10	5,016
	North Paringin	25.7	3.1	35.7	0.17	5,065
	South Paringin	No reserves estimated in 2013				
	Wara I	39.0	2.6	30.6	0.21	4,012
	Wara II	No reserves estimated in 2013				
Total Adaro Indonesia		**31.2**	**2.1**	**34.4**	**0.15**	**4,648**
Balangan Coal	PT Semesta Centramas (SCM) [2]	Pending JORC Reserve Study				
	PT Paramitha Cipta Sarana (PCS) [3]					
	PT Laskar Semesta Alam (LSA) [4]					
Total South Kalimantan		**31.2**	**2.1**	**34.4**	**0.15**	**4,648**
PT Bhakti Energi Persada	Muara Wahau	No reserves estimated in 2013				
Total East Kalimantan						
IndoMet Coal	Murung Raya	No reserves estimated in 2013				
Total Central Kalimantan						
PT Mustika Indah Permai [5]	Lahat	34.1	5.7	31.1	0.40	4,292
PT Bukit Enim Energi	Muara Enim	No reserves estimated in 2013				
Total South Sumatra		**34.1**	**5.7**	**31.1**	**0.40**	**4,292**

Adaro Energy Coal Reserves Quality (Air-Dried Basis) Reported according to JORC 2012 Edition

Operating Company	Locality	Calculated as at Dec. 31, 2013				
		Inherent moisture %	Ash %	Volatile matter %	Total sulphur %	Calorific value Kcal/kg
PT Adaro Indonesia [1]	Tutupan	18.0	2.0	41.0	0.11	5,610
	North Paringin	17.3	3.4	39.8	0.19	5,638
	South Paringin	No reserves estimated in 2013				
	Wara I	20.0	3.4	40.0	0.27	5,241
	Wara II	No Reserves estimated in 2013				
Total Adaro Indonesia		**18.7**	**2.6**	**40.6**	**0.18**	**5,475**
Balangan Coal	PT Semesta Centramas (SCM) [2]	No reserves estimated in 2013				
	PT Paramitha Cipta Sarana (PCS) [3]					
	PT Laskar Semesta Alam (LSA) [4]					
Total South Kalimantan						
PT Bhakti Energi Persada	Muara Wahau	No reserves estimated in 2013				
Total East Kalimantan						
IndoMet Coal	Murung Raya	No reserves estimated in 2013				
Total Central Kalimantan						
PT Mustika Indah Permai [5]	Lahat	21.1	6.8	37.2	0.48	5,132
PT Bukit Enim Energi	Muara Enim	No reserves estimated in 2013				
Total South Sumatra		**21.1**	**6.8**	**37.2**	**0.48**	**5,132**

Calculated as at Dec. 31, 2012					Calculated changes to coal reserves quality 2013 vs 2012				
Total moisture %	Ash %	Volatile matter %	Total sulphur %	Calorific value Kcal/kg	Total moisture %	Ash %	Volatile matter %	Total sulphur %	Calorific value Kcal/kg
26.3	2.5	36.6	0.10	4,998	0.4	-0.7	0.1	0.00	18
25.9	3.0	35.6	0.17	5,050	-0.2	0.1	0.1	0.00	15
No reserves estimated in 2012					No reserves estimated in 2012/13				
39.1	3.0	30.4	0.20	3,981	0.1	-0.4	0.2	0.01	31
No Reserves estimated in 2012					No reserves estimated in 2012/13				
31.7	**2.7**	**33.9**	**0.14**	**4,569**	**-0.5**	**-0.6**	**0.5**	**0.01**	**79**
Pending JORC Reserve Study					No reserves estimated in 2012/13				
31.7	**2.7**	**33.9**	**0.14**	**4,569**	**-0.5**	**-0.6**	**0.5**	**0.01**	**79**
No reserves estimated in 2012					No reserves estimated in 2012/13				
No reserves estimated in 2012					No reserves estimated in 2012/13				
34.1	5.9	31.1	0.40	4,281	0.0	-0.2	0.0	0.00	11
No reserves estimated in 2012					No reserves estimated in 2012				
34.1	**5.9**	**31.1**	**0.40**	**4,281**	**0.0**	**-0.2**	**0.0**	**0.00**	**11**

Notes

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

2),3),4) PT Semesta Centramas, PT Paramitha Cipta Sarana, and PT Laskar Semesta Alam coal quality samples have been analysed to ASTM standards.

5) PT Mustika Indah Permai's coal quality samples have been analysed to ISO standards. Elevated levels of sodium in ash averaging 3% were noted in the 2014 JORC coal reserves.

Calculated as at Dec. 31, 2012					Calculated changes to coal reserves quality 2013 vs 2012				
Inherent moisture %	Ash %	Volatile matter %	Total sulphur %	Calorific value Kcal/kg	Inherent moisture %	Ash %	Volatile matter %	Total sulphur %	Calorific value Kcal/kg
17.4	2.8	40.8	0.11	5,601	0.6	-0.8	0.2	0.00	9
17.6	3.3	39.6	0.19	5,612	-0.3	0.1	0.2	0.00	26
No reserves estimated in 2012					No reserves estimated in 2012/13				
22	3.9	39	0.25	5,083	-2.0	-0.5	0.02	0.02	158
No Reserves estimated in 2012					No Reserves estimated in 2012/13				
19.3	**3.3**	**40.0**	**0.17**	**5,385**	**-0.6**	**-0.7**	**0.6**	**0.01**	**90**
No reserves estimated in 2012					No reserves estimated in 2012/13				
No reserves estimated in 2012					No reserves estimated in 2012/13				
No reserves estimated in 2012					No reserves estimated in 2012/13				
22.2	7.0	37.0	0.47	5,104	-1.1	-0.2	0.2	0.01	28
No reserves estimated in 2012					No reserves estimated in 2012/13				
22.2	**7.0**	**37.0**	**0.47**	**5,104**	**-1.1**	**-0.2**	**0.2**	**0.01**	**28**

Notes

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

2),3),4) PT Semesta Centramas, PT Paramitha Cipta Sarana, and PT Laskar Semesta Alam coal quality samples have been analysed to ASTM standards.

5) PT Mustika Indah Permai's coal quality samples have been analysed to ISO standards. Elevated levels of sodium in ash averaging 3% were noted in the 2014 JORC coal reserves .

A convoy of dump trucks disposing of overburden at AI's mine site. Trucks are fitted with GPS so their daily and long-term efficiency can be tracked.

OUR PEOPLE

IN THIS SECTION

The Board of Commissioners Profiles

Edwin Soeryadjaya

President Commissioner

Mr. Soeryadjaya, 64, is an Indonesian citizen and a son of the late William Soeryadjaya, a founder of automotive group PT Astra International Tbk. He received a bachelor's degree in business administration from the University of Southern California in 1974 and joined Astra in 1978. He successfully spearheaded Astra's financial restructuring from 1987-1990, eventually leading its IPO in 1990. He left PT Astra International as vice president director in 1993.

In 1998, he and Sandiaga Uno founded Saratoga Capital, a private investment firm which now has interests in coal, infrastructure, oil, gas, toll roads, plantations, and shipping ports. He is the President Commissioner of PT Adaro Energy Tbk and PT Alam Tri Abadi. He is also the President Commissioner of PT Saratoga Investama Sedaya Tbk, PT Tower Bersama Infrastructure Tbk, and PT Mitra Pinasthika Mustika Tbk.

Through his significant corporate contributions to the country, he was given the 2010 Ernst & Young Indonesia Entrepreneur of the Year award — the only business awards program in the country that has an international basis. In 2011, he was listed in the Ernst & Young World Entrepreneur of the Year Hall of Fame. He is also active in social initiatives through his role as chairman of Yayasan Universitas Kristen Indonesia and as co-founder of the William Soeryadjaya Foundation.

Theodore Permadi Rachmat

Vice President Commissioner

Mr. Rachmat, 70, an Indonesian citizen, started his career in PT Astra International Tbk in 1968 following his graduation from the Bandung Institute of Technology with a degree in mechanical engineering.

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. He also participated in developing PT Adira Finance Tbk, a finance company founded by his father, until it was acquired by Bank Danamon in 2008.

In 1998, he founded the Triputra Group, now one of the biggest privately held business groups in the country. The Triputra Group has invested in PT Adaro Energy Tbk, PT Kirana Megatara, and several other companies, including palm oil and rubber plantations, motorcycle and spare-parts distributors, as well as manufacturing, coal mining and coal services firms. He is Vice President Commissioner of PT Adaro Energy Tbk and a Commissioner of PT Alam Tri Abadi. He was a member of the National Economic Board from 1999-2000 and a Commissioner of PT Multi Bintang Tbk from 2002-2007.

Ir Subianto

Commissioner

Mr. Subianto, 71, an Indonesian citizen, received a bachelor's degree in mechanical engineering from the Bandung Institute of Technology in 1969. He started out in PT Astra International Tbk's heavy equipment division and as Astra grew, he handled various management functions in it or its subsidiaries for more than 30 years. He helped found PT United Tractors Tbk and joined it as a Director in 1972, became its President Director in 1984, and was appointed Commissioner and later President Commissioner from 1997-1999.

He founded PT Persada Capital Investama in 2003, in which he currently serves as President Director. Through this company, he has invested in companies such as PT Adaro Energy Tbk, PT Astra Agro Lestari, and PT Kirana Megatara. Currently, he is a Commissioner in PT Adaro Energy Tbk and PT Alam Tri Abadi. He is also the President Commissioner of PT Kirana Megatara, PT Triputra Agro Persada, and PT Agro Multi Persada.

Ir Palgunadi Tatit Setyawan

Independent Commissioner

Mr. Palgunadi, 74, Indonesian citizen, 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's Yugoslavian Military Science and Industry Institute in 1966. He served in the Indonesian Army until 1981, retiring with the rank of lieutenant colonel.

In 1982, he joined PT United Tractors, initially serving as a Manager and later as Director and Commissioner until 1998. He also served as Senior Vice President for PT Astra International Tbk from 1989-1997, President Director for PT Astra Mitra Ventura from 1992-1997, Director for the Asia region for GIBB Ltd from 1997-1999, and Executive Vice President for PT Raja Garuda Mas from 2000-2002.

As well as being an Independent Commissioner for PT Adaro Energy Tbk, he is also a member of the Audit Committee of PT Mahaka Media Tbk. He is the head of the Center for Entrepreneurship Development at Al Azhar Indonesia University and an independent consultant for corporate governance, internal audit and corporate culture.

Dr Ir Raden Pardede

Independent Commissioner

Dr. Pardede, 53, is an Indonesian economist and researcher. He earned his chemical engineering degree from the Bandung Institute of Technology in 1984 and doctoral degree in economics from Boston University in the United States in 1995. Upon graduation, he founded the Danareksa Research Institute, the pioneer on Early Warning Indicators, Consumers Confident Index Survey, and Business Sentiment Index. He served as its chief economist and division head from 1995-2002, and as executive director from 2002-2004. In 2010, he co-founded Creco Consulting together with Chatib Basri, the current Minister of Finance of Indonesia, and serves as its managing partner until now.

He has been an Independent Commissioner of PT Adaro Energy Tbk since April 2010. He has held various positions in government, such as special staff of the Minister of Finance from 2007-2010, secretary of the Financial System Stability Committee from 2008-2009, Chairman of Indonesia's Infrastructure Development Financing from 2004-2005, and special staff of the Co-ordinating Minister for the Economy from 2004-2005. He is currently a member of the National Economic Committee (Komite Ekonomi Nasional), a government think tank that advises the President of Indonesia.

The Board of Directors Profiles

Garibaldi Thohir

President Director & Chief Executive Officer

Mr. Thohir, 48, Indonesian citizen, started his career in the coal business as soon as he completed his MBA from Northrop University, California, in 1989, and BBA from the University of Southern California in 1988. The son of PT Astra International Tbk's co-founder, Teddy Thohir, he bought a small stake in PT Allied Indocoal, a joint venture with an Australian firm. Through this investment, he was able to gain a large network in the industry that has helped him create new business opportunities. In 1997, he invested in PT Wahana Ottomitra Multiartha (WOM Finance), a motorcycle-financing company. He led and grew the company to the point where it was worth US$150 million when he took it public in 2004.

In 2005, together with Edwin Soeryadjaya, Theodore Rachmat, Ir. Subianto, and Sandiaga Uno, he acquired PT Adaro Indonesia, and took it public in 2008. With more than two decades of experience, he has led PT Adaro Energy Tbk to where it is today: a more than US$3 billion coal mining and energy group with 12 billion tonnes of coal resources. He is the President Director & Chief Executive Officer of PT Adaro Energy Tbk. He is also the President Director of PT Alam Tri Abadi, PT Surya Esa Perkasa, PT Padangbara Sukses Makmur, and PT Trinugraha Thohir, as well as the President Commissioner of PT Adaro Indonesia, Balangan Coal, PT Adaro Power, PT Mustika Indah Permai, PT Bhakti Energi Persada, and a Commissioner of IndoMet Coal Project.

Christian Ariano Rachmat

Vice President Director & Deputy Chief Executive Officer

An Indonesian citizen, Mr. Rachmat, 40, earned his Bachelor of Industrial Engineering degree from Northwestern University in 1995. He had more than 10 years of professional experience before joining Adaro in 2005, which included working as a business analyst for A.T. Kearney from 1995-1996 and as an operations researcher and supply chain manager for PT Toyota Astra Motors from 1996-1998. After working for Toyota and later his family's Triputra Group, he brought the skills and lessons he learned to PT Adaro Energy Tbk.

He is currently the Vice President Director & Deputy Chief Executive Officer of PT Adaro Energy Tbk. He is also a Director of PT Alam Tri Abadi, and President Commissioner of PT Puradika Bongkar Muat Makmur, PT Makmur Sejahtera Wisesa, PT Saptaindra Sejati and PT Adaro Logistics. In addition, he is a Commissioner of PT Adaro Indonesia, Balangan Coal, PT Adaro Power, PT Indonesia Bulk Terminal, PT Maritim Barito Perkasa, PT Jasapower Indonesia, and PT Harapan Bahtera Internusa.

Sandiaga Uno

Director, General Affairs

Mr. Uno, 44, Indonesian citizen, graduated summa cum-laude with a degree of in business administration from Wichita State University in the United States in 1990. He briefly worked for Bank Summa but returned to school a year later with an MBA scholarship at George Washington University. He completed his MBA in 1992. He worked as a financial analyst for Seapower Asia Investment Limited in 1994 and as the Executive Vice President and Chief Financial Officer for NTI Resources Limited, Canada, in 1995.

In 1998, he co-founded Saratoga Capital with Edwin Soeryadjaya. Today, Saratoga is one of Indonesia's largest investment firms employing more than 20,000 people with interests in coal, infrastructure, oil, gas, toll roads, plantations, and shipping ports. He also co-founded Recapital Advisors in 1997. Currently, he is the Director for General Affairs of PT Adaro Energy Tbk, and Director of PT Alam Tri Abadi. He is also the President Commissioner of PT Indonesia Bulk Terminal, PT Jasapower Indonesia and Commissioner of PT Adaro Indonesia, PT Mustika Indah Permai, PT Saptaindra Sejati, PT Puradika Bongkar Muat Makmur, PT Adaro Logistics, PT Makmur Sejahtera Wisesa and PT Adaro Persada Mandiri.

Outside work, Mr. Uno is passionate about running. Through marathons he has raised over US$1 million to support micro-entrepreneurs and fund the education of 12,600 children.

David Tendian

Director & Chief Financial Officer

Mr. Tendian, 47, Indonesian citizen, earned his economics and marketing degree from the University of Illinois in the United States, graduating with honors and distinction in 1989. He earned his MBA from the same university in 1991. He then worked in several international banks and private equity firms in North America, such as Sakura Bank, Standard Chartered Bank, Chase Manhattan Bank, PricewaterhouseCoopers, and Citibank. After more than a decade in North America, he decided to come back to Indonesia. He worked with a bank and with a number of coal companies before joining PT Adaro Indonesia in 2006.

Currently, he is the Director & Chief Financial Officer of PT Adaro Energy Tbk. He is also a Director for PT Adaro Indonesia and PT Alam Tri Abadi. He is also a Commissioner of Balangan Coal, PT Puradika Bongkar Muat Makmur, PT Adaro Logistics, PT Indonesia Bulk Terminal, PT Adaro Mining Technologies, PT Bhimasena Power Indonesia, PT Bhakti Energi Persada, PT Adaro Eksplorasi Indonesia, and PT Jasapower Indonesia.

Chia Ah Hoo

Director & Chief Operating Officer

Mr. Chia, 54, a Malaysian citizen, earned his civil engineering degree from the University of Windsor in Canada in 1984. After finishing a project in Penang, Malaysia, he moved to East Kalimantan to run a contract mining company until he joined PT Adaro Indonesia in 1991 as operations manager for its mine in Tanjung, South Kalimantan. In recognition of his contributions to the company, PT Adaro Indonesia sent him to study at the prestigious INSEAD Business School in France in 1998.

He has over 25 years of experience in civil construction projects and open mining projects in Southeast Asia and more than 20 years of experience in running PT Adaro Indonesia's operations. He is the Director & Chief Operating Officer of PT Adaro Energy Tbk, as well as the President Director of PT Adaro Indonesia, PT Jasapower Indonesia and PT Mustika Indah Permai. He is also a Director of PT Alam Tri Abadi, PT Bhakti Energi Persada and the IndoMet Coal Project.

M. Syah Indra Aman

Director & Chief Legal Officer

Mr. Aman, 46, is an Indonesian citizen who earned his law degree from the University of Indonesia in 1990. He received his Lex Legibus Magister (LLM) from the University of Washington's School of Law in the United States in 1992. He then returned to Indonesia and worked as a lawyer at the Lubis Ganie Surowidjojo Law Firm and Minang Warman Sofyan SH & Associates before joining Adaro in 1996.

Currently, he is the Director & Chief Legal Officer of PT Adaro Energy Tbk, President Director of PT Adaro Persada Mandiri and a Director of PT Alam Tri Abadi and IndoMet Coal Project. He is also President Commissioner of PT Indonesia Multi Purpose Terminal and a Commissioner of PT Adaro Indonesia, PT Saptaindra Sejati, Balangan Coal, PT Adaro Logistics, PT Adaro Power, PT Adaro Mining Technologies, PT Adaro Eksplorasi Indonesia, PT Jasapower Indonesia, PT Mustika Indah Permai, PT Makmur Sejahtera Wisesa, PT Puradika Bongkar Muat Makmur, PT Indonesia Bulk Terminal, PT Maritim Barito Perkasa and PT Harapan Bahtera Internusa.

Julius Aslan

Director & Chief HRGA-IT Officer

Mr. Aslan, 50, is an Indonesian citizen and the newest member of our Board of Directors. He was appointed Director & Chief Human Resources, General Affairs, and Information Technology Officer of PT Adaro Energy Tbk in April 2013. He holds a bachelor's degree in electrical engineering from the National Institute of Science and Technology in Jakarta.

He has more than two decades of professional experience, primarily in senior human resources positions. He started his career as management trainee at PT Astra International Tbk and became the company's Corporate Human Resources Chief in 2001. He was then appointed Human Resources Director for Bank Permata in 2004, PT Astra Agro Lestari Tbk in 2006, and PT Astra Honda Motor in 2007 before becoming Marketing Director for PT Astra Honda Motor in 2009.

Mr. Aslan is also a Director of PT Adaro Indonesia and a Commissioner of PT Saptaindra Sejati, PT Adaro Logistics, PT Adaro Mining Technologies, PT Puradika Bongkar Muat Makmur and PT Indonesia Bulk Terminal.

Management Structure Adaro Energy

Board of Commissioners

President Commissioner Edwin Soeryadjaya **Vice President Commissioner** Theodore P. Rachmat
Commissioner Ir. Subianto **Independent Commissioners** Palgunadi T. Setyawan, Raden Pardede

Audit Commitee

Chairman Palgunadi T. Setyawan
Members Irwandy Arif, Mamat Ma'mun

Board of Directors

President Director Garibaldi Thohir **Vice President Director** Christian A. Rachmat
Directors Sandiaga S. Uno, Chia Ah Hoo, David Tendian, M. Syah Indra Aman, Julius Aslan

CORPORATE FUNCTIONS

DIRECTOR IN CHARGE

Garibaldi Thohir

Division	Head
Internal Audit Division	**H** Zayarwan Zain
External Relations Division	**H** Bambang Susanto
Corporate Social Responsibility Division	**H** Okty Damayanti

Christian A. Rachmat

Christian A. Rachmat

Division	Head
Corporate Planning Division	**H** Salim W. Halim
Business Development Division	**H** Alastair B. Grant
Marketing Division	**H** Tsang Edwin Kin-Wah
Procurement Division	**H** -

Chia Ah Hoo

Division	Head
Quality, Health, Safety & Environment Division	**H** Wisnu Susetyo
Mine Planning Division	**H** Andris Pauls Svilans
Engineering & Construction Division	**H** Reviyeno Nasution

David Tendian

Division	Head
Finance & Accounting Division	**H** Susanti **DH** Tjoa Fanti Elvira
Corporate Finance Division	**H** Heri Gunawan **DH** Jessie Wahab
Tax Division	**H** - **DH** Jul Seventa
Corporate Project Finance Division	**H** Kee Cheng Chye
Corporate Secretary & Investor Relations Division	**H** Cameron Tough **DH** Devindra Ratzarwin

M. Syah Indra Aman

Division	Head
International Legal Affairs Division	**H** Zillah Tin
Domestic Legal Affairs Division	**H** Erwin Sundoro
Legal Process Control Division	**H** Erwin Sundoro **DH** Sylvia Trianasari

Julius Aslan

Division	Head
Human Resources & General Affairs Division	**H** Djohan Nurjadi
Information Technology Division	**H** Eka Suharto

Note:
H = Head
DH = Deputy Head

STRATEGIC BUSINESS UNITS

Note: EIC = Executive in Charge

DIRECTOR IN CHARGE

MINING BUSINESS

Director in charge: Christian A. Rachmat → Chia Ah Hoo

PT Adaro Indonesia	**EIC** Chia Ah Hoo
PT Mustika Indah Permai	**EIC** Chia Ah Hoo
PT Bhakti Energi Persada	**EIC** Jeffrey Mulyono
PT Bukit Enim Energi	**EIC** Bambang Susanto
PT Semesta Centramas	**EIC** Iwan D. Budiyuwono
PT Paramitha Cipta Sarana	**EIC** Iwan D. Budiyuwono
PT Laskar Semesta Alam	**EIC** Iwan D. Budiyuwono
IndoMet Coal Project	**EIC** Mark John Small
PT Adaro Eksplorasi Indonesia	**EIC** Peter Samuel Mucalo
Coaltrade Services International Pte. Ltd.	**EIC** Tsang Edwin Kin-Wah

LOGISTICS & INFRASTRUCTURE BUSINESS

Director in charge: Christian A. Rachmat → Chia Ah Hoo

PT Saptaindra Sejati	**EIC** Anis Sulistiadi
PT Jasapower Indonesia	**EIC** Chia Ah Hoo
PT Adaro Mining Technologies	**EIC** Leonard Lembong
PT Adaro Logistics	**EIC** Ng Kirh Chien
PT Indonesia Bulk Terminal	**EIC** Ng Kirh Chien
PT Maritim Barito Perkasa	**EIC** Yim Foon Kuan
PT Harapan Bahtera Internusa	**EIC** Yim Foon Kuan
PT Sarana Daya Mandiri	**EIC** Fakhrol Azmi Bin Harun
PT Puradika Bongkar Muat Makmur	**EIC** Sonny Sidjaja
PT Indonesia Multi Purpose Terminal	**EIC** Sonny Sidjaja

POWER BUSINESS

Director in charge: Christian A. Rachmat → Christian A. Rachmat

PT Adaro Power	**EIC** Mohammad Effendi
PT Makmur Sejahtera Wisesa	**EIC** Joseph Francis Chong
PT Bhimasena Power Indonesia	**EIC** Kenichi Seshimo
PT Tanjung Power Indonesia	**EIC** Kee Cheng Chye

LAND MANAGEMENT BUSINESS

Director in charge: Christian A. Rachmat → M. Syah Indra Aman

PT Adaro Persada Mandiri	**EIC** M. Syah Indra Aman

ADARO FOUNDATION

Director in charge: Garibaldi Thohir

Yayasan Adaro Bangun Negeri	**EIC** Okty Damayanti

Management Structure Our Subsidiaries

PT Adaro Energy Tbk (AE)	Edwin Soeryadjaya	President Commissioner
	Theodore Permadi Rachmat	Vice President Commissioner
	Ir. Subianto	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
	Chia Ah Hoo	Director
	M. Syah Indra Aman	Director
	Julius Aslan	Director

PT Alam Tri Abadi (ATA)	Edwin Soeryadjaya	President Commissioner
	Ir. T. Permadi Rachmat	Commissioner
	Ir. Subianto	Commissioner
	Garibaldi Thohir	President Director
	Christian Ariano Rachmat	Director
	Sandiaga Salahuddin Uno	Director
	David Tendian	Director
	Chia Ah Hoo	Director
	M. Syah Indra Aman	Director

PT Adaro Indonesia (AI)	Garibaldi Thohir	President Commissioner
	Christian Ariano Rachmat	Commissioner
	Sandiaga Salahuddin Uno	Commissioner
	M. Syah Indra Aman	Commissioner
	Chia Ah Hoo	President Director
	David Tendian	Director
	Tsang Edwin Kin-Wah	Director
	Budi Rachman	Director
	Ir. Leonard Lembong	Director
	Julius Aslan	Director

PT 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
	Budi Rachman	Director
	Andri Wijono Sutiono	Director
	Freddy Hartono	Director

PT Bhakti Energi Persada (BEP)	Garibaldi Thohir	President Commissioner
	Christian Ariano Rachmat	Commissioner
	David Tendian	Commissioner
	Mayjen Purn. Sutardjo	Commissioner
	Irawan Indrarta Poerwo	Commissioner
	Jeffrey Mulyono	President Director
	Chia Ah Hoo	Director
	Crecento Hermawan	Director

PT Bukit Enim Energi (BEE)	Garibaldi Thohir	President Commissioner
	Ir. Ellyus Achiruddin	Commissioner
	Ir. Dadi Sukarso Yuwono	Commissioner
	Ir. Bambang Susanto	President Director
	Ruli Tanio	Director
	Eldy Ellyus	Director

Balangan Coal (PT Semesta Centramas, PT Paramitha Cipta Sarana, PT Laskar Semesta Alam)	Garibaldi Thohir	President Commissioner
	Christian Ariano Rachmat	Commissioner
	David Tendian	Commissioner
	M. Syah Indra Aman	Commissioner
	Jacob Suryanata	Commissioner
	Iwan D. Budiyuwono	President Director
	Hengki	Director
	Priyadi	Director
	Ruddy Tjanaka	Director

IndoMet Coal Project (IMC)	David Lyle Ruddell	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
	Dina Duradi	Director
	M. Syah Indra Aman	Director
	Chia Ah Hoo	Director

PT 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

Coaltrade Services International (CTI)	Tsang Edwin Kin-Wah	Director
	Yim Foon Kuan	Director
	Pepen Handianto Danuatmadja	Director

PT Saptaindra Sejati (SIS)	Christian Ariano Rachmat	President Commissioner
	Tjahyono Imawan	Vice President Commissioner
	Sandiaga Salahuddin Uno	Commissioner
	David Tendian	Commissioner
	M. Syah Indra Aman	Commissioner
	Julius Aslan	Commissioner
	Ir. Anis Sulistiadi	President Director
	Ateng Kurnia	Vice President Director
	Bimantoro Adisanyoto	Director
	Christina Hiu	Director

PT Jasapower Indonesia (JPI)	Sandiaga Salahuddin Uno	President Commissioner
	Christian Ariano Rachmat	Commissioner
	M. Syah Indra Aman	Commissioner
	David Tendian	Commissioner
	Dr. Ir. Kusmayanto Kadiman	Commissioner
	Chia Ah Hoo	President Director
	Barry Jones	Director
	Priyadi	Director
	Luckman	Director

PT Adaro Mining Technologies (AMT)	Christian Ariano Rachmat	President Commissioner
	M. Syah Indra Aman	Commissioner
	David Tendian	Commissioner
	Julius Aslan	Commissioner
	Ir. Leonard Lembong	President Director
	Andris Paul Svilans	Director
	Peter Samuel Mucalo	Director
	Adrian Lembong	Director
	Reviyeno Nasution	Director

PT Adaro Logistics (AL)	Christian Ariano Rachmat	President Commissioner
	Sandiaga Salahuddin Uno	Commissioner
	David Tendian	Commissioner
	M. Syah Indra Aman	Commissioner
	Julius Aslan	Commissioner
	Ng Kirh Chien	President Director
	Chin Sik Cheon	Director
	Sonny Sidjaja	Director
	Fakhrol Azmi Bin Harun	Director
	Susanti	Director

PT Indonesia Bulk Terminal (IBT)	Sandiaga Salahuddin Uno	President Commissioner
	Christian Ariano Rachmat	Commissioner
	David Tendian	Commissioner
	M. Syah Indra Aman	Commissioner
	Julius Aslan	Commissioner
	Ng Kirh Chien	President Director
	Susanti	Director
	Sonny Sidjaja	Director

PT 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

PT 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

PT Sarana Daya Mandiri (SDM)	Max Markus Tamaela	President Commissioner
	Wiranata Halim	Commissioner
	Fakhrol Azmi Bin Harun	President Director
	Ceri Wibisono	Director
	Ade Mohammad Yusuf	Director
	Ng Kirh Chien	Director

PT Puradika Bongkar Muat Makmur (PBMM)	Christian Ariano Rachmat	President Commissioner
	Sandiaga Salahuddin Uno	Commissioner
	David Tendian	Commissioner
	M. Syah Indra Aman	Commissioner
	Julius Aslan	Commissioner
	Ng Kirh Chien	President Director
	Chin Sik Cheon	Director
	Sonny Sidjaja	Director
	Fakhrol Azmi Bin Harun	Director
	Susanti	Director

PT Indonesia Multi Purpose Terminal (IMPT)	M. Syah Indra Aman	President Commissioner
	Suprihat	Commissioner
	Sonny Sidjaja	President Director
	Liana Chandra	Director
	Wan Yazid	Director
	Robert Hasiholan Sianipar	Director

PT Adaro Power (AP)	Garibaldi Thohir	President Commissioner
	Dr. Ir. Kusmayanto Kadiman	Vice President Commissioner
	Christian Ariano Rachmat	Commissioner
	M. Syah Indra Aman	Commissioner
	David Tendian	Commissioner
	Ir. Mohammad Effendi	President Director
	Adrian Lembong	Director
	Joseph Francis Chong	Director
	Kee Cheng Chye	Director

PT Makmur Sejahtera Wisesa (MSW)	Christian Ariano Rachmat	President Commissioner
	Sandiaga Salahuddin Uno	Vice President Commissioner
	David Tendian	Commissioner
	M. Syah Indra Aman	Commissioner
	Ir. Mohammad Effendi	Commissioner
	Erry Firmansyah	Commissioner
	Joseph Francis Chong	President Director
	Fakhrol Azmi Bin Harun	Director
	Richard Willem Tampi	Director

PT Bhimasena Power Indonesia (BPI)	Dr. Ir. Kusmayanto Kadiman	President Commissioner
	Chiharu Doi	Commissioner
	Shinichi Aburaya	Commissioner
	Hiroyusa Sugiyama	Commissioner
	Seigo Mizunuma	Commissioner
	Bambang Widaryatmo	Commissioner
	Eko Budihardjo	Commissioner
	Takuji Motooka	Commissioner
	Masahiro Imai	Commissioner
	Kenichi Seshimo	President Director
	Kee Cheng Chye	Director
	Takayuki Saito	Director
	Ryuta Sato	Director
	Ir. Mohammad Effendi	Director
	Yukihiro Hirabayashi	Director
	Joseph Francis Chong	Director
	Hiroyuki Otomo	Director
	Tsuyoshi Okada	Director

PT Tanjung Power Indonesia (TPI)	Dr. Ir. Kusmayanto Kadiman	President Commissioner
	Ir. Raden Sri Djoko	Commissioner
	Mulyohadi Kuntjoro	
	Kim Dong Hyun	Commissioner
	Kee Cheng Chye	President Director
	Richard Willem Tampi	Director
	You Ki Sang	Director

PT Adaro Persada Mandiri (APM)	Garibaldi Thohir	President Commissioner
	Christian Ariano Rachmat	Commissioner
	Sandiaga Salahuddin Uno	Commissioner
	David Tendian	Commissioner
	M. Syah Indra Aman	President Director
	Ari Hariadi	Director
	Luckman	Director
	Ir. Anis Sulistiadi	Director

Yayasan Adaro Bangun Negeri (YABN)	Mohammad Effendi	Chairman
	Ir. Abdurrahman	Vice Chairman
	Dr. Ing. Ignatius Iryanto	Secretary

CORPORATE FUNCTIONS

Zayarwan Zain, Internal Audit Division Head (AE)

Zayarwan has more than 26 years' experience in internal audit, risk management, performance improvement, and governance matters. Prior to joining Adaro in 2013, he was a director for PT PricewaterhouseCoopers Advisory Indonesia. He graduated from University of Padjadjaran in Bandung, majoring in accounting. He is a Certified Internal Auditor, Certified Fraud Examiner, and Certified Risk Management Assurance.

