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Positive Energy

PT ADARO ENERGY Tbk
ANNUAL REPORT 2014

STRENGTHENING THE CORE FOR BUSINESS SUSTAINABILITY



Welcome

Dear Sir or Madam,

Welcome to the seventh edition of Adaro Energy's Annual Report. The theme of this year's report is "Strengthening the Core for Business Sustainability." It is derived from an analysis of the facts of what happened in 2014, 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 Mission

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

Adaro Energy 2014 Financial Highlights

Figures in US$ millions unless stated	2010	2011	2012	2013[1]	2014
Financial Performance					
Net revenue	2,718	3,987	3,722	3,285	**3,325**
Cost of revenue	(1,889)	(2,559)	(2,680)	(2,541)	**(2,605)**
Gross profit	829	1,428	1,043	744	**720**
EBITDA	883	1,472	1,101	822	**877**
Operational EBITDA	883	1,472	1,111	860	**888**
Operating income	638	1,131	836	539	**494**
Net income	247	552	383	232	**184**
Core Earnings	287	597	440	286	**362**
Basic earnings per share (EPS) (US$)	0.00773	0.01721	0.01205	0.00731	**0.00557**
Current assets	1,110	1,298	1,414	1,371	**1,272**
Total assets	4,470	5,659	6,692	6,696	**6,414**
Current liabilities	644	779	899	774	**775**
Total liabilities	2,438	3,217	3,697	3,522	**3,156**
Stockholders' equity	2,032	2,442	2,995	3,174	**3,258**
Interest-bearing debt	1,592	2,105	2,445	2,221	**1,896**
Cash and cash equivalents	607	559	500	681	**745**
Net debt	985	1,546	1,945	1,540	**1,151**
Capex[2]	283	651	541	185	**164**
Free cash flow[3]	428	307	206	566	**691**
Financial Ratios					
Gross profit margin (%)	30.5	35.8	28.0	22.7	**21.7**
EBITDA margin (%)	32.5	36.9	29.6	25.0	**26.4**
Operating margin (%)	23.5	28.4	22.5	16.4	**14.9**
Return on equity (%)	12.2	22.6	12.8	7.3	**5.6**
Return on assets (%)	5.5	9.8	5.7	3.5	**2.9**
Net debt to equity (x)	0.5	0.6	0.6	0.5	**0.4**
Net debt to EBITDA (x)	1.1	1.1	1.8	1.9	**1.3**
Cash from operations to capex (x)	1.2	1.1	0.9	4.4	**6.0**
Current ratio (x)	1.7	1.7	1.6	1.8	**1.6**
Operating Statistics					
Coal production volume (Mt)	42.2	47.7	47.2	52.3	**56.2**
Sales volume (Mt)	43.8	50.8	48.6	53.5	**57.0**
Overburden removal (Mbcm)	225.9	299.3	331.5	294.9	**319.1**
Planned strip ratio (x)	5.5	5.9	6.4	5.8	**5.8**
Coal cash cost, excl. royalty (US$/t)	31.9	35.8	38.9	34.8	**33.0**

Our EBITDA was in line with our 2014 guidance of US$750-US$1,000 million

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

Our Core Earnings demonstrated our quality after-tax earnings

We have solid access to liquidity

We increased free cash flow by 22% on the back of lower capex and higher EBITDA

We maintained our healthy margin despite difficult market conditions

We successfully refinanced US$1b of debt, and coupled with solid performance, our capital structure remains strong

Solid production growth caters for our long-term clients

Our coal cash cost was lower than guidance due to disciplined efficiency measures and lower-than-expected fuel prices

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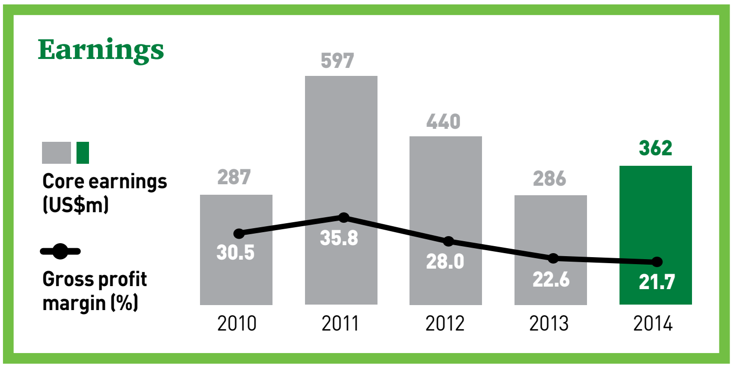
[1] Restated due to adoption of IFAS 29, "Stripping Costs in the Production Phase of a Surface Mine."

[2] Includes acquisition of assets under finance leases

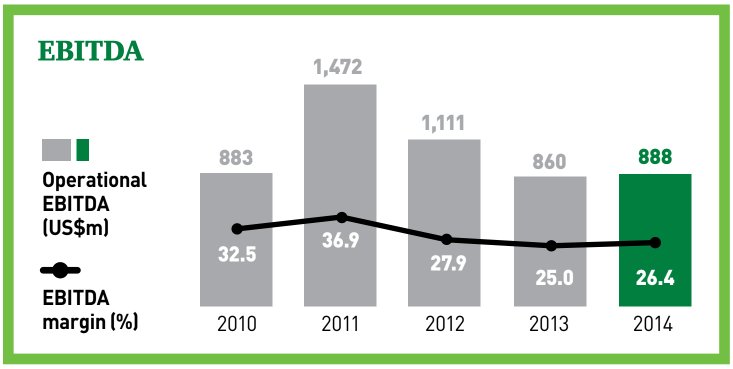
[3] EBITDA - Income Tax - Changes in Working Capital - Capex (excluding lease)

Financial Highlights

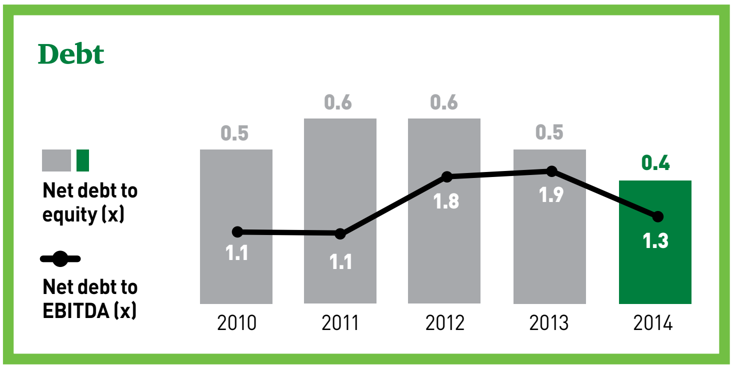
Earnings



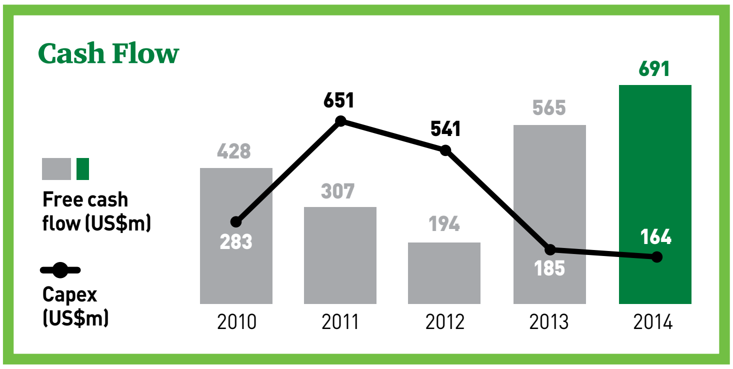
EBITDA



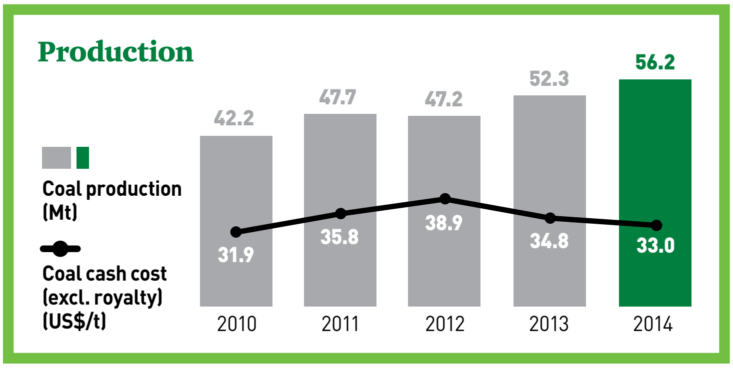
Debt



Cash Flow



Production



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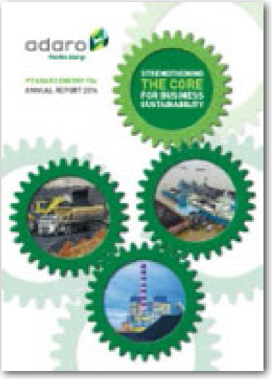

Accessing This Report

This report is available in English and in Indonesian.

Print

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

PDF

Download the report at www.adaro.com/investor_relations/reports

E-book

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

WHAT IS ADARO?

Adaro at a Glance

We are all about creating maximum sustainable value from Indonesian coal. We focus on integrated coal mining through our subsidiaries. Our main 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, enhance the contribution of the non-coal mining parts of our business, and further develop our power generation division.

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.

Corporate Identity Details

Name of Corporation
PT Adaro Energy Tbk

Address
Jl. H.R. Rasuna Said,
Blok X-5, Kav. 1-2,
Jakarta 12950, Indonesia.
Tel: +62 21 521 1265

Founded
July 28, 2004

Line of Business
Integrated coal mining, mining services and logistics and power through subsidiaries.

Authorized Capital
Rp 8,000 billion

Issued and Fully Paid Capital
Rp3,198.60 billion

Ownership
PT Adaro Strategic Investments: 43.91%
Garibaldi Thohir: 6.18%
Other key shareholders: 14.68%
Public: 35.23%

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 (an Indonesian member firm of PwC global network),
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Share Registrar
PT Ficomindo Buana Registrar,
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Please contact the Investor Relations and Corporate Secretary Division:
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Head of Corporate Secretary & Investor Relations Division,
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We want to begin an ongoing dialogue with you. For more information or to join our email distribution list, contact us at **investor.relations@ptadaro.com** or visit our website at **www.adaro.com**

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'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, 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 and its subsidiaries and affiliates operate. Adaro 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.

WHY INVEST IN ADARO?

1

Stronger contributions from non-coal mining businesses

COAL mining is a cyclical industry and, following a high-growth phase, it is now experiencing a period of lower prices and compressed margins. Almost a decade ago, we decided to diversify our business along the coal supply chain from pit to power, and include coal mining, mining services and logistics, and power in our portfolio.

We want to have a business model with considerable contributions from power and other non-coal mining businesses. The contributions from our non-coal mining businesses continued to rise in 2014, offsetting the declining coal prices. We have seen the results: In 2014, the non-coal mining aspects of our business contributed 37% of Adaro's EBITDA, up more than double from 16% in 2009.

As Adaro continues to develop the three engines of growth — coal mining, mining services and logistics, and power — we will be less reliant on our coal mining business.

2

In the forefront of pit-to-power integration

WE founded Adaro Power and began our move into power five years ago as part of our vision to be a leading Indonesian mining and energy group. Since then, we have been developing our power division and have gained important experience. Adaro is now ready to ride the momentum of Indonesia's power generation development plan and participate in building coal-fired power plants.

Reliable electricity supply is essential for Indonesia to realize its growth potential, and McKinsey predicts its electricity demand to nearly triple to 17 quadrillion BTUs by 2030. Adaro is well positioned to benefit from this, and Indonesia will remain the priority for Adaro.

Our objective of creating maximum value from Indonesian coal underlies our move into power. Power provides us with healthy returns and stable cash flows, which will offset the volatility of coal. Power not only creates a market for our coal, it enables us to participate in building the nation.

3

Significant resources and reserves base

THE quality and extent of its resources and reserves base is essential for any mining company; it provides a range of value-creating options for the future. Although we continue to grow the non-coal mining aspects of our business, coal mining remains our foundation.

We have estimated our coal resources at 12.8Bt (including our option on BEP). We have estimated our coal reserves at 1.1Bt. All of our estimates have been made in accordance with the JORC code. We have assets in each of Indonesia's four key coal-producing provinces.

We will continue with the development of these assets and are looking at ways we can create maximum value from them, such as developing mine-mouth power plants or coal processing facilities. We conduct regular assessments on the value of our coal mining assets at the end of every year.

4

The cleanest solid fuel

OUR internationally trademarked Envirocoal is among the lowest-pollutant coal available in the global seaborne thermal coal market. It is renowned for its ultra-low sulphur, ash and nitrogen content. Envirocoal thus provides excellent economic and technical benefits to our customers. Most are sovereign-backed power utilities, and on top of the reliable supply we provide them with, Adaro coal's low-pollutant content allows them to meet their countries' stringent emission standards and to lower their operating costs.