Bambang Susanto, External Relations Division Head (AE), President Director (BEE)

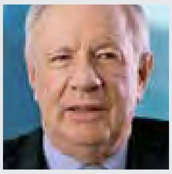
Bambang joined Adaro in 2010. He has over 35 years' experience in the Indonesian mining industry, having worked at PT Inco Indonesia, PT Kaltim Prima Coal, and PT Freeport Indonesia. He was the first Executive Director of the Indonesian Coal Mining Association. He has a degree in mining engineering from the Bandung Institute of Technology.

Okty Damayanti, Corporate Social Responsibility Division Head (AE)

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 in marketing, sales, and corporate social responsibility. She graduated from Bogor Agriculture University majoring in agribusiness.

Salim Wibowo Halim, Corporate Planning Division Head (AE)

Salim has over 20 years of experience in finance and accounting. He rejoined Adaro in 2008 and has 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.



Alastair Grant, Senior Advisor, Business Development Division Head (AE)

Alastair joined Adaro in 1990 as general manager and became a director after AE's IPO in 2008. He is currently in charge of business development. He has more than 45 years of experience 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.

Edwin Tsang, Marketing Director (AI), Director (CTI)

Edwin joined Adaro in 2006. He has over 30 years of experience in the coal industry, including with China Light and Power, the Australian minerals 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.

Wisnu Susetyo, Quality Health Safety & Environment Division Head (AE)

Wisnu 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 degrees from Gadjah Mada University.

Andris Pauls Svilans, Strategic Planning Division Head (AI)

Andris joined Adaro in 2004 and has held various senior management operational positions since. He has more than 30 years of experience in open-cut mining. He has a degree in mining engineering from the University of Melbourne.

Reviyeno Nasution, Engineering & Construction Division Head (AE), Chief Technical Officer (ATA)

Reviyeno joined Adaro in 2013. He has more than 25 years' experience in engineering, project management, and business development from various companies in Indonesia and Australia. He completed his MBA at Monash University and has a civil engineering degree from the Bandung Institute of Technology. He has also attended leadership and management courses from several international institutions including Melbourne Business School, Cape Town University, and Tilburg University.

Kee Cheng Chye, Finance Director (AP)

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 Southeast Asia. He holds an MBA and an engineering degree from the National University of Singapore.

Cameron Tough, Corporate Secretary and Investor Relations Division Head (AE)

Cameron has over 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.

Devindra Ratzarwin, Corporate Secretary & Investor Relations Deputy Division Head (AE)

Devindra had more than 10 years' experience in the financial industry before joining Adaro in 2008. He previously worked for PT Darma Henwa Tbk, PT Perusahaan Pengelola Aset (Persero), Indonesian Bank Restructuring Agency, and PT Bank Bali Tbk. He holds a degree in business administration from the University of Louisiana at Lafayette and an MBA from McNeese State University.

Zillah Tin, International Legal Affairs Division Head (CTI)

Zillah has more than 18 years of experience in the legal profession. Prior to joining Adaro in 2008, she practiced law in Hong Kong SAR, handling litigation, commercial law and intellectual property, among others. She holds an LLB Law Degree and is qualified to practice law in Hong Kong SAR, England and Wales.

Erwin Sundoro, Domestic Legal Affairs Division Head (AE)

Prior to joining Adaro in early 2013, Erwin worked as strategist for IndoMet Coal, a joint venture between BHP Billiton and Adaro. He has over 15 years of experience including as country legal head for Banpu and as lawyer in several firms such as Hendra Soenardi and Ernst & Young. He studied law at the University of Indonesia and Universiteit Utrecht.

Sylvia Trianasari, Legal Process Control Deputy Division Head (AE)

Sylvia has more than 11 years experience in the legal profession. She joined Adaro since 1999 and became a Senior Legal Officer in 2005. She has a bachelor degree from Faculty of Law of University of Indonesia.

Djohan Nurjadi, Human Resources & General Affairs Division Head (AE)

Djohan has 17 years of experience in human resources management. Prior to joining Adaro in 2008, he held senior positions in ERA Indonesia and PT Hero Supermarket Tbk. Djohan has a degree in mechanical engineering from Trisakti University.

Eka Suharto, Information Technology Division Head (AE)

Eka joined Adaro in August 2013 and has over 25 years of experience in information technology and management information systems in various industries. Prior to joining Adaro, he was vice president for IT at Anugerah Pharmindo Lestari (Zuellig Pharma). He holds a bachelor's degree in electronics/computers from the Sepuluh Nopember Institute of Technology (ITS) in Surabaya and a master's degree in strategic management from the Prasetiya Mulya Business School (PMBS) in Jakarta. He is also pursuing a doctorate degree in strategic management at the University Indonesia.

Note: The order follows the organization structure from HR Division.

STRATEGIC BUSINESS UNITS

Budi Rachman, Operations Director (AI), Operations Director (MIP)

Budi has over 30 years of experience in mining operations in Indonesia. Prior to joining Adaro's mining subsidiary, SIS, in 2000, he worked in various senior operational positions at PT Pamapersada Nusantara and Freeport Indonesia. He holds a degree in mining engineering from the Bandung Institute of Technology.

Iswan Sujarwo, Deputy COO (AI)

Iswan holds a mining degree from from UPN Veteran 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.

Priyadi, Chief External Affairs Officer (AI), External Relations Director (Balangan), Director (JPI)

Priyadi has over 24 years' experience holding various senior positions in mining engineering, operations, and external relations in the coal mining industry. Prior to joining Adaro in 1991, he worked with Tanito Harum. He holds a degree in mining engineering from UPN Veteran Yogyakarta.

Suhernomo, Coal Processing & Barge Loading Division Head (AI)

Suhernomo has 23 years of experience in coal mining operations and has been with Adaro since 1997. He previously worked with several coal mining companies and contractors in Sumatra and South Kalimantan. He has a degree in mining engineering from UPN Veteran Yogyakarta and a master's degree in environmental management from Lambung Mangkurat University in South Kalimantan.

Agus Subandrio, Quality, Health, Safety & Environment Division Head (AI)

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.

Rommel Cruz, Production Division Head (AI)

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.

Geoff Palmer, Operating Marketing Division Head (AI)

Geoff has over 35 years of experience in coal operations and coal marketing. Prior to joining Adaro in 1997, he worked with Kaltim Prima Coal and Westar Mining's Canadian coal operations. He has a degree in physical metallurgy from the British Columbia Institute of Technology.

Reynard Hanoppo, Domestic Marketing Division Head (AI)

Reynard recently re-joined Adaro after leaving OML in 2008. He has 15 years of experience in coal marketing and previously worked for Peabody Coaltrade Indonesia, Peabody Energy, and Kideco. He graduated from the UK's London School of Economics and Political Science.

Luckman Lie, Finance and Accounting Division Head (AI), Director (JPI), Director (APM), Director (SRM)

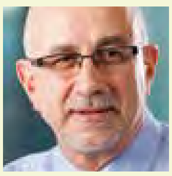
Luckman joined Adaro in January 2003 and has 10 years of experience in the coal industry. Prior to joining Adaro, he worked as an auditor at Presetio, Utomo and Co, a public accounting firm. He graduated from Atma Jaya Catholic University, majoring in accounting, in October 1994.

Jeffrey Mulyono, President Director (BEP)

Jeffrey has over 30 years' experience in coal mining and related businesses. Prior to joining BEP in 2008, he was a director at PT Pamapersada Nusantara and president director at PT Berau Coal. He is the vice chairman of the Indonesian Coal Mining Association (APBI-ICMA) and chairman of the Forum for Forest Reclamation in Post-Mining Areas (Forum RHLBT). He previously served as chairman of ICMA from 2003–2009 and chairman of the Indonesian Mining Association from 2005–2006. He holds a degree in mining engineering from the Bandung Institute of Technology.

Iwan Dewono Budiyuwono, President Director (Balangan)

Iwan has over 28 years of experience holding various senior positions in the mining, healthcare, and automotive industries. He joined the Balangan Coal Group in 2012 as a COO and was later appointed president director. Adaro, through its wholly owned subsidiary ATA, acquired 75% stake of Balangan in April 2013. He holds a bachelor's degree in civil engineering from the Bandung Institute of Technology and an MBA from Institute Prasetya Mulya in Jakarta.



Peter Mucalo, President Director (AEI)

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 coal exploration programs. Peter graduated from the University of Auckland, New Zealand, with a science degree majoring in geology. Most of his coal exploration experience is within Indonesia.

Setiawan, Director (AEI)

Setiawan is a geology graduate from the Bandung Institute of Technology. He has almost 20 years of 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, a joint venture between Adaro and BHP Billiton, performing coal exploration in Central Kalimantan.

Joseph A. Crisostomo, Technical Service Director (AEI)

Joseph joined Adaro in 1994 and has 27 years of experience 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 the Australian Institute of Mining and Metallurgy since 2002.

Anis Sulistiadi, President Director (SIS)

Anis joined SIS in January 2008 and has been its CEO since October 2008. Prior to this, he worked for PT United Tractors for 26 years, holding various senior executive positions. He holds a degree in agricultural mechanization and technology from the Bogor Agriculture Institute.

A Kurnia, Vice President Director (SIS)

Kurnia has over 26 years' experience in the coal mining contracting industry. Prior to joining SIS in 2007, he served as director for plant, human resources development and IT at PT Pamapersada Nusantara. He graduated with technical degree.

Bimantoro Adisanyoto, Human Capital & General Affair Director (SIS)

Bimantoro has over 28 years' experience in finance and administration. He joined SIS in 2002 as finance & administration director. In 2005, he was appointed human capital & general affairs director. He holds a degree in agriculture from Gadjah Mada University, Yogyakarta.

Christina Hiu, Finance Director (SIS)

Christina has over 20 years' experience in finance within the coal mining industry. Prior to joining SIS in 2008, she was a director at PT Pamapersada Nusantara. Christina holds a bachelor's degree in economics from Trisakti University, Jakarta, and an MBA from the University of Texas, USA.

Barry Jones, Operations Director (JPI)

Barry joined Adaro in 1996 as head of maintenance at Kelanis. He was later named Kelanis superintendent, then coal processing and shipping division head, the IBT general manager, and projects technical advisor. Prior to joining Adaro, he had several years' experience within the Australian coal industry. He holds a diploma in electrical engineering, a graduate certificate in maintenance management, and a graduate certificate in management.

Leonard Lembong, Services & Strategic Director (AI), Director (AMT)

Leonard had a distinguished career spanning more than 20 years with the Astra Group, including serving as executive vice president of PT Astra Otoparts Tbk. He joined Adaro's coal mining contractor in May 2010, and has headed Adaro Mining Technology (AMT) since 2011. In addition, he has also served as Services & Strategic Director for AI since 2013. He holds a degree in mechanical engineering from Bandung Institute of Technology.

Terry Ng, President Director (AL), President Director (PBMM), President Director (IBT), Director (SDM)

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, and an Executive MBA from IMD, Lausanne, Switzerland.

Alan Yim, President Director (MBP)

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.

Fakhrol Azmi Harun, President Director (SDM), Director (MSW), Director (PBMM), Director (AL)

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.

Sonny Sidjaja, President Director (IMPT), Director (IBT), Director (AL), Director (PBMM)

Sonny joined Adaro in 2008. Previously, he was head of logistics business for Surabaya at AKR Corporindo Group, then general manager of the HRD and Production Improvement Project at PT Aiwa Indonesia. He holds a mechanical engineering degree from Trisakti University.

Mohammad Effendi, President Director (AP), Director (BPI), Commissioner (MSW)

Effendi joined Adaro in January 2010 to head its corporate social responsibility program. He became involved in Adaro Power in 2011 and has been its president director since 2012. Prior to joining Adaro, he worked for Unilever Indonesia for 31 years, taking on various tasks such as engineering projects, manufacturing and sales. His last position at Unilever was supply chain vice president. He received his electrical engineering degree from the Bandung Institute of Technology.

Adrian Lembong, Business Development Director (AP)

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 the marketing and technical application division in Asia-Pacific. He has a degree in chemical engineering from Karlsruhe University.

Joseph Chong, President Director (MSW), Operations Director (AP), Director (BPI)

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.

Richard Tampi, Business Development Division Head (AP), Director (MSW), Director (TPI)

Richard has 15 years of experience working in various capacities in the mining industry. Prior to joining Adaro in 2007, he worked for PT Freeport Indonesia and Sinarmas Mining and Energy, with his last position being head of marketing and trading. He holds a degree in financial economics from the University of Minnesota.

Ari Hariadi, Project Division Head (ATA), Director (APM)

Ari joined Adaro in 2008 after spending more than 10 years in variety of senior management positions in performance improvement projects in the automotive industry. His main roles now include project management and land asset management to support the operations of the Adaro group. He holds a degree in mechanical engineering from the Sepuluh Nopember Institute of Technology.

Human Resources
Improving Competence and Character

At Adaro Energy, we believe our employees are a critical foundation to position ourselves as a reliable, strong and efficient mining and energy group. To achieve our medium-term production goal of 80Mt, we need to attract talented people as well as support and develop the ones we already employ.

Three main objectives underlie our human resources strategy: First, we aim to strengthen our corporate values and culture to create a conducive working environment. Second, we want to build a strong human resources infrastructure and system by forming and socializing sound policies and procedures. And third, we aspire to create an effective organization through the establishment of the Adaro Recruitment Center, which will standardize human resources qualifications throughout the entire group.

In April 2013, Julius Aslan joined AE as Director & Chief Human Resources, General Affairs, and Information Technology Officer. With more than two decades of experience in this field, he was able to bring several significant improvements to human resources management in the company. In 2013, one of his key focuses was to strengthen the company's corporate values and culture. He began with redefining our corporate values, and then translated those into key behaviors that can be internalized and adopted by our employees.

This process of redefining corporate values started in May 2013 with inputs from all Directors and Commissioners. Our Directors and Commissioners believe values are the essence of a company's identity — the principles, beliefs or philosophy that will help a company conduct business activities in a well-planned and sustainable manner.

We formally launched and introduced the new values to all employees at AE's 21st anniversary event on October 1, 2013. A series of dissemination activities and program implementations has since been carried out for all employees.

To promote the internalization of our corporate values, starting in 2013 we revised our Key

Our directors and commissioners believe values are the essence of a company's identity — the principles, beliefs or philosophy that will help a company conduct business activities in a well-planned and sustainable manner.

Our Values

Integrity
- Protect the company's assets from fraud, theft, and unauthorized use.
- Prioritize the company's interest above the individual interest.
- Only provide factual data and information.

Meritocracy
- Compete fairly and ethically by building competence and delivering the best performance.
- Support subordinates' growth by giving equal opportunity.
- Appraise subordinates' performance objectively.

Openness
- Dare to express different opinions for the best interest of the company.
- Dare to admit mistakes and wrongdoings.
- Welcome others' constructive inputs and feedback.

Respect
- Demonstrate good manners and avoid using rude language.
- Treat everybody with full respect by appreciating their differences.
- Show respect to others by listening to them attentively.

Excellence
- Execute PDCA — Plan, Do, Check, Action — consistently for the achievement of company's objectives.
- Do the best to reach the optimal balance between quality and efficiency.
- Strive to exceed customer expectations.

A regular assembly at AI's South Kalimantan mine-site office.

Staff and Contractor Education Levels at AE and Subsidiaries

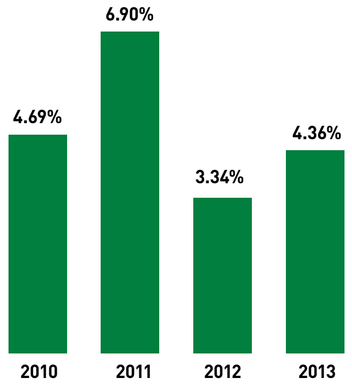
	Doctorate	Masters degree	Bachelors degree	Diploma	School (senior high)	School (other)	Total
PT Adaro Eksplorasi Indonesia		2	17		3	2	**24**
PT Adaro Energy	1	43	114	19	10	1	**188**
PT Adaro Indonesia	1	29	428	96	399	94	**1,047**
PT Adaro Mining Technologies		1	1	1			**3**
PT Adaro Persada Mandiri		3	7	1			**11**
PT Adaro Power		15	22	2			**39**
PT Alam Tri Abadi		4	19	2			**25**
Coaltrade Services International Pte Ltd			10				**10**
PT Harapan Bahtera Internusa			2	16		1	**19**
PT Indonesia Bulk Terminal		2	46	14	123	29	**214**
PT Indonesia Multi Purpose Terminal		2	4	1	2		**9**
PT Jasapower Indonesia			54	10	78	4	**146**
PT Makmur Sejahtera Wisesa		5	42	34	45	2	**128**
PT Maritim Barito Perkasa		3	46	54	60	629	**792**
PT Mustika Indah Permai		5	15	4	8		**32**
PT Paramitha Cipta Sarana					2	6	**8**
PT Puradika Bongkar Muat Makmur			9	6	43	1	**59**
Orchard Maritime Logistics Pte Ltd		5	7	1	1		**14**
PT Sarana Daya Mandiri		1	22		8	4	**35**
PT Saptaindra Sejati		17	570	440	4,546	559	**6,132**
PT Semesta Centramas		1	19	1	10	4	**35**
Yayasan Adaro Bangun Negeri			10		1		**11**
Grand Total	**2**	**138**	**1,464**	**702**	**5,339**	**1,336**	**8,981**

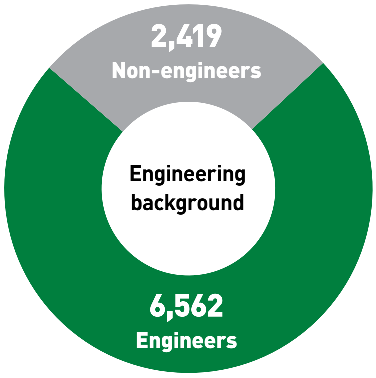
Who Works for Us

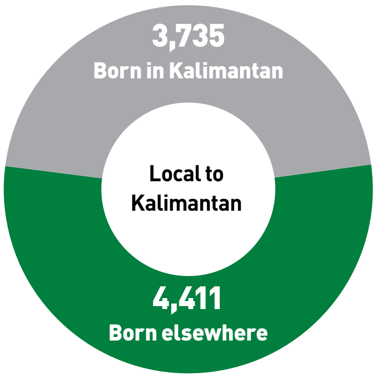
Top: AE employees have a low turnover rate for the mining sector.

Center: Almost 75% of Adaro staff have an engineering background.

Bottom: Many of those working for AI or its contractors and subsidiaries in South Kalimantan are local to Kalimantan.







Performance Indicators (KPIs) to include demerits for behavior that run contrary to these values. We aim to create a culture in which performance is always aligned with values. In addition, we hope that by redefining our corporate values, we create a better workplace that is open and supportive in order to promote excellence in a high-growth environment.

The Right People in the Right Places

Amid the rapidly growing Indonesian coal industry, AE must compete with other blue chip mining and energy companies to recruit and retain the best talent in support of the accomplishment of our goal — to create maximum sustainable value from Indonesian coal.

In 2013, we improved and refined our corporate and job grading system to ensure that talented staffs are in the right place with the right incentives, and to encourage a more competitive reward system and standardize human resource qualifications within AE. Effective job grading will help us place employees in roles that are suited for their personality, skills and abilities.

To synchronize the corporate grading system throughout all our subsidiaries, we classified companies using the Mercer method by business complexity, financial size, and head count. The results of this process have been socialized to our subsidiaries since mid-2013.

Adaro Recruitment Center: Attracting the Best

To anticipate future business needs as we continue to grow, we realize that recruitment and individual development continue to be vital to supporting growth plans at various levels of our operations.

With the goal of ensuring standardized human resource qualification throughout the entire group, we decided to centralize the recruitment process by establishing the Adaro Recruitment Center in October 2013.

To meet the needs of our business units, the Adaro Recruitment Center will seek potential candidates that demonstrate not only competencies that are needed in our business but also characteristics that are in line with our values.

As the company grows, our headcount has continued to increase over the years. In 2013, we hired 410 talented new people, giving us a total of 8,981 employees working together to help AE create maximum sustainable value from Indonesian coal.

Adaro Institute: Strengthening our Human Resources

We work hard to establish various programs that aim to create a better workplace, attract and retain talented people, and develop their knowledge, skills and loyalty.

To support AE's growing business and the need to improve the competencies of our personnel, we regularly conduct training and education programs at the Adaro Institute on value-driven capability, English proficiency, and computer literacy. In 2013, the institute carried out basic competency programs for 490 participants and external training from various experienced coaches in their field for 829 employees.

We are now in the process of refining our Graduate Development Program, and we aim to centralize all graduate programs under AE. At the Adaro Mining Professional Program, participants learn various aspects of the coal mining industry through a curriculum that combines theory with practical and experimental learning. To prepare future business leaders, participants are also given leadership and managerial training to improve their soft skills in managing people and business situations. Graduates are then given jobs within the group based on business needs.

We realize that retaining our talented people is just as important as attracting the new ones. Low employee turnover is a measure of our success in retaining people. From 2010 to 2013, our average voluntary resignation ratio was 4.82%, lower than the industry average of 5%.

In Memoriam: Mr. Soetaryo Sigit

Drs. Soetaryo Sigit, who passed away on January 23, 2014 at the age of 84, had an outstanding career in the government and, in his later years, in the private sector. He shaped Indonesia's mineral industry and was a gentleman and a scholar in all that he did.

Pak Sigit was born in Blitar, Central Java, in 1929 to a large family, many of whom held senior positions in both the public and private sectors.

He graduated from the prestigious Bandung Institute of Technology (ITB) with a degree in geology in 1956. He joined the Mines Department and in his early years was a field geologist covering areas as diverse as copper/gold in Papua and the coal fields of Kalimantan. During this period, he developed and refined one of his key hobbies, that of sketching and painting, particularly outdoor scenes.

Pak Sigit rose through various positions in the Department of Energy and Mineral Resources, finally serving as director general until his retirement in 1989. During his tenure, he helped shape Indonesia's mineral policy and its implementation. He played a key role in the development of the Contract of Work system, which was instrumental in bringing much of the investments in Indonesia's mineral deposits and associated infrastructure.

Equally importantly, Pak Sigit was always available to provide guidance and direction to mining companies — advice that was wise, thoughtful and given only to make Indonesian society a better place, a driving force for him in his career. He was rewarded for his foresight and leadership with an honorary degree from ITB in 1996.

Upon retirement, Pak Sigit took up directorships in a number of companies. AI was fortunate that out of many offers from coal companies, he chose to join its board in 1990 when the company was still at its formative stage. His input was instrumental in setting the foundation of what AI is today. He emphasized the development of people, the need to create a thriving society through CSR programs, and the importance of the protection of the environment. After stepping down as a director to spend more time with his family and for his personal pursuits, he remained as an advisor to AI and continued to help shape the company. His input was sought, and willingly given, at all levels of the company.

Pak Sigit received considerable pleasure from his hobbies of gardening, fruit farming, fishing, painting and sports, but his greatest love was his family. Ill health dogged his later years, but they were eased by the unwavering support of his family. Our thoughts and sympathy go to his wife, children and wider family.

Farewell, Pak Sigit. We owe you tremendously.

Pak Sigit was always available to provide guidance and direction to mining companies, advice that was wise, thoughtful and given only to make Indonesian society a better place.

Adaro Yearbook
Events That Gave Color to 2013

Adaro's 21st Birthday Celebration, Jakarta

Oct.1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Ramadhan Breakfast with 1,000 Orphans, Jakarta

July 19

Celebrating Christmas:
Outreach at Sasana Tresna Werdha Karya Kasih Kwitang, and AE's Jakarta holiday party

Dec. 7 & 13

Employee Gathering, Ancol Ecopark, Jakarta

June 1


"WE ARE THE SUPER TEAM"
adaro


WE ARE
THE SUPER
TEAM

AE President Director Garibaldi Thohir discusses operations overlooking the Tutupan pit at AI's mine in South Kalimantan.

OUR GOVERNANCE

IN THIS SECTION

Corporate Governance
Experienced and Committed Leadership

Good Corporate Governance (GCG) is an integral part of what has led us to where we are today, and is key to our long-term successful operations. We are committed to upholding the principles of transparency, accountability, responsibility, independence and fairness to ensure the interests of all stakeholders are protected.

We are controlled by five highly respected Indonesian families, whose long and successful business relationship can be traced back to the early days of PT Astra International Tbk., one of Indonesia's most respected and well-governed corporations. None of the five families, however, has outright control as they collectively hold approximately 65% of AE. This is unique as it creates a system of checks and balances to make sure decisions are made in the best interest of AE and its varied stakeholders.

We have seven Directors and five Commissioners; three Commissioners and two Directors are key shareholders. They complement each other and bring a wealth of experiences to AE, as some have been with the company since the first tonne of Envirocoal was mined and some have worked with international firms abroad.

The Board of Directors (BoD) and the Board of Commissioners (BoC) have clearly segregated duties and responsibilities with regard to GCG. The BoD is accountable for the company wide implementation of the risk management policy as well as for managing and monitoring AE's group risk profile. The BoC has supervision responsibility on risk management by providing guidance on risk appetite and monitoring the risk profile. The BoC and the BoD serve equally important roles in effectively implementing GCG by independently carrying out their duties, functions and responsibilities within the company.

The company's IPO in 2008 was a concrete step to further strengthen our corporate governance structure, especially in terms of disclosure and accountability. We engage and interact with all 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 in compliance with the Financial Services Authority (OJK) and capital market regulations.

The company's IPO in 2008 was a concrete step to further strengthen our corporate governance structure, especially in terms of disclosure and accountability.

Annual General Meeting of Shareholders (AGMS)

The AGMS enables shareholders to obtain relevant information and make important decisions related to the future of the company that they have a stake in. It also serves as a venue for the management to secure shareholder approval for strategic matters.

On April 19, 2013, AE held its AGMS for the fiscal year 2012 (FY12) at Balai Kartini in Kuningan, Jakarta. Attended by a quorum of shareholders as required by regulation, the AGMS reached the following resolutions:

1) Approved and ratified AE's Annual Report and its consolidated financial statements for the fiscal year ending December 31, 2012. As stipulated in the report dated March 18, 2013, public accounting firm KAP Tanudiredja, Wibisana & Rekan (a member firm of PricewaterhouseCoopers global network) audited the financial statements.

2) Granted full release and discharge (*acquit et de charge*) to all members of the BoD and BoC from the management and supervisory actions carried out in FY12.

3) Approved the use of AE's net income for FY12 after deducting income attributed to non-controlling interests of US$385,347,573 with the following details: US$3,853,475.73 for a general reserve fund, US$117,068,620.92 (or 30.38% of AE's net profit) to be paid out as cash dividend (comprising an interim dividend of US$76,766,308.80 paid on June 12, 2012 and January 15, 2013, and the remaining US$40,302,312.12 paid out as final cash dividend), and US$264,425,476.35 earmarked as retained earnings.

4) Dismissed, granted full release and discharge (*acquit et de charge*) to all members of the BoC after their five years of contribution to AE. We also re-appointed all members of the BoC and appointed Julius Aslan as a new member of the BoD.

5) Granted authority to the BoC to appoint a public accounting firm registered with the OJK to audit AE's financial statements for the fiscal year ending December 31, 2013, as well as to approve and determine its compensation and other requirements within prevailing regulations.

6) Granted power to the BoC to determine remuneration and other honoraria to the BoD and BoC.

We published these AGMS resolutions in two national media (IFT and Republika), as well as the websites of AE and IDX.

Board of Commissioners

The BoC supervises AE's business and management in accordance with the principles of GCG, laws and regulations, and the Articles of Association. As of December 31, 2013, the BoC consisted of five members, three of which are representatives of the major shareholders and two are independent commissioners. An Extraordinary General Meeting determines the appointment and dismissal of any member of the BoC.

Duties and Authority. The BoC 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 in good faith, prudently and responsibly, prioritizing AE's best interests over others. They also must monitor the effectiveness of GCG practices implemented by AE and make necessary adjustments accordingly.

Throughout 2013, the BoC held three official meetings to evaluate AE's operational performance and market updates as well as review financial performance. The attendance of each member is as follows:

3 BoC meetings in 2013

Commissioner	Attended
Edwin Soeryadjaya	3
Ir Theodore Permadi Rachmat	3
Ir Subianto	3
Ir Palgunadi Tatit Setyawan	3
Dr Ir Raden Pardede	3

Training Program. The BoC did not undergo any training program in 2013; however, they regularly shared their extensive experience with employees at the company head office in Jakarta.

Supporting Organs to the Board of Commissioners

Audit Committee

The BoC established the Audit Committee in 2009 to assist them in carrying out their supervision duties to ensure AE is managed properly under GCG principles. The committee's tasks include selecting, appointing and monitoring the performance of Independent Auditor, reviewing AE's financial statements, monitoring risk profile, as well as ensuring that the internal audit functions is working as intended.

The current members of the Audit Committee are as follows:

Ir Palgunadi Tatit Setyawan, chairman.
For a full profile, see page 91.

Dr Irwandy Arif, MSc., member.
A renowned expert in the Indonesian mining industry, Irwandy holds a doctorate from the École des Mines de Nancy, France, and a degree in mining and industrial engineering from the Bandung Institute of Technology. He 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. Irwandy has published various 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, Bandung. He worked at the Astra Group for more than 30 years, including as a trustee on the Astra Group Pension Fund. He began serving as member of the Audit Committee in 2001 and is currently a commissioner at PT Duta Oto Prima, PT Anugrah Power Mandiri and PT Dharma Group.

During 2013, the Audit Committee held 24 official meetings. In these meetings, the Audit Committee discussed a number of issues, such as Audit Committee's work plan for 2013 with Internal Audit Division, Internal Audit's work plan for 2013 with Corporate Planning and Internal Audit Divisions, President Message 2013 with President Director & CEO, organization structure and human resources with Human Resources & General Affairs Division, financial report for FY12 and 1H13 with PwC and Finance & Accounting Division, performance of subsidiaries with Directors of SIS, AP, SDM and MBP, as well as legal compliance with Legal Services Division.

24 Audit Committee Meetings in 2013

Member	Attended
Ir Palgunadi Tatit Setyawan	20
Dr Irwandy Arif, MSc.	24
Mamat Ma'mun, SE.	24

AE's Audit Committee, from left: Dr Irwandy Arif, Ir. Palgunadi Tatit Setyawan, Mamat Ma'mun.

Board of Directors

The BoD consists of executives responsible for managing the company's day-to-day operations in line with the stated goals, objectives and business activities. In carrying out its duties and responsibilities, the BoD receives advice from the BoC. For certain policies, the BoD needs approval from the BoC and/or AGMS. BoD members must carry out their duties in good faith, prudently, responsibly and professionally; in compliance with the Articles of Association and laws and regulatory provisions; and by prioritizing the company's best interests.

Each member of the BoD has responsibilities based on their competency and experience to establish strategies and targets, monitor performance, and mitigate risks to achieve targets. The BoD meets on a regular basis, or as needed, to discuss AE's operational and financial performance, coal market conditions, project progress and other issues that require attention and decision-making. Throughout 2013, there were nine BoD meetings and three joint meetings with the BoC.

9 BoD meetings in 2013

Director	Attended
Garibaldi Thohir	8
Christian Ariano Rachmat	9
Sandiaga S. Uno	7
Chia Ah Hoo	7
David Tendian	8
M. Syah Indra Aman	6
Julius Aslan	6

Disclosures to the Indonesia Stock Exchange in 2013

Disclosure	Date
Announcement of Interim Dividend Conversion Rate	2 Jan
Report on Share Ownership of 5% or More for December 2012	9 Jan
Response on News Coverage — JPN Sued PT Adaro Indonesia	11 Jan
Exploration Activity Report for December 2012	14 Jan
Quarterly Activities Report, 4th Quarter 2012	6 Feb
Report on Share Ownership of 5% or More for January 2013	8 Feb
Exploration Activity Report for January 2013	12 Feb
Report on Share Ownership of 5% or More for February 2013	13 Mar
Exploration Activity Report for February 2013	13 Mar
Announcement of AGM for Fiscal year 2012	13 Mar
Explanation on News Coverage — US$400 Refinancing	14 Mar
Proof of Media Advertisement for AGM Announcement	20 Mar
Financial Report FY2013 and Financial Press Releases	20 Mar
Proof of Media Advertisement for Financial Statement	21 Mar
Disclosure of Certain Shareholder	27 Mar
Invitation to AGM for Fiscal Year 2012	4 Apr
Delivery of the 2012 Annual Report	4 Apr
Proof of Media Advertisement for AGM Invitation	5 Apr
Exploration Activity Report for March 2013	12 Apr
Report on Share Ownership of 5% or More for March 2013	15 Apr
Public Expose Announcement	18 Apr
Adaro Energy AGM 2012 Result and Press Releases	19 Apr
Notary's Resume of 2012 AGM Decision	19 Apr
Proof of Media Advertisement for 2012 AGM Result	23 Apr
Disclosure of Certain Shareholder	24 Apr
Announcement of Dividend Distribution	25 Apr
Public Expose Material Delivery	25 Apr
Proof of Advertisement for Announcement of Dividend Distribution	29 Apr
Disclosure on Balangan Transaction	29 Apr
Quarterly Activities Report, 1st Quarter 2013	30 Apr
1st Quarter 2013 Interim Financial Statement and Press Releases	30 Apr
Disclosure of Certain Shareholder	30 Apr
Report on Public Expose Result	7 May
Exploration Activity Report for April 2013	10 May
Report on Share Ownership of 5% or More for April 2013	14 May
Disclosure of Certain Shareholder	14 May
Disclosure of Certain Shareholder	16 May
Disclosure of Certain Shareholder	30 May

Disclosure	Date
Disclosure on AI Refinancing of US$380 million	3 Jun
Disclosure of Certain Shareholder	3 Jun
Announcement of Final Dividend Conversion Rate	3 Jun
Disclosure of Certain Shareholder	3 Jun
Disclosure of Certain Shareholder	3 Jun
Disclosure of Certain Shareholder	3 Jun
Disclosure of Certain Shareholder	10 Jun
Exploration Activity Report for May 2013	11 Jun
Report on Share Ownership of 5% or More for May 2013	11 Jun
Disclosure of Certain Shareholder	17 Jun
Disclosure of Certain Shareholder	17 Jun
Disclosure of Certain Shareholder	17 Jun
Disclosure of Certain Shareholder	17 Jun
Disclosure of Certain Shareholder	18 Jun
Disclosure of Certain Shareholder	18 Jun
Disclosure of Certain Shareholder	18 Jun
Disclosure of Certain Shareholder	24 Jun
Disclosure of Certain Shareholder	24 Jun
1st Half 2013 Limited Review Financial Statement Announcement	10 Jul
Exploration Activity Report for June 2013	11 Jul
Quarterly Activities Report, 2nd Quarter 2013	31 Jul
Exploration Activity Report for July 2013	12 Aug
Report on Share Ownership of 5% or More for July 2013	13 Aug
2nd Quarter Consolidated Interim Financial Statement	29 Aug
Proof of Advertisement for 2nd Quarter Interim Financial Statement	30 Aug
Response on News Coverage — Tempo Magazine	9 Sep
Exploration Activity Report for August 2013	10 Sep
Report on Share Ownership of 5% or More for August 2013	10 Sep
Exploration Activity Report for September 2013	11 Oct
Report on Share Ownership of 5% or More for September 2013	11 Oct
3rd Quarter 2013 Interim Financial Statement and Press Releases	31 Oct
Quarterly Activities Report, 3rd Quarter 2013	1 Nov
Exploration Activity Report for October 2013	11 Nov
Report on Share Ownership of 5% or More for October 2013	15 Nov
Announcement of Interim Dividend Distribution	4 Dec
Proof of Advertisement for Interim Dividend Announcement	9 Dec
Exploration Activity Report for November 2013	12 Dec
Report on Share Ownership of 5% or More for November 2013	12 Dec

Supporting Organs to the Board of Directors

Corporate Secretary & Investor Relations Division

The Corporate Secretary and Investor Relations Division is mainly responsible for ensuring good communications with the capital markets and that AE is in full compliance with capital market regulations. The Corporate Secretary also heads the corporate communications department.

In 2013, the Corporate Secretary Department and Investor Relations Department merged to form the Corporate Secretary and Investor Relations Division. The Head of Investor Relations was appointed as the head of the merged division and continues to report directly to the Director & Chief Financial Officer. The Corporate Secretary became the deputy head.

Disclosure Committee

We set up the Disclosure Committee to provide clear guidance on the disclosure of material information and regular disclosure activities. We developed a Disclosure Policy in 2008, and subsequently a Disclosure Team comprising senior managers from the Corporate Secretary & Investor Relations, Legal, Operations and Marketing divisions. The launching of the Disclosure Committee reaffirmed our commitment to provide timely, orderly, consistent and credible information in making all required disclosures on a broadly disseminated basis.

In line with the company's emphasis on transparency, the Disclosure Committee is responsible for disclosing information to the regulator and the public in accordance with the provisions of the OJK. Such information disclosures relate to significant and strategic corporate actions deemed influential on shareholders' decision-making. AE's Disclosure Committee consists of the President Director & CEO, Vice President Director & Deputy CEO, Director & Chief Finance Officer, Director & Chief Legal Officer and Director & Chief Operating Officer.

Corporate Planning Division

AE's Corporate Planning Division supports management by developing and implementing a management system, ensuring business effectiveness, and making "Plan, Do, Check, Action" (PDCA) part of our corporate culture.

Internal Audit Division

The role of the Internal Audit division is to provide assurance to the BoD in governance, risk management and control, as well as advice for continuous improvements in existing business processes. Its main function is to provide professional and independent opinions to the BoD regarding the key risks in achieving targets and mitigation plans, as well as recommendations for corrective actions. To carry out its mission, the Internal Audit division has developed an organizational structure, work standards and practices, communication programs and quality assurance programs.

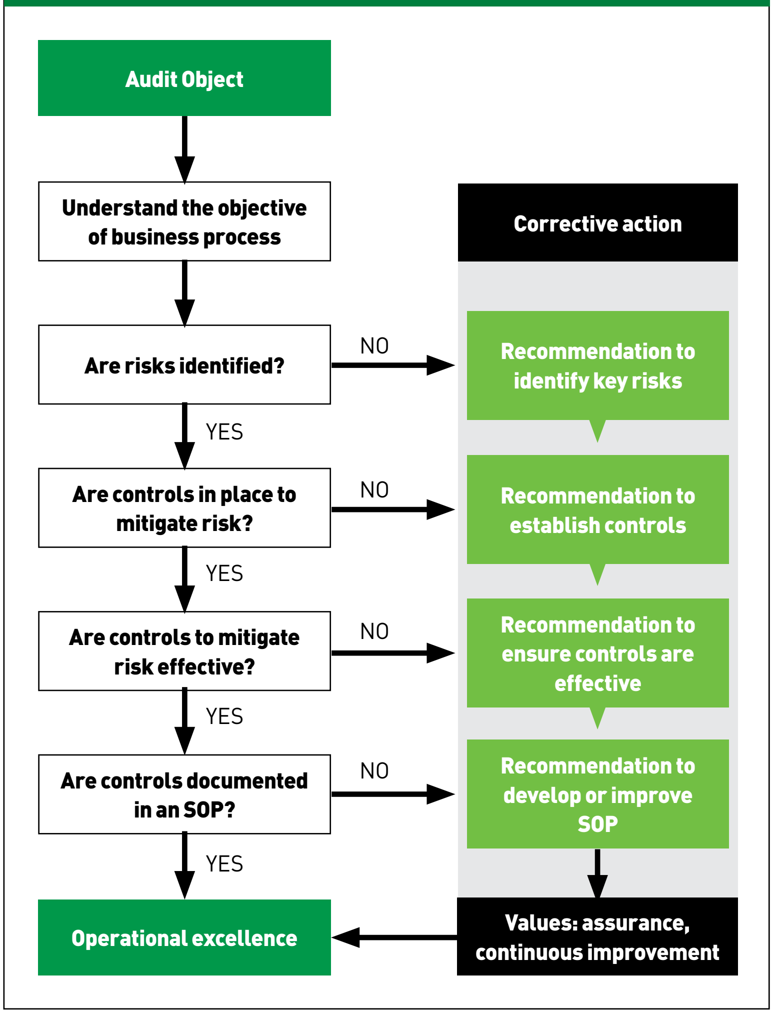
Internal Audit Charter. The Internal Audit Charter gives the Internal Audit division the mandate to perform and execute its authority, duties, and responsibilities competently, independently, and can be accounted for so that it can be accepted by all stakeholders. The Internal Audit Charter has been approved by President Director & Chief Executive Officer and the BoC.

Work Standards and Practices. In carrying out its duties, the Internal Audit Division refers to the International Standards for the Professional Practice of Internal Auditing (ISPPIA) and adopts the Internal Audit Code of Ethics issued by the Institute of Internal Audit (IIA). The division's work standards have been formalized in an Internal Audit Manual.

Internal Audit Structure and Personnel. The Internal Audit Division consists of internal auditors with a variety and complementary range of educational backgrounds and work experiences. This division is led by the Internal Audit Chief, who is directly responsible to the President Director & Chief Executive Officer. At the end of 2013, the division consisted of five people, with plans to add five more in 2014.

The Internal Audit Division also has a training program to ensure that its personnel have

The Internal Audit Approach



adequate knowledge on how to perform their tasks. Each staff member is expected to attend 10 days of training during the year. In 2013, the division's personnel attended an average of eight training days each.

Each staff member has signed a Conflict of Interest Statement to ensure that no conflict exists with their personal interests in the performance of their duties as an AE auditor. In the event that a conflict exists, they are not allowed to be involved in the audit task related to it.

Annual Audit Plan. To provide optimum benefits with available resources, the Internal Audit Division selects the subjects to be included in the annual audit plan based on the assessment of risk priorities. In 2013, the annual audit plan consisted of eight subjects, nearly 90% of which concerned AI. We plan to increase this to 16 audit subjects in 2014.

Audit Report. The Audit Report is distributed to the BoD, Audit Committee and related management to provide a level of assurance through ratings on the adequacy of controls performed by management to mitigate risks. The Audit Report consists of recommendations on corrective actions agreed upon by management and the Internal Audit Division. The implementation of these corrective actions is monitored continuously and the progress is reported to the BoD and Audit Committee on a quarterly basis. During 2013, the Internal Audit Division issued six Audit Reports that consisted of 36 recommendations on corrective actions. At present, 80% of the corrective action recommendations have been completed. The remaining two audit reports were issued in the first quarter of 2014.

Quality Assurance Program. To ensure the quality of the Internal Audit Division's performance, a continuous Quality Assurance Program is implemented internally and by an external party. The results of the self-assessment conducted by the Internal Audit Division in 2013 indicated that it "generally complies" with the IIA Standards.

Code of Conduct

In 2013, we issued updated regulations based on the new corporate values for AE as well as gratification policies. We plan to issue a business code of conduct in 2014 to govern our employees based on AE values — Integrity, Meritocracy, Openness, Respect and Excellence.

A sound risk management system will enhance our ability to deal effectively with potential events that create uncertainty. We want to be able to respond in a manner that minimizes negative impacts and increases positive outcomes.

Remuneration

We employ a performance-based system for determining the BoC and BoD remuneration. In 2013, total remuneration for the BoCs and BoDs of Adaro and its consolidated subsidiaries was US$19.1 million, a 14% increase compared to US$16.7 million in 2012.

Whistleblowing System

AE still does not possess an official mechanism for a whistleblower to report misconducts. However, employees can report any cases of fraud or violation of business ethics, company rules and regulations, articles of association, laws, confidential information and others to their direct supervisor.

AE is committed to the highest standard of conduct and ethical behavior in all of our business activities, and promoting and supporting a culture of honest and ethical behavior, corporate compliance and good corporate governance.

We are considering having a whistleblower mechanism in 2014.

Administrative Suspension

No suspensions or administrative sanctions were imposed on any of our BoC or BoD members by regulators in 2013.

Corporate Social Responsibility

We believe that involvement in our community is a key investment towards sustainable growth. Please see page 134 for more details of our corporate social responsibility programs.

Risk Management

AE believes that it is prudent to have in place risk management systems and procedures to mitigate key business risks and assist in the achievement of strategic objectives.

A sound risk management system will enhance our ability to deal effectively with potential events that create uncertainty. We want to be able to respond in a manner that minimizes negative impacts and increases positive outcomes so we can communicate to our stakeholders our value creation programs and goals with more certainty.

We established our Risk Management Unit in 2010, which is headed by the Director & Chief Financial Officer. This unit works together with senior management to implement our risk management program across the AE group.

We adopted the three lines of defense (3LD) model in our risk management program. The 3LD model involves managing risks (risk owners), overseeing risks (risk management unit, legal, QHSE, finance) and providing independent assurance (internal audit and external audit). All of these functions play important roles in our corporate governance activities.

The risk following map and table overleaf provide a summary of risks currently being closely monitored by our BoD and senior management.

Three Lines of Risk Management Responsibility

RISKS

Risk Owners: Board of Directors, General Managers, Managers — FIRST line of defense

The primary responsibility for identifying and managing risk lies with line management and staff.

Risk Management Unit, QHSE Division, Legal Division — SECOND line of defense

Risk Management Unit supports management in their role by providing guidance, assistance, advice and challenge as required.

Internal Audit / External Audit — THIRD line of defense

Internal Audit and other assurance providers perform independent reviews of the effectiveness of risk management.

Adaro Energy Risk Map

Risk Level: Critical | High | Moderate | Low

Risk trend: Increasing | Decreasing | Stable

External Environment

Macroeconomic • Global economic downturn, sectoral economic downturn	Critical	Increasing
Industry • Alternative products, renewable energy, weaker coal demand	High	Stable
Commodity Price • Coal price decline	Critical	Increasing
Production Cost • Significant increase of production cost	Moderate	Stable
Regulation • Export quota regulation, overlapping regulation of mining license	Critical	Increasing
Government & External Relations • Social issues with local community	High	Stable
Human Threats • Security threats, civil disturbance, hijacking, extortion	Moderate	Stable
Weather • Prolonged rain, climate change, low water at river jetty	Moderate	Increasing
Natural Disasters • Flooding, earthquake, tsunami	Low	Stable

Operational

Core value-generating activities, i.e.
- 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

Health, Safety and Environment • Workplace accidents, inappropriate disposal of waste materials, fuel contamination	Critical	Decreasing
Critical Materials • Non-availability of critical materials, equipment and machines	Moderate	Stable
Production Disruption • Flooding in pit area, slippery road, barge collision	High	Stable
Product Quality • Poor coal quality, contaminated delivered product	Low	Decreasing
Facilities and Infrastructure • Substandard roads, bridges, shallow river depth	High	Stable
Contractors • Poor performance of main contractors, cessation of major contractor	High	Stable
Capacity • Insufficient or excess capacity	Low	Stable
Operational Plans • Erroneous assumptions, material inaccurate planning	Low	Stable
Business Interruption • Disruption of coal supply chain	Critical	Stable
Land Availability • Inability to acquire and use land, land title overlapping	Critical	Stable
Project Management • Project quality, delays, overruns	Moderate	Decreasing

Support Functions

Human Resources • Skill shortages, dependency on key staff, high staff turnover	Moderate	Stable
Governance • Poor risk management, fraud, conflict of interest, damage to reputation, lack of communication	Moderate	Stable
Business Process • Business process failures, non-compliance with Standard Operating Procedures	Low	Decreasing
Financial • Non-availability of working capital, high interest rate, foreign exchange loss, poor liquidity	Low	Stable
Information Technology • IT disaster, hardware damage	High	Stable
Legal and Regulatory Compliance • Non-compliance with rules and regulations, adverse lawsuits, breach of contract terms	Low	Stable
Financial Reporting • Unfairness of financial statements	Moderate	Stable
Sales & Marketing • Inability to meet with contract commitments, lack of qualified sales force	Low	Stable

External Environment Risks

Macroeconomic risks

Risk: Changes in broad economic conditions threaten Adaro's capacity to effectively conduct business and impact the overall size and growth of its markets, which reduces unit sales, pricing power and profitability.
Adaro's operations are exposed to the following risk events:
• Economic downturn
• Global economic weakness
• China's coal import policy that restricts low-calorie coal.

Mitigation: The geographical diversity of our sales helps to reduce this risk. In 2013, AI sold Envirocoal to more than 50 customers in 12 countries. We focus on Asian markets and diversify the type of our customers, so that we are not only dependent on power producers but on other industries such as cement, chemical, and pulp and paper as well.

Commodity prices

Risk: Fluctuations in commodity prices expose Adaro to lower margins.
Risk event: Coal price decline

Mitigation: We secure long-term sales contracts using a mix of fixed prices and index-linked prices. Most of our index pricing is based on the Global Coal Newcastle Index, while part of it is based on the Indonesia Coal Reference Price or Harga Patokan Batubara (HPB). Fixed-price contracts are set either quarterly or annually.

We also accelerated our plans to become an Independent Power Producer (IPP) to reduce the impact of coal price volatility.

Regulations

Risk: Changing rules and regulations threaten Adaro's capacity to consummate important transactions, enforce contractual agreements, or implement specific strategies and activities.
Risk events:
• Export quota regulation
• Production limit regulation
• Unclear regulation for permits / overlapping regulations

Mitigation: AE's Legal Services Division proactively monitors any new rules and regulations to minimize the impact on our operation. We believe that we have exerted our best efforts to ensure our strategic objective is in line with the energy policy of the Government of Indonesia.

Industry

Risk: Changes in opportunities in the industry affect Adaro's attractiveness and the long-term viability of the industry.
Risk events:
• Alternative products
• Renewable energy
• Excess global coal supply
• Weaker demand for coal (i.e slowdown in power plant and/or cement industry)

Mitigation: We promote our low-cost and environment-friendly coal to all potential partners and customers. We optimize our product portofolio to meet customers demand by introducing a new product E4900 during the fourth quarter 2013. We will start phasing out E4700 in 2014.

Government & External Relations

Risk: The lack of support from local communities and local authorities can threaten the sustainability of our operation.
Risk events: Unresolved social issues with local communities

Mitigation: We view local communities as partners and address the needs of the people affected by our operations through several community development programs on health, education, economy and culture. We also conducted an in-house Global Reporting Initiative (GRI) Certified Training Course based on G4 Reporting Guidelines. to ensure that the effectiveness of our corporate social responsibility programs is being monitored properly. We work together with local authorities to streamline our corporate social responsibility programs.

Operational Risks (Core Value Generating Activities)

Health, Safety and Environment

Risk: Failure to provide a safe working environment for workers and activities that are harmful to the environment expose Adaro to excess costs associated with compensation liabilities, loss of business reputation, or increased compensation insurance premiums.
Risk events:
• Unsafe working conditions
• Dust in hauling road may cause accidents or health issues
• Premature blasting
• Explosion in the dynamite and detonator warehouse
• Inappropriate disposal of solid waste materials and waste water
• Vessel accident may cause water contamination
• Fuel leaks during loading and discharging

Mitigation: We continue to improve safety standards to follow international best practices. We also completed the ISO 9001, ISO 14001 and OSHAS 18001 certifications for Coal Processing and Barge Loading (CPBL) at Kelanis in 2013, which will soon be followed in other areas of our coal supply chain.

We implement rigorous safety programs including regular safety talks.

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. We also have water spray systems with dust suppression chemicals for coal stockpiles and conveyor transfer points at Kelanis.

We ensure that mine water from pit de-watering and surface run-off is treated in settling ponds before discharge. We also develop model reclamation areas by re-planting vegetation at ex-mining areas as soon as the land is ready. In addition, we require our contractors to implement our fuel handling management system or risk contract termination.

Business Interruption

Risk: The unavailability of key facilities and infrastructure threaten Adaro's capacity to continue operations.
Risk events:
• Bridge collapse
• Damage to port facilities
• Channel closure
• Major fire at Kelanis power house

Mitigation: We have a well-defined standard operating procedure to anticipate disruption and improve co-ordination along our supply chain. We also have a Business Continuity Management Plan that allows us to respond to any significant events and normalize business activity at the soonest time possible.

In addition, we have sufficient insurance coverage for all property risks and business interruptions, heavy equipment, marine cargo and marine hulls.

Land Availability

Risk: As a mining concession owner, we are not given land titles. Land issues must be dealt with separately with land owners. An increased number of legal issues regarding land, inability to effectively manage legal risk, and inability to acquire land results in losses, delay in execution of strategic goals and objectives, and lower profitability.
Risk events:
• Unable to acquire and use land
• Overlapping land titles
• Administration error in land compensation

Mitigation: We use GPS technology for land mapping and apply land data management. We are developing the Adaro Land Management Information System that contains information on the latest progress of land acquisition, land locations, legal status, and land title certificates. APM is also establishing a Land Acquisition and Land Registration Company Guidance Process.

We negotiate directly with land owners to acquire land at fair market prices. We also work together with local community leaders to promulgate the benefits of Adaro's business plan to communities that will be affected.

Production Disruption

Risk: Inefficiencies from increased cycle time in mining, hauling and barging activities may lead to the failure to meet contractual obligations to customers.
Risk events:
• Flooding in pit area
• Slippery road
• Coal barge collision

Mitigation: We regularly conduct numerous initiatives to eliminate operation weaknesses by improving our business process. We installed additional submersible pumps and dredging system to minimize flooding in our pits. We chipsealed our hauling road and maintain it regularly.

We established AL to better manage and co-ordinate coal barging activities.

Facilities & Infrastructure

Risk: Inadequate facilities and infrastructure to effectively support operations in an efficient, cost-effective and well-controlled manner.

Risk events:
- Substandard roads and bridges
- Insufficient settling pond
- Narrow/shallow Barito River
- Unavailability of key equipment/machinery

Mitigation: We plan to construct additional bridges to shorten lead time and improve business activity along the haul road.

Our subsidiary SDM, continues to dredge the Barito River channel in order to maintain sufficient depth for our barges.

Contractors

Risk: Non-performing contractors may result in decreased productivity or quality, higher costs and damaged reputation/image.

Risk events:
- Services of main contractors below standard
- Loss of major contractors

Mitigation: We engage several contractors for our mine-to-port supply chain operation. Some of our major contractors are our subsidiaries such as SIS (mining, overburden and hauling activities), MBP and HBI (coal and fuel transporter).

We sign fixed-rate and long-term contracts with all of our contractors. We also set specific targets for them to achieve every year and reward those contractors that meet their targets.

The coal testing laboratory at Kelanis. The quality of our coal is vital to our success and is continually monitored.

Acceptable Risk Level

The following provides a summary of the risks that we have successfully managed and continued to address in 2013 through our risk management program. However, we assess these risks periodically to identify any relevant changes.

Production cost. We always look for ways to improve efficiency and lower costs. We continue to improve business processes and reduce costs by improving our collaboration with our contractors to achieve effective, efficient and safe operations. In 2014, AI will also renegotiate its mining contracting rate to be more competitive. We entered into a long-term fuel supply and facility agreement with PT Shell Indonesia to guarantee our fuel needs. We also entered into fuel hedging contracts on a selective basis as we centralize fuel procurement for all our contractors.

Furthermore, we also aim to reduce our dependency on oil and related costs through the OPCC and 2x30MW mine-mouth power plant. We completed the physical construction of the OPCC in 2013, and are now doing reliability testing. Also, we completed the commissioning of MSW's first 30MW unit in 2013 while the second unit was still under commissioning as of the end of 2013.

Weather. Unexpected weather patterns can disrupt our operations. Some of our initiatives to minimize disruption include adding dredging systems to increase pit de-watering and pumping performance, weatherproofing our pit haul roads to reduce stoppage time, and hiring a hydrologist to better predict rainfall pattern.

Natural Disaster. Our assets and business losses are sufficiently insured against natural calamities and occurrences under the AE group insurance program.

Critical Materials. We entered into agreement with vendors to ensure the availability of critical materials, including fuel and explosive materials, for our mining operations at an optimal price.

Product Quality. We upgraded and equipped Kelanis with new metal detectors and magnetic separators for capturing sharp foreign metal objects that are carried by coal. In 2013, AI added a new Quality Assurance Division that aims to ensure the quality of our products meet our customers' specifications.

We also enhanced the mining plan to be in line with the sales plan.

Capacity. The current capacity of our fleet and infrastructure is sufficient to support our future growth. We prepare one-year and five-year plans to ensure we have sufficient capacity while maximizing our margins every year.

Operation Plan. We established a Strategic Plan Division to build a solid long-term plan to identify, anticipate and respond to any potential changes due to both internal and external factors to ensure we can maintain our solid production growth.

Project management. Our Engineering Division is responsible for monitoring our projects to detect and resolve any potential project overruns, delays or poor quality at the earliest stage possible.

Human Resources. A shortage of skilled engineers, mining operators, heavy equipment operators and other technical service personnel may disrupt our operations and delay expansion projects. In 2010, we established the Adaro Institute as a learning center to meet our manpower needs. One of the institute's programs is the Mining Professional Development Program (MPDP) that identifies talented engineering graduates and trains them in mining activities such as exploration, exploitation, health, safety, environmental and production statistical analysis. In addition, our subsidiary SIS offers an Operation Preparation Program (OPP) and a Mechanics Preparation Program (MPP) as part of our commitment with the regional government to address local unemployment.

Governance. We have Audit Committee, Internal Audit Division, and Risk Management Unit, as well as an established strategy and Standard Operating Procedures (SOP) that ensure the implementation of GCG in our operations.

Business Process. We continue to enhance our business processes to align them with the risks identified. We also continue to improve our SOPs and formally document our business processes.

Financial. We have a natural hedge to reduce currency risk. All sales from exports along with a significant portion of domestic sales are priced, invoiced and received in US dollars. Our cost of sales and operating expenses are denominated and paid substantially in US dollars. Furthermore, our financial results, both internal and external, are presented in US dollars.

To manage credit risks, we only deal with customers that have sound financial condition. We have an advantage in terms of payment. Our customers have a maximum 30-day payment period while our payment to our suppliers, vendors and contractors are set for 55 days.

Legal and Regulatory. We have dedicated legal team with vast knowledge and experience in the mining industry. All agreements, contracts with third parties, published reports and other documents that pose legal implications to AE's interests must first be consulted with AE's Legal Services Division.

The legal team ensures full compliance with all regulatory requirements and that AE's interests are fully protected.

Financial Reporting. Our finance and accounting team is supported by PricewaterhouseCoopers, our independent auditor, to prevent any potential non-compliance, ensure fulfillment of regulated reporting standards and assist in compiling the financial report.

Human Threat. We have persistently enhanced the level of security at our job sites by engaging security contractors and improving security training programs.

Information Technology. Risks associated with data integrity and security management have been managed sufficiently. AE's IT team is now implementing a data management system to ensure data integrity. Data is also being protected through regular backups. In addition, a disaster recovery center is being developed.

Indonesia's Regulatory Environment

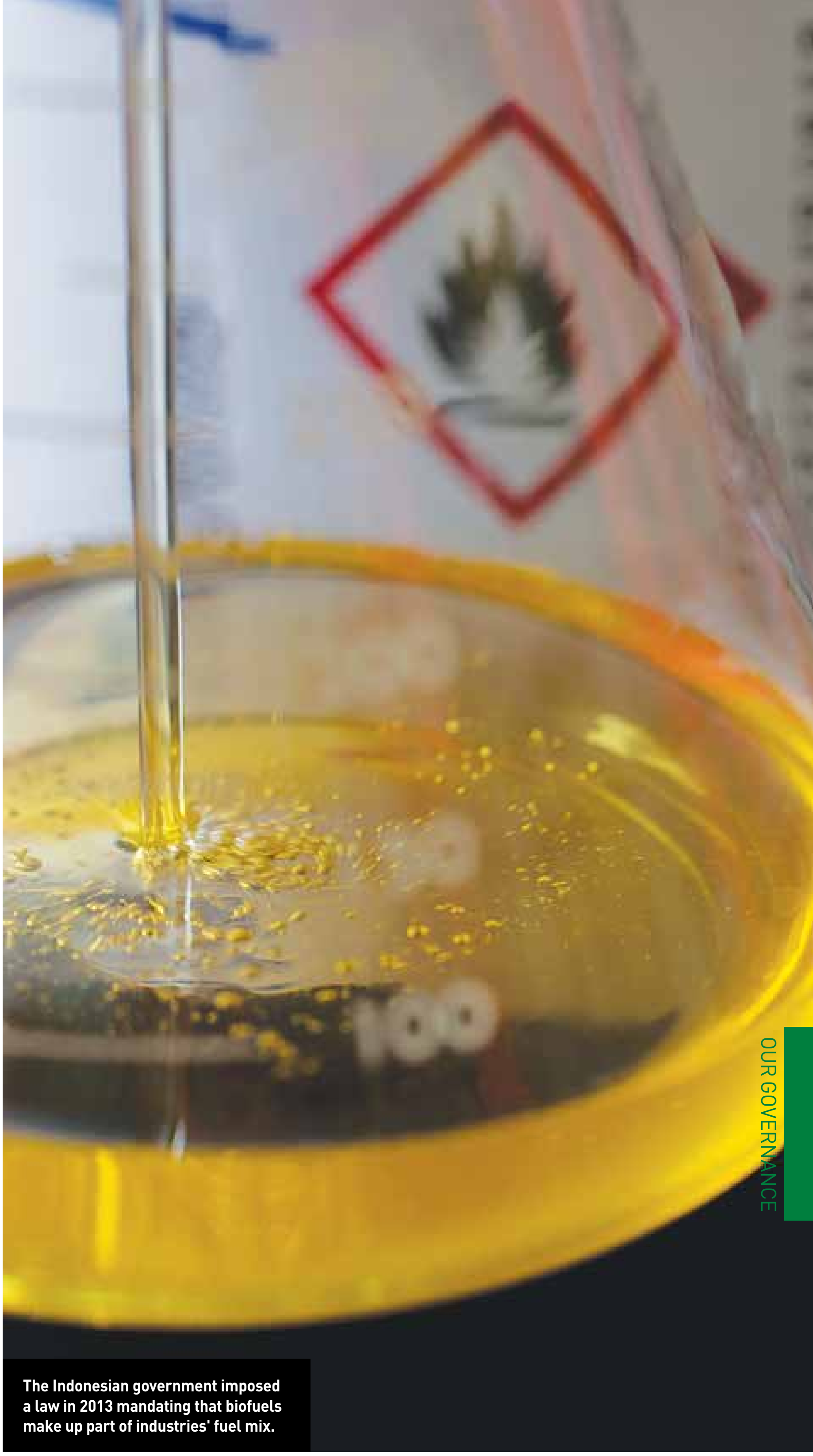
The Indonesian Constitution declares that all natural resources within Indonesia shall be managed by the State and utilized for the Citizen's welfare. Indonesia has introduced several regulations affecting the mining industry with the most recent one being Law No. 4 of 2009 regarding Mineral and Coal Mining (Law No. 4/2009), also known as the New Mining Law, which replaces the preceding mining Law No. 11 of 1967 regarding Basic Provisions of Mining. The ratification of the New Mining Law represents significant change to the previous Indonesian mining regulatory regime. Some of the implementing regulations of Law No.4/2009 are as follows:

1) In September 2009, the Minister of Energy and Mineral Resources (MEMR) issued Ministerial Regulation (MR) No. 28 of 2009 regarding The Conduct of Mineral and Coal Mining Services Business. This regulation provides specific requirements in the utilization and appointment of mining services contractors. On 8 October 2012, the aforementioned regulation was partially amended with MR No. 24 of 2012, which regulates that a holder of mining license may lease equipment from any mining supporting companies holding the Certificate of Registration issued by the Minister, Governor or Regent in accordance with the authorities. We believe that we have complied with MR No. 28/2009 that requires AI to carry out coal extraction activities by itself as well as MR No. 24/2012 regarding equipment leases. Neither regulation has substantial change upon the structure of our operations.

2) In December 2009, the MEMR issued MR No. 34 of 2009, regarding Domestic Market Obligation (DMO) for Mineral and Coal. This regulation obligates mining companies to sell a portion of their production to domestic customers for the sake of national interest and applies to all types of coal and mineral. The DMO figures are set on a yearly basis. On October 8, 2012, MEMR issued Ministerial Decree (MD) No. 2934.K/30/MEM/2012, which states the minimum DMO percentage for the year 2013 to be 20.30%. On December 24, 2013, the MEMR issued MD No. 4023.K/30/MEM/2013 which revised the minimum DMO percentage for the year 2013 to be 20.10%.

We are committed to support Indonesia's growing demand for coal and closely monitor DMO quantity to ensure we fulfil the requirement.

3) In February 2010, the Government of Indonesia issued two implementing regulations for Law No. 4/2009 i.e. Government Regulation (GR) No. 22 of 2010 and GR No. 23 of 2010. GR No. 22/2010 deals with the establishment of the mining areas under Mining Business Permit (IUP), while GR No. 23/2010 regulates the procedure to obtain IUP, the transfer of IUPs, and divestment of mining areas. On February 21, 2012, the Government of Indonesia amended GR No. 23/2010 by issuing GR No. 24/2012, which further governs the transfer of



The Indonesian government imposed a law in 2013 mandating that biofuels make up part of industries' fuel mix.

IUPs, divestment and mining areas. We are closely monitoring the progress of the implementing regulations for the Law and will consider the impact on our operations, if any, as these regulations are issued. Although our CCA expires in 2022, we have been in negotiation and discussion with the Government of Indonesia to find common ground for the extension of our CCA.

4) In September 2010, the MEMR issued MR No. 17 of 2010 which provides details and mechanism for determining the minimum benchmark prices of mineral and coal sales. This regulation determines a minimum price for various coal types based on international and domestic indices and is published monthly. Coal sales shall be conducted with reference to the benchmark price (Harga Batubara Acuan or HBA) issued by the government and pricing beyond twelve months is not allowed. On August 26, 2011, the Director General of Mineral and Coal issued Director General Regulation No. 999.K/30/DJB/2011 on the procedure to determine the adjustment for coal price benchmark. On March 21, 2013, this regulation was then amended by Director General Regulation No. 644.K/30/DJB/2013. We believe that we have complied with the requirements mentioned above.