Our coal's ultra-low ash content reduces ash disposal costs, and ultra-low sulphur helps reduce reliance on high-cost desulphurization equipment. This enables us to get better prices for our coal compared to our competitors.

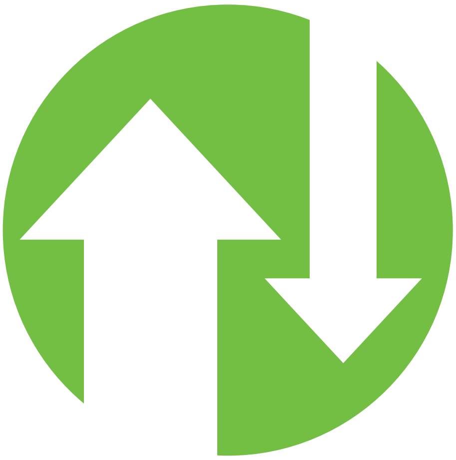
We also remain among the preferred suppliers in the domestic market. Amid increasing concerns on the environment and trace elements, our coal continues to sell well in China.

5

Strong core earnings

ON the back of our strong performance and efficiency measures, our core earnings increased 26% to US$362 million, while our Operational EBITDA increased 3% to US$888 million. This reflects the improved performance of our core business and operational excellence.

We continue to find more efficient and effective ways of performing day-to-day operations along our coal supply chain and managed to lower our coal cash cost by 5% to US$33.03 per tonne, leading to an EBITDA margin of 26% — among the best in Indonesian coal. As a result, we remain near the bottom end of the cost curve for coal miners worldwide.



6

Conservative balance sheet

WE manage our balance sheet in a conservative manner. In 2014, we further improved our capital structure and completed a refinancing activity which lowered our cost of debt and reduced our debt level by 15% to US$1.9 billion. Net debt to EBITDA ratio was at a healthy level of 1.31x in 2014.

In addition, our US$745 million cash balance provides us with headroom to weather the cyclical downturn. Our average debt repayment schedule for the next five years is at a manageable level of around US$214 million per year.

We expect our operating subsidiaries, especially AI, to continue to generate good cash flow to comfortably meet our financing needs. Our free cash flow increased 22% in 2014 to US$691 million as we continued to undertake prudent capital spending, preserve cash and reduce interest-bearing debt.

7

Commitment to create shared value

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

We work with our stakeholders to create shared value and champion the principles of mutual respect, partnership and long-term commitment. We constantly strive for a safe, healthy workspace for our employees and contractors. In 2014, our environment efforts were recognized by the Aditama award and PROPER Green award.

We want to be a good local partner, and we work to enhance community welfare that will ultimately lead to sustainable and independent post-mine communities through programs that create value for both Adaro and the local communities.

8

Supportive key shareholders and governance

OUR major shareholders are five respected Indonesian families with reputable track records in business. They collectively own approximately 65% of the company, but as each one has a relatively equal stake, no single family has outright control.

With a clear separation between owners and management, a clear system of good corporate governance, there is a system of checks and balances in decision-making. Transparency, accountability, fairness, responsibility and independence are woven into the fabric of our corporate culture, ensuring that the interests of all of our stakeholders are protected.

Mining is a long-term, capital intensive business, and our shareholders are committed to building a great company and to continue to contribute to the nation.

ADARO IN 2014: EVENTS & AWARDS

Key Dates for Adaro in 2014

February 24

Adaro sells 35% of South Sumatra Integrated Coal Logistic Services Provider for US$25.13 million.

April 25

Adaro held its Annual General Meeting of Shareholders, at which the use of US$75.17 million, or 32.51% of the 2013 net profit, was approved for the final cash dividend payment. This included the interim cash dividend amounting to US$40 million paid on Jan. 16, 2014.

April 25

Siswanto Prawiroatmodjo was appointed as an Adaro Director and Chief Logistics and Procurement Officer. He has more than three decades of related professional experience.

June 12

Adaro distributes the remaining cash dividend for 2013 for US$35 million.

September 22

Adaro enters into an MOU with the Indonesian government on renegotiation of its CCA in South Kalimantan.

October 17

PT Tanjung Power Indonesia (TPI) signs a Power Purchase Agreement (PPA) with PT PLN (Persero) for 2x100 MW coal-fired power plant in South Kalimantan. Adaro owns 65% of TPI.

October 23

AI invokes a call option for early repayment of its US$800 million guaranteed Senior Notes.

November 4

BPI signed a PPA amendment with PT PLN (Persero). The amendment date was extended to Oct. 6, 2015.

November 24

Adaro and Shenhua signs an MOU for the initial development of a 2x300 MW mine mouth coal fired power plant in East Kalimantan.

Awards for Adaro in 2014

IR Magazine
Adaro received an award for Best Investor Relations by an Indonesian Company.

Alpha Southeast Asia Institutional Investor Corporate Awards
Adaro received the awards for Most Organized Investor Relations in Indonesia, Strongest Adherence to Corporate Governance, Best Strategic CSR, and Best Annual Report in Indonesia.

Aditama Award
AI obtained the Aditama (gold) award for environmental management from the Directorate General of Mineral and Coal of the Ministry of Energy and Mineral Resources.

Pengelolaan Barang Milik Negara (Management of State Properties)
AI was recognized as the best in management of state properties for CCA companies from the Ministry of Energy and Mineral Resources.

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

Global CSR Summit
Adaro's President Director and CEO, Mr. Garibaldi Thohir, received the platinum award for CSR Leadership during the 6th Global CSR Summit in Yogyakarta.

GKPM Award
Adaro was awarded the Gold GKPM award by the Coordinating Ministry for Public Welfare for its contributions in the achievement of the Millennium Development Goals.

International Business Award 2014 (The International Stevie)
Adaro received the following awards: Best Website in Metals & Mining Sector, Corporate Social Responsibility of the Year in Asia & Oceania, 2nd place for Print Annual Report in Asia & Oceania, Gold Medal for Adaro's clean water program (Clean Water Creates Better Life), and Woman of The Year for Indriani Herlianti, Adaro's Mine Water Management Section Head.

Green Apple Award 2014
Gold Winner for Best Environmental Practice for Adaro's clean water program (Serving Clean Water to Initiate Healthy Life).

Indonesia Social Responsibility Award 2014
Adaro was named a Good Company by the Indonesia Social Responsibility Awards 2014.

Indonesia CSR Awards 2014
AI won awards in seven out of the nine categories it entered in the Indonesia CSR Awards 2014.

Award presentations to Adaro for its seven wins in the Indonesia CSR Awards 2014 and four wins in the Alpha Southeast Asia Institutional Investor Corporate Awards.

OUR MESSAGES

IN THIS SECTION

Our central motivation is that we want to build a great Indonesian company. We want Adaro to help build our nation, by creating maximum sustainable value from Indonesian coal.

The coal that AI produces from its South Kalimantan mines is trademarked Envirocoal, and is remarkable for being among the lowest-pollutant coals on the global seaborne thermal coal market, giving us a great competitive advantage.

We are on track to strengthen our pit-to-power business model

Dear Shareholders,

The year 2014 was a challenging one for Adaro Energy (Adaro) and the coal industry in general. Coal prices stayed under pressure throughout the year as oversupply and overcapacity persisted in the industry. Amid all this, our vertically integrated business model remained resilient. We were able to lower costs, manage our capital spending and continue to deliver operational excellence.

We are pleased to report Adaro's strong results for 2014. Despite the market difficulties, we are on track and delivered on our operational and financial guidance. These results were underpinned by increased production and cost efficiencies in our operations. We produced 56.2Mt of coal in total, including the contribution from

**For profiles of the commissioners, see Our People on page 92.
For the Board of Commissioners' duties and responsibilities, see the Corporate Governance section, page 111.**

PT Semesta Centramas (SCM), which produces Balangan Coal. We increased Core Earnings by 26% to US$362 million, showing the quality of our after-tax earnings. During the year, Adaro was also able to complete a successful refinancing and reduce interest bearing debt. Our balance sheet remains strong and our healthy cash balance provides us with enough headroom to weather this downturn.

As we achieved our targets, we also delivered high standards of good corporate governance.

Despite the challenging market, Adaro continues to pay regular cash dividends. Our dividend policy ensures returns to shareholders while retaining income for future business requirements. As approved during the Annual General Meeting of Shareholders on April 25, 2014, Adaro distributed US$75 million as dividends, or US$0.00235 per share, from its 2013 income, which translates to approximately a 33% payout ratio.

While coal mining remains the foundation of our business, we continue to grow our non-coal mining businesses. In 2014, the earnings contribution of our mining services and logistics units increased to 36%, and we will continue to grow these non-coal mining businesses and increase their contributions to Adaro to balance the volatility of coal earnings. Our strategic decision to move into power was made five years ago. We have gone through the learning phase and are on track to strengthen our pit-to-power business model by building more power plants in Indonesia that will use the latest environmentally-friendly technology to improve electrification and support the country's economic growth.

In the long term, we expect that demand for energy will continue to rise and that the long-term fundamentals for coal remain intact. We believe that this difficult phase is a cyclical downturn. It is more important for us to focus on how we face these challenging conditions and

> Adaro is unique because of the complimentary characters of its founders and the great camaraderie among them. Having such a close-knit group intimately involved in decision making, without a single controlling shareholder, naturally creates a strong system of decision-making.

LETTER FROM THE COMMISSIONERS

consistently provide reliable coal supply to our customers. We believe that our strategies put us in a good position to manage and respond to changes well and capture opportunities to grow shareholder value over time.

We maintain a firm focus on the health and safety of our people and the communities in which we operate. A recent mine safety report from the Ministry of Energy and Mineral Resources shows that AI is operating as one of the safer mining companies nationwide. While the result is encouraging, our efforts to protect the health and safety of our people are unrelenting. To ensure negative impacts are minimized, we also apply a strict environmental policy and master plan in all phases of our operations.

We are committed to making a positive contribution to the communities we live and conduct our business in. We believe that creating a shared value is in line with our commitment to conduct good corporate governance and become a leading Indonesian mining and energy group. We designed our community empowerment program by using the Millennium Development Goals established by the World Bank as guidance to provide independent and sustainable benefits to surrounding communities. Our community programs are in addition to the royalties and taxes we paid to the government in 2014 and our broader economic contribution in terms of jobs, capital investment and support of local businesses.

Again, we believe that establishing good corporate governance is important to protect the interests of stakeholders and the sustainability of the company. We are not majority owned by a single family, but by a group of five families. Adaro is unique because of the complimentary characters of its founders and the great camaraderie among them. Having such a close-knit group intimately involved in decision making, without a single controlling shareholder, naturally creates a strong system of decision-making to ensure decisions are made in the best interests of Adaro and its varied stakeholders.

We have already met the regulatory requirements, but we continue to develop our corporate governance structure in line with global best practices. We currently have an Audit Committee under the Board of Commissioners, and are working to establish a formal risk management committee. We, as the commissioners of the Company, undertake the function of nomination and remuneration.

To sum up, a strong management team and over 23,000 talented employees and contractors have improved safety, increased production and delivered value for shareholders and all our stakeholders. And although 2015 will be another challenging year for coal, we are pleased with the ability of our management to formulate strategies and policies to anticipate the challenges in the industry.

We remain optimistic that Adaro will continue to deliver positive energy to the nation and we will keep on working hard to create maximum sustainable value from Indonesian coal.

On behalf of the Board of Commissioners,

Edwin Soeryadjaya
President Commissioner

The Board of Commissioners

(Left to right)

Dr Ir Raden Pardede
Independent Commissioner

Ir. Subianto
Commissioner

Edwin Soeryadjaya
President Commissioner

Theodore Permadi Rachmat
Vice President Commissioner

Ir Palgunadi Tatit Setyawan
Independent Commissioner

LETTER FROM THE DIRECTORS

> *As we strengthen our core for business sustainability, we were able to deliver good results in 2014 and stay on track*

Dear Shareholders,

In 2014, coal market conditions continued to be difficult and challenging. The cyclical downturn, which has lasted more than three years, continued throughout the year and coal markets remained oversupplied, leading to continued lower coal prices. However, despite the poor conditions, as we strengthen our core for business sustainability, we were able to deliver good results in 2014 and stay on track.

Challenging Cyclical Downturn: When Will the Oversupply End?

The Global Coal Newcastle price declined 17% in 2014, averaging US$70.95 per tonne, due to a persistent oversupply, weak Chinese domes-

For profiles of the directors, see Our People, page 94.
For the Board of Directors' duties and responsibilities,
see the Corporate Governance section, page 113.

tic demand, depreciation of key coal export countries' currencies against the US dollar and Australian take-or-pay contracts.

The demand for coal imports from China declined by 23Mt in 2014 to 227Mt. However, demand from India was strong as imports grew 27Mt to 163Mt. Indonesian domestic coal demand rose steadily throughout the year to 78Mt.

Indonesia's supply of coal contracted by 4Mt to 484 million in 2014, due to reduced output from smaller miners. Indonesian exports were down 10Mt. Australian coal supply increased by 10Mt. A cyclical downturn is a process of discovery. We have found that two of the main causes of chronic oversupply are the take-or-pay contracts in Australia, which incentivize producers to maintain loss-making production, and the undocumented coal mining in Indonesia, which the Indonesian Coal Mining Association had estimated at 75-96Mt in 2013.

At the same time, the seaborne thermal coal market experienced the lowest demand growth in five years. While painful, this type of downturn is also normal and healthy. It is a cyclical downturn brought on by several years of overinvestment. Once the market overcapacity is reduced by supply reduction and demand growth, the downturn will reverse. The long-term fundamentals for the coal and energy sectors remain strong.

What We Are Excited About

Our central motivation is that we want to build a great Indonesian company. We want Adaro to help build our nation, by creating maximum sustainable value from Indonesian coal, not just from coal mining, but also from coal-related businesses such as logistics, mining services and power production.

We want to create a company that will thrive for many years. By its nature, our business is

> We cannot predict the future, but we know that coal is cyclical, that vertical integration brings many benefits and that Indonesia needs huge amounts of electrical power. Based on these notions, we made and began to implement plans prior to our IPO in 2008, to create maximum long-term value from Indonesian coal. Nothing about the current downturn has us regretting those plans or needing to change direction.

LETTER FROM THE DIRECTORS

The Board of Directors
(Left to right)

Garibaldi Thohir
President Director & Chief Executive Officer

Sandiaga Uno
Director, General Affairs

Julius Aslan
Director & Chief HRGA-IT Officer

Chia Ah Hoo
Director & Chief Operating Officer

Siswanto Prawiroatmodjo
Director & Chief Logistics
and Procurement Officer

M. Syah Indra Aman
Director & Chief Legal Officer

David Tendian
Director & Chief Financial Officer

Christian A. Rachmat
Vice President Director &
Deputy Chief Executive Officer

long term, so our aim is to build a company that will grow and improve for many decades. Despite the current downturn in the cycle, there is still reason to be hopeful and excited about the future.

Still on Track

Despite the poor market conditions, our business is on track. Nothing about this cyclical downturn has derailed us. We cannot predict the future, but we know that coal is cyclical, that vertical integration brings many benefits and that Indonesia needs huge amounts of electrical power. Based on these notions, we made and began to implement plans prior to our IPO in 2008, to create maximum long-term value from Indonesian coal. Nothing about the current downturn has us regretting those plans or needing to change direc-

tion. In fact, the difficult circumstances have tested our business models, giving us new evidence about the underlying assumptions we made, and will allow us to strengthen and improve with more confidence and focus than ever before.

Reliable Core Earnings

We increased our revenues slightly to US$3,325 million in 2014. We increased our core earnings 26% to US$362 million and increased Operational EBITDA (earnings before interest, depreciation and amortization) by 3% to US$888 million. Our EBITDA increased 7% to US$877 million, in line with our guidance of US$750 million to US$1 billion.

Adaro's coal cash cost decreased 5% to US$33.03 per tonne, below our annual guidance of US$35 to US$38 per tonne, mostly due to our discipline in implementing cost efficiencies and lower than expected fuel costs.

Our coal mining company PT Adaro Indonesia (AI) continues to operate well, serving its loyal customers, and contributing healthy and reliable core earnings and operational EBITDA. With the foundation of AI running well, we are still on track to further improve the vertical integration of our coal supply chain and the expansion of our non-coal mining businesses, such as mining services and logistics, and to further execute on our strategic initiative to move downstream into power.

Less Reliant on Coal Mining

While the outlook for coal markets has not improved as expected, we can take comfort that we made the correct strategic decision to diversify

several years ago. In 2014, we generated significant EBITDA from our non-coal mining businesses. Of our total EBITDA, our coal mining business AI, contributed 63%, down from 84% in 2009. The non-coal mining businesses such as logistics, mining services and trading provided EBITDA of 14%, 8% and 7% respectively.

We are one of the companies in our peer group that is least reliant on coal mining. By building the non-coal mining part of our business, we have been able to better withstand this prolonged downturn in the coal markets.

Well Positioned in Our Move into Power

This is a great time to be in Indonesian power with the convergence of a fast growing economy and a supportive Government that has publicly declared a goal of 35,000MW of new power plants and is helping with land acquisition and by making the regulatory environment less restrictive.

Making it possible for groups to submit unsolicited bids on power projects is a "game changer" that should facilitate the rapid construction of badly needed power stations. With 54% of the planned power plants to be coal fired, the Ministry of Energy and Mineral Resources calculates Indonesia will consume 240Mt of coal by 2019. Once the large power stations in the pipeline are up and running, PT Adaro Power will likely be providing a significant portion of Adaro's EBITDA.

While we are disappointed with delays due to problems with land acquisition, we are also pleased with the overall progress of AP. As coal prices have steadily declined and the coal outlook has worsened, so many of our peers have also recently signalled their intention to move into the power business. We began our move into power five years ago and have learned much along the way. We are now well positioned to capitalize on the momentum towards power to help build the nation.

The Envirocoal Advantage

What encourages us is the competitive advantage we have with AI's Envirocoal — considered to be among the lowest pollutant coals on the global seaborne thermal coal market. We understand it has the lowest sulphur content on the market at just 0.1%, and has some of the lowest levels of other elements. As environmental issues have figured more prominently, we are now able to at best charge a premium, or, at least, our Envirocoal will not be impacted by environmental import restrictions.

Large Reserves and Resources for Long-Term Value Creation

What also keeps us excited are the large reserves and resources of thermal coal we have in the four coal provinces of Indonesia. Although the poor market conditions have delayed the development of some of these mines, they represent tremendous future value for Adaro in terms of the mine-mouth power plants we are developing next to these mines and the potential they represent for coal processing and other value-adding investments.

Our Three Engines of Growth: Coal Mining, Logistics and Services, and Power

Coal Mining

Our coal production volume increased 8% to 56.2Mt in 2014, slightly higher than our guidance of 54-56Mt. AI produced 55.3Mt of its trademarked Envirocoal, and SCM provided the remainder of our total production from its startup operations. Due to lower international prices, our average selling price was 5% lower compared to 2013. We increased sales volumes 7% to 57Mt, as demand was stable. AI's EBITDA declined 8% to US$556 million. With increased cash and further debt reduction, AI's net debt to EBITDA improved to 1.7x.

Logistics and Mining Services

Despite a weakening coal price, our mining services company, PT Saptaindra Sejati (SIS), increased its coal volume by 9% to 30.5Mt and increased overburden production by 6% to 174 million bank cubic meters (Mbcm) in 2014. This increased its EBITDA by 20% to US$121 million. SIS also improved its net debt to EBITDA to 2.2x. SIS's contribution to AI has steadily increased since 2005 to 36% of AI's overburden removal and 38% of coal production.

In 2014, our coal barging and transshipment company, PT Maritim Barito Perkasa (MBP), increased transshipment by 78% to 37Mt and increased barging 15% to 30Mt. MBP at the end of 2014 was responsible for 100% of AI's transshipment and 53% of its barging. MBP increased its EBITDA 16% to US$74 million and lowered its net debt to EBITDA to 1.1x.

Power

PT Adaro Power (AP), a wholly-owned subsidiary, is leading our strategic move into power via its subsidiaries, including large joint ventures with carefully selected international partners. As the costs are high, Adaro's standard strategy when investing in power is to use project financing, whereby a significant amount of the total project investments will be funded with non-recourse project debt financing.

Our move into the business of coal-fired Independent Power Producers (IPP) has experienced some delays due to difficulties not uncommon with large IPP projects, such as with

Adaro's Advantages in Management

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 Sandiaga S. Uno, are Directors. Adaro 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 and its varied stakeholders.

We view improving corporate governance as an ongoing and dynamic endeavor and believe there is no single formula.

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 was mined 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.

acquiring the land. However, AP still had a good year in 2014, learning and improving and making progress in a number of ways.

PT Bhimasena Power Indonesia (BPI), a company 34% owned by AP, is developing a US$4 billion, environmentally sensible, latest technology, 2x1,000MW coal-fired IPP in Batang, Central Java, with blue-chip Japanese partners Electric Power Development Co., Ltd (J-Power) and ITOCHU Corporation.

In October 2014, BPI signed a Power Purchase Agreement (PPA) amendment with the state electricity company, PT PLN (Persero). The time limit to achieve Financial Closure for the project was extended to October 6, 2015, which should be achieved once the final plots of land are acquired.

PT Tanjung Power Indonesia (TPI) is 65% indirectly owned by AP, with the remainder held by Korea East-West Power Co. Ltd. On October 15, 2014, TPI signed a PPA with PLN for the supply of electricity from a US$450-US$550 million, 2x100MW coal-fired IPP in Tabalong, South Kalimantan.

In November 2014, AP, China Shenhua Overseas Development and Investment Co., Ltd. and another Adaro subsidiary, PT Bhakti Energi Persada (BEP), signed an MOU to develop a joint project on coal and mine-mouth power plants in East Kalimantan, Indonesia, starting with a 2×300MW facility.

Stronger and Conservative Capital Structure: Cash Is King

As is the case in many business endeavors, but especially in the mining business, cash is king. One of our strategies to get through cyclical downturns is to maintain strong balance sheets and flexible liquidity by preserving cash and reducing debt. Having large cash holdings acts as a buffer against potential further downturns.

Despite the poor market conditions, we were able to improve our balance sheet. In 2014, we decreased long-term borrowings 17% to US$1,688 million. We lowered net debt 25% to US$1,151 million as cash increased by 9% to US$745 million.

Our coal mining subsidiary, AI, secured a US$1 billion New Facility in August 2014, which we used in October 2014 for refinancing purposes. In combination with increased cash we improved net debt to EBITDA 1.31x, one of the lowest in the sector. The refinancing exercise will save AI approximately US$50 million in annual interest payments.

Our net capital expenditures decreased 11% to US$165 million, which was slightly below our 2014 guidance of US$200-US$250 million because of coal market conditions. As such, our free cash flow increased 22% to US$691 million.

The Future, Our Strategy to Create Value, Three Engines of Growth

We cannot tell you exactly what the coal price will be next year, or exactly how much Envirocoal we will be producing three years from now or exactly how much power we will be generating five years from now, but we can tell you we are on track to create significant sustainable value from Indonesian coal.

Our response to difficult conditions is to stay the course. Despite the dramatic cyclical downturn that is occurring in our industry, the wrong response is to make dramatic or rushed changes to our strategic direction or to the way we manage our business. Our response is not to doubt the thorough analysis and the evidence we have gathered, but instead to remain vigilant in pursuit of our vision of creating a great Indonesian energy and mining company.

We are anticipating the coal market conditions will continue to be challenging in 2015,

> What also keeps us excited are the large reserves and resources of thermal coal we have in the four coal provinces of Indonesia. Although the poor market conditions have delayed the development of some of these mines, they represent tremendous future value for Adaro in terms of the mine mouth power plants we are developing next to these mines and the potential they represent for coal processing and other value-adding investments.

with the Japanese Reference Price likely to decline to around US$68 per tonne and Global Coal Newcastle to decline to an average of US$64 per tonne. Chinese imports are predicted to decline by 25Mt. Meanwhile, Indian imports are estimated to grow by 12Mt, and Indonesian demand is expected to increase 6Mt to 84Mt in 2015. We expect the oversupply and overcapacity conditions to continue in 2015, although the imbalance is expected to be smaller than in 2014.

In this challenging coal price environment, we will continue to focus on capital preservation, cost efficiency and deleveraging. The challenging conditions further encourage us to develop our non-coal mining businesses, and to boost their contributions to Adaro, to smooth out revenues and returns and offset uncontrollable declines in cyclical coal prices. We want to have a business with a considerable contribution from power and other non-coal mining businesses. We will have three engines of growth: coal mining, logistics and services, and power.

Because of the lower coal prices in 2015, we are estimating Adaro will deliver lower Operational EBITDA of US$550 million to US$800 million. We aim to reduce Adaro's capital expenditure primarily to maintenance, ranging from US$75 million to US$125 million. We expect again to be free cash flow positive.

Despite the poor coal market conditions we remain on track to achieve our long-term objectives. Our focus for 2015 is to continue to improve cost efficiencies along our coal supply chain, strengthening our logistics unit, moving further downstream into power and to continue to pay an annual cash dividend.

Coal Mining

In 2015, we aim to produce 56-58Mt of coal, with 1Mt to come from SCM and the remainder from AI. We intend to lower AI's strip ratio to 5.33x, which will not harm the long-term plan or reserves. Through improved efficiencies and lower fuel prices, we aim to lower our coal cash cost to US$31 - US$33 per tonne.

We hope that in 2015, IndoMet Coal Project (IMC), our metallurgical coal joint venture with BHP Billiton, of which we own 25%, will commence production.

Logistics and Services

In 2015, SIS is expected to slightly increase overburden removal and coal production. Capital expenditures will be mainly for maintenance. SIS expects to maintain a similar EBITDA level to 2014 and shall further increase its role in AI's operation.