5) In December 2010, the Government of Indonesia issued an implementing regulation for Law No. 4/2009, namely GR No. 78 of 2010 regarding Reclamation and Post Mining which complements Regulation No. 18 of 2008 regarding Reclamation and Mine Closure issued by MEMR on 29 May 2008. It states that a mining company is required to provide mine reclamation and mine closure guarantees which may be in the form of a time deposit, bank guarantee, insurance or accounting reserve. We have submitted our mine closure plan which has been approved by MEMR on February 14, 2013. As at December 31, 2013, AI placed reclamation guarantees in the form of performance bonds in the amount of Rp 29.5 billion (Rp 63.3 billion in 2012), and accounting reserves in the amount of Rp 22.9 billion.

6) In August 2013, the MEMR issued MR No.25 of 2013 on the Provision, Utilization and Trade Procedures of Biofuel as Alternative Energy Source. This regulation states that companies should gradually mix biofuel with diesel fuel. Pursuant to the percentage stipulated by MEMR, we are trying our best to comply with this regulation. We procure fuel for our operations that is already blended with biofuel. Furthermore, we have also developed a biofuel pilot plant together with Komatsu which uses crude palm oil or crude jatropha oil to produce biofuel.

7) In September 2013, the MEMR issued MR No. 27 of 2013 on the procedure and determination of divestment price as well as changes in capital investment for mineral and coal. It states that foreign company has to partially divest at minimum of 51% of its shares to Indonesian company by the tenth year. The regulation also governs changes in investment and financing sources, changes in company status from foreign investment to domestic investment or vice versa, changes in Article of Association, changes in the Board of Directors and Commissioners and changes in shareholders composition. We believe we have complied with the regulation mentioned above.

8) In September 2013, the MEMR issued MR No. 28 of 2013 on the Procedure of Tender of Mining Business Area and Special Mining Business Area for Coal and Mineral Mining Business. This regulation explains the courses of action and criteria to participate in the auction of coal and mineral IUP and special IUP area.

Children's health and education have long been at the heart of our social engagement program.

OUR COMMUNITIES

IN THIS SECTION

Quality, Health, Safety & Environment
5 Pillars to Support Excellence

To achieve our vision of becoming a leading Indonesian mining and energy group, we are commited to continuously improving occupational health and safety standards as well as environmental standards in our operations. Adaro is keen to collaborate with the local community and government to create a sustainable environment during and after our mining operations. In 2013, we adopted the following five pillars to manage Quality, Health, Safety and Environment (QHSE).

1) Leadership Commitment
Our commitment towards QHSE starts at the Board level and extends across all levels in the organization. Despite the key importance of targets, deadlines and costs, we will not compromise our people's health and safety, as well as the environment. QHSE departments within each of our subsidiaries have the authority to carry out their jobs in the manner they deem effective.

2) Focus on Controlling Major Risks
There are thousands of QHSE risks in mining operations as large and as complex as AE. We must thus focus our limited resources on mitigating major risks. Our QHSE Team goes through every work area and identifies major risks in each and every task. They make sure that adequate controls are embedded in the working and supervision procedures to prevent accidents from taking place.

Toward this end, we implement the Adaro Fatality Prevention Program (AFPP) which identifies and assesses major risks in each activity. The list will serve as guidance for field inspection and evaluation, as well as to ensure the mitigation plan by the team is implemented correctly. Since the program started in 2013, we have identified numerous QHSE risks. Among the top 10 major risks are: faulty mobile equipment operation, explosion, energy isolation (electrical, mechanical, thermal), falling, drowning, and accidents while lifting and towing large and heavy objects.

3) Workforce Education and Training
We employ thousands of people across AE and our subsidiaries, who are exposed to occupational health and safety risks. To keep them safe and healthy, there is no better way than to teach and train each one of them on how to work in a safe and healthy manner.

New workers must undergo a four-day safety induction class and a three-day field orientation before they can obtain a permit to work within an AE project area. We are currently revising our QHSE induction program to be implemented in 2014.

4) Implementation of an International Standard Management System
Without well-documented and publicized policies and procedures, it would be impossible to effectively manage QHSE activities. These policies and procedures are compiled in an integrated management system that conforms to international standards such as ISO 9001, ISO 14001 and OHSAS 18001. Implementation of the management system ensures that each and every task within AE's operation is consistently performed based on a standard procedure that is in line with company policies and conforms to international standards. These are periodically reviewed and evaluated for continuous improvement.

As a first step towards this end, the integrated QHSE management system at the Kelanis coal processing and barge loading division was certified by SGS in 2013. This integrated management system is supported by a database of various historical and current QHSE data.

The coal processing and barge loading operations at Kelanis were chosen to be the first to undergo the certification program due to its strategic role in Adaro Indonesia's (AI) coal distribution. Kelanis received the following certifications: 1) ISO 9001:2008 on International Standard Organization for Quality Management System; 2) ISO 14001:2004 on Environmental Management System; 3) OHSAS 18001:2007 on Occupational Health and Safety Assessment Series.

Leadership Commitment	Focus on Controlling Major Risks	Workforce Education and Training	International Standard Management System	Enforcement

Safety progress boards such as this one at AI's Tutupan site office are prominently displayed at our operation areas.

5) Enforcement

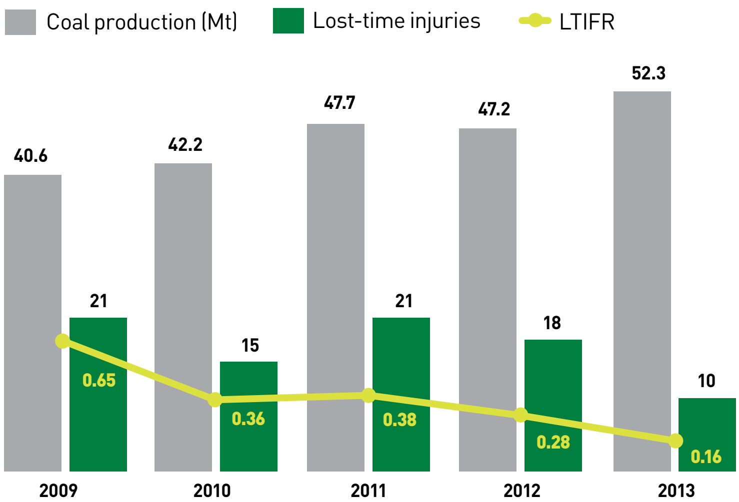
Each and every worker in AE and its subsidiaries must respect and follow QHSE rules and regulations. Those who contribute to QHSE beyond his or her call of duty will be recognized by the company, and those who violate QHSE rules and regulations will be disciplined accordingly.

Occupational Health and Safety

In 2013, there were 80,046,733 man hours worked for AE, accumulated by AI, SIS and IBT. There were 12 lost-time injuries (LTIs) and a lost-time injury frequency rate (LTIFR) of 0.17. Figures for other subsidiaries were not calculated in time for this report. Our core operations at AI in 2013 recorded 62,060,850 working hours with an LTIFR of 0.16. This

AI Safety Statistics

LTIs and LTIFR fell even as production increased to a new record in 2013



Members of our new emergency response teams in action during one of their regular drills.

means there was one lost-time injury for every 6.3 million hours worked. Unfortunately, AI experienced two fatalities and eight LTIs in 2013.

Our 2013 LTIFR and LTI figures improved compared to 0.28 and 18, respectively, in 2012. Although production at AI increased by 11%, we were able to improve our occupational health and safety performance and delivered better than our target LTIFR of 0.25.

As part of our occupational health and safety initiatives, we formed an Emergency Response and Preparedness Team to increase our personnel's ability to handle emergency situations especially in AI operations. In 2013, we established Emergency Response Team Stations staffed with 20 personnel each at two locations, in Wara 73 office and in Kelanis. Each team was trained in basic life support response, first aid response and fire and rescue response. They were also provided with two ambulance units and an ERT vehicle in each station. Our emergency response team participated in the Indonesia Fire Rescue Challenge 2013 and came out as one of the top contenders, placing in the top five of the 22 participants.

PT Saptaindra Sejati (SIS), our mining and contracting services subsidiary, also received the Silver Utama award from the Ministry of Energy and Mineral Resources for safety performance in the award's mineral and coal mining service contractors category. The assessment covered areas such as mining services regulation, hazard identification and risk assessment as well as its control, work health safety program, emergency alert, and audit system.

Environment

We recognize the importance of a balanced 3P (Profit, Planet and People) aspects of our operations. This approach requires a sound environmental management, which has always been a crucial part of good mining practices. This awareness inspires us to keep finding effective ways for minimizing, mitigating and rehabilitating the environmental impact of our operations.

A number of programs have been carefully formulated and implemented to monitor and manage the environmental impact and to conserve natural resources, with the emphasis on using natural resources in the most efficient manner.

In 2013, the government acknowledged our environmental efforts with several awards. For the fourth straight year, we received the Aditama award in coal mining environment management from the Ministry of Energy and Mineral Resources with the highest overall scores. We also received the PROPER Green award for the fifth time from the Ministry of Environment. A green rating signifies that Adaro is not only in full compliance with environmental regulatory requirements but also excels in environmental management, conservation of resources and community development.

These awards were the result of the contribution and support from stakeholders, community members, partners and the government.

Acid Mine Drainage Management

One challenge in our operation is managing overburden. We remove and dispose of a lot of overburden. Certain overburden contains sulfide materials such as pyrite (Fe2S3), which when buried underground is a stable compound. But once the overburden is stripped and placed in the open air, the sulfide materials can react with oxygen and water to produce acid.

The first step in managing Acid Mine Drainage (AMD) is to identify and segregate Potentially Acid Forming (PAF) material from Non Acid Forming (NAF). The identification process is first done during the exploration phase from geological drill core samples and is confirmed later during mine operations using blast hole samples.

In 2013, we successfully developed and began operating our own AMD laboratory to identify PAF and NAF materials. Once identified and segregated, PAF and NAF materials are selectively placed in such a way that at the end PAF materials will be completely encapsulated by NAF materials in the overburden dumping area. The NAF materials are used to build large cell walls and PAF materials are placed inside the cell. When cell is filled, the top part is capped with compacted NAF materials. Topsoil is then placed on top of the cap for reclamation purposes. The encapsulation is to prevent the PAF material reacting with oxygen from the air and water from rainfall and run-off mine water. Among AI's three pits, only Wara mine produces a significant amount of PAF material with low potential of acid generation. Run-off water from the overburden placement area is directed toward drains to nearby settling ponds. Water entering the settling ponds is treated to ensure it meets government effluent standards.

Land Reclamation

We conduct progressive reclamation for land affected by mining operations before, during and after mining activities by planting several types of plants in an attempt to restore the land to a pre-mining condition. During the year, we rehabilitated 19 hectares of ex-mining area and 207 hectares non-mining area. As of the end of 2013, rehabilitated mined land area totaled 148 hectares and for the outside mine area was 1,231 hectares. Moreover, AI also cultivated freshwater fish, poultry and cattle in the reclamation area.

Mine Water Management

Mine water generated in AI's mining area comes from runoff water of land clearing, excavation, transportation areas and rain water. AI takes a careful approach in ensuring that water released to the environment meets the standards stipulated by the government. In AI's system, water pumped from the mine is directed to settling ponds comprising four parts — sedimentation pond, safety pond, treatment pond and mud pond — to settle the

We have carried out extensive efforts to maintain or reduce the impact of our operations on the biodiversity of the land around our mines and to comply with applicable rules and regulations.

Settling ponds to treat waste water at the southern tip of the Tutupan pit at AI's South Kalimantan mine. Ponds are monitored continually.

suspended solids. During 2013, we processed a total of 366,039,283 m^3 mine water in the system.

WTP T-300

Some of the water that has been treated in the settling pond is released to the environment, while some is processed to clean water quality in WTP T-300, a water treatment facility built by AI in 2008. This facility is an innovation reflecting AI's commitment to environmental preservation beyond regulatory compliance since it creates value by producing drinking-quality water safe for human consumption.

To ensure consistent quality that meets the clean water standards stipulated by the Ministry of Health, this facility operates 14 to 15 hours per day, generating 1,100 m^3 of water per day. Quality is checked on a daily basis and samples are regularly sent to a laboratory for analysis.

The clean water produced by WTP T-300 is not only consumed by AI employees and contractors but is also distributed to the surrounding communities, whose geographical condition has made clean water access a luxury. In 2013, this facility produced a total of 299,675m^3 potable water.

Dust Suppression Program

We monitor air quality in our mining areas as well as along the 80km hauling road. To reduce dust we regularly water segments at the mining areas and along the hauling road which have high dust potential. The hauling road is chip-sealed to minimize dust, expedite the trailer traffic and reduce fuel use.

Another measure to reduce dust is by planting trees beside the road to keep dust from travelling to the surrounding villages. The leaves of trees such as eucalyptus, sengon, and bamboos are effective at blocking dust, and these trees are added at 10-meter intervals to the existing trees along the hauling road.

Energy Preservation

We comply with government regulations regarding the use of biodiesel in our operations. In 2011, AE, in collaboration with Komatsu Ltd and PT United

AI's WTP T-300 water treatment plant.

Planting new trees and shrubs at AI's Paringin reclamation area.

Tractors Tbk, inaugurated a pilot plant for biodiesel fuel production. Feedstock materials to be fed into the plant can be crude palm oil or crude jatropha oil. The pilot plant's maximum capacity is two tonnes per day of biodiesel fuel. The purpose of the pilot plant is to gain know-how in biodiesel production and the associated production costs to prepare for larger-scale operation.

Biodiesel produced by the pilot plant is used in heavy equipment, such as Komatsu HD 785, in order to test its performance. Since this is the first biodiesel plant owned and operated by a mining company, Adaro has become the pioneer in the field.

The decision to develop and operate a biodiesel pilot plant is in line with the direction taken by the government as reflected in the Ministry of Energy and Mineral Resources Regulation No 25 of 2013 concerning the use of biofuel. This regulation requires the mining industry, together with other industries, to use 5% biodiesel from September 2013 and ramp it up to 10% in 2014, 20% in 2016 and 25% in 2025. As a result, AI will replace a significant amount of fossil diesel fuel with biodiesel fuel and thus also replace significant amount of CO_2 emissions from fossil fuel with non-fossil fuel, as shown in the graphs below.

Biodiversity Management

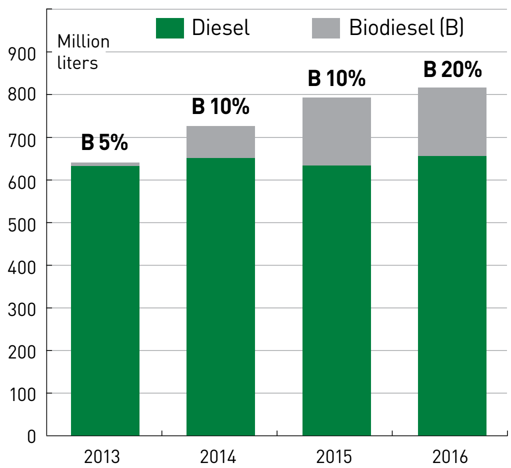
Open-pit mining requires overburden stripping, which causes changes in the landscape, thus affecting the ecosystem and biodiversity.

We have carried out extensive efforts to maintain or reduce the impact of our operations on the biodiversity of the land around our mines and to comply with applicable rules and regulations.

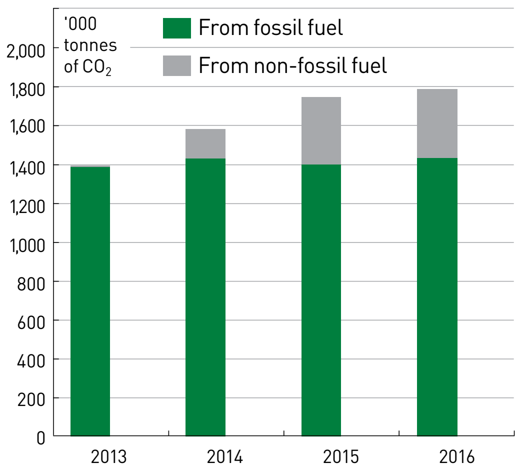
One such effort that we have undertaken is the reclamation of ex-mine area at South Paringin to restore the landscape. Reforestation of mined land in Paringin mine was quite a challenge back in the days, when Adaro first undertook its reclamation activities in the early 90s, especially because the more sophisticated technology had not been available. Adaro's reclamation team had to plant the trees by digging the holes manually, one tree at a time.

More than 15 years later, Adaro's efforts to rehabilitate the land and restore biodiversity have borne fruit, and the area has been restored. There is hardly any indication that the area used to be a coal mine, as it has transformed into a green forest with its natural ecosystem. Wildlife has also come back to the reclaimed area.

AI Fuel Consumption Projection



AI Carbon Emissions Projection



Social Engagement
Taking Our Responsibilities Serious

As a publicly listed mining and energy company, AE believes that good corporate governance goes hand in hand with corporate social responsibility (CSR). We recognize the importance of balancing economic, environmental and social considerations in all our activities.

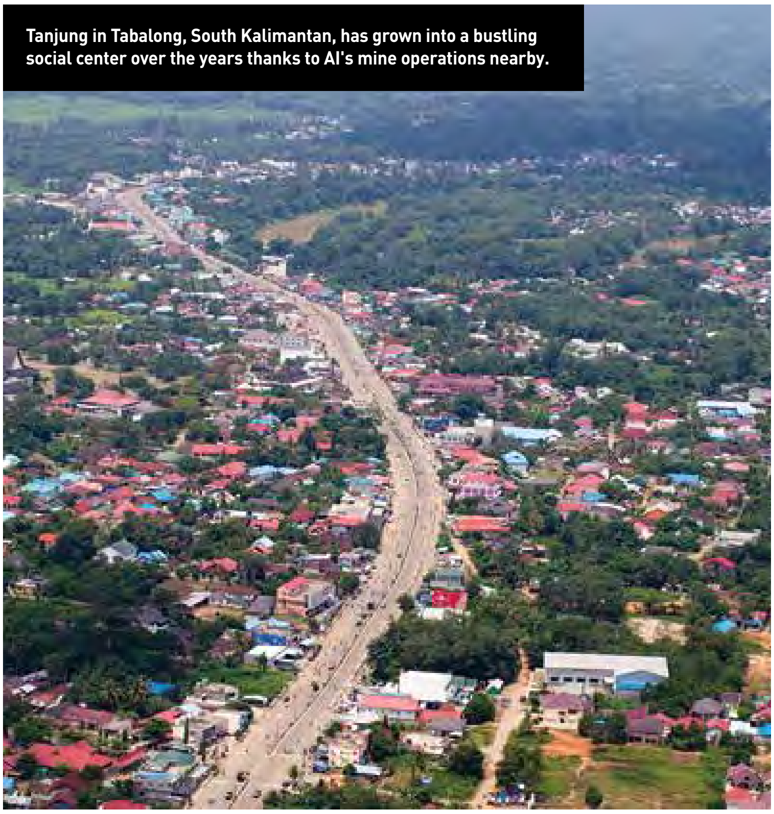
Although the coal industry experienced a downturn in recent years, we are still committed to achieving sustainable business growth by actively pursuing community development activities. For us, building exemplary community development, environmental programs and behaving as a responsible corporate citizen are core activities and one of the reasons for our continued success. Engaging the community allows us to establish strong ties between the locals and the company, which is mutually beneficial and in line with our long-term objective to create maximum sustainable value from Indonesian coal.

We carry out social investment activities both on the national and local levels. Social investment activities for the whole group are administered by Yayasan Adaro Bangun Negeri (Adaro Bangun Negeri Foundation). During 2013, we consolidated and prioritized our social investment activities to emphasize a more efficient structure. We re-evaluated our social investment programs and prioritized them based on impact in the community and self-sufficiency, which means more independent programs that require little guidance from AE. In addition, AE employs the Millennium Development Goals established by the World Bank as guidance in implementing community development programs.

This consolidation created better synergy. We selected key, cross-sectoral programs that delivered a combination of economic, social and health benefits. With fewer programs, AE's personnel can better manage and monitor their implementation. We established an Implementation Monitoring Team to ensure that the output of our social investment programs is aligned with our plan and to make improvement recommendations. We hired graduates from local universities to be members of the team and provided them with training in monitoring and evaluation.

We invest in five main social programs: economic development, educational enhancement, health improvement, environment protection, and socio-cultural promotion. Throughout 2013, we invested a total of Rp107 billion (US$9 million) in these programs. This is 22% lower than in 2012, mainly due to the completion of our flagship project, the Tabalong Islamic Center. We also make in-kind contributions, including equipment and management and training programs/sharing sessions.

Tanjung in Tabalong, South Kalimantan, has grown into a bustling social center over the years thanks to AI's mine operations nearby.



Our Programs for Community Development

Economic Development

The development of economic capabilities is essential to create an independent post-mine community. During 2013, our economic development program focused on capacity building, increasing the participation and involvement of the beneficiaries, and increasing economic opportunities in local communities. One of the programs we carried out in 2013 was Gerakan Pengembangan Adaro Mandiri (Adaro Independent Village Development), which aims to develop entrepreneurial capabilities in villages. Thus far, 106 villages around AI's operational area have participated in the program.

We have also started cultivating tilapia fish in a pond created in a former Paringin mine area to help local fish farmers increase productivity as well as to prove that an ex-mine area is safe for fishery development. In 2013, 137,250 fish were cultivated in the pond and distributed to 97 local fishermen in Tabalong Regency to help strengthen its economy.

Sharing fishing tips by the lake created out of an ex-mine at Paringin in South Kalimantan. We welcome fishermen and have helped set up fish farming businesses.

For us, building exemplary community development, environmental programs and behaving as a responsible corporate citizen are core activities and one of the reasons for our continued success. Engaging the community allows us to establish strong ties between the locals and the company.

One of AE's social programs focuses on supporting cultural events in communities around our operations.

Education Development

It is our belief that investment in education creates stronger communities, and we support several programs toward this end such as providing scholarships for teachers and students and providing school infrastructure.

Our focus in 2013 was on developing science programs in primary schools. Studies have shown that science education is necessary to promote a child's ability in critical thinking, problem solving, innovation and creativity. Unfortunately, students at local schools viewed science as a threat and therefore avoided science subjects. For this reason, we started a program to strengthen science education in local schools in 2010 based on the idea that science is fun. As a result, more than 800 local students participated in the Science Kuark Olympiad, and three made it to the finals. As of the end of 2013, 500 teachers and 1,250 primary and middle school students from 54 schools have participated in the program. A group of teachers trained by AE also wrote a science book that provides several ideas on how to use local content in science teaching. This book has been recommended by the regional government as a learning resource in science for teachers and students in Kalimantan.

Health Development

Our efforts to improve community health are manifested through various programs aligned with the Millennium Development Goals as well as other targets set by the government.

In 2013, we focused on improving sanitation. A study by an organization under the Ministry of Health in 2012 found that 64% of the population in Tabalong Regency did not have access to proper sanitation, which caused 9,492 cases of diarrhea in the same year. We carried out a community-based total sanitation program focused on promoting hand washing with soap and educating residents on the danger of not using proper sanitation. This program is in line with the Ministry of Health's efforts to accelerate improvements in hygiene and access to sanitation.

As part of our strategy to consolidate CSR efforts, we enabled the local youth association to sell standard latrines to the villagers, which in turn created jobs and economic activities. We will strengthen this program in 2014 and target to improve the quality of sanitation in Tabalong and Balangan regencies.

Environmental Responsibility

We added environmental responsibility as another pillar of our social investment program in 2013.

We focused on the conservation of watersheds through bamboo planting during the year. Bamboo is an effective way of managing watersheds because it regulates the quantity and quality of water and also serves as a sediment control system that prevents the reduction of flow in rivers. In addition, bamboo can be sold for handicraft, which gives this program both environmental and economic value.

Socio-Cultural Development

Culture is an important part of our community's life. We believe respecting local culture and local wisdom will foster mutual trust and respect between AE and the community, which in the long run will strengthen our operational foundation.

In 2013, we organized the Art and Culture Performance of Dayak Deah Kampung Sepuluh event. Dayak Deah is the indigenous tribe of Tabalong Regency. In preparing this event, members of the local community and volunteers conducted extensive research into the Dayak Deah tribe culture, and planned the event with the supervision of Adaro. We plan to hold this event regularly and turn it into a tourist attraction that will foster the tourism industry and contribute to local economic growth.

At Adaro Energy, we continually look for efficiencies — including expanding our Kelanis Dedicated Coal Terminal — to help reduce our coal cash cost and make the company more attractive to long-term investors.

OUR INVESTORS

IN THIS SECTION

Investor Relations
Engaging the Market

We have an active global investor relations (IR) program consisting of six IR professionals with the principal goal of helping to lower AE'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 company, including Finance, Legal, Marketing, Operations, Project Development and Business Development. We believe that a strong culture of internal disclosure is essential for good external disclosure. In 2013, IR merged with the Corporate Secretary and Corporate Communications groups, strengthening the collective voice of the company and providing added support to the IR function. These divisions now report to the Corporate Secretary and Investor Relations Division Head, Cameron Tough.

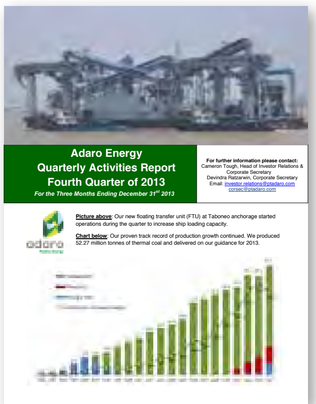
As part of the Finance Department, IR reports to the Director and Chief Financial Officer. However, as the main liaison between the company and the capital market, IR communicates with all members of the BoD and many different parts of the company. Support from the BoD and the rest of the company was evident in their participation in several conferences and meetings in 2013.

Our President Director and CEO, Garibaldi Thohir, attended a meeting with one of our largest public shareholders in Jakarta. Our Director and CFO, David Tendian, supported us through numerous shareholder meetings and presented at a public expose hosted by the Indonesian Stock Exchange. When IR attends a conference or roadshow without a Director, we often bring senior leaders of AE to provide our shareholders with a unique perspective within the company. Senior marketing, business development, exploration and operations personnel frequently joined us in meeting with investors.

2013 Activities

During 2013 we had regular presentations and meetings with key financial market participants. We took part in 20 conferences and seven roadshows, including a domestic roadshow for the second year in a row, as well as organized seven site visits for analysts, institutional investors, financial media, and even two US Ivy League universities. 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.



Recommendations of Analysts Covering AE

Firm	Analyst	Recommendation	Target price	Date
Macquarie	Riaz Hyder	outperform	1280	03/27/14
Deutsche Bank	Albert Saputro	buy	1130	03/20/14
RHB Research Institute Sdn Bhd	Shekhar Jaiswal	neutral	1020	03/17/14
Samuel Sekuritas Indonesia	Yualdo T Yudoprawiro	hold	1050	03/12/14
Panin Sekuritas	Fajar Indra	hold	1000	03/12/14
Kresna Graha Sekurindo Tbk PT	Devinna Kristanto	buy	1250	03/12/14
Bank of America Merrill Lynch	Daisy Suryo	underperform	1050	03/12/14
Credit Suisse	Ami Tantri	outperform	1300	03/11/14
Citi	Ferry Wong	buy	960	03/11/14
DBS Vickers	June Ng	hold	1000	03/11/14
CIMB	Erindra Krisnawan	add	1420	03/11/14
Bahana Securities	Jennifer Frederika Yapply	reduce	850	03/11/14
Mandiri Sekuritas PT/Indonesia	Ariyanto Kurniawan	neutral	1050	03/11/14
PT ONIX Capital Tbk	Bagus Hananto	hold	1000	03/11/14
Barclays	Ephrem Ravi	equalweight	1100	03/11/14
Morgan Stanley	Wee Kiat-Tan	overweight	-	2/26/2014
Maybank Kim Eng	Isnaputra Iskandar	buy	1150	02/13/14
Sucorinvest Central Gani	Andy Wibowo Gunawan	buy	1180	02/05/14
Goldman Sachs	Nikhil Bhandari	sell/neutral	850	01/23/14
JPMorgan	Daniel Kang	neutral	1100	01/22/14
UBS	James C Stewart	buy	1300	01/15/14
Standard Chartered	Chen Yan	in-line	1141	12/17/13
AmCapital Indonesia	Viviet S Putri	buy	1300	11/25/13
PT Batavia Prosperindo Sekuritas	Arandi Nugraha	hold	1040	09/03/13
Trimegah Securities Tbk PT	Frederick Daniel Tanggela	buy	1050	08/30/13
BNI Securities	Yasmin Soulisa	hold	1400	04/18/13
PT Sinarmas Sekuritas	James Wahyudi	buy	1670	03/21/13
Indo Premier Securities	Stephan Hasjim	-	-	-
BNP Paribas	Kunal Agrawal	-	-	-
Ciptadana	Andre Varian	-	-	-

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. In 2013, we engaged for the second year in a 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 (pictured left), which goes beyond the requirements of compliance rules. Once information is submitted to the Indonesia Stock Exchange, it is uploaded onto our website 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 order to further provide accurate, timely, and easy to find information about AE to the capital markets, we launched a new and improved website in 3Q13. We personally think it is a first-class website but don't take our word for it, please visit us at www.adaro.com.

In 2014, in addition to maintaining our standard programs to build understanding, recognition and the credibility of AE in the capital market, and meeting or exceeding 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.

As of year-end 2013, AE had one of the highest numbers of analysts covering the company in the Indonesian coal sector, with coverage from at least 30 analysts from domestic and international brokerages. We had a Bloomberg consensus rating of 3.63 (on a scale of 5) consisting of 13 buys, 16 holds and 3 sells.

Our average daily trading value in 2013 was US$5.28 million, the highest in the Indonesian coal sector and above the sector average of US$3.54 million. As of year-end 2013, our top 10 public shareholders consisted of blue-chip, long-only institutions that together held 10.5% of AE.

Analyst Perceptions Survey
How the Market Sees AE

Each year we conduct a 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 whether market activities are based on a good understanding of the firm.

In addition to helping shape corporate strategy, these surveys are also used to judge whether the firm is doing a good job of educating the market and building understanding of our business and outlook.

The perception survey results demonstrated that the capital market views solid fundamentals, management and planning as the most important criteria for investing in Adaro. We introduced our Operational EBITDA and Core Earnings figures in the FY2013 financial press release to better demonstrate our quality of earnings and 85% of respondents found this useful.

It was interesting to note that while we are still viewed as a coal miner, a greater number of respondents saw us as an integrated energy company, 36% in 2013 vs 30% in 2012. As the coal market has remained in a cyclical downturn, our move downstream into more reliable, less risky power generation has seen greater acceptance, supported by 79% of participants thinking we should increase our IPP business and 68% viewing our move into power as excellent or very good. More respondents in 2013 agreed with our current core strategy to focus on Indonesia; however, nearly 42% thought AE should focus more on short-term cash generation compared to 29% in 2012.

Recent coal acquisitions remain the one aspect of our business that was rated average; whereas, respondents rated substantially all other aspects of our business to be very good. Interestingly, 56% believed we should acquire more coal assets.

In a year dominated by macro discussions, the question on everyone's mind was when will the oversupply in the coal market end and rebalance? The most popular answer at 40% was 12 to 18 months and 29% responding 6 to 12 months with beyond 18 months not far behind at 27%.

Of note, more than 80% believe in the long-term fundamentals of the coal business.

There is so much valuable information we get from conducting these surveys and we are pleased to share the results with our partners. Thank you to all who participated.

The survey results in full, based on the answers of 77 respondents:

Which best describes you:

Shareholder	9%
Equity Investor — hedge fund	3%
Equity Investor — long only	**22%**
Bond Investor	11%
Institutional Sales	4%
Sell Side Analyst	16%
Journalist	3%
Employee	14%
Other	**18%**

What is your preferred method of receiving information from companies?

Corporate website	18%
Social media	0%
BBM/texting	0%
Telephone	1%
Conference calls	7%
Email	**57%**
In person meetings	17%

What is your preferred data source when analyzing investments?

Websites	12%
Social media, blogs	1%
Print media	3%
Analyst/broker	13%
Company reports	**51%**
Company representatives/IR	20%

What are your two most important considerations in making a decision to invest?

Dividend yield	13%
Earnings per share	7%
Free cash flow	25%
Revenue projections	12%
Competitive advantage and sector trends	36%
Capital appreciation	8%
Management and planning	**39%**
Outlook	21%
Fundamentals	**39%**

Which best describes Adaro Energy?

Indonesian	9%
Family-run company	1%
Integrated energy company	36%
Coal miner	**43%**
International mining corporation	11%

Select two reasons why one would invest in Adaro

Emerging market	10%
Indonesian	14%
Asian	1%
ASEAN	4%
Dividend	4%
Long-term	18%
Value	14%
Capital appreciation	3%
Growth	17%
Mining	8%
Commodity	13%
Energy	18%
Solid fundamentals	**36%**
Management and planning	**36%**
Corporate governance	8.4%
Transparency	7.7%

In a year dominated by macro discussions, the question on everyone's mind was when will the oversupply in the coal market end and rebalance? The most popular answer at 40% was 12 to 18 months and 29% responding 6 to 12 months with beyond 18 months not far behind at 27%.