In 2015, MBP is expected to deliver similar coal barging and transshipment volumes as in 2014. It will continue to barge at least 50% of AI's coal and will be AI's main transshipment service provider in Taboneo. MBP is expected to have a minimal capital expenditure requirement. With improved efficiency, its EBITDA is expected to be similar to 2014.

Power

Since beginning our move downstream into power five years ago, AP has gone through the learning phase. Given our experience, and the discipline and focus of our owners and management, we believe we are best placed to take advantage of the favorable conditions in the Indonesian power sector.

In 2015, AP expects to achieve financial closure for two of its coal-fired power plants: the 2x1,000MW power plant at Batang, Central Java, by BPI and the 2x100MW power plant at Tanjung, South Kalimantan, by TPI.

Thank you!

We believe that through hard work, creative out-of-the-box thinking to derive new solutions, and a steadfast discipline with regard to our goals, our vision and our values, we will continue to grow. We know we cannot predict the future, however, by focusing on our core strengths, by continuously learning and improving upon our solid foundation, we will create the bright future that we envision.

We wish to thank all of our stakeholders for their continuous support. From our dedicated key shareholders, to our communities, to our loyal customers, to our governments, to our suppliers and contractors, to our public investors, but especially to our loyal and hard-working employees, we thank you for your continued support and trust.

We are absolutely devoted to building a great company. Each one of us is passionate about Adaro and thoroughly convinced of its future. Together with our stakeholders, we will continue to deliver positive energy for many years to come.

While we are a company of international standards and global reach, we are proudly Indonesian and want to help build the nation, to make Adaro an asset to the country!

On behalf of the Board of Directors,

Garibaldi

Garibaldi Thohir
President Director &
Chief Executive Officer

President Director's Message for 2015

Strengthening the Core Competence for Business Sustainability

October 1, 2014

Praise be to God, most gracious, because Adaro Group is still strong despite the unfavorable business situation.

The World Bank predicts that the global economy in 2015 will grow by 3.4%, with the developing world growing 5.4% to significantly outperform the developed countries at 2.4%. China will lead the developing world with a projected growth rate of 7.4%.

Bank Indonesia predicts that the Indonesian economy will grow between 5.5% and 6% this year. But we need to be mindful that the 2015 growth forecasts for both the global economy and China fall far below the previous years. As we all know, China's growth always strongly influences the global coal market.

The world's demand for energy is projected to grow by around 1.5% per year up to 2035, 95% of which will come from developing countries, with China again being the largest contributor. In comparison, the energy demand of developed countries is expected to only grow 0.2% per year.

Coal will remain the world's main source of energy, followed by oil and gas. However, the coal industry will remain under pressure for another few years due to the slowdown of China's economy, which had reached growth rates of over 10% in the past. This will prolong the oversupply in the coal market and make it difficult for coal prices to pick up within the next five years.

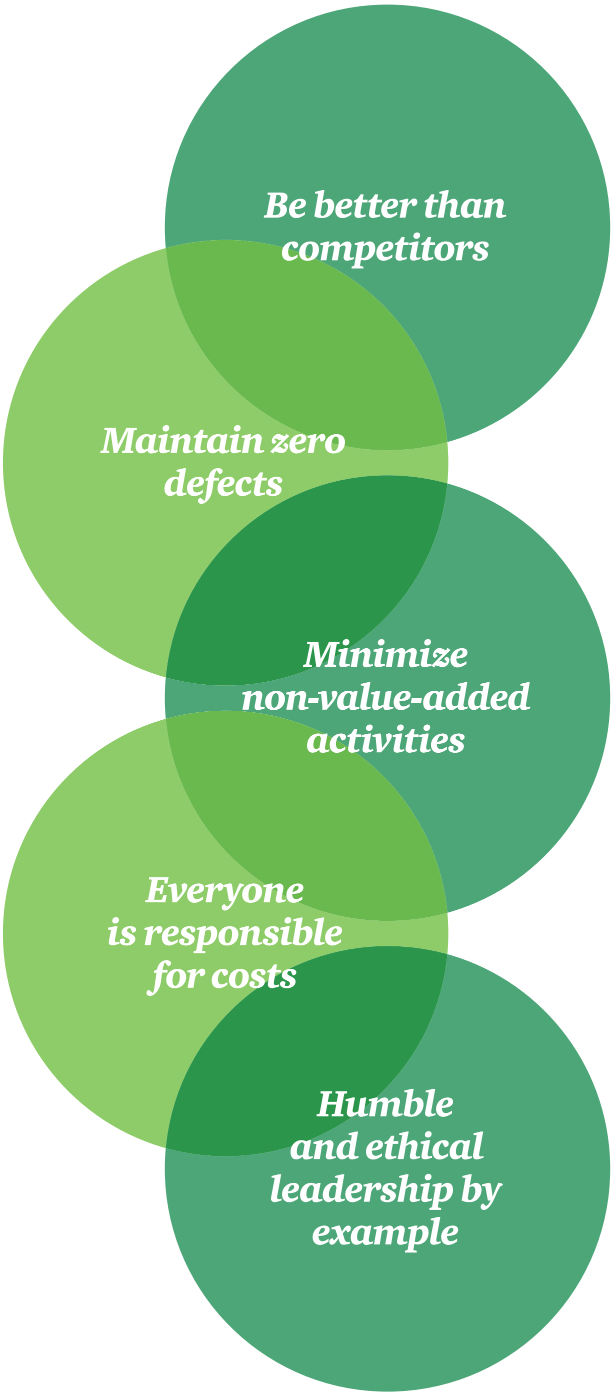
Low coal prices have forced many coal companies to close down. Our company has also been affected, but we must be able to survive and come out of this challenging situation as the winner, as the best player in the industry.

This means we must ensure the sustainability of our beloved Adaro. We can do so by strengthening our energy business, which has strong synergy with our coal business. The strong growth of this country's energy demand (predicted to increase by 8%) should motivate us to develop the energy business and make it our main business. We must become the national champion; we must emerge victorious from this challenging situation and become the lead player in Indonesia.

Indonesia needs more and more energy. Indonesia's power sector still has a very high potential. The country's demand for power is growing sharply, but power generation capacity is not growing fast enough to keep up with it. This situation may lead to a power crisis within four to five years' time. To prevent this, the government wants to accelerate power plant development by involving the private sector under its Independent Power Producer (IPP) scheme. Adaro should take advantage of this opportunity.

It's our calling. Adaro has a calling to contribute to the power sector because it will deliver enormous benefits to the nation. Adaro already has a competitive advantage in the sector because of its extensive coal reserves, reliable infrastructure and efficient coal supply chain.

The synergy between power plants and coal mines will make Adaro's business model even



stronger, and build the company's reputation better among the public.

Going forward, we must expect that the road will not be easy for the coal business. We must overcome this tough time by focusing on three aspects: operational excellence, cost reduction and leadership.

1) Operational Excellence

Operational excellence is the foundation of our competitive business strategy. We must be able to achieve the following:

- Be better than competitors: We must outperform our competitors. We must foster the spirit of competitiveness throughout the organization so that we will all continue to aim high and not be easily satisfied. We must benchmark ourselves against the best, learn from the best and apply their lessons in our business. We must involve everyone to give them a chance to make the best contribution towards our victory.
- Maintain zero defects: Do the right things right the first time. Start right, and make effective plans for better execution and fewer corrections. Cultivate a mind-set of doing things right from the beginning and avoid accepting and carrying over mistakes to the next steps.
- Minimize non-value-added activities: Toyota has a popular saying: "muda-mura-muri". This means we must avoid excessiveness and wastefulness. Create streamlined and smooth end-to-end processes for better efficiency. Capacity planning must produce the right formulas that can avoid inefficient use of equipment or people. Use this principle as much as you can and eliminate, simplify and combine for more efficient processes: *Gunakan prinsip sebisa mungkin hilangkan, sederhanakan, dan gabungkan agar proses lebih efisien*.

2) Cost Reduction: 'How Low Can You Go'

Maintaining a sound financial condition is crucial for a company's sustainability, especially when the business is going through a tough time. In order to keep the company's finances consistently healthy, cost reduction is one of the initiatives the company must pursue. The following aspects are necessary for ensuring effective cost reduction:

- Mindset: Build the mindset that everyone, without exception, is responsible for costs. Create a company culture that promotes efficiency and avoids wastefulness in day-to-day operations.
- Cost-Reduction Program: Formulate systematic and sustainable cost reduction programs by involving everyone. Do your best to come up with innovative and creative ideas that will turn costs into revenue.

3) Leadership

At the end of the day, the success of an organization is determined by its leader. Like a good captain who must be able to steer his ship out of the storm, the leader of a company must be able to overcome all challenges while staying focused on the direction and keeping the situation calm. Therefore, for Adaro Group to excel and survive, we must ensure that each of the leaders in the company has the following characteristics:

- Humility: A good leader must be humble. He must not be self-absorbed or arrogant. He must have a good ear and a sincere heart to be open to other people's ideas. A leader must expect to serve, instead of being served, and always put the interests of the organization and the people he leads above his personal interests. Being a leader is a mandate, a calling to serve, and it is not for the power that most people are fighting for.
- Ability to lead by example: To lead by example, to walk the talk. We cannot merely make demands from our subordinates without being a role model ourselves. But we must also make sure that our subordinates do not simply obey us because we are their boss, or obey without full understanding and a sense of responsibility. A good leader is always at the forefront when battling a problem.
- Ethics: A leader is the one most compliant (fanatic disciplined behavior) with the values of his organization. Adaro leaders must be the guardians of its IMORE values, so they must bear more severe consequences if they fail to apply them. Gaining success does not mean we can justify all means. All of our actions must be ethical.

To close my message, allow me to share a remarkable lesson I learned from the German team in their quest to win the 2014 World Cup.

Germany won the 2014 World Cup after defeating Argentina by 1-0. After Germany suffered a terrible loss at Euro 2000, the German Football Federation declared a football revolution. They intensified the coaching of young players, made huge investments in the academic system, improved the Bundesliga, reduced the portion of foreign players and exerted all other efforts needed to strengthen the national team. And they made it!

After only being able to reach the final, semi-final, and another semi-final in the previous three World Cup competitions, in 2014 Germany managed to harvest the result of 14 years of hard work. Now, Germany can proudly display four stars. They ended their 14-year yearning for the title, and they went home as the first European team to defeat the United States. The moral of the story: Hard work always pays off.

With that lesson in mind, let us now welcome the year 2015 with the full spirit to win.

I wish you good luck. And may God bless all of our endeavors to win.

Garibaldi Thohir
President Director

OUR BUSINESS

IN THIS SECTION

Our vertically integrated coal supply chain spans from pit to power and consists of the three engines of growth for our company: coal mining assets, mining services and logistics, and power.

Timing is everything in coal mining, and co-ordinating the arrival of coal from the mine and its loading to truck-trailers for delivery to barges and on to customers requires complex planning and supervision.

Delivering Our Targets, Creating Sustainable Value

Adaro is an integrated coal mining and energy company with subsidiaries involved in each part of the coal supply chain: from pit to port to power. Each operating subsidiary is positioned as an independent and integrated profit center so that we have competitive and reliable coal production and a coal supply chain that produces optimum shareholder value.

This business model of Adaro has proven to be reliable and resilient in weathering the cyclical downturn. Despite the challenging market conditions in 2014, we delivered on our operational and financial targets for the year, consistent with our goal of creating maximum sustainable value from Indonesian coal. Adaro has a vision to become a leading Indonesian mining and energy group, and to achieve this vision we implement a multi-pronged strategy.

1 We continue to grow our business organically from AI and Balangan Coal. We take a disciplined approach to growth and prioritize our customers' demands as well as our operating margins.

2 We continue to improve efficiency along the coal supply chain and focus on cost control. Having a vertically integrated business model benefits us by improving control and reliability, lowering costs and becoming more efficient. Past initiatives such as dredging the Barito River channel and chip-sealing the hauling road have been effective in reducing coal handling equipment cycle times and improving capacity. We managed to lower our coal cash cost and maintained among the highest EBITDA margins in Indonesian coal in 2014.

3 We continue to further develop our mining services and logistics business. At Adaro, one of our aspirations is to have power and other non-coal mining businesses provide considerable contributions towards earnings. Although coal mining remains the foundation of our business, the share of our non-coal mining businesses continued to rise, offsetting the declining coal prices. We have seen the results in 2014, as the non-coal mining aspects of our business contributed 37% of Adaro's EBITDA. As Adaro develops its three engines of growth — coal mining, mining services and logistics, power — we will be less reliant on coal mining. In the future, we may publicly list the strong performing subsidiaries to support further growth and development.

4 We are moving downstream into power generation. We made a strategic decision to move into power five years ago as part of our

> Adaro's business model has proven to be reliable and resilient in weathering the cyclical downturn.

This report contains many references to coal exploration, mining and shipping terms For a glossary that demystifies them, see *www.adaro.com/about-adaro/glossary/*

vision to be a leading Indonesian mining and energy group. Since then, we have been working to develop our power division and have learned important lessons along the way. Adaro is now ready to ride the momentum of the Indonesian government's power generation development plan and participate in building coal-fired power plants in the country. This is a good time to be in Indonesian power sector. With the rise of the middle class and the country's industrialization and economic growth, Indonesia's power generation sector has huge potential.

We are committed to supporting the government's program to add 35GW of power generating capacity in five years, and we have formed partnerships with blue-chip power utilities to build power plants that use ultra-supercritical technology, which are more efficient and more environment-friendly.

The power generation business will provide us with good returns and generate stable and predictable cash flows. In addition, it strategically positions us for further growth by supporting the country's increasing power needs while creating a captive demand for our coal. It also gives us a better bargaining position with boiler manufacturers regarding coal sales. We are on track to develop our power division and to support national development efforts.

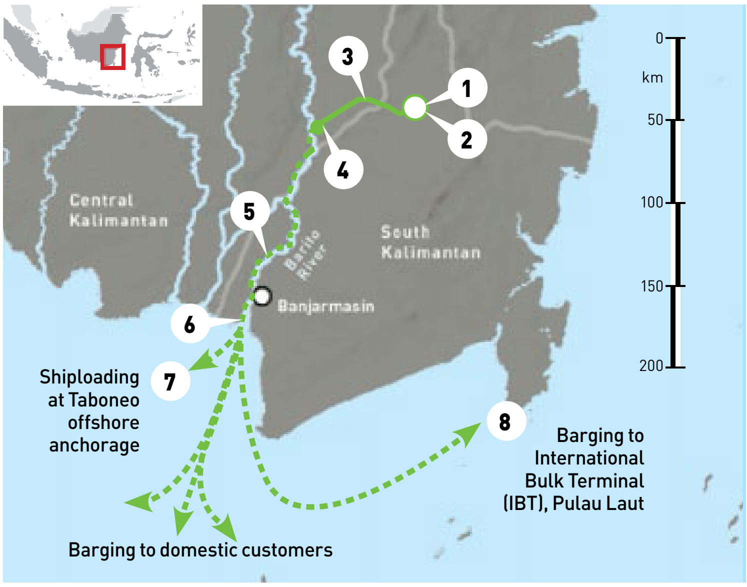
How Our Vertical Integration Coal Supply Chain Works

Our vertically integrated coal supply chain spans from pit to power and consists of the three engines of growth for our company: coal mining assets, mining services and logistics, and power. We have a subsidiary at each part of the coal supply chain, which gives us better control over our costs, allows us to improve efficiency and reduce counterparty risks, including reducing the likelihood of disruptions to our operations and expansion plans.

This resilient business model places us at the bottom quartile of the global cost curve. In addition, it enables us to offer more reliable coal supply to our customers and improve the marketabil-

Our Coal Supply Chain

In 2014, the bulk of Adaro's coal came from AI's mine in South Kalimantan. Mining services and transport to customers are done by contractors, and we tightly control this supply chain by using wa subsidiary at each stage.



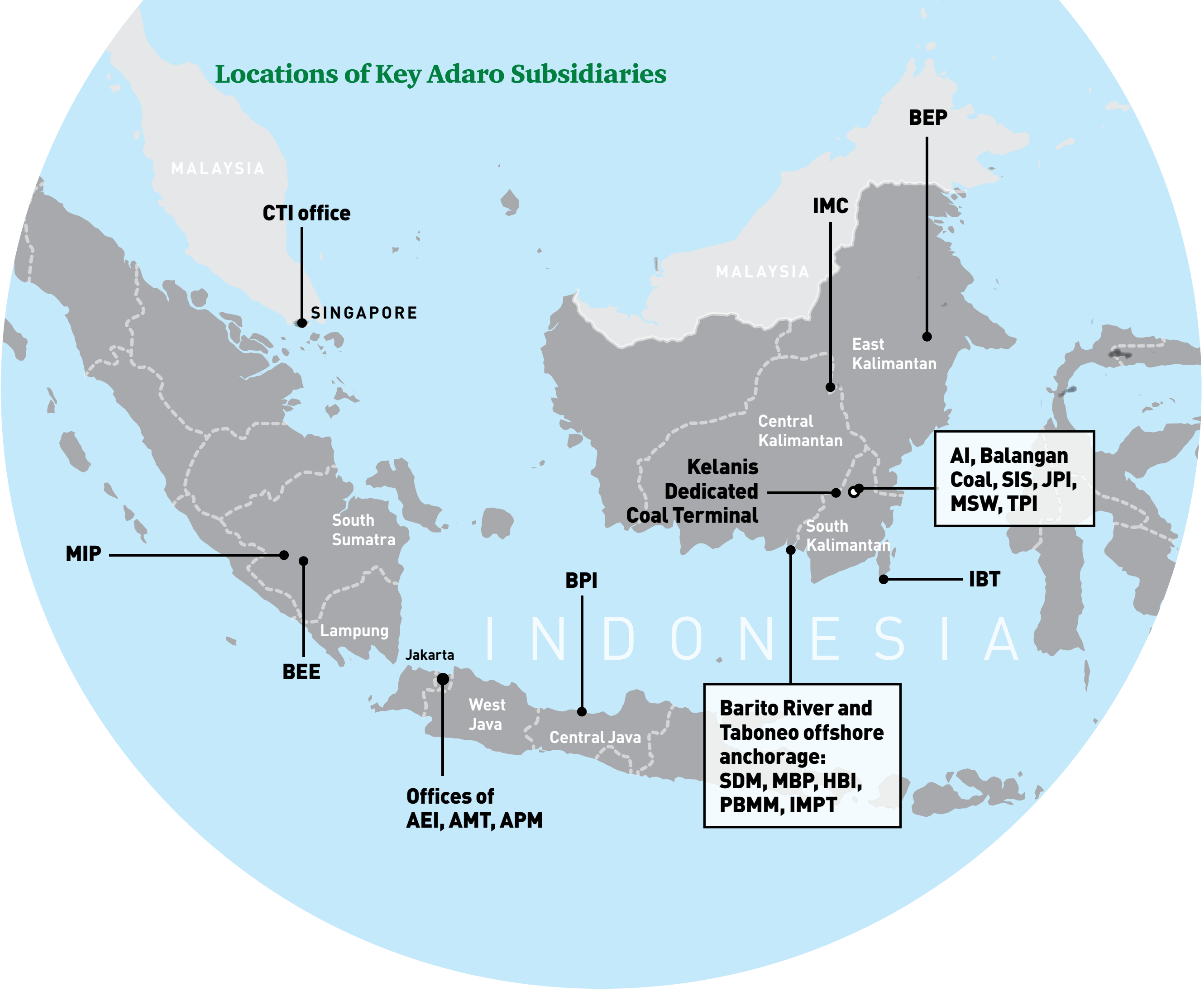
1. At AI's mining area, coal is extracted from three pits, Tutupan, Wara and Paringin.
2. AI's mining activities are supported by its contractors, including Adaro's subsidiary SIS and third-party contractors PAMA, BUMA and RA.
3. Coal is trucked along a haul road owned by AI to the Kelanis Dedicated Coal Terminal on the Barito River. Hauling is done by SIS, PAMA, BUMA and RA.
4. At 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 along with third-party contractors.
6. At the river mouth, our subsidiary SDM dredges and maintains a shipping channel.
7. Coal is barged to the Taboneo offshore anchorage for loading to customers' ships, or direct to Indonesian customers, or to our nearby coal terminal. Barging and offshore loading is done by MBP.
8. Our coal terminal at Pulau Laut is run by our subsidiary IBT.

CORPORATE OVERVIEW

For details of Adaro's corporate management structure and the leadership of our strategic business units, please see Our People, page 98.

PT Adaro Energy Tbk

Locations of Key Adaro Subsidiaries



Mining Assets

PT Alam Tri Abadi

PT Adaro Indonesia (AI) Thermal coal mining, South Kalimantan

Balangan Coal Companies Thermal coal mining at three IUPs (PT Semesta Centramas, PT Paramitha Cipta Sarana and PT Laskar Semesta Alam), South Kalimantan (75%)

PT Mustika Indah Permai (MIP) Thermal coal reserve, South Sumatra (75%)

PT Bukit Enim Energi (BEE) Thermal coal resource, South Sumatra (61.04%)

PT Bhakti Energi Persada (BEP) Thermal coal resource, East Kalimantan (10.22% with option to acquire up to 90%).

IndoMet Coal Project (IMC) Metallurgical coal mining with BHP Billiton at seven IUPs (PT Juloi Coal, PT Maruwai Coal, PT Kalteng Coal, PT Lahai Coal, PT Ratah Coal, PT Sumber Barito Coal, and PT Pari Coal), Central and East Kalimantan (25%)

Mining Services

PT Adaro Mining Technologies (AMT) Coal research and development

PT Adaro Eksplorasi Indonesia (AEI) Coal exploration

PT Jasapower Indonesia (JPI) Operator of overburden crusher and conveyor

PT Saptaindra Sejati (SIS) Mining and hauling contractor

Logistics

PT Adaro Logistics

PT Indonesia Bulk Terminal (IBT) Coal terminal and fuel storage

PT Sarana Daya Mandiri (SDM) Barito River mouth dredging and maintenance contractor (51.2%)

PT Indonesia Multi Purpose Terminal (IMPT) Port management and terminal operator (85%)

PT Puradika Bongkar Muat Makmur (PBMM) Stevedoring

PT Maritim Barito Perkasa (MBP) Barging and shiploading

PT Harapan Bahtera Internusa (HBI) Third-party barging and shiploading

Orchard Marine Logistics Pte (OML)

Trading

Coaltrade Services International Pte Ltd (CTI) Marketing agent, trading thermal coal for Adaro and third-party coal producers and customers

Power

PT Adaro Power

PT Makmur Sejahtera Wisesa (MSW) Owns and operates 2x30MW mine-mouth power plant

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

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

Land Asset Management

PT Adaro Persada Mandiri (APM) Land management

PT Sarana Rekreasi Mandiri (SRM) Construction and contractor, services and trade

PT Rehabilitasi Lingkungan Indonesia (RLI) Environmental remediation, e.g. tree-planting

PT Agri Multi Lestari (AML) Agriculture, livestock, crops and fisheries

Note:
Subsidiaries are 100% owned by Adaro except where noted in brackets.

ity of our coal. We treat our subsidiaries as independent third-party entities; each one acts as a profit center and contributes value beyond the efficient, high-quality services they provide Adaro.

We produce sub-bituminous medium calorific value (CV) coal with heat values of 4,000 kcal/kg to 5,000 kcal/kg gross as received (gar) from two coal mining assets, AI and Balangan Coal (Balangan).

AI is our core mining asset, and has [900]Mt of reserves and [4.9]Bt of resources, reported in accordance with the JORC Code as at the end of [2014]. Branded as Envirocoal, AI's coal is renowned because of its ultra-low sulphur, ash and nitrogen contents. Due to its close proximity to AI, Balangan's coal belongs to the same geological formation as Envirocoal and shares the same low-pollutant traits. Adaro coal's unique qualities provide excellent economic and technical benefits to our customers, enabling us to get better prices for our coal compared to our competitors. Amid increasing concerns on the environment and trace elements, our coal continues to sell in China.

At AI's concession in South Kalimantan, we employ four main mining contractors that work under multi-year contracts to handle overburden removal and transportation, coal hauling, and mine reclamation activities. One of the mining contractors is our subsidiary PT Saptaindra Sejati (SIS), which is also the main contractor at Balangan. SIS carried out 36% of AI's overburden removal and 39% of AI's coal production activities in 2014.

The next stage of our coal supply chain is from the pits to the Kelanis Dedicated Coal Terminal (Kelanis). We transport both AI and Balangan coal along our privately owned 80km haul road using double-trailer trucks, which have an average capacity of 130 tonnes, to Kelanis, where we crush the coal and load it on to barges. We employ four main barging contractors to transport the coal 240km along the Barito River from Kelanis to the Taboneo offshore anchorage in the Java Sea.

At Taboneo, we load our coal onto customer vessels using floating cranes or floating transfer units for export, or continue to barge to domestic customers. One of the barging and shiploading contractors is our subsidiary PT Maritim Barito Perkasa (MBP). MBP carried out 54% of our barging activities and 96% of our shiploading activities.

Having multiple contractors creates a level playing field and encourages competition among the contractors. We want our subsidiaries to be responsible for up to 50% of our coal mining output and become a benchmark for productivity and safety and a role model for environmental awareness among our contractors. As with our other contractors, if our subsidiaries perform well and fulfill their target, we will reward them with more volume.

Other subsidiaries that provide services to Adaro are PT Adaro Eksplorasi Indonesia (AEI), which assists the company in the areas of resources and reserves development, calculation and coal quality control, as well as mine planning, and PT Jasapower Indonesia (JPI), the owner of our Out-of-Pit Overburden Crusher and Conveyor (OPCC) at AI's concession.