Select one to describe Adaro's:

	Excellent	Very Good	Average	Poor	Horrible
Reputation	32%	62%	4%		
Management team	27%	63%	7%	3%	
Key shareholders	19%	58%	22%		
Strategic plans	17%	61%	21%		
Business outlook	10%	31%	40%	19%	
Corporate governance	21%	53%	23%	3%	
Disclosure/transparency	29%	47%	24%		
Investor relations	46%	43%	11%		
Quality of earnings	13%	47%	39%		
Financial structure	16%	51%	30%	3%	
Stock trading liquidity	12%	52%	36%		
Recent move into the IPP business	19%	49%	32%		
Recent coal acquisitions	12%	32%	45%	10%	
Corporate social responsibility	17%	44%	37%		
Health, safety and environment	21%	43%	34%		

Do you feel the market has a good understanding of Adaro's business or are there significant misperceptions?

Very well understood 20%
Good understanding 45%
General understanding 31%
Not well understood 4%
Significant misperceptions 0.0%

How do you rank Adaro against its peers?

Much better 31%
Better 65%
Same 4%
Worse 1.3%
Much worse 0.0%

When do you think the oversupply in the international coal markets will come to an end and the market will rebalance?

0-6 months 3%
6-12 months 29%
12-18 months 40%
Beyond 18 months 27%

	Yes	No	Indifferent
Do you believe the government regulations as well as the lower coal prices will reduce the volume of undocumented, illegal coal mining in 2014?	57%	27%	16%
Do you believe China will eventually ban or restrict low rank coal imports from Indonesia?	31%	56%	13%
Do you believe China's concerns with pollution will require it to significantly reduce its consumption of coal?	37%	55%	8%
Are you confident regarding the economic outlook and political stability of Indonesia?	79%	10%	11%
Do you believe ASEAN will be the next region to experience significant economic growth?	77%	10%	13%
Do you believe QE tapering will have a negative impact on the capital markets of the emerging markets in the Asia-Pacific region?	53%	28%	19%
Do you believe the image of coal has improved, stayed the same or gotten worse during 2013?	21%	52%	27%
Do you believe in the long-term fundamentals of the coal business?	80%	10%	10%
Do you believe that coal brings benefits to society that outweigh the environmental costs?	58%	15%	27%

Yes No Indifferent

Do you think Adaro Energy should:

Acquire more coal assets to capitalize on the low coal price environment?

56% 29% 15%

Expand internationally?

33% 55% 12%

Diversify into other minerals?

26% 61% 13%

Increase spending on research and development?

49% 24% 27%

Increase focus on coal enhancement technologies?

83% 10% 7%

Focus more on short-term cash generation?

42% 40% 18%

Consider other sources of energy like gas, geothermal and hydro?

56% 28% 16%

Increase downstream move into the power generating (IPP) business?

79% 11% 10%

Take less risk?

37% 32% 31%

Take more risk?

26% 42% 32%

Coal mining is a long-term, capital intensive and cyclical business, which may result in periods where cash flow and returns temporarily decline. Do you believe Adaro should be doing more to "smooth" out long term cash flow and returns by moving into less long term or less cyclical businesses?

47% 35% 18%

Do you believe our Operational EBITDA and Core earnings numbers are useful in showing our quality of earnings?

85% 3% 12%

Do you believe that...

Adaro Energy has a good record for health, safety and the environment?

73% 4% 23%

Adaro Energy has a good record of community development, or in other words, has a good record of corporate social responsibility?

69% 2% 29%

Concerns about the environmental impact of coal pose a significant threat to Adaro Energy?

60% 32% 8%

The business climate and standards in Indonesia pose a threat to Adaro Energy?

48% 41% 11%

Indonesia's regulatory environment poses a threat to Adaro Energy?

53% 31% 16%

How often do you visit Adaro's website?

Very often 10%
Often 23%
Occasionally 52%
Rarely 11%
Never 5%

Excellent Very Good Average Poor Horrible

How would you rate...

The quality of information provided by Adaro Energy's website and email alerts?

17% 67% 15%

The transparency of Adaro Energy's financial reporting and disclosure?

27% 54% 19%

The credibility and candor of the Adaro Energy IR team?

30% 53% 17%

The quality and depth of the Adaro Energy IR team's answers to your inquiries?

24% 63% 13%

The industry knowledge of Adaro Energy's IR team?

23% 65% 12%

The accessibility and responsiveness of Adaro Energy's IR team?

25% 63% 12%

Adaro Energy's IR in terms of providing access to senior management?

12% 53% 29% 7%

Adaro's Annual Report?

39% 53% 8%

Adaro's Quarterly Activities Report?

32% 54% 14%

Adaro's press releases?

25% 56% 19%

Adaro's investor presentations?

29% 60% 19%

Adaro's email alerts?

33% 49% 18%

Adaro's results conference calls?

22% 51% 25%

On which area(s) should Adaro focus its efforts to improve investor relations?

Better quality disclosures 35%
More timely disclosures 23%
Better address specific financials 25%
Better convey corporate strategy and objectives 58%
Better promotional and marketing efforts 19%
More media engagement, interviews 23%
Create more news flow 29%
Better access to the Board of Directors 25%
Better website 15%

www.adaro.com Survey
Thoughts on Our New Website

In line with Adaro Energy's commitment to transparency and to equipping our investors and stakeholders with timely information, in 2013 we redesigned and improved the content of Adaro Energy's corporate website, www.adaro.com.

In September we unveiled the new site, which offers a series of new features dedicated to giving a clearer and fuller insight into the company and giving investment-focused users more tools and faster ways to find information.

We intend that the site should become the primary source of information for everyone interested in Adaro and our business, and we asked for your feedback on the new-look site in a survey. Here are the encouraging results, showing an overall high level of acceptance and appreciation. Thanks to all who took part in the survey.

What brought you to www.adaro.com website today?

to learn more about Adaro's operations 7%
to read Adaro's latest publications (reports, press release, disclosures to IDX and presentation) 5%
to find contact information 2%
to apply current job vacancies 84%
to find out more about industry update 2%
to find out more information about Adaro's subsidiaries 0%

Did you find what you were looking for today on our website?

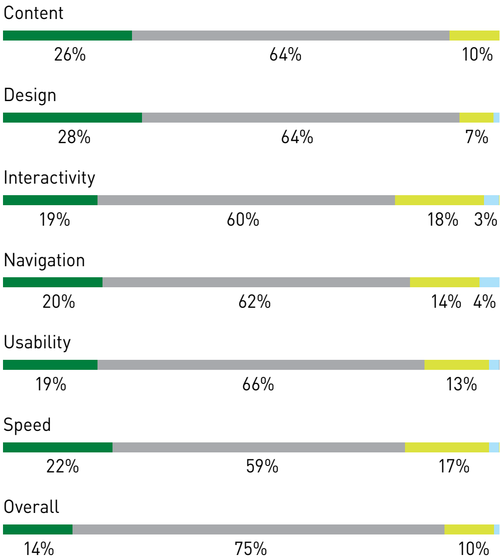
Yes 73%
No 27%

How often do you visit our website?

Daily 15%
Weekly 35%
Monthly 16%
Quarterly 5%
Annually 3%
Rarely 23%

Excellent Good Fair Poor

How would you rate our new website in terms of the following:



How likely are you to recommend our website to others?

Extremely likely 16%
Quite likely 35%
Moderately likely 40%
Slightly likely 7%
Not at all likely 2%

How often do you visit social networking websites?

Extremely often 13%
Very often 36%
Moderately often 35%
Slightly often 11%
Not at all often 5%

Shareholder Information
Withstanding Pressure

Adaro Energy listed its shares on the Indonesia Stock Exchange (IDX) on July 16, 2008, following an Initial Public Offering (IPO) that raised Rp12.2 trillion (US$1.3 billion). The net proceeds from the 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. The IPO was held to simplify the corporate structure into a single holding company and was aimed at enabling Adaro Energy to better control and strengthen its coal supply chain.

Indonesian Stocks 2013

There were a number of pressures on the Indonesian economy in 2013 that led to slower growth, such as a higher inflation rate, widening current account deficit and the depreciation of the rupiah.

The weak market conditions and uncertainty surrounding the 2014 elections caused investments in Indonesia to slow down, as investors adopted a wait-and-see approach.

The Jakarta Composite Index (JCI) of the IDX decreased slightly from 4,317 points on December 28, 2012, to 4,274 points by the end of 2013. This result was the third-worst annual performance of JCI in the past 13 years. However, the total stock market capitalization by the end of December 2013 amounted to Rp4,219 trillion, up 0.02% from Rp4,127 trillion at the end of 2012.

The JCI peaked at 5,215 on May 20, 2013, driven mainly by the infrastructure, consumer and manufacturing sectors, and hit its lowest level of Rp3,968 on August 27, 2013.

ADRO Performance

On December 31, 2013, AE (ADRO) shares closed at Rp1,090, down 31.45% from Rp1,590 at the end of 2012, mainly due to the prolonged period of weak coal prices caused by oversupply. It dropped in the second and third quarters following a further decline in the coal price due to depreciation of the Indian rupee and Australian dollar, weakening Chinese domestic price and the cyclicality of the monsoon season in India.

Our operations ran well due to our resilient business model, which allowed us to remain among the lowest-cost coal producers with an EBITDA margin of 25% in 2013. However, the weak global coal price had a tremendous effect on all Indonesian coal mining companies, including AE.

The decline in AE's share price meant a decline in its market capitalization. AE's market capitalization reached its lowest point of Rp20.80 trillion in 2013, but ended the year at Rp34.86 trillion. Although this represents a 31.45% drop from Rp50.86 trillion at the end of 2012, we remain one of Indonesia's largest listed mining companies.

ADRO reached its highest level for 2013 of Rp1,770 on January 2 and 3 and reached its bottom of Rp640 on August 2.

ADRO is included in various indices besides the JCI in the IDX, such as the Main Board Index, Mining Index, Jakarta Islamic Index, LQ45, Kompas 100, Bisnis-27 and Sri-Kehati. At the end of 2013, the Mining Sector Index closed at Rp1,429, down 23% from Rp1,864 on December 31, 2012. The LQ45 Index had better performance in 2013 compare to ADRO and the Mining Index. It dropped only 3.2% from Rp735 at the end of 2012 to Rp711 at the end of 2013. The Mining Index reached its highest level of Rp2,005 on February 14, 2013, while the LQ45 reached its highest level of Rp884 on May 20, 2013.

ADRO's average daily liquidity in 2013 was US$5.3 million, lower compared to US$6.7 million in 2012.

We were the 19th most liquid stock in the LQ45 index and the most liquid stock among Indonesian coal mining companies, which made our stock price more volatile compared to our peers.

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

Realization 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%**

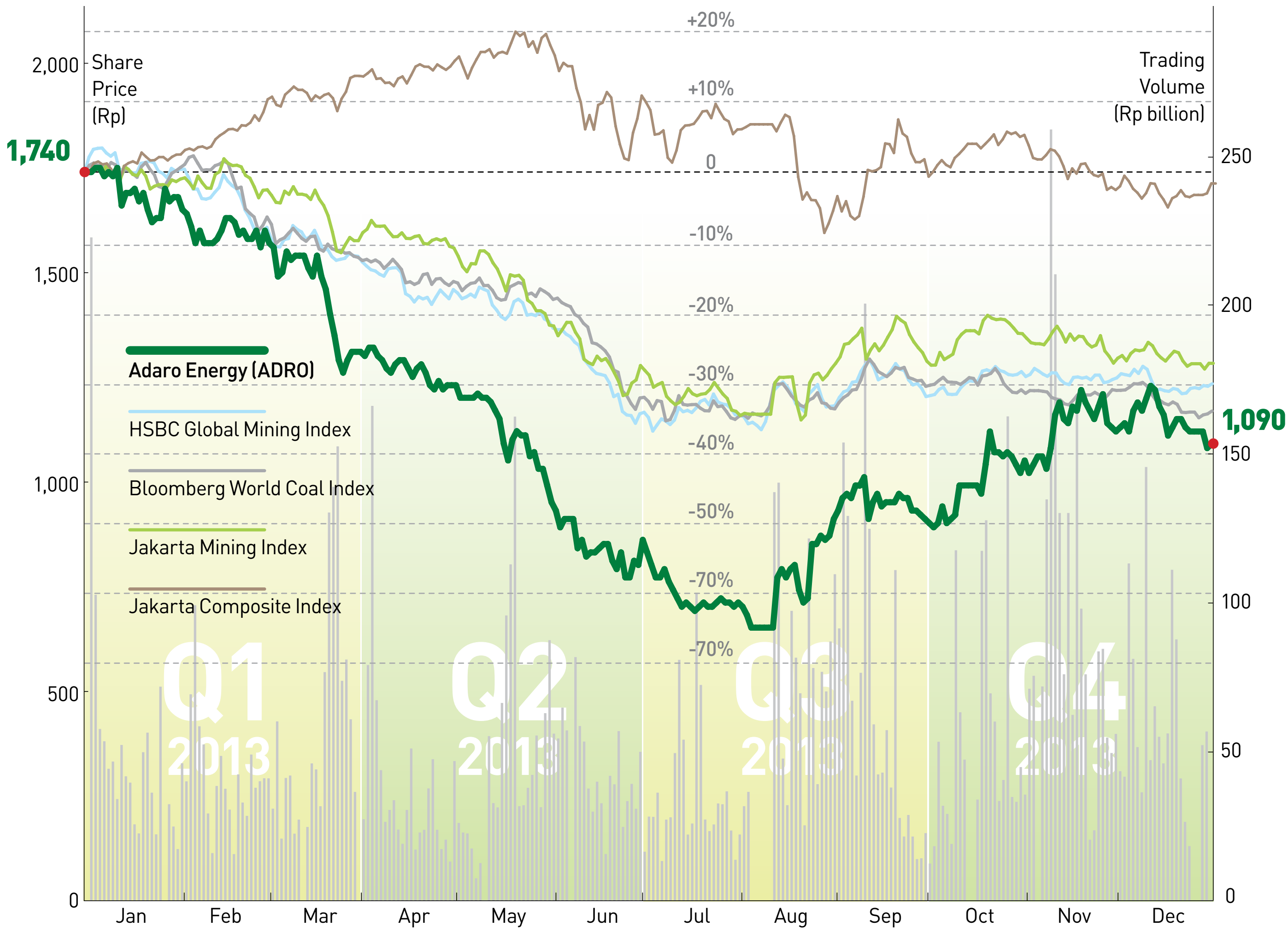
ADRO vs International Indices

	Open on July 16, 2008	Open on Jan 2, 2013	Close on Dec 31, 2013	% Change Jan-Dec 2013
ADRO	**1,100**	**1,740**	**1,090**	**-37%**
JCI	2,215	4,346.48	4,274.18	**-2%**
DJIA	10,963	13,412.55	16,576.66	**24%**
S&P 500	1,245	1,462.42	1,848.36	**26%**
FTSE 100	5,172	6,027.37	6,749.09	**12%**
NIKKEI	12,755	10,688.11	16,291.31	**52%**
JAKMINE	2,215	1,969.01	1,429.31	**-27%**
Bloomberg Mining	405	315.41	225.77	**-28%**
Bloomberg Coal	903	367.28	238.83	**-35%**
HSBC Mining	5,172	1,194.63	873.71	**-27%**
HSBC Coal	12,755	991.25	675.87	**-32%**

Market Capitalization

	Share Price		Market capitalization
	2013	2012	
Open	1,590	1,770	55,655,573,880,000
Highest	1,770	2,025	55,975,433,500,000
Lowest	640	1,180	20,790,875,300,000
Yearend	1,090	1,590	34,864,698,580,000

ADRO Share Price 2013 vs Selected Indexes



ADRO Quarterly Share Price 2012-13

	2012				2013			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Open	1,770	1,930	1,450	1,500	1,590	1,310	860	900
Highest	2,025	1,970	1,630	1,160	1,770	1,370	1,030	1,250
Lowest	1,750	1,180	1,320	1,320	1,250	750	640	890
Close	1,930	1,450	1,500	1,590	1,310	860	900	1,090

Shareholders by Type

Shareholder (Dec. 31, 2013)	Total shareholders	% share
Domestic		
Retail	14,850	18.97
Corporation	352	55.81
Pension Fund	159	0.89
Foundation	16	0.06
Co-operative	5	0.01
Sub-Total	**15,384**	**78.85**
Foreign		
Retail	118	0.06
Corporation	641	21.10
Sub-Total	**759**	**21.15**
Total	**16,143**	**100.00**

Changes in Public Share Ownership

Two shareholders increased their ownership of ADRO in 2013: The Avrist — Link Aggressive (EQ) IDR Fund bought more than 90 million shares, increasing its ownership by 0.28%, while Reksa Dana BNP Paribas Infrastruktur Plus bought more than 79 million shares to increase its ownership by 0.24%.

At end-December 2013, the top 20 shareholders held 39% of AE's total free float. Domestic investors comprised 42% of our total free float, and foreign investors made up the remainder.

Ownership by Key Shareholders

Shareholder (Dec 31, 2013)	Shares	%
Corporate		
Adaro Strategic Investment	14,045,425,500	43.91
Saratoga Investama Sedaya	1,560,274,770	4.88
Trinugraha Thohir	184,644,470	0.58
Triputra Investindo Arya	55,085,197	0.17
Persada Capital Investama	13,737,000	0.04
Sub-Total	**15,859,166,937**	**49.58**
BoC Members		
Edwin Soeryadjaya	1,051,738,544	3.29
Theodore Permadi Rachmat	724,420,430	2.26
Ir. Subianto	435,000,120	1.36
Sub-Total	**2,211,159,094**	**6.91**
BOD Members		
Garibaldi Thohir	1,986,032,654	6.21
Sandiaga S. Uno	640,838,202	2.00
Chia Ah Hoo	8,113,500	0.03
Sub-Total	**2,634,984,356**	**8.24**
Total	**20,705,310,387**	**64.73**

Jamsostek and GIC remained our largest public shareholders with ownership stakes of 3.11% and 1.91%, respectively.

Dividend Policy

According to AE's Articles of Association, if the company books a net profit, then AE may distribute dividends to its shareholders upon the recommendation of the Board of Directors after obtaining approval from the AGMS. AE will declare dividends with respect to: 1) The operating income, cash flow, capital adequacy and the financial condition of AE and its subsidiaries with regard to reaching optimum growth in the future; 2) The required fulfillment of reserve funds; 3) AE and its subsidiaries' obligations based on agreements with third parties (including creditors); 4) Compliance with prevailing laws and regulations and AGMS approval.

The terms of the lending agreements allow AE'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

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%	

ADRO Largest Public Shareholders

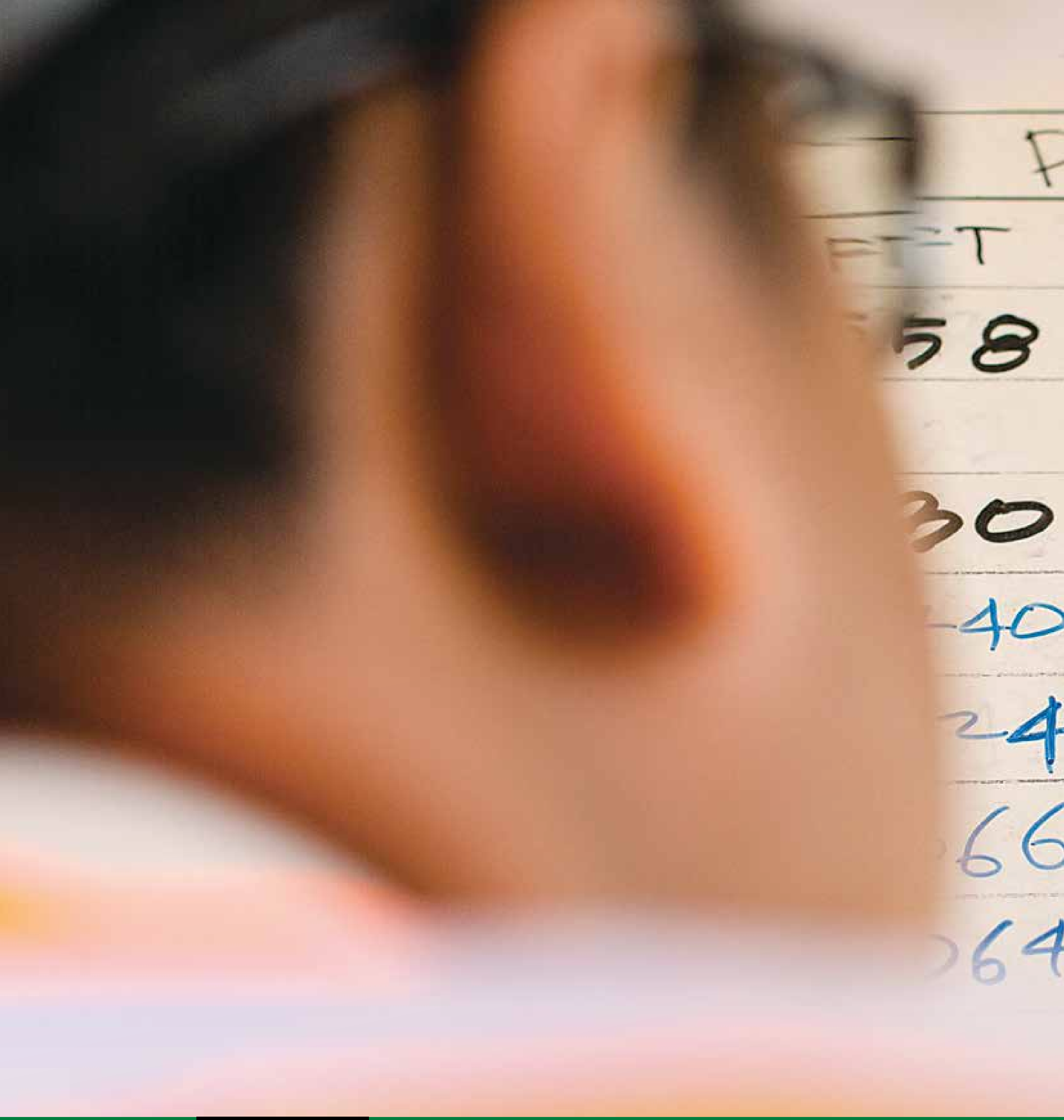
Rank	Shareholder (as at Dec. 31, 2013)	No. of shares at Dec. 31, 2013	%	No. of shares at Dec. 31, 2012	Change y-o-y
1	PT Jaminan Sosial Tenaga Kerja (Persero)-JHT.	994,948,000	3.11	875,783,000	119,165,000
2	GIC s/a Government of Singapore	613,437,444	1.91	884,875,435	(271,437,991)
3	Korea Electric Power Corporation	384,000,000	1.20	384,000,000	-
4	BBH Boston s/a Vangrd Emg Mkts Stk Infd	269,476,780	0.84	288,150,280	(18,673,500)
5	GSCO-Adcorp Holdings	258,767,573	0.81	258,767,573	-
6	Credit Suisse AG Singapore Trust a/c Clients - 2023904000	200,221,000	0.63	176,784,000	23,437,000
7	JP Morgan Chase Bank re Abu Dhabi Investment Authority - 2157804030	199,642,318	0.62	144,485,500	55,156,818
8	PT Taspen (Persero) - THT	171,409,000	0.54	171,409,000	-
9	UBS AG Singapore Non-Treaty Omnibus Account - 2091144090	144,757,000	0.45	109,386,500	35,370,500
10	SSB 0BIH s/a iShares MSCI Emerging Markets Index Fund - 2144609616	125,804,500	0.39	135,376,500	(9,572,000)
11	PT Prudential Life Assurance - REF	116,894,000	0.37	200,753,000	(83,859,000)
12	JP Morgan Chase Bank NA re Non-Treaty Clients - 2157804006	116,823,962	0.37	130,370,862	(13,546,900)
13	SSB 1BA9 ACF MSCI Equity Index Fund B - Indonesia - 2144609619	105,913,000	0.33	99,443,000	6,470,000
14	AVRIST - Link Aggressive (Eq) IDR Fund	103,326,500	0.32	12,580,000	90,746,500
15	Citibank New York s/a Dimensional Emerging Markets Value Fund	102,008,500	0.32	67,823,000	34,185,500
16	Deutsche Bank AG (Private Banking) Singapore a/c 214601-4000	101,414,500	0.32	100,360,500	1,054,000
17	Reksa Dana BNP Paribas Infrastruktur Plus	100,272,500	0.31	21,272,000	79,000,500
18	Credit Suisse AG Singapore Trust Acc. Client 131988 United Harmony Investments Ltd	100,000,000	0.31	100,000,000	-
19	Korea South-East Power Corporation	96,000,000	0.30	96,000,000	-
20	Goldstar Mining Asia Resources (L) Bhd.	89,633,056	0.28	82,033,056	7,600,000

after having obtained approval from the Board of Commissioners.

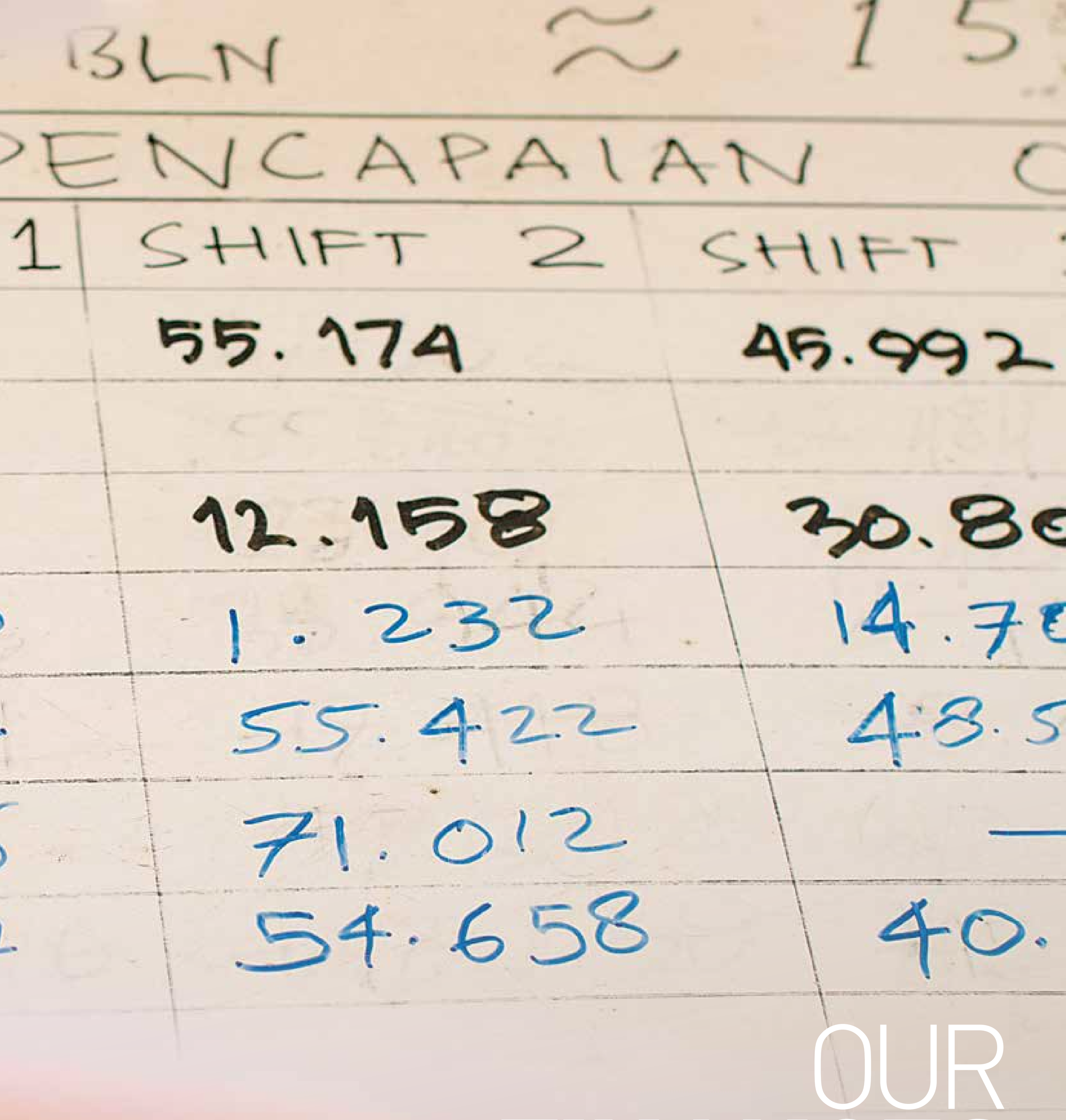
Dividend Payment

The 2013 AE AGMS approved a total dividend payment of US$117.07 million, equivalent to 30.38% of the 2012 fiscal year net profit, which was reduced by net profit attributable to non-controlling interests for the year ended December 30, 2012. This amount comprises the first interim cash dividend payment of US$41.58 million, which was paid on June 12, 2012, and the second cash dividend payment of US$35.19 million paid on January 15, 2013. The final dividend payment of US$40.30 million was paid in rupiah on June 12, 2013, using the Indonesia Central Bank middle rate of Rp9,811/US$1. On Dec. 2, 2013, AE's Board of Directors and Board of Commissioners approved an interim cash dividend payment for the 2013 fiscal year in the amount of US$39.98 million. The dividend payment was made on January 16, 2014.

2010	2011	2011	2012	2012	2012	2013
Final	Interim	Final	Interim	Interim	Final	Interim
Rp2,207,312,362,331		US$550,354,261			USD 383,306,700	USD 183,700,483
27 Apr 11	9 Nov 11	7 May 12	7 May 12	5 Dec 12	26 Apr 13	5 Dec 13
IDI, Republika	IDI, Republika	IDI, Republika	IDI, Republika	IFT, Republika	IFT, Republika	IFT, Republika
27 May 11	28 Nov 11	29 May 12	29 May 12	26 Dec 12	29 May 13	24 Dec 13
1 Jun11	1 Dec 11	1 Jun 12	1 Jun 12	2 Jan 13	3 Jun 13	2 Jan 14
30 May 11	29 Nov 11	30 May 12	30 May 12	27 Dec 12	30 May 13	27 Dec 13
3 Jun 11	2 Dec 11	4 Jun 12	4 Jun 12	3 Jan 13	4 Jun 13	3 Jan 14
1 Jun 11	1 Dec 11	1 Jun 12	1 Jun 12	2 Jan 13	3 Jun 13	2 Jan 14
9 Jun 11	9 Dec 11	12 Jun 12	12 Jun 12	15 Jan 13	12 Jun 13	16 Jan 14
Rp20.50	Rp 21.35 / US$0.00235	US$0.00575	US$0.00130	$0.0011	USD 0.00126	USD 0.00125
31,985,962,000	31,985,962,000	31,985,962,000	31,985,962,000	31,985,962,000	31,985,962,000	31,985,962,000
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	USD 40,302,312.12	USD 39,982,452.50
43.98%		47.08%			30.38%	



Monitoring a daily achievement chart at AI's South Kalimantan mine site. 2013 was a record year for coal production.



OUR FINANCES

IN THIS SECTION

PT ADARO ENERGY Tbk AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2013 AND 2012

adaro

BOARD OF DIRECTORS' STATEMENT REGARDING THE RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

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 are 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 are responsible for the Group's internal control systems.

This statement is made truthfully.

For and on behalf of the Board of Directors

METERAI TEMPEL 9B9F8ACF187950473 6000 DJP

Garibaldi Thohir
President Director

David Tendian
Director

JAKARTA
28 February 2014

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

pwc

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

PT ADARO ENERGY Tbk

We have audited the accompanying consolidated financial statements of PT Adaro Energy Tbk. and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Indonesian Financial Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Standards on Auditing established by the Indonesian Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of PT Adaro Energy Tbk. and its subsidiaries as at 31 December 2013, and their financial performance and cash flows for the year then ended, in accordance with Indonesian Financial Accounting Standards.

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.

A140228001/DC2/HSH/I/2014-a

Emphasis of Matter

As disclosed in Note 34b to the consolidated financial statements, PT Adaro Indonesia, a 100% indirectly owned subsidiary, has receivable balances relating to Value Added Tax (VAT) input and vehicle fuel tax (PBBKB) amounting to US$172 thousand and US$9.7 million, respectively. Further, up to 31 December 2013, PT Adaro Indonesia has offset cumulative VAT input and PBBKB receivables totaling US$752.3 million and US$127.6 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. Our opinion is not qualified in respect of this matter.