PT Adaro Logistics (AL) is responsible for managing and coordinating all of our logistics activities.

Aside from MBP, other subsidiaries in logistics are PT Indonesia Bulk Terminal (IBT), which operates a land-based port at South Pulau Laut — an island off the southeast coast of Kalimantan; PT Sarana Daya Mandiri (SDM), which conducts dredging and maintenance of the Barito River channel to ensure ease of barge passage; and PT Puradika Bongkar Muat Makmur (PBMM), which provides stevedoring and manages incoming and outgoing customer vessels at Taboneo.

In the marketing and trading segment, Coaltrade Services International Pte Ltd (CTI) carries out third-party coal trading with existing customers while actively developing new customers.

The final part of our coal supply chain is power generation. PT Adaro Power (AP), our wholly owned subsidiary, continues to progress in development of coal-fired power plants in Indonesia.

Adaro SWOT Analysis

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.
- Large coal resources and reserves.
- Long-term contracted tonnage with diversified blue-chip customers.
- Financial strength.
- Supportive shareholders and strong management team.

Weaknesses

- Adaro's operations are located inland and in remote locations.
- Coal mining is long-term, high-risk and slow yielding.
- Mine development is capital intensive and requires specialized knowledge.

EXTERNAL

Opportunities

- Our move into power is supported by strong domestic electricity demand, a natural hedge against volatile coal markets, and new regulations conducive to new power projects.
- The Asia-Pacific region's economic growth will boost demand for energy.
- New boiler technologies expand the uses of sub-bituminous coal.
- 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.
- Developments in China, India, Australia and Mongolia allow for greater coal supply.
- Global economic slowdown may reduce demand for coal.

To read a longer history of the early days of Adaro and how the company was gradually built up to today's level, see *www.adaro.com/about-adaro/our-history/*

Milestones in the Adaro Story

1982

AI signs a Coal Cooperation Agreement (CCA) with the Indonesian Government valid for 30 years after the start of coal production.

1991

AI obtains trademarks for the name Envirocoal, so-called because of its ultra-low ash and sulphur, and low NOx contents.

1992

AI starts commercial production of the E5000 coal from Paringin pit, producing 1Mt in the first year.

2005

AI is acquired by the current majority shareholders through a leveraged buyout. The buyout entailed debt funding of US$923 million and equity of US$50 million.

2006

AI increases production by more than 28% from the previous year to 34.4Mt.

2008

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

2009

Adaro receives a ratings upgrade from Moody's to Ba1. To increase its financial strength, AI issues US$800 million in bonds with a semi-annual coupon of 7.625%.

This was the first ever 10-year corporate bond from Indonesia after the Asian Financial Crisis, and the largest 10-year US$ private sector corporate bond out of Indonesia.

2010

Adaro moves outside its base in South Kalimantan for the first time through the acquisition of 25% of the IndoMet Coal Project, a joint venture with BHP Billiton located in Central and East Kalimantan.

2011

Adaro establishes a presence in South Sumatra by acquiring two coal concessions, PT Mustika Indah Permai (MIP) and PT Bukit Enim Energi (BEE).

PT Bhimasena Power Indonesia (BPI) signs a PPA for a 2x1,000MW power project in Central Java (Adaro Power owns 34% of BPI).

2012

Adaro signs option agreements to acquire up to 90% of PT Bhakti Energi Persada (BEP), a coal concession owner in East Kalimantan.

2013

Adaro acquires Balangan Coal, which consists of three IUPs near AI's operations.

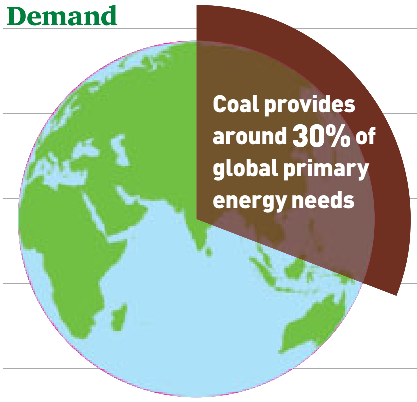
2014

AI invokes a call option for early repayment of its US$800 million guaranteed Senior Notes.

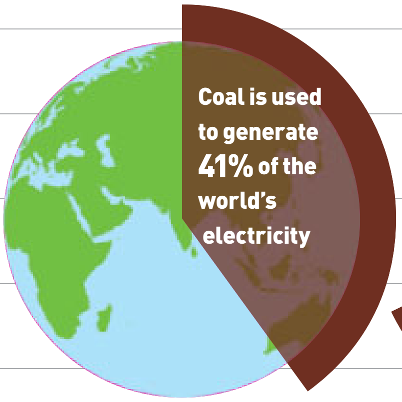
PT Tanjung Power Indonesia (TPI) signs a PPA for 2x100MW coal fired IPP in South Kalimantan (Adaro Power owns 65% of TPI).

Why Coal Matters Now and for the Future

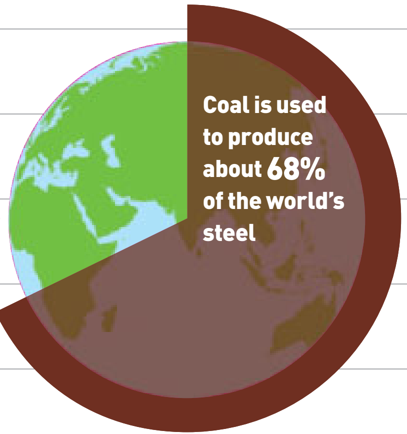
Demand



Coal provides around 30% of global primary energy needs



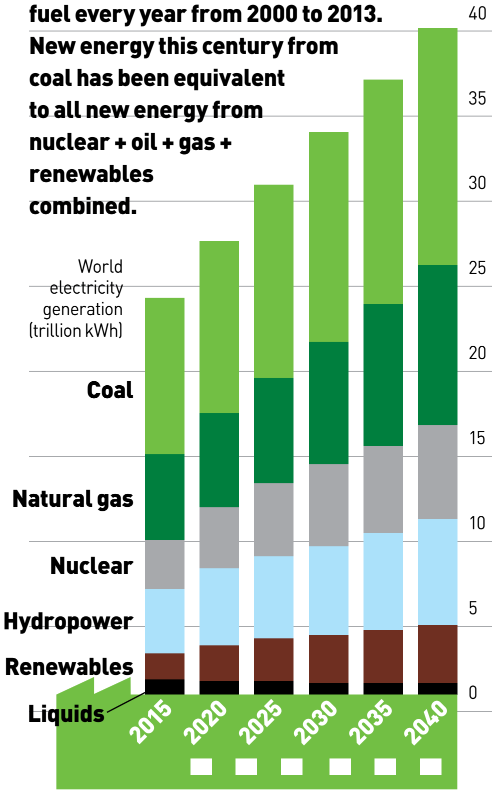
Coal is used to generate 41% of the world's electricity



Coal is used to produce about 68% of the world's steel

Growth

Coal was the world's fastest-growing fuel every year from 2000 to 2013. New energy this century from coal has been equivalent to all new energy from nuclear + oil + gas + renewables combined.



Emissions

From 1970 to 2012, emissions of major pollutants — sulphur dioxide, nitrogen oxides, and particulate matter — from coal-fueled power plants in the United States have been reduced by nearly 90% per unit of electricity generated.

Climate

Coal-fired power plants have a global efficiency average of 33%, but current technology allows for 45%. Raising all new plants to modern efficiency standards would cut global CO_2 emissions by 2.4 gigatonnes a year: more than the total annual CO_2 emissions of India, the world's third-largest emitter, or the equivalent of running the Kyoto Protocol three times over.

SOURCES: US ENERGY INFORMATION ADMINISTRATION; US ENVIRONMENTAL PROTECTION AGENCY; INTERNATIONAL ENERGY AGENCY; WORLD COAL ASSOCIATION

THERMAL COAL MARKET IN 2014

Continued Oversupply Weighing Prices Down

> While market oversupply continued in 2014, Indonesian coal prices held up better than prices from other exporting countries in the Pacific market.

From 2009 to 2012, the global seaborne thermal coal market continued on a path of uninterrupted growth, expanding during the period at a compound annual growth rate (CAGR) of 10%. However, since 2013, year-on-year growth has slowed to around 6%. In 2014, total seaborne coal demand increased by less than 20 million tonnes (Mt), the lowest growth in the past five years.

The situation caused by slower demand growth was exacerbated by increased supply from major exporting nations, this despite a slower overall growth rate from year to year. Consequently, the market remained in oversupply and prices declined throughout the year. The Pacific coal price, represented by the Global Coal Newcastle index, decreased by 17% in 2014. Indonesian coal prices (represented by ICI3, the Indonesian Coal Index) similarly declined but held up better than the Global Coal Newcastle index, declining by just 9% over the same period.

For the first time in five years, Chinese import growth dropped year-on-year, with total imports declining by 22Mt (including bituminous, sub-bituminous, anthracite and lignite) to 230Mt. Out of the 22Mt drop in imports, 13 Mt accounted for the declines in thermal coal (excluding Anthracite). Also contributing to lower Chinese growth was the development and dispatch of coastal ultra-high voltage hydropower capacity, resulting in a 25% increase of hydropower generation. This weighed heavily on coal prices.

In 2014, Chinese prices (5500 net as received at Qinhuangdao) declined by 12% to RMB517. In the fourth quarter, though, the price declines eased due to the announcement of new regulations aimed at supporting domestic coal production, which assisted Chinese domestic coal prices. However, this created uncertainty for imported sales. Consequently, international coal producers focused on alternative markets to China to secure demand certainty. But despite an overall decrease in Chinese coal volumes, Chinese imports of Indonesian coal, with calorific values less than 4200 GAR, increased year-on-year by 1.2Mt.

By contrast, Indian demand, despite a weak first-half caused by a depreciated rupee and pending national election, gained traction in the second-half of the year. The announcement of a new government in May helped reduce market uncertainty and increase power generation by 3% compared to the first half of 2014. India's total annual coal demand increased by more than 28Mt to 164Mt, of which more than 92Mt was accounted for in the second-half. Increased Indian demand helped balance Chinese declines in imports.

In Southeast Asia, volumes grew moderately, with a total thermal coal demand of 150Mt. More specifically, Indonesian consumption showed positive signs with year-on-year growth of 6Mt. Growth in Indonesia's domestic market stemmed from a strong commitment from the government to increase the utilization of the current installed power-plant capacity, while at the same time developing new power infrastructure.

On the supply side, Australian transport take-or-pay obligations were a significant contributor to global oversupply. Take-or-pay means producers are required to maintain a fixed payment for rail and port capacity, regardless of whether they

See page 44 for an analysis of the outlook in the medium-term for Adaro's key coal markets and the seaborne export trade.

use it or not. This has contributed to oversupply as a portion of Australian production is supplied at a loss, as opposed to reducing the high-cost production, to meet take-or-pay payment obligations. Furthermore, relative costs in Australia, South Africa, Russia and Colombia declined as domestic currency depreciated against the US dollar. Oil price also found a new five-year low in December, helping reduce operating expenses across all supply regions.

The major coal producers of Australia, Russia and Colombia increased total global supply with exports of 12Mt, 10Mt and 2Mt, respectively. In contrast, Indonesia's new export regulations aimed at better controlling undocumented coal miners helped reduce production and export volumes to be slightly less than 2013.

However, while market oversupply continued in 2014, Indonesian coal prices held up better than prices from other exporting countries in the Pacific market.

Adaro's Coal Markets

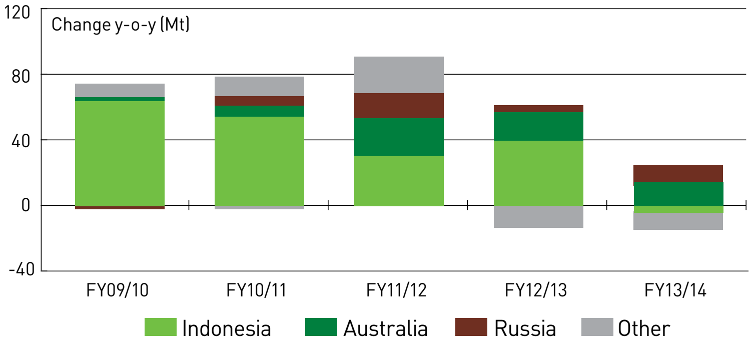
India

India remained Adaro's largest export market, with sales of 9.2Mt in 2014, representing 15% of total sales. Approximately 50% of Adaro's Envirocoal 4000 coal sales were delivered to the Indian market, which continues to be the largest consumer of seaborne low-rank coal.

Although Indian demand was strong at 160Mt per annum, the global oversupply of coal, particularly Indonesian low-rank coal, weighed heavily on the prices Indian buyers would pay. Port congestion and logistics issues in India's east coast ports forced buyers to demand ever lower prices to compensate for demurrage and storage costs.

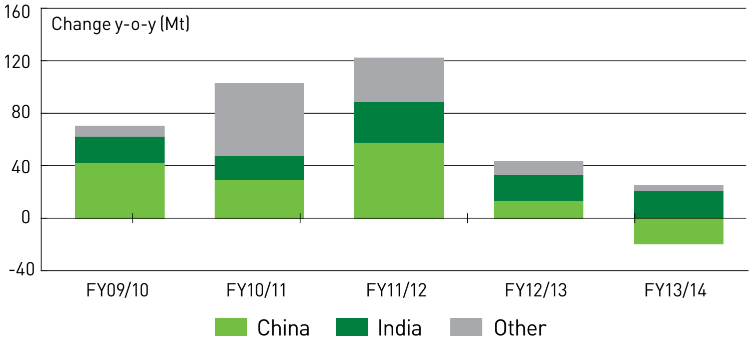
Despite the difficulties with oversupply in the Indian market, Adaro remains a preferred supplier due to our consistent performance and the consistent quality of our coal.

Seaborne Traded Coal Supply Growth



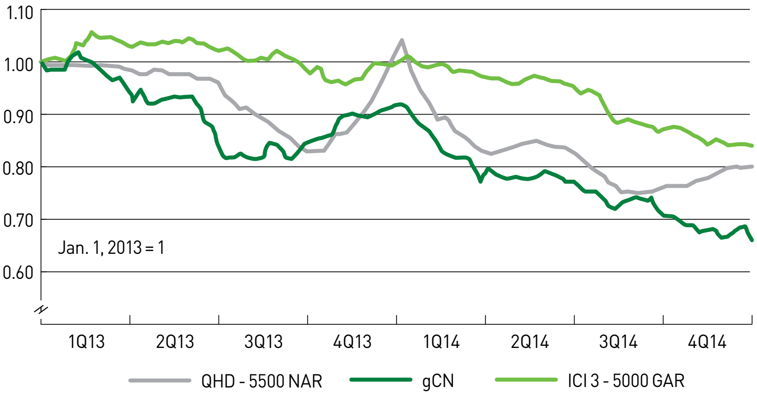
SOURCE: GLOBAL COAL, 2014; CHINA COAL RESOURCE, 2014; ARGUS, 2014

Seaborne Traded Coal Demand Growth



SOURCE: GLOBAL COAL, 2014; CHINA COAL RESOURCE, 2014; ARGUS, 2014

Benchmark Indices 2013-2014



SOURCE: CHINA COAL RESOURCE, 2015; SALVA, 2015; MCCLOSKEY STATISTICS, 2015; STEAM COAL FORECASTER, 2014; ADARO ANALYSIS

THERMAL COAL MARKET IN 2014

In 2014, power companies accounted for 84% of Adaro's coal sales. Most power customers are sovereign-backed, and more than half of our customers have used us for 10 years or more.

China

Despite the challenging conditions, Adaro was able to maintain market share and China remained our second largest export market in 2014. Adaro sold 6.3Mt to China during the year, or 11% of total sales. Adaro primarily delivered Envirocoal 4900, which has the same ultra-low ash and sulphur characteristics of Envirocoal 5000, at 2.5% and 0.12% respectively. The E4900 specification is an appropriate match for Chinese coastal utilities as it meets net calorific value requirements. Envirocoal 4900 is also used as a blending material to average down the higher ash and sulphur content of domestic and other imported coals.

Up until 2013, many of Adaro's Chinese counterparts were coal traders. However, in 2014 Adaro was able to successfully grow direct sales with large state-owned power utilities. Direct sales are in line with our value added strategy as they provide greater transparency, which is vital for developing strong relationships. Adaro counterparts in China are typically some of the largest coal importers who are financially strong, with a proven track record for performance. Our Chinese sales portfolio covers 14 companies in Guangxi, Guangdong, Fujian, Shanghai, Shandong and Zhejiang provinces.

North Asia

Adaro's sales to high-value, long-term customers in Japan, Hong Kong, South Korea and Taiwan grew 2.0Mt year-on-year to 17Mt, contributing 31% of total sales. Sales to all North Asian regions experienced growth despite an increasingly competitive market.

Although a relatively new product, Envirocoal 4900 sales grew by 4.5Mt to 4.6Mt. Customers in Hong Kong, Korea, Taiwan and Japan were able to take advantage of Envirocoal 4900 due to its quality. Customers also benefited from lower delivered cost in addition to operating cost reductions. Adaro coal's ultra-low ash content reduces ash disposal costs, and the ultra-low sulphur feature helps reduce our customers' reliance on high-cost desulphurization equipment.

Delays to scheduled restarts of nuclear power generation in Japan and uncertainties in the commencement of new nuclear capacity in Taiwan supported sales demand throughout the year. Coal-fired power continues to be the most reliable and cost-effective base load source of power in the region.

Indonesia

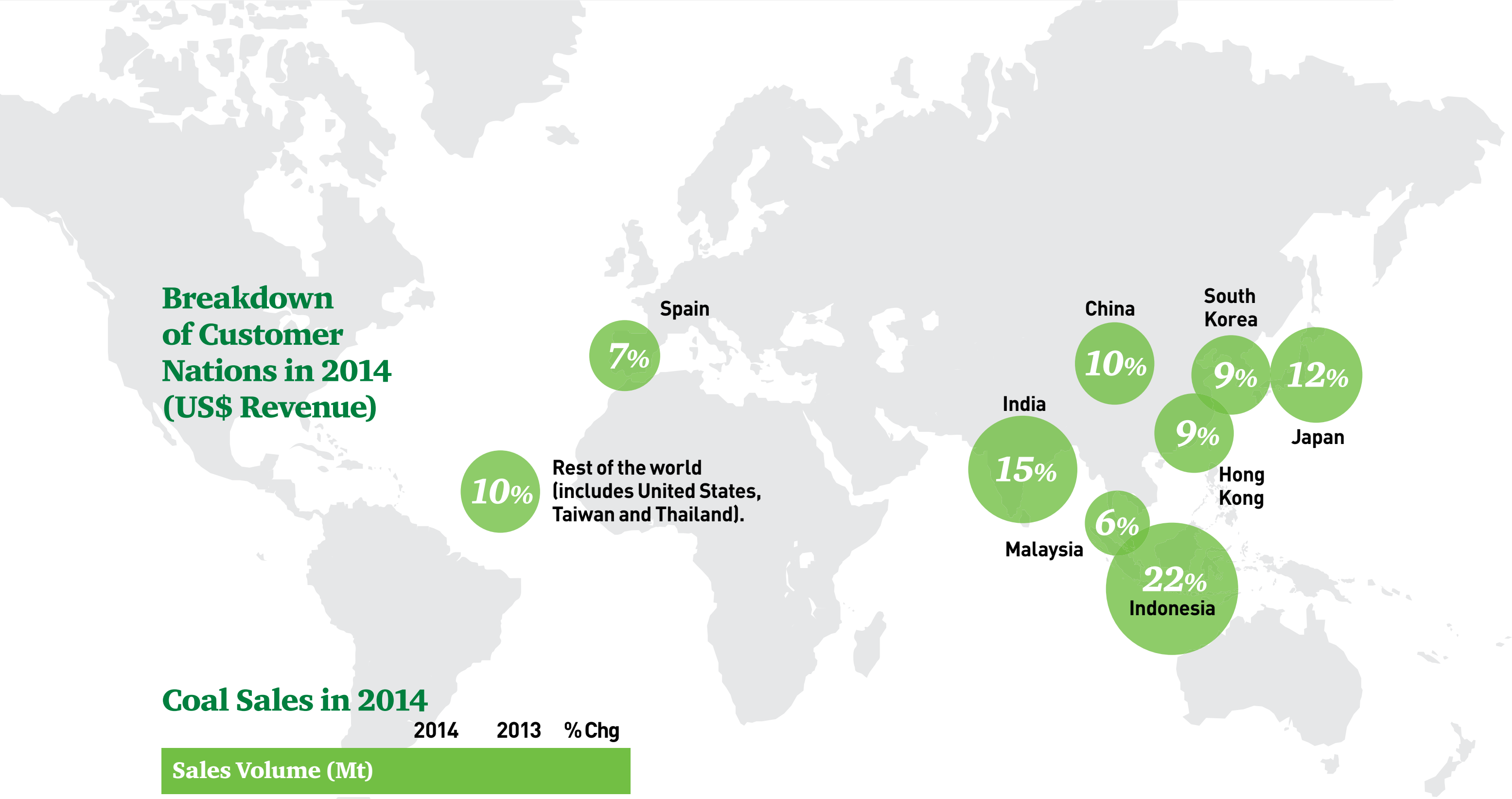
In 2014, Indonesia's thermal coal consumption increased by 6Mt to 77Mt. PLN's Electricity Supply Business Plan, covering 2013-2022, states that Indonesia's total generation capacity reached 47GW in 2014, of which approximately 25GW was coal-fired. A growing population and steady economic growth continue to spur the government's expansion of Indonesia's power-generating capabilities. To meet the demands of growth, PLN forecasts that total power generation will double to approximately 100GW by 2022.

Adaro has maintained its commitment to be a leading supplier to the domestic market. Domestic deliveries comprised the largest portion of 2014 sales at 11.6 Mt. Adaro remains a supplier of choice due to our relative proximity to customers in Indonesia's most populous Island of Java. Lower transportation costs and consistent quality make for long-term, mutually beneficial partnerships.

Adaro is also able to meet a variety of quality requirements with specifications ranging from mid- to low-calorific value coals. Envirocoal's typical heat values range from 4,000kcal/kg to 5,000kcal/kg gar, and its ultra-low sulphur, ash and nitrogen feature makes it a key component of domestic fuel demand. Of Adaro's supply to the domestic market, 90% is supplied to the power sector and 10% is supplied to industrial customers.

Adaro's bankability and history of reliable long-term supply will be the key to supporting new Indonesian power projects. Adaro will continue to focus on the development of domestic power given our strategic advantage in the region.

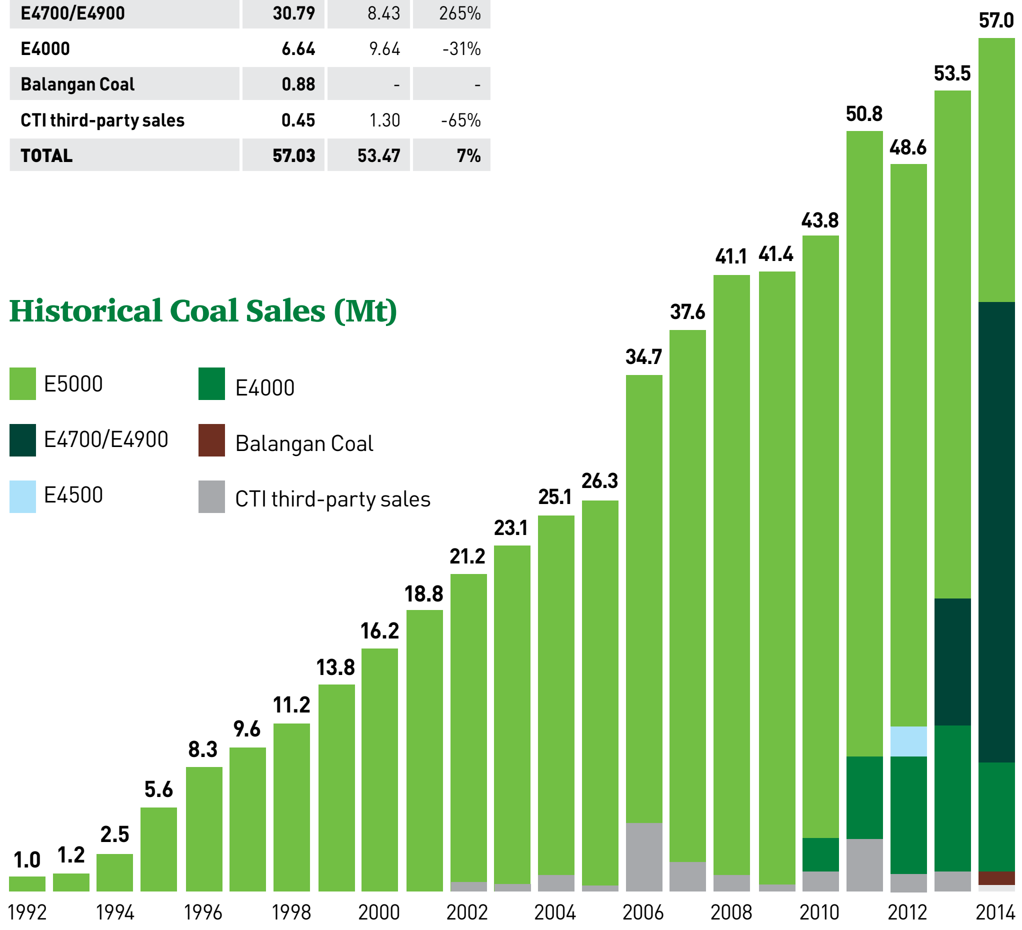
Breakdown of Customer Nations in 2014 (US$ Revenue)