JAKARTA
28 February 2014

Drs. Haryanto Sahari, CPA
Licence of Public Accountant No. AP.0223

PT ADARO ENERGY Tbk AND SUBSIDIARIES **Schedule 1/1**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013 AND 2012
(Expressed in thousands of US Dollars, except for par value and share data)

	Notes	2013	2012
CURRENT ASSETS			
Cash and cash equivalents	5	680,904	500,368
Restricted cash and time deposits - current portion	6	389	-
Trade receivables - third parties	7	309,565	474,013
Inventories	9	102,747	64,487
Prepaid taxes	34a	186,716	142,906
Recoverable taxes - current portion	34b	9,866	89,266
Other receivables - third parties		1,980	11,205
Loans to third parties	16	16,670	36,670
Loan to a related party	35b	40,233	44,562
Derivative financial instruments		1,379	-
Advances and prepayments - current portion	8	18,469	46,062
Other current assets		1,961	4,336
Total current assets		1,370,879	1,413,875
NON-CURRENT ASSETS			
Restricted cash and time deposits - non current portion	6	601	801
Investments in associates	13	402,021	393,647
Advances and prepayments - non-current portion	8	68,170	88,157
Recoverable taxes - non-current portion	34b	12,301	15,451
Deferred stripping costs	10	37,836	42,808
Exploration and evaluation assets	11	111	570
Mining properties	14	2,186,801	1,927,467
Fixed assets	12	1,705,799	1,769,016
Goodwill	15	920,296	1,022,173
Deferred tax assets	34e	8,694	8,340
Other non-current assets		20,278	9,951
Total non-current assets		5,362,908	5,278,381
TOTAL ASSETS		6,733,787	6,692,256

The accompanying notes to the consolidated financial statements 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 2013 AND 2012
(Expressed in thousands of US Dollars, except for par value and share data)

	Notes	2013	2012
LIABILITIES AND EQUITY			
LIABILITIES			
CURRENT LIABILITIES			
Trade payables	17	326,987	352,675
Dividend payable	28	39,983	35,185
Accrued expenses	19	44,836	35,539
Taxes payable	34c	37,468	40,637
Royalties payable	18	117,022	128,392
Current maturity of long-term borrowings:			
- Finance lease payables	20	32,289	31,643
- Bank loans	21	155,577	268,408
Derivative financial instruments		-	1,979
Other liabilities		19,517	4,765
Total current liabilities		773,679	899,223
NON-CURRENT LIABILITIES			
Long-term borrowings, net of current maturities:			
- Finance lease payables	20	47,511	58,819
- Bank loans	21	1,195,541	1,298,082
Senior Notes	22	789,870	788,530
Derivative financial instruments		-	467
Deferred tax liabilities	34e	648,760	601,089
Non-trade related party payables	35b	-	500
Retirement benefits obligation	23	43,068	34,281
Provision for mine reclamation and closure	24	40,355	16,211
Total non-current liabilities		2,765,105	2,797,979
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 Rp100 per share	25	342,940	342,940
Additional paid-in-capital, net	26	1,154,494	1,154,494
Retained earnings	27	1,217,607	1,066,661
Other comprehensive income	2i	(10,256)	(5,125)
Total equity attributable to owners of the parent		2,704,785	2,558,970
Non-controlling interests	29	490,218	436,084
Total equity		3,195,003	2,995,054
TOTAL LIABILITIES AND EQUITY		6,733,787	6,692,256

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements

PT ADARO ENERGY Tbk AND SUBSIDIARIES **Schedule 2**

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012
(Expressed in thousands of US Dollars, except for basic and diluted earnings per share)

	Notes	2013	2012
Revenue	30	3,285,142	3,722,489
Cost of revenue	31	(2,545,956)	(2,679,867)
Gross profit		739,186	1,042,622
Operating expenses	32	(173,089)	(173,067)
Other income/(expenses), net	33	(31,812)	(33,171)
Operating income		534,285	836,384
Finance costs		(116,582)	(118,347)
Finance income		16,139	11,119
Share in net loss of associates	13	(14,558)	(15,432)
		(115,001)	(122,660)
Profit before income tax		419,284	713,724
Income tax expense	34d	(190,021)	(330,417)
Profit for the year		229,263	383,307
Other comprehensive income for the year, net of tax			
Exchange difference due to financial statement translation		(7,006)	(2,143)
Share of other comprehensive income of associates		597	(166)
Effective portion of gains on hedging instruments designated as cash flow hedges		4,066	1,324
Related income tax expense on other comprehensive income	34d	(1,509)	(577)
Total other comprehensive income for the year, net of tax		(3,852)	(1,562)
Total comprehensive income for the year		225,411	381,745
Profit for the year attributable to:			
Owners of the parent		231,231	385,347
Non-controlling interests	29	(1,968)	(2,040)
Profit for the year		229,263	383,307
Total comprehensive income for the year attributable to:			
Owners of the parent		226,100	383,785
Non-controlling interests	29	(689)	(2,040)
Total comprehensive income for the year		225,411	381,745
Earnings per share	36		
- basic		0.00723	0.01205
- diluted		0.00673	0.01155

The accompanying notes to the consolidated financial statements 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 2013 AND 2012
(Expressed in thousands of US Dollars)

		Attributable to owners of the parent									
				Retained earnings		Other comprehensive income					
	Notes	Share capital	Additional paid-in-capital, net	Appropriated	Unappropriated	Foreign currency translation	Share of other comprehensive income of associates	Cash flow hedges	Total	Non-controlling interests	Total equity
Balance as at 1 January 2012		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	28,29	-	-	-	(260,686)	-	-	-	(260,686)	(487)	(261,173)
Acquisition and deduction of subsidiaries in the year	29	-	-	-	-	-	-	-	-	432,259	432,259
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
Total comprehensive income for the year		-	-	-	231,231	(8,285)	597	2,557	226,100	(689)	225,411
Appropriation of retained earnings	27	-	-	3,853	(3,853)	-	-	-	-	-	-
Dividend	28,29	-	-	-	(80,285)	-	-	-	(80,285)	(705)	(80,990)
Acquisition, addition and deduction of subsidiaries in the year	29	-	-	-	-	-	-	-	-	55,528	55,528
Balance as at 31 December 2013		342,940	1,154,494	47,088	1,170,519	(11,273)	310	707	2,704,785	490,218	3,195,003

The accompanying notes to the consolidated financial statements 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 2013 AND 2012
(Expressed in thousands of US Dollars)

	2013	2012
Cash flows from operating activities		
Receipts from customers	3,439,590	3,709,818
Payments to suppliers	(2,002,640)	(2,371,050)
Payments to employees	(131,974)	(131,694)
Receipts of finance income	10,377	7,173
Payments of royalties	(235,267)	(201,759)
Payments of income taxes	(247,260)	(445,866)
Payments of interest and finance costs	(104,597)	(114,879)
Other payments, net	(6,484)	(19,026)
Net cash flows provided from operating activities	721,745	432,717
Cash flows from investing activities		
Purchase of fixed assets	(136,397)	(424,431)
Proceeds from disposal of fixed assets	15,087	5,723
Purchase of additional interest in associates	(17,426)	-
Receipt from repayment of loan from third party	20,000	-
Loan given to a related party	-	(26,474)
Net cash (outflow)/inflow from acquisition of subsidiaries	(20,949)	1,345
Payment for addition of mining properties	(43,805)	(65,603)
Payment for addition of exploration and evaluation assets	(37)	(340)
Net cash flows used in investing activities	(183,527)	(509,780)
Cash flows from financing activities		
Purchase of non-controlling interests	-	(231)
Payments of loan related costs	(10,556)	(5,451)
Proceeds from bank loans	380,000	495,000
Repayments of bank loans	(594,000)	(162,500)
Repayments of loan to third parties	-	(35,745)
Transfer (to)/from restricted cash and time deposits	(189)	140
Payments of dividend to the Company's shareholders	(75,487)	(225,501)
Payments of dividend to non-controlling interests	(705)	(487)
Receipt of capital injection from non-controlling interests	444	-
Payments of finance lease payables	(31,007)	(40,560)
Net cash flows (used in)/provided from financing activities	(331,500)	24,665
Net increase/(decrease) in cash and cash equivalents	206,718	(52,398)
Cash and cash equivalents at the beginning of the year	500,368	558,872
Effect of exchange rate changes on cash and cash equivalents	(26,182)	(6,106)
Cash and cash equivalents at the end of the year (refer to Note 5)	680,904	500,368

Refer to Note 38 for presentation of the Group's non-cash transactions.

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements

(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 Supplement 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 is 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 2013 were as follows:

President Commissioner	:	Edwin Soeryadjaya
Vice President Commissioner	:	Theodore Permadi Rachmat
Commissioner	:	Ir. Subianto
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
		Julius Aslan

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

PT ADARO ENERGY Tbk AND SUBSIDIARIES **Schedule 5/2**

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS 31 DECEMBER 2013 AND 2012
(Expressed in thousands of US Dollars, unless otherwise stated)

1. GENERAL (continued)

a. Establishment of the Company and other information (continued)

The composition of the Company's Audit Committee as at 31 December 2013 and 2012 was as follows:

Chairman	:	Ir. Palgunadi Tatit Setyawan
Members	:	Prof. Dr. Ir. Irwandy Arif, MSc
		Mamat Ma'mun, SE.

As at 31 December 2013, the Company and its subsidiaries had 8,986 permanent employees (2012: 8,681 permanent employees) (unaudited).

b. Group structure

In these consolidated financial statements, the Company and its subsidiaries are collectively referred to as the "Group".

As at 31 December 2013 and 2012, 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)	
				2013	2012	2013	2012
Directly owned subsidiaries							
PT Alam Tri Abadi ("ATA") [a]	Trading and services	Indonesia	2007	100%	100%	7,201,240	6,925,787
PT Saptaindra Sejati ("SIS")	Mining services	Indonesia	2002	100%	100%	533,912	617,869
Indirectly owned subsidiaries							
PT Adaro Indonesia ("Adaro")	Mining	Indonesia	1992	100%	100%	2,912,292	2,927,407
PT Dianlia Setyamukti ("Dianlia")	Investment	Indonesia	-	100%	100%	39,728	38,971
PT Jasapower Indonesia ("JPI") [a]	Mining services	Indonesia	-	100%	100%	278,436	260,745
PT Biscayne Investments ("Biscayne")	Investment	Indonesia	-	100%	100%	33,568	97,202
PT Indonesia Bulk Terminal ("IBT")	Terminal handling services	Indonesia	1997	100%	100%	91,625	94,724
PT Adaro Persada Mandiri ("APM") [a]	Services	Indonesia	2006	100%	100%	37,151	41,644
Rachpore Investments Pte Ltd ("Rachpore") [d]	Investment	Singapore	-	-	100%	-	7,175
Arindo Holdings (Mauritius) Ltd ("Arindo Holdings") [a]	Investment	Mauritius	-	100%	100%	436,657	415,009

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)	
				2013	2012	2013	2012
Indirectly owned subsidiaries (continued)							
Vindoor Investments (Mauritius) Ltd ("Vindoor") [a]	Investment	Mauritius	-	100%	100%	342,615	151,163
Coaltrade Services International Pte Ltd ("Coaltrade")	Coal trading	Singapore	2001	100%	100%	139,611	151,079
PT Viscaya Investments ("Viscaya")	Investment	Indonesia	-	100%	100%	277,403	236,520
Rachmalta Investment Ltd ("Rachmalta") [d]	Investment	Malta	-	-	100%	-	6,709
PT Sarana Daya Mandiri ("SDM")	Services	Indonesia	2009	51%	51%	42,111	44,348
Coronado Holdings Pte Ltd ("Coronado")	Investment	Singapore	-	86%	86%	773	1,429
Orchard Maritime Logistics Pte Ltd ("OML") [a]	Coal handling and barging	Singapore	2006	95%	95%	4,843	6,573
Orchard Maritime Netherlands B.V. ("OMN")	Investment	Netherlands	-	95%	95%	407	336
PT Adaro Logistics ("AL") [a]	Investment	Indonesia	-	100%	100%	342,228	224,946
PT Maritim Barito Perkasa ("MBP")	Coal handling and barging	Indonesia	2004	100%	100%	244,277	221,387
PT Harapan Bahtera Internusa ("HBI")	Coal handling and barging	Indonesia	2004	100%	100%	7,567	6,193
PT Maritim Indonesia ("Marindo")	Investment	Indonesia	-	72%	72%	629	653
PT Adaro Power ("Adaro Power") [a]	Services	Indonesia	-	100%	100%	187,159	166,503
PT Makmur Sejahtera Wisesa ("MSW")	Trading and power plant services	Indonesia	2013	100%	100%	177,025	152,615

PT ADARO ENERGY Tbk AND SUBSIDIARIES **Schedule 5/4**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2013 AND 2012
(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		Total assets (in thousands of US Dollars, before elimination)	
				2013	2012	2013	2012
Indirectly owned subsidiaries (continued)							
PT Puradika Makmur Jasa ("PBMM")	Services	Indonesia	2013	100%	100%	1,816	-
PT Rehabilitasi Lingkungan Indonesia ("RLI")	Services	Indonesia	-	100%	100%	1,039	1,381
PT Indonesia Multi Purpose Terminal ("IMPT")	Terminal handling services	Indonesia	2013	85%	85%	3,311	2,646
PT Mustika Indah Permai ("MIP")	Mining	Indonesia	-	75%	75%	33,063	31,148
PT Bukit Enim Energi ("BEE")	Mining	Indonesia	-	61%	61%	143	101
PT Adaro Mining Technologies ("AMT") [a]	Services	Indonesia	-	100%	100%	39,022	1,433
PT Adaro Indonesia ("AEI")	Services	Indonesia	2007	100%	51%	3,854	941
PT Bhakti Energi Persada ("BEP") [a] [b]	Investment	Indonesia	-	10%	10%	52,091	44,958
PT Persada Multi Bara ("PMB") [b]	Mining	Indonesia	-	10%	10%	11,883	10,720
PT Khazana Bumi Kaliman ("KBK") [b]	Mining	Indonesia	-	9%	9%	4,580	3,571
PT Bumi Kaliman Sejahtera ("BKS") [b]	Mining	Indonesia	-	9%	9%	6,564	5,110
PT Telen Eco Coal ("TEC") [b]	Mining	Indonesia	-	10%	10%	11,288	10,804
PT Bumi Murau Coal ("BMC") [b]	Mining	Indonesia	-	10%	10%	3,676	3,326
PT Birawa Pandu Selaras ("BPS") [b]	Mining	Indonesia	-	9%	9%	396	310
PT Tri Panuntun Persada ("TPP") [b]	Mining	Indonesia	-	9%	9%	342	289
PT Wahau Tutung Investindo ("WTI")[b]	Trading and construction services	Indonesia	-	10%	10%	6,274	8,751
PT Bhakti Kutai Transportindo ("BKT") [b]	Transportation	Indonesia	-	6%	6%	5	1,699

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)	
				2013	2012	2013	2012
Indirectly owned subsidiaries (continued)							
PT Bukit Bara Alampersada ("BBA") [a] [b]	Investment	Indonesia	-	10%	10%	4,734	4,150
PT Bhakti Kumala Sakti ("BKI") [b]	Service	Indonesia	-	10%	10%	1	1
PT Wahau Sumber Alam ("WSA") [b]	Service	Indonesia	-	10%	10%	81	102
PT Sarana Rekreasi Mandiri ("SRM")	Service	Indonesia	-	100%	100%	8	10
PT Paramitha Cipta Sarana ("PCS") [c]	Mining	Indonesia	-	75%	-	34,995	-
PT Semesta Centramas ("SCM") [c]	Mining	Indonesia	-	75%	-	21,410	-
PT Laskar Semesta Alam ("LSA") [c]	Mining	Indonesia	-	75%	-	324	-
PT Tanjung Power Indonesia ("TPI")	Power plant services and power transmission	Indonesia	-	65%	-	1,005	-

[a] and subsidiaries
[b] for the acquisition of BEP and subsidiaries, refer to Note 4a
[c] for the acquisition of PCS, SCM and LSA, refer to Note 4b
[d] has been liquidated

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 sales of coal are completed. Therefore, the amount of royalty payable that is settled in cash to the Government depends on the actual volume of sales made in a 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 (see Note 31).

(Expressed in thousands of US Dollars, unless otherwise stated)

1. GENERAL (continued)

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 a Cooperation Agreement ("Agreement"). Under the terms of the Cooperation Agreement, IBT commenced its 30-year operating period on 21 August 1997 and has an obligation to pay royalties to Pelindo III based on a certain percentage of the revenue from management services for the coal bulk terminal.

On 18 August 2009, IBT and Pelindo III amended the Agreement in relation to the expansion of IBT's business to include the management of the liquid bulk terminal. Under the amendment, IBT has an obligation to pay Pelindo III a share of the handling fee at a certain amount per tonne for unloading and loading activities.

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 fixed rate is effective from 1 January 2010 to 20 August 2012, subsequently extended to 20 August 2017.

e. Barito Channel Cooperation Agreement

On 28 August 2007, PT Ambang Barito Nusapersada ("Ambapers") appointed SDM as a partner to execute the dredging of Barito Channel, which includes 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 those 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 management of 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 2013 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

(Expressed in thousands of US Dollars, unless otherwise stated)

1. **GENERAL** (continued)

f. **Mining Business Permits** (continued)

	Decree			Permit		Period	
No	Number	Date	By	Type	Holder	(Years)	Location
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. 540.1/K.545/HK/VI/ 2013	11 June 2013	Regent of East Kutai	IUPOP	TPP	20	East Kutai Regency, East Kalimantan Province
9	No. 540.1/K.546/HK/VI/ 2013	11 June 2013	Regent of East Kutai	IUPOP	BPS	20	East Kutai Regency, East Kalimantan Province
10	No. 188.45/83/Kum Tahun 2009	8 April 2009	Regent of Balangan	IUPOP	PCS	20	Balangan Regency, South Kalimantan Province
11	No. 188.45/131/Kum Tahun 2009	21 July 2009	Regent of Balangan	IUPOP	SCM	20	Balangan Regency, South Kalimantan Province
12	No. 188.45/215/Kum Tahun 2009	16 December 2009	Regent of Balangan	IUPE	LSA	6	Balangan Regency, South 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. These policies have been consistently applied to all the years presented, unless otherwise stated.

a. **Basis of preparation of the consolidated financial statements**

The Group's consolidated financial statements have been prepared in conformity with Indonesian Financial Accounting Standards and 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.

The consolidated financial statements have been prepared on the basis of the historical cost convention, as modified by certain derivative instruments, and using the accrual basis except for the consolidated statements of cash flows.

The preparation of consolidated 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. New and revised accounting standards and interpretations

The revisions to SFAS No. 38, "Business Combinations on Entities under Common Control", SFAS No. 60 "Financial Instruments: Disclosure", and withdrawal of SFAS No. 51, "Quasi Reorganisation" with an effective date of 1 January 2013 did not result in changes to the Group's accounting policies and had no effect on the amounts reported for the current or prior years.

The implementation of IFAS No. 21, "Agreements for Construction for Real Estate" and the withdrawal of SFAS No. 44, "Accounting for Real Estate Development Activities", which would previously have been mandatorily applied and withdrawn as at 1 January 2013, have been postponed until further notice by the Indonesian Financial Accounting Standards Board. Management believes that the implementation and the withdrawal of the above Interpretation and Standard will not impact the Group's consolidated financial statements.

There are no statements of financial accounting standards or interpretations of statements of financial accounting standards that are effective for the first time for financial year beginning on 1 January 2014 that would be expected to have a material impact on the Group's consolidated financial statements, except for the following:

- IFAS No. 29, "Stripping Costs in the Production Phase of a Surface Mining"

  IFAS No. 29 sets out the accounting for overburden waste removal (stripping) costs in the production phase of a surface mine. The interpretation amends the current "life-of-mine average" approach promulgated under SFAS No. 33 (Revised 2011), "Stripping Activities and Environmental Management in General Mining". The interpretation requires the entities to recognise a stripping activity asset if, and only if, all of the following criteria are met:

  1. It is probable that the future economic benefit (improved access to the ore body) associated with the stripping activity will flow to the entity;

  2. The entity can identify the component of the ore body for which access has been improved; and

  3. The costs relating to the stripping activity associated with that component can be measured reliably.

As such, the interpretation requires mining entities to write off existing stripping assets to opening retained earnings if the assets cannot be attributed to an identifiable component of the ore body. The interpretation may also require entities that presently allocate their stripping costs as a production cost to revisit their approach and capitalise a portion of their costs.

The Group is currently assessing the impact of this interpretation on its consolidated financial statements.

The following standards, interpretations and amendments to existing standards have been published and are mandatory for the Group's consolidated financial statements for periods beginning on or after 1 January 2015:

- SFAS No. 65 "Consolidated Financial Statements"
- SFAS No. 66 "Joint Arrangements"
- SFAS No. 67 "Disclosure of Interests in Other Entities"
- SFAS No. 68 "Fair Value Measurement"
- SFAS No. 1 (Revised 2013) "Presentation of Financial Statements"
- SFAS No. 4 (Revised 2013) "Separate Financial Statements"
- SFAS No. 15 (Revised 2013) "Investment in Associates and Joint Ventures"
- SFAS No. 24 (Revised 2013) "Employee Benefits"

As at the authorisation date of these consolidated financial statements, the Group is still evaluating the potential impact of these new and revised SFAS.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 rights but is able to govern the financial and operating policies by virtue of control. 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 statements 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 will 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 a liability are recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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 re-reviewed, in the case of a bargain purchase, the difference is recognised directly in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Principles of consolidation (continued)

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. Associates

Associates 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 associates are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

- **Acquisitions**

Investments in associates 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 associates 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 associates' post-acquisition profits or losses is 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 associates are adjusted against the carrying amounts of the investments. When the Group's share of the losses of an associate equals or exceeds its interest in the associates, 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 associates.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. The accounting policies of associates have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Dividends receivable from associates are recognised as reductions 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 associates is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and its carrying value and recognises the amount in the profit or loss.

(Expressed in thousands of US Dollars, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Principles of consolidation (continued)

iv. Associates (continued)

- **Disposals**

Investments in associates 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 associates 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.

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):

	2013	2012
Rupiah 10,000 ("Rp")	0.82	1.03
Great Britain Pound Sterling ("£")	1.65	1.61
Singapore Dollars ("S$")	0.79	0.82
Australian Dollars ("A$")	0.89	1.04
Euro ("€")	1.38	1.32
Japanese Yen 100 ("¥")	0.95	1.28

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 Company's presentation currency are translated into the Company's presentation currency 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Receivables

Trade receivables are amounts due from customers for coal and electricity sales or services performed in the ordinary course of business. Non-trade receivables are amount arising from transactions outside of the ordinary course of business. If collection of the receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

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.

Non-trade receivables to related parties are initially presented as non-current asset unless there are specific reasons for them to be presented as current assets in the consolidated statements of financial position.

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 or period 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.

The Group only has financial assets classified as 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, restricted cash and time deposits, trade receivables, other receivables, loan to a related party and loans to third parties.

Loans and receivables are initially recognised at fair value including directly attributable transaction costs and are subsequently carried at amortised cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Financial assets (continued)

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 statements 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.

h.4. Impairment of financial assets carried at amortised cost

At the end of each reporting year, the Group assesses 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.

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 reorganisation, 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 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 yet 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 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 exceeding 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.

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 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 are 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 same line of changes as 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.

(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.

Amounts accumulated in other comprehensive income within equity are reclassified to profit or loss in the period 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 same line as 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.

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. 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)

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Fixed assets and depreciation (continued)

In such cases, 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.

Initial legal costs incurred to obtain legal rights are recognised as part of the acquisition cost of the land and 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
Power plant	25
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	9 – 20
Machinery, operational equipment and vehicles	3 – 10
Office equipment	10
Crushing and handling facilities	9 – 30
Roads and bridges	9 – 30
Stockpile facilities	17 – 20
Dock facilities	9 – 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 the end of each financial year. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Fixed assets and depreciation (continued)

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 or losses on disposals of fixed assets are recognised in profit or loss.

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.

k. Goodwill

Goodwill represents the excess of the acquisition cost over the fair value of the Group's share of the identifiable net assets acquired.

l. 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 are 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 reversed.

m. 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 comprises 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 it is 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)

m. 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 assets are not available for use, they are 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".

n. 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 are 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 2l.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o. 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-year 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.

p. 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.

q. 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 control 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)

r. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r. Provisions (continued)

(ii) Other provisions (continued)

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.

s. 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 drawn down. 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 drawn down, 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.

t. 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 that asset until such time as the asset is substantially ready for its 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.

u. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u. Employee benefits (continued)

(i) Post employment benefits (continued)

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 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.

Expenses charged to profit or loss include current service costs, interest costs, amortisation of past service costs 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 period 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 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.

v. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

w. 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 costs and foreign exchange gains or losses on convertible bonds and their 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.

x. 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.

y. Business combination of entities under common control

Business combination of entities under common control are accounted for using the pooling-of-interests method.

The difference between the consideration received and the carrying value of each restructuring transaction among entities under common control is recorded as part of additional paid-in capital in the equity section of the consolidated statement of financial position.

z. Revenue and expenses recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of coal, sales of electricity 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)

z. 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. Sales of electricity

Revenues generated from sales of electricity are recognised when the electrical output is delivered to the customers.

iv. 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.

v. 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.

aa. 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 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. 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

aa. Current and deferred income tax (continued)

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.

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 be reversed 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.

In addition to income tax, the Group also recognises other types of taxes that are calculated based on production (i.e. royalty fees). Royalty fees are accounted for as income taxes when they have the characteristics of an income tax. The Group's obligations arising from royalty fee arrangements are not based on taxable income, therefore are recognised as current provisions, and included in cost of revenue.

bb. 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 Directors.

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.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

- 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.

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 are 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 34b).

- Provision for decommissioning and abandonment of mining related assets

As discussed in Note 41 to the consolidated financial statements, Government Regulation No. 78/2010 ("GR No. 78") deals with reclamation and post-mining activities for both IUP-Exploration and IUP-Production Operation holders. The transitional provisions in GR No. 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 No. 78.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

- Provision for decommissioning and abandonment of mining related assets (continued)

  As discussed in Note 2r 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 on the Group's consolidated financial statements.

- 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 seam 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, sales volumes, commodity prices (considering current and historical prices, price trends and related factors), reserves (see 'Reserve Estimates'), operating costs, closure and rehabilitation costs, discount rate 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 alteration 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 may be reduced with the impact being recorded in profit or loss.

(Expressed in thousands of US Dollars, unless otherwise stated)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

- Fair values of acquired identifiable assets and liabilities assumed from business acquisition

  The fair values of acquired identifiable assets and liabilities assumed from business acquisition of PT Paramitha Cipta Sarana ("PCS"), PT Semesta Centramas ("SCM") and PT Laskar Semesta Alam ("LSA") (together referred as "Balangan") are determined 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. In accordance with the relevant accounting standard, the fair value may be adjusted within twelve months after the acquisition date (refer to Note 4b).

4. BUSINESS COMBINATIONS

a. 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 close 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 operations. 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 from the date of the Option Agreement, shares in BEP owned by TIA, PCI, Arieska, 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 subscribe for new shares in the Company up to a maximum of 2,381,729,663 (full amount) shares.

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

(Expressed in thousands of US Dollars, unless otherwise stated)

4. BUSINESS COMBINATIONS (continued)

a. Acquisition of control over BEP (continued)

Recognised fair value 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 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 recognised, 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 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.

The calculation of the fair value of the acquired identifiable assets and liabilities has been completed in the current year and there is no adjustment to the fair value of BEP's assets and liabilities.

b. Acquisition of control over Balangan

On 25 April 2013, ATA purchased 75% of the shares in PCS from PT Terminal Batubara Indah ("TBI"), 75% of the shares in SCM from PT Industri Terminal Batubara ("ITB") and 75.2% of the shares in LSA from PT Hamparan Insani Milenia ("HIM") for Rp 1,875 million (full amount) or equivalent to US$193, Rp 1,875 million (full amount) or equivalent to US$193 and Rp 188 million (full amount) or equivalent to US$19, respectively.

The following table summarises the consideration paid for the acquisition of Balangan, the amounts of the assets acquired and liabilities assumed as at the acquisition date:

	2013
Consideration transferred	
- Cash payment	405
- Assumed liabilities	22,235
Total consideration transferred	22,640

(Expressed in thousands of US Dollars, unless otherwise stated)

4. BUSINESS COMBINATIONS (continued)

b. Acquisition of control over Balangan (continued)

	2013
Recognised fair value of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	1,691
Other receivables	700
Advances and prepayments	1,523
Fixed assets	14,690
Mining properties	294,165
Exploration and evaluation assets	74
Trade payables	(792)
Taxes payable	(21)
Accrued expenses	(16)
Other liabilities	(19,313)
Deferred tax liabilities	(68,410)
Fair value of identifiable net assets acquired	224,291
Non-controlling interests	(56,073)
Purchase consideration	(22,640)
Negative goodwill	145,578
Consideration transferred	
- Cash payment	405
- Assumed liabilities	22,235
Cash and cash equivalents in Balangan	(1,691)
Net cash outflow from acquisition of Balangan	20,949

In accordance with the relevant accounting standard, the fair value may be adjusted within twelve months after the acquisition date.

The total loss of Balangan from the acquisition date until the reporting date which was recognised in profit or loss amounted to US$1,120.

The total loss of Balangan for the reporting year as if Balangan had already been acquired from the beginning of the year would have amounted to US$1,145.

The negative goodwill arising from the business combination was due to the synergy generated from the acquisition of Balangan with the Group's existing coal mining business. The negative goodwill has been recognised in the current year profit or loss as part of other income/(expenses), net (Note 33).

Management believes that 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.

(Expressed in thousands of US Dollars, unless otherwise stated)

5. CASH AND CASH EQUIVALENTS

	2013	2012
Cash on hand	195	181
Cash in banks - Rupiah		
PT Bank OCBC NISP Tbk	52,460	54,795
Others (each below US$50,000)	16,961	31,397
Total Rupiah accounts	69,421	86,192
Cash in banks - US Dollars		
PT Bank OCBC NISP Tbk	265,995	155,411
Oversea-Chinese Banking Corporation Ltd	100,458	86,853
PT Bank DBS Indonesia	841	61,581
Others (each below US$50,000)	44,715	18,768
Total US Dollars accounts	412,009	322,613
Cash in banks - Other currencies		
Others (each below US$50,000)	944	1,271
Total other currencies accounts	944	1,271
Total cash in banks	482,374	410,076
Deposits - Rupiah		
Others (each below US$50,000)	27,632	47,347
Total Rupiah deposits	27,632	47,347
Deposits - US Dollars		
PT Bank OCBC NISP Tbk	143,147	34,515
Others (each below US$50,000)	27,214	8,249
Total US Dollars deposits	170,361	42,764
Deposits - Other currencies		
Others (each below US$50,000)	342	-
Total other currencies deposits	342	-
Total deposits	198,335	90,111
Total cash and cash equivalents	680,904	500,368

There are no cash and cash equivalents with related parties.

The contractual interest rates on deposits during the year were as follows:

	2013	2012
Rupiah	3.10% - 10.25%	3.50% - 6.75%
US Dollars	0.13% - 4.00%	0.13% - 2.75%

(Expressed in thousands of US Dollars, unless otherwise stated)

6. RESTRICTED CASH AND TIME DEPOSITS

	2013	2012
Cash in banks - US Dollars		
PT Bank OCBC NISP Tbk	389	-
Deposits - US Dollars		
The Hongkong and Shanghai Banking Corporation Ltd	601	601
PT Bank DBS Indonesia	-	200
	601	801
Total restricted cash and time deposits	990	801
Less: current portion	(389)	-
Non-current portion	601	801

The contractual interest rates on the restricted time deposits during the year were as follows:

	2013	2012
US Dollars	0.38% - 0.85%	0.50% - 0.80%

There are no restricted 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 40d.

The restricted cash in PT Bank OCBC NISP Tbk is placed as required by SDM's loan agreement (refer to Note 21g).

7. TRADE RECEIVABLES

	2013	2012
Third parties	329,565	484,013
Provision for impairment	(20,000)	(10,000)
	309,565	474,013

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2013	2012
US Dollars	240,990	325,488
Rupiah	88,575	158,525
	329,565	484,013

(Expressed in thousands of US Dollars, unless otherwise stated)

7. TRADE RECEIVABLES (continued)

The aging analysis of trade receivables is as follows:

	2013	2012
Current	283,852	401,181
Overdue by 1 - 30 days	14,726	33,694
Overdue by 31 - 60 days	1,437	6,898
Overdue by 61 - 90 days	1,210	4,851
Overdue by more than 90 days	28,340	37,389
	329,565	484,013

The movement of provision for impairment in the year is as follows:

	2013	2012
Beginning balance	10,000	-
Addition	10,000	10,000
	20,000	10,000

Management is of the opinion that the provision is sufficient to cover any possible loss from the outstanding trade receivables.

As at 31 December 2013, trade receivables of SDM amounting to US$2,676 (2012: US$3,724) were pledged as collateral for a loan from PT Bank OCBC NISP Tbk, as described in Note 21g.

8. ADVANCES AND PREPAYMENTS

	2013	2012
Advance for purchase of fixed asset and project	56,621	69,367
Prepayment for liquidity services	10,142	11,536
Advances to suppliers	8,545	8,864
Prepaid rent and insurance	2,942	4,106
Advances for the purchase of fuel	2,718	21,020
Others	5,671	19,326
Total advances and prepayments	86,639	134,219
Less: current portion	(18,469)	(46,062)
Non-current portion	68,170	88,157

(Expressed in thousands of US Dollars, unless otherwise stated)

9. INVENTORIES

	2013	2012
Coal inventory	44,298	32,251
Tools and supplies	26,580	21,677
Spare parts	19,104	7,631
Fuel and lubricants	12,765	2,928
Total inventories	102,747	64,487

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 exceeds the carrying value of inventories, therefore a provision for obsolete stock and decline in value is not considered necessary.

As at 31 December 2013, the Group's inventories were covered by insurance against the risk of material damage with total coverage of US$54,586 (2012: US$46,099). The Group's management is of the opinion that the inventories are adequately insured to cover the risk of loss and damage.

10. DEFERRED STRIPPING COSTS

	2013	2012
Carrying amount - beginning balance	42,808	47,911
Amortisation	(4,972)	(5,103)
	37,836	42,808

The actual average stripping ratio in 2013 was not significantly different from the planned stripping ratio. As such, the stripping costs incurred during the year were recognised as production costs.

11. EXPLORATION AND EVALUATION ASSETS

	2013				
	Beginning balance	From acquisition	Addition	Transfer to mines under development	Ending balance
Muara Wahau	570	-	-	(570)	-
Balangan	-	74	37	-	111
	570	74	37	(570)	111

	2012				
	Beginning balance	From acquisition	Addition	Transfer to mines under development	Ending balance
Muara Wahau	-	230	340	-	570

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.

(Expressed in thousands of US Dollars, unless otherwise stated)

12. FIXED ASSETS

	2013					
	Beginning balance	Acquisitions	Additions	Disposals/ reclassifications	Exchange differences due to financial statement translation	Ending balance
Acquisition costs						
Direct ownership						
Land	65,066	5,445	4,518	1,468	(1,348)	75,149
Buildings	48,826	27	10,137	8,474	(1,051)	66,413
Infrastructure	89,590	-	48	(13,026)	-	76,612
Power plant	-	-	2,153	112,235	-	114,388
Machinery, operational equipment and vehicles	957,193	46	14,261	(7,025)	(9)	964,466
Vessels	171,325	-	505	67,034	-	238,864
Mining equipment	2,125	-	1,023	33	-	3,181
Project equipment	9,678	-	1,152	(169)	-	10,661
Office equipment	23,344	66	1,331	(722)	(579)	23,440
Crushing and handling facilities	244,419	-	30	8,180	-	252,629
Roads and bridges	146,044	-	26	19,014	-	165,084
Stockpile facilities	6,101	-	-	-	-	6,101
Dock facilities	2,459	-	-	49	-	2,508
	1,766,170	5,584	35,184	195,545	(2,987)	1,999,496
Construction in progress	507,145	9,183	104,417	(231,390)	(2,265)	387,090
Leased assets						
Operational equipment	160,696	-	20,345	(37,298)	-	143,743
	2,434,011	14,767	159,946	(73,143)	(5,252)	2,530,329
Accumulated depreciation						
Direct ownership						
Buildings	(8,878)	(18)	(3,314)	162	256	(11,792)
Infrastructure	(24,274)	-	(4,244)	663	-	(27,855)
Power plant	-	-	(3,532)	(673)	-	(4,205)
Machinery, operational equipment and vehicles	(408,454)	(25)	(133,171)	29,386	-	(512,264)
Vessels	(27,054)	-	(10,436)	587	-	(36,903)
Mining equipment	(1,025)	-	(635)	(33)	-	(1,693)
Project equipment	(4,688)	-	(1,893)	136	-	(6,445)
Office equipment	(10,867)	(34)	(3,748)	702	164	(13,783)
Crushing and handling facilities	(71,498)	-	(18,775)	-	-	(90,273)
Roads and bridges	(57,455)	-	(9,427)	-	-	(66,882)
Stockpile facilities	(4,829)	-	(250)	-	-	(5,079)
Dock facilities	(2,152)	-	(68)	-	-	(2,220)
	(621,174)	(77)	(189,493)	30,930	420	(779,394)
Leased assets						
Operational equipment	(43,821)	-	(19,607)	18,292	-	(45,136)
	(664,995)	(77)	(209,100)	49,222	420	(824,530)
Net book value	1,769,016					1,705,799

(Expressed in thousands of US Dollars, unless otherwise stated)

12. FIXED ASSETS (continued)

	2012					
	Beginning balance	Acquisitions	Additions	Disposals/ reclassifications	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

(Expressed in thousands of US Dollars, unless otherwise stated)

12. FIXED ASSETS (continued)

Depreciation expenses for the years ended 31 December 2013 and 2012 were allocated as follows:

	2013	2012
Cost of revenue	205,472	189,068
Operating expenses	2,838	5,084
Capitalised as fixed assets and mining properties	790	-
	209,100	194,152

The calculation of losses on disposals of fixed assets for the years ended 31 December 2013 and 2012 were as follows:

	2013	2012
Acquisition costs	73,143	24,598
Accumulated depreciation	(49,222)	(17,044)
Carrying values of disposed fixed assets	23,921	7,554
Proceeds from disposals of fixed assets	15,087	5,723
Losses on disposals of fixed assets	(8,834)	(1,831)

In accordance with the CCA, certain fixed assets of Adaro recorded in these consolidated financial statements 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, certain fixed assets of IBT in the coal port operation, which are recorded in these consolidated financial statements will become the property of Pelindo III at the end of the 30-year operating period.

The Group owns 29 plots of land with "Hak Guna Bangunan" titles ("Building-Use Titles" or "HGB") which have remaining useful lives of between 7 and 28 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 from 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 ("HGU") is still in the process of being transferred to ATA.

As at 31 December 2013, the Group's fixed assets were insured against all risks of damage, with total coverage of approximately US$1,803,873 (2012: US$1,699,354) 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 2013 were adequately insured.

As at 31 December 2013, the acquisition cost of fixed assets with a net book value of zero but still in use amounted to US$109,108 (2012: US$83,636).

As at 31 December 2013 and 2012, all leased assets are pledged for finance leases payable (refer to Note 20) and there are no directly owned fixed assets that have been pledged.

As at 31 December 2013, management believed that there was no indication of impairment in the fixed assets value.

(Expressed in thousands of US Dollars, unless otherwise stated)

12. FIXED ASSETS (continued)

Construction in progress

Construction in progress represents projects that were not completed as at the date of the consolidated statements of financial position as follows:

2013			
Construction in progress	**Percentage of completion**	**Accumulated costs**	**Estimated completion**
Overburden crushing and conveying system	99%	228,756	June 2014
Power plant	98%	49,843	March 2014
Crushing and handling facilities	38% - 98%	62,912	January - March 2014
Roads and bridges	20% - 98%	15,254	January - December 2014
Others (each below US$10,000)	0% - 99%	30,325	Various
		387,090	

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	

Borrowing costs capitalised as fixed assets for the year ended 31 December 2013 amounted to US$17,904 (2012: US$16,955).

The Conveyor belt project is on hold due to the Group giving priority to other projects which are considered to be more urgent for operational requirements. Due to the uncertainty surrounding the project, the Group has written-off the balance that cannot be recovered.

(Expressed in thousands of US Dollars, unless otherwise stated)

13. INVESTMENTS IN ASSOCIATES

	2013				
Associates	Beginning balance	Addition or deduction	Share in net income /(losses)	Other comprehensive income	Ending balance
PT Juloi Coal	141,512	2,200	(2,542)	-	141,170
PT Kalteng Coal	74,363	263	(394)	-	74,232
PT Maruwai Coal	57,450	1,525	171	-	59,146
PT Lahai Coal	55,416	18,408	(6,031)	-	67,793
PT Sumber Barito Coal	27,856	200	(272)	-	27,784
PT Servo Meda Sejahtera	18,785	-	(5,688)	597	13,694
PT Ratah Coal	7,057	105	(131)	-	7,031
PT Pari Coal	7,043	138	(167)	-	7,014
PT Bhimasena Power Indonesia	3,661	-	496	-	4,157
PT Rachindo Investment*	504	(504)	-	-	-
	393,647	22,335	(14,558)	597	402,021

* has been disposed of during the year

	2012				
Associates	Beginning balance	Addition or deduction	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

Additions during the year represented capital contributions which were made proportionately by all investors without changing the relative percentage of ownership of the associates.

The summary of the Group's associates financial information, all of which are unlisted, is as follows:

	Country of domicile	Assets	Liabilities	Revenues	Profit/(loss)	Interest held (%)
2013						
PT Juloi Coal	Indonesia	8,722	8,914	-	(10,167)	25.00
PT Kalteng Coal	Indonesia	1,281	1,171	-	(1,577)	25.00
PT Maruwai Coal	Indonesia	152,718	2,692	-	682	25.00
PT Lahai Coal	Indonesia	146,440	33,655	-	(24,125)	25.00
PT Sumber Barito Coal	Indonesia	1,034	716	-	(1,088)	25.00
PT Servo Meda Sejahtera	Indonesia	55,515	68,492	356	(16,249)	35.00
PT Ratah Coal	Indonesia	374	414	-	(524)	25.00
PT Pari Coal	Indonesia	443	64	-	(668)	25.00
PT Bhimasena Power Indonesia	Indonesia	170,188	157,962	38,587	1,459	34.00

(Expressed in thousands of US Dollars, unless otherwise stated)

13. INVESTMENTS IN ASSOCIATES (continued)

	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

The Group has representation on the Board of Directors in the above associates.

14. MINING PROPERTIES

	2013		
	Mines under development	Mines in production	Total
Acquisition costs			
Carrying amount - beginning balance	987,325	1,229,569	2,216,894
Acquisitions	294,165	-	294,165
Addition	23,991	20,169	44,160
Ending balance	1,305,481	1,249,738	2,555,219
Accumulated amortisation			
Carrying amount - beginning balance	-	(289,427)	(289,427)
Amortisation	-	(78,991)	(78,991)
Ending balance	-	(368,418)	(368,418)
	1,305,481	881,320	2,186,801

	2012		
	Mines under development	Mines in production	Total
Acquisition costs			
Carrying amount - beginning balance	302,110	1,173,701	1,475,811
Acquisitions	675,480	-	675,480
Addition	9,735	55,868	65,603
Ending balance	987,325	1,229,569	2,216,894
Accumulated amortisation			
Carrying amount - beginning balance	-	(220,839)	(220,839)
Amortisation	-	(68,588)	(68,588)
Ending balance	-	(289,427)	(289,427)
	987,325	940,142	1,927,467

All amortisation of mining properties has been allocated to the cost of revenue.

Management is of the opinion that there has been no impairment indicator of the carrying amounts of mining properties.

(Expressed in thousands of US Dollars, unless otherwise stated)

15. GOODWILL

	2013	2012
Carrying amount - beginning balance	1,022,173	1,005,506
Additions	-	16,667
Impairment charge (Note 33)	(101,877)	-
	920,296	1,022,173

Details of goodwill based on line of businesses, are as follows:

	Coal mining and trading	Mining services	Logistics	Total
31 December 2013	750,377	39,665	130,254	920,296
31 December 2012	750,377	39,665	232,131	1,022,173

In accordance with the Group's accounting policies, management tests its goodwill annually for impairment. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash generating unit).

The recoverable amounts of the cash-generating units have been determined based on the higher of their fair value less costs to sell and value in use. 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.

On 31 December 2013, the fair value less cost to sell of all cash generating units exceeded their carrying values except for the logistics business line. As a result, the Group recognised an impairment charge of US$101,877 in the current year profit or loss due to changes in the business model of one of the logistics companies which results in less business in that company.

The Group used an income approach to assess goodwill impairment. The income approach is predicted upon the value of the future cash flows that a business will generate going forward. The discounted cash flow ("DCF") method was used which involves projecting cash flows and converting them into a present value equivalent through discounting. The discounting process uses a rate of return that is commensurate with the risk associated with the business or asset and the time value of money.

The key assumptions used for recoverable amount calculations as at 31 December 2013 are as follows:

	Coal mining & trading	Mining services	Logistics
Growth rate after five years	0%	0%	0%
Post-tax discount rate (for fair value less costs to sell calculation)	10%-14%	10.5%	10%-12%

Management determined the key assumptions based on a combination of past experience and external sources.

On 31 December 2013, one of the Group's coal mining companies which is in a developing stage is the cash generating unit with the lowest sensitivity. The cash generating unit has an excess of recoverable amount, calculated based on the fair value less costs to sell method, over the carrying value of US$27,196. A rise in the discount rate of 0.96% would remove the remaining headroom for the relevant cash generating unit.

(Expressed in thousands of US Dollars, unless otherwise stated)

16. LOANS TO THIRD PARTIES

	2013	2012
PT Servo Infrastruktur	16,670	16,670
PT Agrarizki Media	-	20,000
	16,670	36,670

The interest rates on loans to third parties are as follows:

	2013	2012
US Dollars	1.3%	1.3% - 9.0%

PT Agrarizki Media

On 1 July 2011, ATA entered into a Loan Agreement with PT Agrarizki Media. As at 31 December 2013, ATA has received full repayment for this loan.

PT Servo Infrastruktur

On 10 October 2011, ATA entered into a Loan Agreement with PT Servo Infrastruktur ("SI"), to which ATA provided a loan facility of US$16,670. ATA also agreed to provide an additional loan facility of US$4,440 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. There has been no further extension since the due date of the loan. ATA has received full repayment for this loan in February 2014.

17. TRADE PAYABLES

	2013	2012
Third parties	316,762	328,590
Related parties:		
- PT Pulau Seroja Jaya	6,003	10,224
- PT Rahman Abdijaya	4,222	13,861
	10,225	24,085
	326,987	352,675

Details of trade payables based on currencies are as follows:

	2013	2012
US Dollars	282,175	297,571
Rupiah	43,582	46,661
Australian Dollars	605	4,651
Euro	541	2,868
Singapore Dollars	51	668
Great Britain Pound Sterling	30	230
Japanese Yen	3	26
	326,987	352,675

Trade payables balances mainly arose from the purchase of fuel, spare parts, repair and maintenance services, coal transportation services and coal mining services.

Refer to Note 35 for details of transactions and balances with related parties .

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NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS 31 DECEMBER 2013 AND 2012
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18. ROYALTIES PAYABLE

	2013	2012
Government royalties payable, net	117,022	128,392

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 34b).

19. ACCRUED EXPENSES

	2013	2012
Accrued interest	16,936	16,869
Freight cost	9,775	3,757
Others	18,125	14,913
	44,836	35,539

20. FINANCE LEASE PAYABLES

	2013	2012
PT Komatsu Astra Finance	57,541	58,973
PT Orix Indonesia Finance	18,678	22,091
PT Mitra Pinasthika Mustika Finance (formerly PT Austindo Nusantara Jaya Finance)	3,581	8,701
Others (each below US$5,000)	-	697
	79,800	90,462
Less:		
Current portion	(32,289)	(31,643)
Non-current portion	47,511	58,819

Future minimum lease payments under finance leases together with the present value of the minimum lease payments as of 31 December 2013 and 31 December 2012 were as follows:

	2013	2012
Payable not later than one year	34,363	33,276
Payable later than one year and not later than five years	49,794	60,241
	84,157	93,517
Less:		
Future financing charges	(4,357)	(3,055)
Present value of minimum finance lease payments	79,800	90,462
Payable not later than one year	32,289	31,643
Payable later than one year and not later than five years	47,511	58,819
Present value of minimum finance lease payments	79,800	90,462

(Expressed in thousands of US Dollars, unless otherwise stated)

20. FINANCE LEASE PAYABLES (continued)

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.

21. LONG-TERM BANK LOANS

	2013	2012
Syndicated Loan, net of unamortised financing cost of US$503 (2012: US$794)	186,997	286,706
Syndicated Bank Loan, net of unamortised financing cost of US$8,921 (2012: US$11,052)	258,079	308,948
US$750,000 Facility Agreement, net of unamortised financing cost of US$13,916 (2012: US$15,771)	407,084	429,729
Amortising Revolving Credit Facility US$500,000, net of unamortised financing cost of US$nil(2012: US$3,404)	-	376,596
US$380,000 Facility Agreement, net of unamortised financing cost of US$9,676 (2012: US$nil)	352,324	-
US$160,000 Facilities Agreement, net of unamortised financing cost of US$3,365 (2012: US$3,988)	141,635	156,012
PT Bank OCBC NISP Tbk, net of unamortised financing cost of US$nil (2012: US$nil)	4,999	8,499
	1,351,118	1,566,490
Less:		
Current portion	(155,577)	(268,408)
Non-current portion	1,195,541	1,298,082

The interest rates on the long-term bank loans are as follows:

	2013	2012
US Dollars	1.8% - 4.6%	1.8% - 4.8%

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), for which 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.

(Expressed in thousands of US Dollars, unless otherwise stated)

21. LONG-TERM BANK LOANS (continued)

a. Syndicated Loan (continued)

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.

The payment schedule for the outstanding term loan as at 31 December 2013, is as follows:

Year	Adaro	Coaltrade	Total
2014	US$73,079	US$26,921	US$100,000
2015	US$65,864	US$21,636	US$87,500
	US$138,943	US$48,557	US$187,500

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 2013. The Primary Operating Companies are also required to comply with certain terms and conditions relating to their 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. 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, United Overseas Bank Ltd Co, 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), Credit Agricole Corporate and Investment Bank, PT Bank Ekonomi Raharja Tbk 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 Bank DBS 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 has a final maturity date of 18 February 2018 and is payable on a quarterly basis from 2014. This facility bears interest at LIBOR plus a certain percentage.

This loan facility was used for refinancing the Senior Credit Facility, financing capital expenditure, paying transaction costs and expenses associated with the facility and for other general corporate purposes.

As at 31 December 2013, the outstanding balance of the revolving loan facility was US$nil (2012: US$20,000) and the outstanding balance of the term loan facility was US$267,000 (2012: US$300,000), which is repayable according to the following schedule:

Payment schedule (year)	Payment amount
2014	US$750
2015	US$45,000
2016	US$56,250
2017	US$71,250
2018	US$93,750
	US$267,000

(Expressed in thousands of US Dollars, unless otherwise stated)

21. LONG-TERM BANK LOANS (continued)

b. Syndicated Bank Loan (continued)

Under this Senior Credit facility agreement, SIS is required to maintain certain financial ratios, with which SIS was in compliance as at 31 December 2013. 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.

c. 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
5 July 2012 - 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.

The outstanding balance of the term loan facility was US$321,000 (2012: US$345,500) which is repayable according to the following schedule:

Payment schedule (year)	Payment amount
2014	US$18,500
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$321,000

In 2012, Adaro drew down US$100,000 on the amortising revolving loan facility. As at 31 December 2013, the outstanding balance of this facility was US$100,000 (2012: US$100,000).

(Expressed in thousands of US Dollars, unless otherwise stated)

21. LONG-TERM BANK LOANS (continued)

c. US$750,000 Facility Agreement (continued)

In accordance with the loan agreement, Adaro is required to maintain certain financial ratios, with which Adaro was in compliance as at 31 December 2013. 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.

d. US$500,000 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, for which 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.

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. In June 2013, Adaro refinanced the entire outstanding loan balance under the facility amounting to US$380,000, by entering into a new loan facility agreement of US$380,000 (refer to Note 21e).

e. US$380,000 Facility Agreement

On 29 May 2013, Adaro entered into a Credit Facility Agreement of US$380,000 with several banks consisting of PT Bank ANZ Indonesia, CIMB Bank Berhad (Singapore branch), Citigroup Global Markets Singapore Pte. Ltd, Chinatrust Commercial Bank Co. Ltd, DBS Bank Ltd, Mizuho Corporate Bank Ltd, Oversea-Chinese Banking Corporation Ltd, Standard Chartered Bank, Sumitomo Mitsui Banking Corporation, The Bank of Tokyo-Mitsubishi UFJ Ltd (Jakarta branch), The Hongkong and Shanghai Banking Corporation Ltd and United Overseas Bank Ltd as Mandated Lead Arrangers, for which DBS Bank Ltd acts as the facility agent. The Company acted as the guarantor for this loan facility.

This loan facility was used for the purpose of refinancing the US$500,000 Amortising Revolving credit facility agreement dated 2 October 2009.

This facility has a final maturity date of 29 May 2020 and is payable on a quarterly basis. This facility bears interest at LIBOR plus a certain percentage.

As at 31 December 2013, the outstanding balance of the facility was US$362,000 which is repayable according to the following schedule:

Payment schedule (year)	Payment amount
2014	US$35,000
2015	US$34,000
2016	US$31,000
2017	US$28,000
2018	US$24,000
2019	US$24,000
2020	US$186,000
	US$362,000

(Expressed in thousands of US Dollars, unless otherwise stated)

21. LONG-TERM BANK LOANS (continued)

e. US$380,000 Facility Agreement (continued)

In accordance with the loan agreement, Adaro is required to maintain certain financial ratios, with which Adaro was in compliance as at 31 December 2013. 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.

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 for refinancing the intra-group loans from the Company, 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 of the date of the loan agreement.

The outstanding balance of the revolving loan facility was US$5,000 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

In accordance with the loan agreement, MBP is required to maintain certain financial ratios, with which MBP was in compliance as at 31 December 2013. 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. 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;
- an insurance claim which covers the risk of operating loss; and
- a Letter of Comfort from Adaro.

(Expressed in thousands of US Dollars, unless otherwise stated)

21. LONG-TERM BANK LOANS (continued)

g. PT Bank OCBC NISP Tbk (continued)

As at 31 December 2013, the outstanding balance of this facility was US$4,999 (2012: US$8,499) which is repayable in 2014.

Under the loan agreement, SDM is required to maintain certain financial ratios, with which SDM was in compliance as at 31 December 2013. 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.

h. 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 2013. 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 2013, MBP has not yet drawn down on this loan facility.

22. SENIOR NOTES

	2013	2012
Face value	800,000	800,000
Discount and issuance cost	(15,161)	(15,161)
Amortisation of discount and issuance cost	5,031	3,691
	789,870	788,530

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 are 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 in support of the expansion of Adaro's coal production capacity.

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22. SENIOR NOTES (continued)

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 did not initially issue guarantees for the Senior Notes. The Company may in future designate its subsidiaries to guarantee the Senior Notes.

The Senior Notes are 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 incurring of indebtedness and the issue of disqualified stock, the designation of the Subsidiary Guarantor, mergers, consolidations and sales of assets, certain transactions with affiliates, business activities and other matters. As at 31 December 2013, Adaro and the Company are in compliance with the related terms and conditions.

23. RETIREMENT BENEFITS OBLIGATION

Provision for employee benefits as at 31 December 2013 was calculated by Padma Radya Aktuaria, independent actuaries, in various actuarial reports issued in 2014.

The principal assumptions used in determining the Group's provision for employee benefits are as follows:

	2013	2012
Discount rate	8.8% - 9% (Rp), 2.4% (US$)	6% - 6.5% (Rp), 1.5% (US$)
Salary growth rate	5% - 15%	5% - 15%
Expected return on plan assets	7%	7%
Normal retirement age	55	55
Mortality rate from the Indonesian Mortality Table	100% TMI3	100% TMI3 and TMI2

Provision for employee benefits recognised in the consolidated statements of financial position is computed as follows:

	2013	2012
Present value of funded obligation	11,731	16,978
Fair value of plan assets	(1,225)	(1,482)
Deficit of funded plans	10,506	15,496
Present value of unfunded obligations	27,135	24,860
Total	37,641	40,356
Unrecognised actuarial gain/(losses)	5,457	(6,073)
Unrecognised past service cost	(30)	(2)
Net liability	43,068	34,281

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23. RETIREMENT BENEFITS OBLIGATION (continued)

The movement in the Group's fair value of plan assets of the year is as follows:

	2013	2012
At the beginning of the year	1,482	1,538
Expected return on plan assets	79	83
Actuarial losses	(26)	(37)
Foreign exchange difference	(310)	(102)
At end of the year	1,225	1,482

The movement in the Group's present value of obligation is as follows:

	2013	2012
At the beginning of the year	41,838	24,974
Current service cost	13,574	8,085
Interest cost	2,724	1,747
Actuarial (gain)/losses	(13,971)	5,049
Past service cost	960	4,424
Benefits paid	(842)	(2,445)
Foreign exchange difference	(5,417)	(462)
Liabilities acquired in business combination	-	466
At end of the year	38,866	41,838

The amount recognised in profit or loss is as follows:

	2013	2012
Current service cost	13,574	8,085
Interest cost	2,724	1,747
Expected return on plan assets	(79)	(83)
Net actuarial losses/(gain) (gain)/losses recognised in current year	(460)	1,531
Foreign exchange difference	(5,107)	(360)
Past service cost	960	4,425
	11,612	15,345

The actual return on plan assets as at 31 December 2013 was US$53 (2012: US$21).

As at 31 December 2013 and 2012, the plan assets are fully invested in the money market.

Expected returns on money market are based on expected future fair value as at reporting date.

Expected contributions to post employment benefit plans for the next year are US$1,476.

	2013	2012
Experience adjustment on plan liabilities	(3,656)	1,538
Experience adjustment on plan assets	(26)	(37)

(Expressed in thousands of US Dollars, unless otherwise stated)

24. PROVISION FOR MINE RECLAMATION AND CLOSURE

	2013	2012
Beginning balance	16,211	12,720
Addition	27,166	10,497
Realisation	(3,341)	(7,014)
Accretion	401	695
Foreign exchange difference	(82)	(687)
Ending balance	40,355	16,211

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 2013 and 2012 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 2013			
PT Adaro Strategic Investments	14,045,425,500	43.91	150,589
Garibaldi Thohir (President Director)	1,986,032,654	6.21	21,293
Edwin Soeryadjaya (President Commissioner)	1,051,738,544	3.29	11,276
Theodore Permadi Rachmat (Vice President Commissioner)	724,420,430	2.26	7,767
Sandiaga Salahuddin Uno (Director)	640,838,202	2.00	6,871
Ir. Subianto (Commissioner)	435,000,120	1.36	4,664
Chia Ah Hoo (Director)	8,113,500	0.03	87
Public	13,094,393,050	40.94	140,393
	31,985,962,000	100.00	342,940

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

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held.

(Expressed in thousands of US Dollars, unless otherwise stated)

26. ADDITIONAL PAID-IN-CAPITAL, NET

	2013	2012
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

The additional paid-in-capital from IPO represents the balance from the initial public offering in 2008.

27. RETAINED EARNINGS

	Appropriated	Unappropriated	Total
Balance as at 1 January 2012	37,731	904,269	942,000
Profit for the year	-	385,347	385,347
Appropriation of retained earning	5,504	(5,504)	-
Dividend	-	(260,686)	(260,686)
Balance as at 31 December 2012	43,235	1,023,426	1,066,661
Profit for the year	-	231,231	231,231
Appropriation of retained earning	3,853	(3,853)	-
Dividend	-	(80,285)	(80,285)
Balance as at 31 December 2013	47,088	1,170,519	1,217,607

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 presented 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 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, was 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, an 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.

At the Company's AGMS held on 19 April 2013, a total cash dividend for 2012 of US$117,069 (US$0.00366/share – full amount) was approved. This included interim cash dividend for 2012 of US$76,767, which was paid on 12 June 2012 and 15 January 2013. The remaining US$40,302, final cash dividend for 2012, was paid on 12 June 2013.

At the Company's Board of Commissioners and Directors Meeting held on 2 December 2013, an interim cash dividend for 2013 of US$39,983 (US$0.00125/share-full amount) was approved. The interim cash dividend was paid on 16 January 2014.

(Expressed in thousands of US Dollars, unless otherwise stated)

29. NON-CONTROLLING INTERESTS

	2013							
	Beginning balance	Acquisition	Addition	Deduction	Share in net income/ (loss)	Dividend	Other comprehensive income	Ending balance
PT Bhakti Energi Persada and subsidiaries	429,016	-	-	(989)	(4,742)	-	899	424,184
Others (each below US$50,000)	7,068	56,073	444	-	2,774	(705)	380	66,034
	436,084	56,073	444	(989)	(1,968)	(705)	1,279	490,218

	2012						
	Beginning Balance	Acquisition	Deduction	Share in net income/ (loss)	Dividend	Other comprehensive income	Ending balance
PT Bhakti Energi Persada and subsidiaries	-	432,524	-	(3,497)	-	(11)	429,016
Others (each below US$50,000)	6,352	-	(265)	1,457	(487)	11	7,068
	6,352	432,524	(265)	(2,040)	(487)	-	436,084

30. REVENUE

	2013	2012
Sales of coal		
Export	2,452,832	2,574,064
Domestic	616,471	864,564
	3,069,303	3,438,628
Mining services		
Domestic	147,748	210,317
Others		
Export	600	600
Domestic	67,491	72,944
	68,091	73,544
	3,285,142	3,722,489

All of the consolidated revenue was generated from third party transactions.

As at 31 December 2013, there were no customers with which revenue transactions exceeded 10% of the total consolidated revenue (2012: 1 customer with value of US$377,516).

(Expressed in thousands of US Dollars, unless otherwise stated)

31. COST OF REVENUE

	2013	2012
Sales of coal		
Mining	1,286,438	1,314,775
Coal processing	126,201	118,339
Total production costs	1,412,639	1,433,114
Royalties to Government	348,014	383,700
Freight and handling costs	268,794	275,659
Depreciation and amortisation	170,228	151,246
Amortisation of mining properties	78,991	68,588
Purchase of coal	74,949	90,421
Mine closure and reclamation costs	27,166	10,497
Coal inventory:		
Beginning balance	32,251	27,556
Ending balance	(44,298)	(32,251)
Increase in coal inventory	(12,047)	(4,695)
Total cost of revenue - sales of coal	2,368,734	2,408,530
Mining services		
Repair and maintenance	37,074	51,905
Depreciation and amortisation	31,726	36,062
Consumables	29,787	44,719
Employee costs	18,957	48,875
Subcontractors	6,976	11,748
Other costs (each below US$5,000)	10,165	13,915
Total cost of revenue - mining services	134,685	207,224
Others		
Consumables	10,918	32,121
Depreciation and amortisation	8,490	6,894
Other costs (each below US$5,000)	23,129	25,098
Total cost of revenue - others	42,537	64,113
	2,545,956	2,679,867

Details of suppliers with transactions that represent more than 10% of the consolidated revenue are as follows:

	2013	2012
Third parties:		
PT Pamapersada Nusantara	422,709	357,779
PT Shell Indonesia	469,864	400,710
	892,573	758,489

Refer to Note 35 for details of related party balances and transactions.

(Expressed in thousands of US Dollars, unless otherwise stated)

32. OPERATING EXPENSES

	2013	2012
Selling and marketing		
Sales commission	41,330	48,258
Others	937	2,524
	42,267	50,782
General and administrative		
Employee costs	51,793	53,806
Others	79,029	68,479
	130,822	122,285
	173,089	173,067

33. OTHER INCOME/(EXPENSES), NET

	2013	2012
Negative goodwill from business acquisition (Note 4b)	145,578	-
Loss on goodwill impairment (Note 15)	(101,877)	-
Foreign exchange loss, net	(53,198)	(12,315)
Others	(22,315)	(20,856)
	(31,812)	(33,171)

34. TAXATION

a. Prepaid taxes

	2013	2012
Corporate income tax	144,229	113,967
VAT	42,487	28,939
	186,716	142,906

b. Recoverable taxes

	2013	2012
Vehicle fuel tax receivables	9,694	51,308
VAT Input	172	37,958
Deposit to Government	12,301	15,451
	22,167	104,717
Less:		
Current portion	(9,866)	(89,266)
Non-current portion	12,301	15,451

34. TAXATION (continued)

b. Recoverable taxes (continued)

Receivables relating to VAT input represent 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 into 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 2013, Adaro has offset the claim for recoverable VAT input amounting to US$44,466 (2012: US$157,121) against royalty payments due to the Government of Indonesia. From 1 January 2001 up to 31 December 2013, Adaro has offset cumulative claims for recoverable VAT input totaling US$752,266 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 regulation on sales tax is no longer valid.

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$12,301) 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"), which governs procedures of collecting, remitting and reporting of Sales Tax and the treatment of VAT and/or Luxury Goods Sales Tax on the first generation CCA contractors including Adaro and which 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 has complied with PMK 194 from 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 2013, Adaro has offset the claim for vehicle fuel tax against royalty payments due to the Government of Indonesia amounting to US$80,264 (2012: US$29,803). Until 31 December 2013, Adaro has offset cumulative claims for vehicle fuel tax against royalty payments due to the Government of Indonesia amounting to US$127,562.

(Expressed in thousands of US Dollars, unless otherwise stated)

34. TAXATION (continued)

c. Taxes payable

	2013	**2012**
Corporate income tax	27,712	32,087
Other taxes:		
- Income tax Articles 23 and 26	5,600	3,591
- Income tax Article 21	2,442	2,092
- Land and building tax	921	1,616
- VAT	628	1,041
- Others	165	210
	37,468	40,637

d. Income tax expense

	2013	**2012**
Current tax	212,623	330,856
Deferred tax	(22,602)	(439)
Total income tax expense	190,021	330,417

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:

	2013	**2012**
Consolidated profit before income tax	419,284	713,724
Tax calculated at applicable tax rates	182,103	325,709
Income subject to final tax	(39,933)	(53,298)
Non-deductible expenses	56,273	68,799
Tax allowance	(15,907)	(15,276)
Others (each below US$5,000)	7,485	4,483
Consolidated income tax expense	190,021	330,417

The reconciliation between the consolidated profit before income tax and estimated consolidated taxable income is as follows:

	2013	**2012**
Consolidated profit before income tax	419,284	713,724
Profit before income tax - subsidiaries	(465,638)	(732,056)
Adjusted for consolidation elimination	32,560	(2,132)
Loss before income tax - the Company	(13,794)	(20,464)
Temporary differences:		
Provision for employee benefits	1,440	4,604

(Expressed in thousands of US Dollars, unless otherwise stated)

34. TAXATION (continued)

d. Income tax expense (continued)

	2013	2012
Permanent differences:		
Income subject to final tax	(417)	(321)
Non-deductible expenses	28,753	22,586
	28,336	22,265
	15,982	6,405
Utilisation of tax losses	(714)	(6,405)
Taxable income - the Company	15,268	-
Current income tax - the Company	3,817	-
Current income tax - subsidiaries	208,806	330,856
Consolidated current income tax	212,623	330,856

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:

	2013			2012		
	Before tax	Tax (charge)/ credit	After tax	Before tax	Tax (charge)/ credit	After tax
Cash flow hedges	4,066	(1,509)	2,557	1,324	(577)	747

e. Deferred tax assets/liabilities

	1/1/2013	Charged to profit or loss	Transfer to deferred tax assets/ liabilities	Acquisition of subsidiary	Credited to equity	31/12/2013
Deferred tax assets						
Tax losses carried forward	21,256	8,910	-	-	-	30,166
Provision for impairment of trade receivables	-	1,750	-	-	-	1,750
Retirement benefits obligation	2,412	412	(530)	-	-	2,294
Difference between the commercial and tax net book values of fixed assets	(468)	-	468	-	-	-
	23,200	11,072	(62)	-	-	34,210
Unrecognised deferred tax assets	(14,860)	(10,656)	-	-	-	(25,516)
Deferred tax assets at the end of the year	8,340	416	(62)	-	-	8,694

(Expressed in thousands of US Dollars, unless otherwise stated)

34. TAXATION (continued)

e. Deferred tax assets/liabilities (continued)

	1/1/2013	Charged to profit or loss	Transfer to deferred tax assets/ liabilities	Acquisition of subsidiary	Credited to equity	31/12/2013
Deferred tax liabilities						
Capitalised borrowing cost	14,667	5,760	-	-	-	20,427
Retirement benefits obligation	(2,079)	(456)	(530)	-	-	(3,065)
Mining properties	462,227	(16,939)	-	68,410	-	513,698
Losses due to changes in the fair values of derivative financial instruments	(1,050)	117	-	-	1,509	576
Differences between the commercial and tax net book values of fixed assets	120,580	(5,595)	468	-	-	115,453
Provision for impairment of trade receivables	(4,500)	(4,500)	-	-	-	(9,000)
Differences in fixed assets under finance leases and lease installments	6,719	(1,919)	-	-	-	4,800
Income from subsidiaries	4,525	1,346	-	-	-	5,871
Deferred tax liabilities at the end of the year	601,089	(22,186)	(62)	68,410	1,509	648,760

	1/1/2012	Charged to profit or loss	Transfer to deferred tax assets/ liabilities	Acquisition of subsidiary	Credited to equity	31/12/2012
Deferred tax assets						
Tax losses carried forward	18,676	400	-	2,180	-	21,256
Retirement benefits obligation	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 benefits obligation	(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
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
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)

34. TAXATION (continued)

e. Deferred tax assets/liabilities (continued)

Due to the fact that several subsidiaries are in a loss position and only function as head offices, there is a limitation on the future use of tax losses carried forward and also 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 recovered after more than 12 months.

The analysis of deferred tax liabilities is as follows:

	2013	2012
Deferred tax liabilities to be recovered within 12 months	22,628	25,036
Deferred tax liabilities to be recovered after 12 months	626,132	576,053
	648,760	601,089

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.

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, the DGT requested a civil review of the decision of the tax court. As of the date of these 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 2012, Adaro for all taxes for the fiscal years 2011 and 2012, SIS for corporate income tax for the fiscal years 2009, 2010 and 2012, Viscaya for all taxes for the fiscal year 2009, AEI for all taxes for the fiscal year 2012, ATA for all taxes for the fiscal year 2012, DSM for all taxes for the fiscal year 2012, JPI for VAT for the fiscal years 2010, 2011 and 2012 and IBT for corporate income tax for the fiscal year 2012. The Company, Adaro, SIS, Viscaya, AEI, ATA, DSM, JPI and IBT 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 consolidated financial position and cash flow.

(Expressed in thousands of US Dollars, unless otherwise stated)

35. 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 Pulau Seroja Jaya	Affiliate
PT Pulau Seroja Jaya Pratama	Affiliate
PT Rahman Abdijaya	Affiliate

b. Transaction details

In the normal course of business, the Group engages in transactions with related parties, primarily consisting of purchases of services and other financial transactions. Refer to Notes 1 and 13 for details of the Company's subsidiaries and associates.

	2013	2012
Loan to a related party:		
- PT Servo Meda Sejahtera ("SMS")	40,233	44,562
As a percentage of total assets	0.60%	0.67%
Trade payables (refer to Note 17))	10,225	24,085
Non-trade related party payables:		
- PT Rachindo Investments	-	500
	10,225	24,585
As a percentage of total liabilities	0.29%	0.66%
Cost of revenue		
Mining services:		
- PT Rahman Abdijaya	74,197	69,620
Coal barging services:		
- PT Pulau Seroja Jaya	38,350	32,952
- PT Pulau Seroja Jaya Pratama	-	393
	112,547	102,965
As a percentage of cost of revenue	4.42%	3.84%

The Group's pricing policy related to 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, through which ATA agreed to provide a loan receivable facility of US$10,000 to SMS. Agreement I has been amended on 25 November 2011, whereby 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 from the date of the first draw down. 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 to SMS. The loan receivable was secured with the 35% shares in SMS that are owned by SI.

35. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)

b. Transaction details (continued)

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 as 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. 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.

ATA has received full repayment in February 2014.

c. Key management compensation

The Board of Commissioners and Directors of the Company and its subsidiaries are considered as key management personnel.

Remuneration for the Board of Commissioners and Directors of the Company and its subsidiaries for the years ended 31 December 2013 and 2012, was as follows:

	2013	2012
Remuneration	19,145	16,748
Post employment benefit	2,941	1,134
	22,086	17,882

The Boards of Commissioners and Directors do not receive any other benefits such as management stock options.

36. EARNINGS PER SHARE

	2013	2012
Profit for the year attributable to the owners of the parent	231,231	385,347
Weighted average number of ordinary shares outstanding (in thousands of shares)	31,985,962	31,985,962
Basic earnings per share (full amount)	0.00723	0.01205
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	2,381,730	1,389,342
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share (in thousands of shares)	34,367,692	33,375,304
Diluted earnings per share (full amount)	0.00673	0.01155

(Expressed in thousands of US Dollars, unless otherwise stated)

37. NET MONETARY ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

As at 31 December 2013 and 2012, the Group had monetary assets and liabilities denominated in currencies other than US Dollars as follows:

		2013	
		Foreign currency (full amount)	**Equivalent US$**
Monetary assets			
Cash and cash equivalents	Rp	1,185,314,954,642	97,245
	S$	1,146,340	905
	€	276,571	382
Trade receivables	Rp	1,079,678,287,899	88,575
Prepaid taxes	Rp	518,118,643,168	42,507
Loan to a related party	Rp	490,397,746,859	40,233
Total monetary assets			269,847
Monetary liabilities			
Trade payables	Rp	531,221,141,553	43,582
	S$	64,243	51
	€	391,794	541
	¥	365,721	3
	A$	678,503	605
	£	18,210	30
Accrued expenses	Rp	61,108,587,521	5,013
	€	4,655,472	6,425
	A$	42,264	38
Taxes payable	Rp	118,928,821,158	9,757
Retirement benefits obligation	Rp	470,520,147,349	38,602
Provision for mine reclamation and closure	Rp	491,885,087,740	40,355
Total monetary liabilities			145,002
Net foreign currency monetary assets			**124,845**

		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
Loan to a related party	Rp	430,915,756,100	44,562
Total monetary assets			370,340

(Expressed in thousands of US Dollars, unless otherwise stated)

37. NET MONETARY ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES (continued)

		2012	
		Foreign currency (full amount)	Equivalent US$
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
Retirement benefits obligation	Rp	297,255,616,270	30,740
Provision for mine reclamation and closure	Rp	156,764,895,181	16,211
Total monetary liabilities			117,367
Net foreign currency monetary assets			252,973

Monetary assets and liabilities mentioned above are translated using the Bank Indonesia closing rate as at 31 December 2013 and 2012.

If assets and liabilities in currencies other than US Dollars as at 31 December 2013 are translated using the exchange rate as at the date of consolidated statement of financial position, the total net monetary assets will increase by approximately US$5,829.

38. NON-CASH TRANSACTIONS

	2013	2012
Non-cash activities:		
Acquisition of assets under finance leases	20,345	55,776
Addition of investments in associates through conversion of advance for investments	5,413	13,462
Addition of fixed assets through capitalisation of depreciation expenses	435	-
Addition of mining properties through capitalisation of depreciation expenses	355	-

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, logistics and others (power plant, asset management, etc.).

(Expressed in thousands of US Dollars, unless otherwise stated)

39. OPERATING SEGMENTS (continued)

The segment information provided to the Board of Directors for the reportable segments for the years ended 31 December 2013 and 2012, is as follows:

	Coal mining and trading	Mining services	Logistics	Others	Eliminations	Consolidated
	For the year ended 31 December 2013					
External revenue	3,069,303	147,748	38,202	29,889	-	3,285,142
Inter-segment revenue	3,562	261,273	125,275	55,997	(446,107)	-
Revenue	3,072,865	409,021	163,477	85,886	(446,107)	3,285,142
Cost of revenue	(2,425,998)	(361,331)	(93,550)	(32,458)	367,381	(2,545,956)
Selling and marketing expense	(42,267)	-	-	-	-	(42,267)
General and administration expense	(50,180)	(36,886)	(8,380)	(39,887)	4,511	(130,822)
Finance costs	(113,479)	(15,605)	(7,607)	(24,224)	44,333	(116,582)
Finance income	31,984	975	743	14,315	(31,878)	16,139
Income tax expense	(194,693)	4,884	(5,115)	(8,230)	13,133	(190,021)
Profit for the year	246,266	(17,029)	47,127	(25,267)	(21,834)	229,263
Depreciation and amortisation	(110,238)	(85,918)	(16,347)	(6,354)	(74,205)	(293,063)
Segment assets	3,173,278	794,379	384,178	500,023	1,881,929	6,733,787
Segment liabilities	2,589,448	408,511	183,904	1,426,002	(1,069,081)	3,538,784

(Expressed in thousands of US Dollars, unless otherwise stated)

39. OPERATING SEGMENTS (continued)

	Coal mining and trading	Mining services	Logistics	Others	Eliminations	Consolidated
	For the year ended 31 December 2012					
External revenue	3,438,627	210,317	40,023	33,522	-	3,722,489
Inter-segment revenue	-	286,840	135,662	63,519	(486,021)	-
Revenue	3,438,627	497,157	175,685	97,041	(486,021)	3,722,489
Cost of revenue	(2,486,866)	(436,987)	(114,071)	(58,298)	416,355	(2,679,867)
Selling and marketing expense	(50,782)	-	-	-	-	(50,782)
General and administration expense	(38,185)	(30,839)	(9,040)	(45,952)	1,731	(122,285)
Finance costs	(115,224)	(17,508)	(7,264)	(20,041)	41,690	(118,347)
Finance income	28,440	562	564	10,453	(28,900)	11,119
Income tax expense	(330,782)	1,182	(2,436)	(9,329)	10,948	(330,417)
Profit for the year	413,759	14,776	41,922	(24,980)	(62,170)	383,307
Depreciation and amortisation	(95,868)	(87,402)	(15,385)	(2,571)	(66,122)	267,348
Segment assets	3,142,385	866,321	366,329	393,870	1,923,351	6,692,256
Segment liabilities	2,672,187	491,869	229,999	1,280,760	(977,613)	3,697,202

Sales by destination is as follows:

	2013	2012
Domestic	831,710	1,147,825
Export		
- India	519,657	477,089
- Japan	384,682	386,885
- Korea	350,078	402,250
- Others	1,199,015	1,308,440
	3,285,142	3,722,489

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 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 statements of financial position.

(Expressed in thousands of US Dollars, unless otherwise stated)

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.

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	Stripping of overburden and mining of coal	7 September 2009	28 February 2014*)
PT Pamapersada Nusantara	Coal transportation	7 September 2009	28 February 2014*)
PT Bukit Makmur Mandiri Utama	Stripping of overburden and mining of coal	1 January 2009	31 March 2014*)
PT Rahman Abdijaya	Stripping of overburden and mining of coal	1 January 2009	31 March 2014*)
PT Rahman Abdijaya	Coal transportation	1 December 2009	31 March 2014*)
PT Rante Mutiara Insani	Coal transportation	1 October 2009	Certain contract tonnage
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 March 2014*)
PT Rahman Abdijaya	Rental heavy equipment	1 October 2012	31 March 2014*)
PT Pamapersada Nusantara	Rental heavy equipment	28 September 2012	31 December 2013*)

*) Adaro is in the process of extending the agreements

Under the agreements made by SIS and coal producers, SIS provides equipments with rental mechanism, and provides mining services for overburden removal and hauling, and also coal hauling/transportation. SIS is required to meet minimum production requirements level for certain activities. SIS receives a service fee calculated on a monthly basis, based on a formula which includes several adjustment clauses.

(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)

Coal producer	Agreement date	Contract period or production level (metric tonnes/MT)
PT Berau Coal (Binungan H4)	27 December 2004 – 21 September 2012	31 December 2013*)
PT Berau Coal (Binungan Blok 1-4)	1 March 2007 – 21 September 2012	31 December 2015
PT Berau Coal (Sambarata Blok B-1)	21 September 2012	30 September 2012 – 31 December 2015
PT Borneo Indobara	17 October 2006 – 31 July 2012	1 July 2012 – 31 August 2014 or certain production level
PT Borneo Indobara (Kusan)	23 February 2012	1 January 2012 – 31 December 2016 or certain production level

*) SIS is in the process of extending the agreements

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 the 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 rights 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 1.5 Mega Watts ("MW") of the electricity for the regency's street lighting.

c. Royalty claim

In May 2006, the MoEMR alleged that Adaro had underpaid 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 Administrative High 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 Administrative High 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 payment demand 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 Administrative High 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 Administrative High 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.

40. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

c. Royalty claim (continued)

Furthermore, PMK 194 which is effective as of 1 January 2013, in 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 34b).

d. 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 to extend the maturity date of this agreement to 31 July 2014. The facility represents combined limit facility amounting to US$30,000 with treasury facility amounting to US$25,000. 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 letters 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 2014. This facility is not bound by any collateral.

On 11 November 2011, Adaro entered into a banking facility agreement with PT Bank ANZ Indonesia (formely 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 letters of credit amounting to US$10,000. This facility is not bound by any collateral. On 13 September 2013, the agreement has been amended to extend the maturity date to 11 November 2014.

As at 31 December 2013, the total bank facilities used by Adaro which were obtained from HSBC, PT Bank DBS Indonesia and from other financial institutions (obtained without any facility) in various currencies, aggregated to US$14,268 (2012: US$33,616). These facilities had been issued in relation to sales contracts and reclamation guarantees.

The use of certain banking facilities requires Adaro to maintain time deposits (refer to Note 6).

e. Sales commitments

As at 31 December 2013, Adaro had various commitments to deliver approximately 172.6 million metric tonnes of coal to various buyers, subject to price agreements. The coal will be delivered periodically from 2014 until 2022.

f. 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.

40. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

g. 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") and Punj Lloyd Pte Ltd ("Punj Lloyd") with a total contract value of approximately €18,068 thousand and €34,174 thousand, respectively. Under this agreement, Punj Lloyd Indonesia will provide construction services, while Punj Lloyd will supply equipment for the construction of the Tanjung Tabalong 2x30 MW coal fired power plant project, located in Kalimantan, Indonesia.

As at 31 December 2013, one unit of the power plant has commenced its operation.

h. 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.

i. 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.

During the year ended 31 December 2013, there had been no spending related to this contract and the project had been put on hold (Note 12).

j. 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.

On 26 August 2013, IBT and Shell amended and restated the Fuel Facilities Agreement whereby Shell agreed to build an additional jetty and install the flow meters within the terminal for loading diesel in consideration of the increased demand for diesel. At the end of the agreement period, Shell will transfer the ownership of the fuel storage facility, additional jetty, flow meters together with the transfer of operation to IBT. Under this agreement, IBT agreed to amend the handling fee for the use of the shared facilities. This Amended and Restated Fuel Facility Agreement is effective from 1 January 2014.

k. Ministerial Regulation No. 18/2009

In August 2009, the Minister of Energy and Mineral Resources issued Ministerial Regulation No. 18/2009 on the procedure of the amendment of investment in order to implement Coal Cooperation Agreement and Coal Contract of Work, which regulates that if Adaro amends the investing plan, Adaro should obtain the approval of Director General on behalf of the Minister of Energy and Mineral Resources.

40. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

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, within one year of enactment of the Law, to 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.

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, or Regent in accordance with the authorities.

Management believes that the Group 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.

40. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

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 at 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 20.47%.

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 that the minimum DMO percentage for the year 2013 is 20.30%. On 24 December 2013, The Minister of Energy and Mineral Resources issued Decree No. 4023K/30/MEM/2013 concerning the minimum DMO requirement for the year 2013 to 20.10%.

On 30 July 2013, the Minister of Energy and Mineral Resources issued Ministerial Decree No. 2901 K/30/MEM/2013 regarding the Setting of the Requirement and Minimum Percentage of Coal Sales for Domestic Consumption Year 2014 which states that the minimum DMO percentage for the year 2014 is 25.90%. The Group is closely monitoring the quantity of DMO and will ensure that the Group fulfills the DMO requirement.

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 ("DGoMC") issued Director General Regulation No. 999.K/30/DJB/2011 on the Procedure for Determining the Adjustment Coal Benchmark Price. On 21 March 2013, the Director General of Mineral and Coal issued Regulation No. 644.K/30/DJB/2013 amendment of Director General of Mineral and Coal No. 999.K/30/DJB/2011 for Determining the Adjustment Coal Benchmark Price.

Management believes that the Group has complied with the requirements of the regulations mentioned above.

p. Ministerial Regulation No. 27/2013

On 13 September 2013, the Minister of Energy and Mineral Resources issued Ministerial Regulation No. 27/2013 on the Procedures and Determination of Divestment Price as well as Changes in Capital Investment in Mineral and Coal Mining Businesses. This regulation governs foreign shares divestment partially whereby on the tenth year, 51% of shares at the minimum, will be owned by Indonesian Participant. This regulation also govern the changes in capital investment which consists of (a) changes in investment and financing sources, (b) changes in company status from foreign investment to domestic investment or vice versa, (c) changes in Article of Association, (d) changes in the Board of Directors and Commissioners and (e) changes in shareholders composition.

Management believes that the Group has complied to this regulation related to the changes in capital investment as mentioned above.

40. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

q. 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 transferred 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. 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 transferred all of its rights and obligations under the WIKA Contract, to JPI.

As at 31 December 2013, the project is still in comissioning stage.

r. 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.

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.

On 12 August 2013 the Consortium established PT Tanjung Power Indonesia. TPI 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 various financial institutions. The US$270,000 Guaranteed Bridge Facility will expire 364 days after the date of this agreement. This agreement has been amended to extend the maturity of this agreement to 4 November 2014. 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 2013, BPI has made drawdowns totaling US$150,000 from this facility.

40. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

u. Overlapping land plots of PT Bhakti Energi Persada and subsidiaries

PT Bhakti Energi Persada and subsidiaries ("BEP Group") have been granted mining permits in Muara Wahau, East Kutai, East Kalimantan (the "Concession Area"). Part of the Concession Area currently overlaps with the plantation business permit held by PT Dharma Satya Nusantara and its subsidiaries (the "Plantation Companies") ("Overlap Area"). As of 31 December 2013, BEP Group and the Plantation Companies have reached agreements for a portion of the Overlap Area and BEP Group has paid the first instalment related to the settlement, the remaining instalments will be paid subject to fulfilment of certain conditions. The remaining of the Overlap Area is still in process of the discussion.

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, insurance or accounting reserve, all of which have 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. 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 (1) prepare a five-year reclamation plan; (2) prepare 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.

Based on the Decree of the DGoMC No. 882/37.06/DJB/2010 dated 26 March 2010, No. 1153/30/DJB/2011 dated 11 March 2011, No. 2016/37.06/DJB/2012 dated 18 June 2012, No. 3431/37.07/DJB/2012 dated 10 October 2012 and No. 629/30/DJB/2013 dated 12 April 2013, Adaro is required to provide a Reclamation Guarantee in the form of performance bonds. As at 31 December 2013, Adaro had placed reclamation guarantees in the form of performance bonds amounting to Rp29.5 billion (2012: Rp63.3 billion).

Based on the Decree of the DGoMC No. 467/30/DJB/2013 dated 19 March 2013, Adaro's request for providing the reclamation guarantee for the period 2013 in the form of an Accounting Reserve has been approved by DGoMC at a total amount of Rp22.9 billion. Furthermore on 1 April 2013, Adaro has agreed to place such amount in the form of an Accounting Reserve for the benefit of DGoMC.

Adaro has submitted its mine closure plan which has been approved by MoEMR on 14 February 2013.

(Expressed in thousands of US Dollars, unless otherwise stated)

41. RECLAMATION GUARANTEE (continued)

The Group, other than Adaro, has also received letters confirming the required amount of reclamation guarantee for its IUP mining areas as follows:

No	Number	Date	Issued by	Company	Reclamation period
1	No.540/992/Pertamb/2009	18 July 2009	Regent of Lahat	PT Mustika Indah Permai	2009-2013
2	No. 540/351/Distamben-PU/III/2012	14 March 2012	Regent of Kutai Timur	PT Telen Eco Coal	2014-2018
3	No 540/349/Distamben-PU/III/2012	14 March 2012	Regent of Kutai Timur	PT Bumi Murau Coal	2014-2018
4	No 540/350/Distamben-PU/III/2012	14 March 2012	Regent of Kutai Timur	PT Persada Multi Bara	2014-2018
5	No 540/1053/Distamben-PU/VII/2012	26 July 2012	Regent of Kutai Timur	PT Khazana Bumi Kaliman	2014-2018
6	No 540/1054/Distamben-PU/VII/2012	26 July 2012	Regent of Kutai Timur	PT Bumi Kaliman Sejahtera	2014-2018
7	No 540/492/Distamben-PU/IV/2013	22 April 2013	Regent of Kutai Timur	PT Birawa Pandu Selaras	2015-2019
8	No 540/490/Distamben-PU/IV/2013	22 April 2013	Regent of Kutai Timur	PT Tri Panuntun Persada	2015-2019

As at 31 December 2013, MIP had placed reclamation guarantees in the form of a joint account at a state-owned bank amounting to Rp1.8 billion (2012: Rp1.2 billion).

42. FINANCIAL ASSETS AND LIABILITIES

As at 31 December 2013, 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 amounting to US$1,058,227 (2012: US$1,077,585) as loans and receivables and its derivative financial instruments amounting to US$1,379 (2012: US$nil) as financial assets at fair value through profit or loss.

As at 31 December 2013, the Company and its subsidiaries classified its trade payables, dividend payable, accrued expenses, other liabilities, non-trade related party payables, finance lease payables, long term bank loans and senior notes amounting to US$2,652,111 (2012: US$2,874,146) as financial liabilities carried at amortised cost and its derivative financial instruments amounting to US$nil (2012: US$2,446) as financial liabilities at fair value through profit or loss.

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 consolidated Group.

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 2013, if the Rupiah currency had weakened/strengthened by 3% against the US Dollars with all other variables held constant, the post-tax profit for the year would have been US$2,103 lower or US$2,233 higher (2012: US$8,858 lower or US$9,406 higher), respectively, mainly as a result of foreign exchange gains/losses on the translation of cash and cash equivalents, trade receivables, prepaid taxes, trade payables, accrued expenses and taxes payable.

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 allow for price adjustments when the fuel price increases.

At 31 December 2013, other than the derivative financial instruments, there were no financial assets or liabilities with carrying amounts 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 Dollars. The interest rate risk from cash is not significant and all other financial instruments are not interest bearing. Borrowing issued at variable rates exposes the Group to cash flow interest rate risk. Borrowing issued at fixed rates exposes the Group to 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 2013, the Group does not have any interest rate swaps.

As at 31 Decemer 2013, 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$961 (2012: US$1,115) lower/higher.

b. Credit risk

As at 31 December 2013, the total maximum exposure from credit risk was US$1,058,032 (2012: US$1,067,438). Credit risk arises from cash in banks, time deposits, trade receivables, other receivables, loans to third parties, loan to a related party, restricted cash and time deposits, and other current and non-current assets.

All the cash in banks, 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 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 2013 and 2012, the balance outstanding from trade receivables, other receivables, loans to third parties and loan to a related party is as follows:

	31 December 2013			
	Neither past due nor impaired	**Past due but not impaired**	**Past due and impaired**	**Total**
Trade receivables	283,852	25,713	20,000	329,565
Other receivables	1,673	307	7,000	8,980
Loans to third parties	-	16,670	-	16,670
Loan to a related party	-	40,233	-	40,233
Total	285,525	82,923	27,000	395,448

	31 December 2012			
	Neither past due nor impaired	**Past due but not impaired**	**Past due and impaired**	**Total**
Trade receivables	401,181	72,832	10,000	484,013
Other receivables	4,322	6,883	-	11,205
Loans to third parties	36,670	-	-	36,670
Loan to a related party	44,562	-	-	44,562
Total	486,735	79,715	10,000	576,450

The entire receivable balances from trade receivables, other receivables, loans to third parties and loan to a related party are mostly derived from customers/third parties/related party which have existed for more than 12 months and do not have any default history.

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, mining services and other services rendered, and historically low levels of bad debts.

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 strong financial conditions and good reputations.
- acceptance of new customers and sales of coal and rendering services being 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 2013, Management is of the opinion that there is no concentration of credit risk as there is only one party which has outstanding balance of 10.9% 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.

(Expressed in thousands of US Dollars, unless otherwise stated)

43. FINANCIAL RISK MANAGEMENT (continued)

c. Liquidity risk (continued)

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 2013				
	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	326,987	-	-	-	326,987
Dividend payables	39,983	-	-	-	39,983
Accrued expenses	44,836	-	-	-	44,836
Other liabilities	19,517	-	-	-	19,517
Finance lease payables	11,100	23,263	49,794	-	84,157
Bank loans	38,103	154,516	812,477	537,254	1,542,350
Senior Notes	-	61,000	244,000	861,000	1,166,000
Total financial liabilities	480,526	238,779	1,106,271	1,398,254	3,223,830

	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	24,166	60,241	-	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	359,226	1,233,914	1,444,164	3,516,718

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 2013	
	Carrying amount	Fair value
Finance lease payables	79,800	77,921
Long-term bank loans	1,351,118	1,396,069
Senior Notes	789,870	848,240

(Expressed in thousands of US Dollars, unless otherwise stated)

43. FINANCIAL RISK MANAGEMENT (continued)

d. Fair value estimation (continued)

	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

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 2013.

The carrying amounts of other financial assets and liabilities approximate their fair values because of the short-term nature of the financial instruments.

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 2013 and 2012, 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.

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 its level of borrowing and 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.

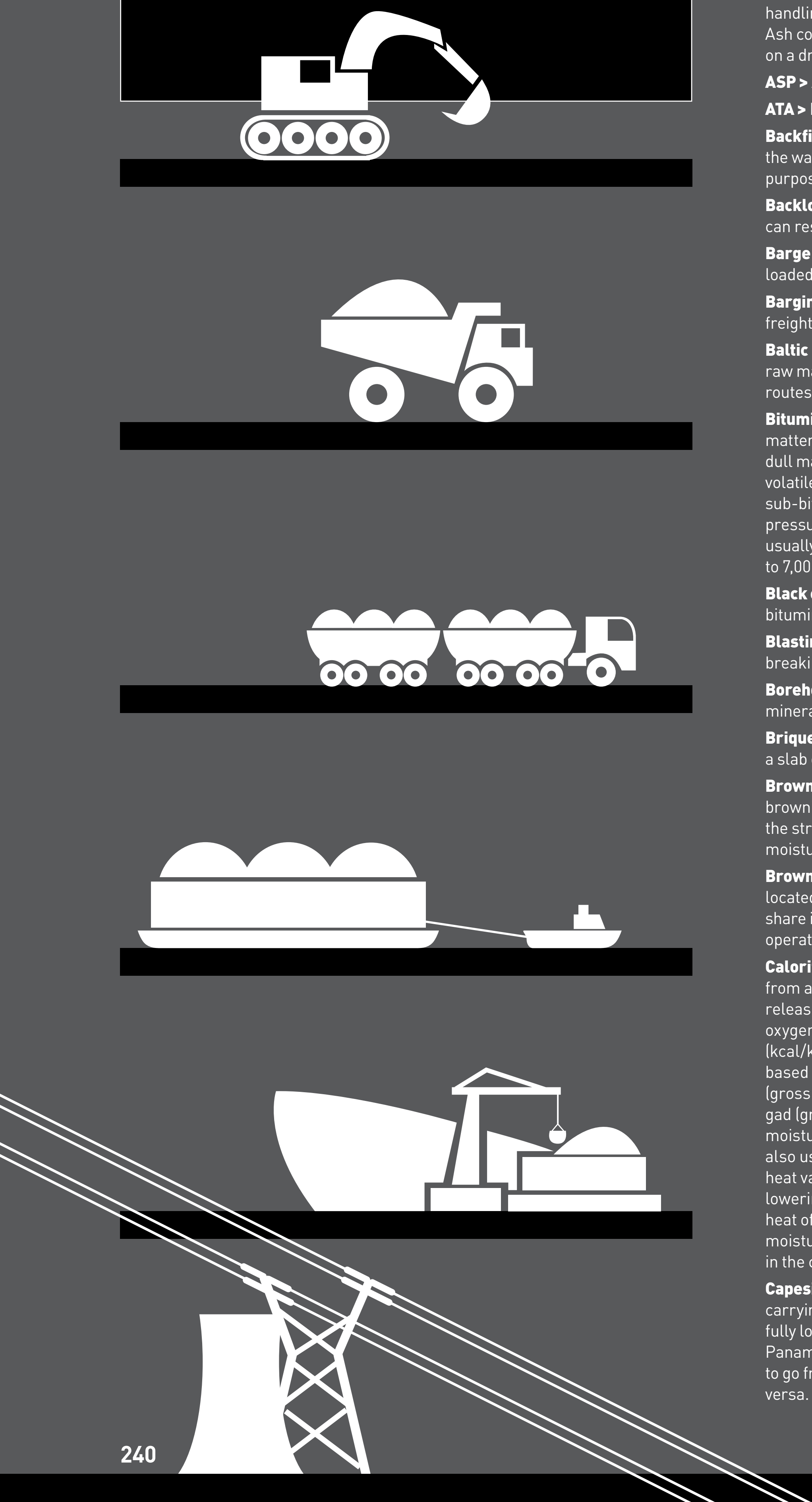
44. EVENT AFTER THE REPORTING PERIOD

On 21 February 2014, ATA, PT Energi Karya Persada (EKP) dan PT Perusahaan Palembang Investama (PPI) signed shares sales and purchase agreement, whereby ATA sells its shares ownership in SMS to EKP for 144,200 shares and to PPI for 216,300 shares for US$10,052 and US$15,078 respectively.

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 28 February 2014.

Glossary



Adaro > Adaro Group.

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 changes in raw material freight costs on a composite number of routes, issued on a daily basis.

Bituminous coal > A coal 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 under 20%. Its heat content 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%-0.25%, ash content between 2%-3% and a nitrogen level of 0.9%-1%. 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.

Floating Transfer Unit (FTU) > A facility with the shiploading capacity of 60,000 tonnes per day, which enables us to load Capesize vessels in 2.5 days. It has an annual caapcity of 21 million tonnes.

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 civil engineering branch 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 prices 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/Handysize > Inexact terms, but normally taken to mean a vessel of about 40,000-60,000 dwt.

Haulage > The carrying of supplies, coal or 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 as a result of which 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 (CH_4) > 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 (O_2) 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 > A 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.

Probable reserves > Similar to proved reserves (see below) 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).

Proved reserves > As indicated by the JORC Code, it is the economically mineable part of 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.

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 2013

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 2013 of PT Adaro Energy Tbk.

Signed April 10, 2014

Board of Commissioners

Edwin Soeryadjaya
President Commissioner

Theodore Permadi Rachmat
Vice President Commissioner

Ir. Subianto
Commissioner

Ir. Palgunadi Tatit Setyawan
Independent Commissioner

Dr. Ir. Raden Pardede
Independent Commissioner

Board of Directors

Garibaldi Thohir
President Director

Christian Ariano Rachmat
Vice President Director

Sandiaga Salahuddin Uno
Director

David Tendian
Director

Chia Ah Hoo
Director

M. Syah Indra Aman
Director

Julius Aslan
Director

The Power of Positive Energy

Each time we ship Envirocoal, the cleanest thermal coal available on the export market, on schedule 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 that 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 by building strong, healthy communities surrounding our operations, as we create maximum sustainable value from Indonesian coal, we deliver positive energy.

In 2013 we delivered 52.3 million tonnes of Envirocoal, 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 also how we behave. What we are doing more than just building a great coal and energy company. We are delivering Positive Energy.

Positive Energy

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