Coal Sales in 2014

	2014	2013	% Chg
Sales Volume (Mt)			
E5000 (Tutupan + Paringin)	**18.26**	34.09	-46%
E4700/E4900	**30.79**	8.43	265%
E4000	**6.64**	9.64	-31%
Balangan Coal	**0.88**	-	-
CTI third-party sales	**0.45**	1.30	-65%
TOTAL	**57.03**	53.47	7%

Historical Coal Sales (Mt)

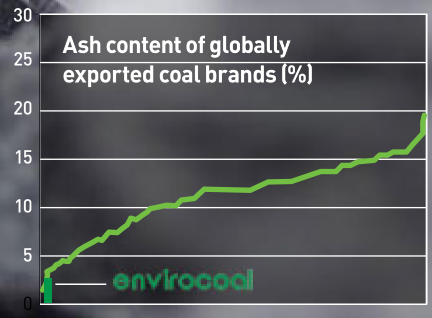


SPECIAL FOCUS: ENVIROCOAL

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

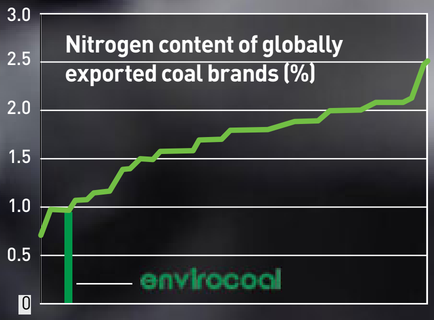
Our coal has been widely used since 1992 across Europe, Asia, the Americas and domestically in power generation, cement manufacturing and industrial applications where environmental restrictions are stringently controlled, or as a blending coal with more common high-ash, high-sulphur coals. Results have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

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


Ash content of globally exported coal brands (%)

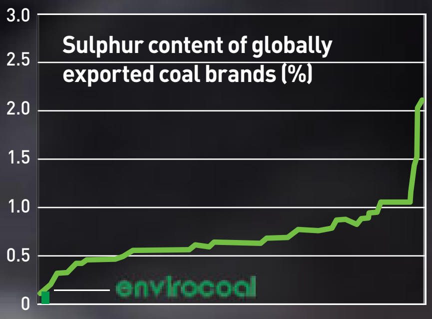
Ash Content 2%-3% (adb)

- 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 of globally exported coal brands (%)

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 of globally exported coal brands (%)

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.

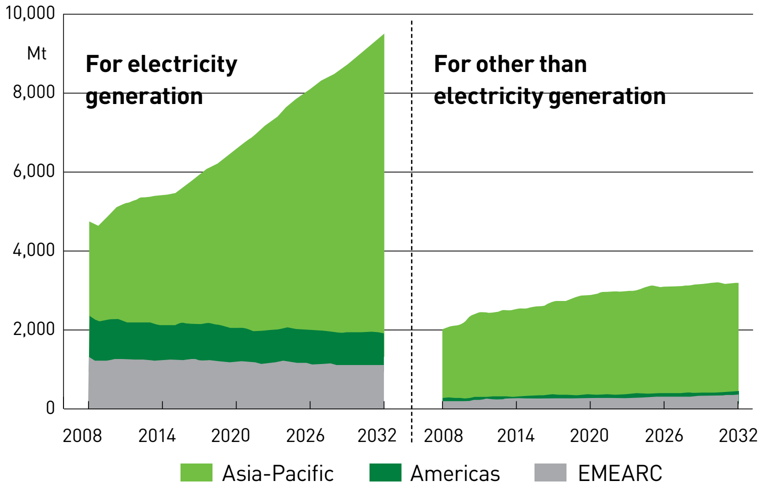
Asian Nations Fueling Rapid Demand Growth

Coal provides 40% of the world's electricity needs, and we believe that coal will continue to play an important role as a low-cost source of energy to support global economic growth.

The International Energy Association (IEA) projects that coal demand will grow at an average rate of 2.1% per year through 2019, mainly driven by Southeast Asia, China, India and other Asian countries. Even in countries such as Japan and Korea, IEA expects that coal use will rise by 1.3% and 3.0% per year on average, respectively.

Wood Mackenzie forecasts a nearly 135% increase in seaborne thermal coal imports — from 732Mt in 2014 to 1,725Mt in 2035 — in the Pacific, i.e. China, India, North East Asia (Hong Kong, Japan, South Korea and Taiwan) and Southeast Asia (Malaysia, Philippines, Thailand and Vietnam).

Global Thermal Coal Demand by Region



SOURCE: WOOD MACKENZIE GLOBAL THERMAL COAL LONG-TERM OUTLOOK 2H14, PAGE 30

Indonesia and Southeast Asia

We expect Southeast Asia to play a key role in the global seaborne thermal coal market going forward. The region's growing electricity demand is to be fuelled by low-cost coal, which according to IEA, will triple Southeast Asia coal requirement to approximately 600Mt by 2030.

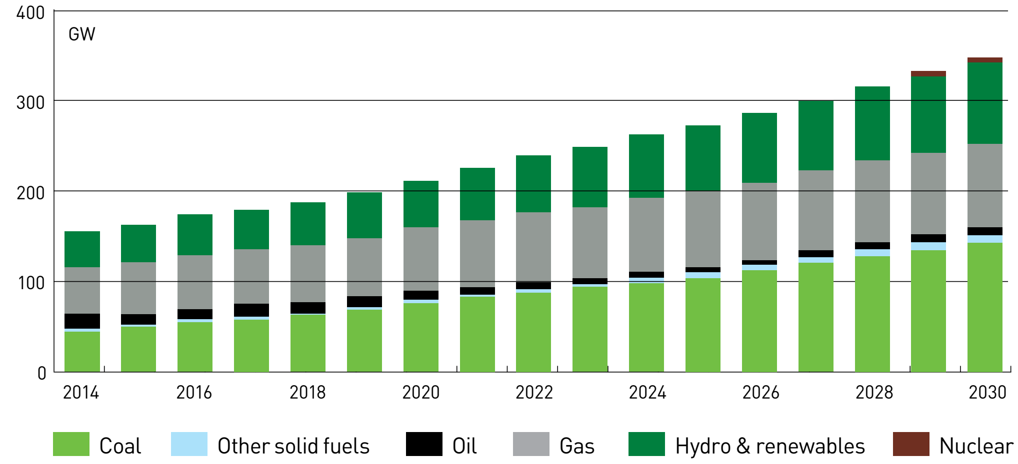
Wood Mackenzie expects Indonesian domestic demand to triple over the next two decades as the country turns to coal to meet its increasing energy needs. Indonesia is expected to add 63GW of coal-fired power generation capacity by 2035. Strong growth in domestic demand means direct competition with exports.

Indonesia will remain the dominant supplier of low-rank coal in the global seaborne thermal coal market. Wood Mackenzie expects India and China to continue to be the largest markets for Indonesian coal. Together, they are expected to take in 57% of all Indonesian thermal coal exports from now to 2035.

China

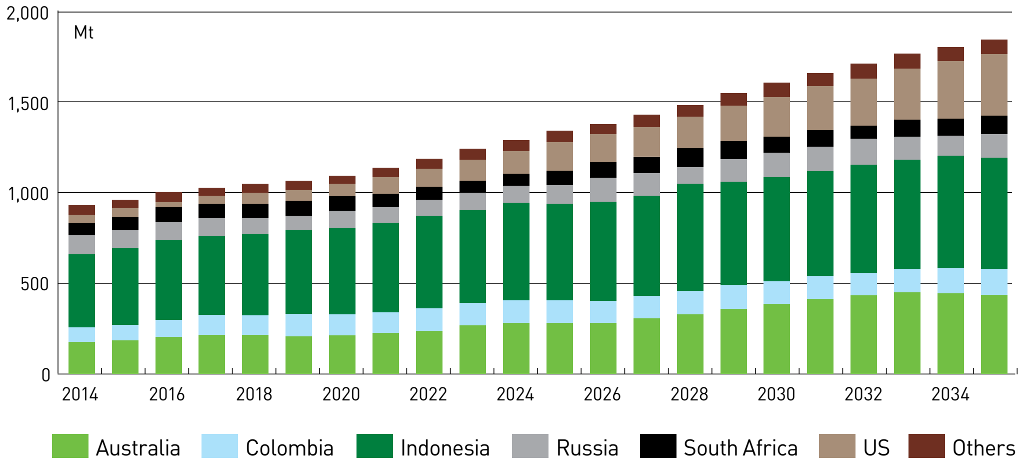
China is the world's largest producer, importer and consumer of coal, consuming about 3.6Bt of coal per year. In 2013, China imported 250Mt of coal, accounting for approximately a quarter of the global seaborne thermal coal market.

Southeast Asia Power Generation Capacity to 2030



SOURCE: WOOD MACKENZIE GLOBAL THERMAL COAL LONG-TERM OUTLOOK 2H14, PAGE 30

Seaborne Thermal Coal Exports by Country to 2035



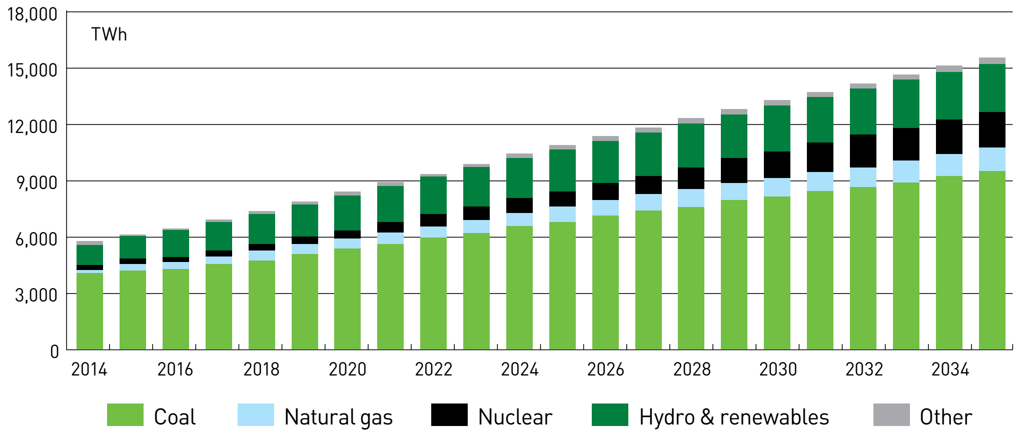
SOURCE: WOOD MACKENZIE GLOBAL THERMAL COAL LONG-TERM OUTLOOK 2H14, PAGE 7

China remains as the market maker in the industry, and Chinese domestic market price has become more influential to the seaborne thermal coal prices than traditional buyers such as the Japanese power utilities.

Even though coal remains the dominant fuel in China, the pace of annual demand growth has slowed due to slower economic growth, rise in non-coal generation including hydro, tighter environmental policies limiting industrial coal-burn, and regulations aimed at protecting domestic miners.

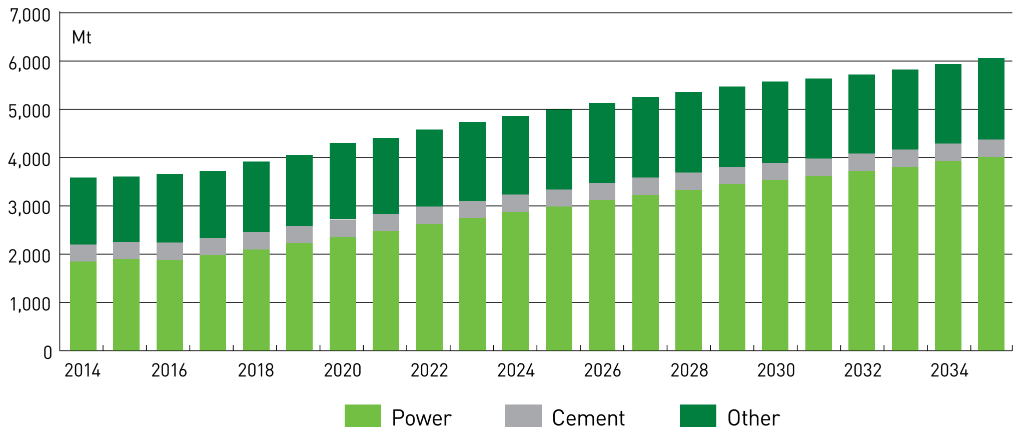
Longer-term, the pace of demand growth will be closely tied to power demand in inland provinces and the acceleration of UHV transmission lines to export power to the coast. A large part of coal-fired capacity addition in China will occur in the interior provinces, and as such the

China: Power Generation by Fuel Type to 2035



SOURCE: WOOD MACKENZIE GLOBAL THERMAL COAL LONG-TERM OUTLOOK 2H14, PAGE 37

China: Thermal Coal Consumption by Market Sector to 2035



SOURCE: WOOD MACKENZIE GLOBAL THERMAL COAL LONG-TERM OUTLOOK 2H14, PAGE 38

outlook for Chinese coal imports depends on the displacement of domestic coal supply in the coastal region.

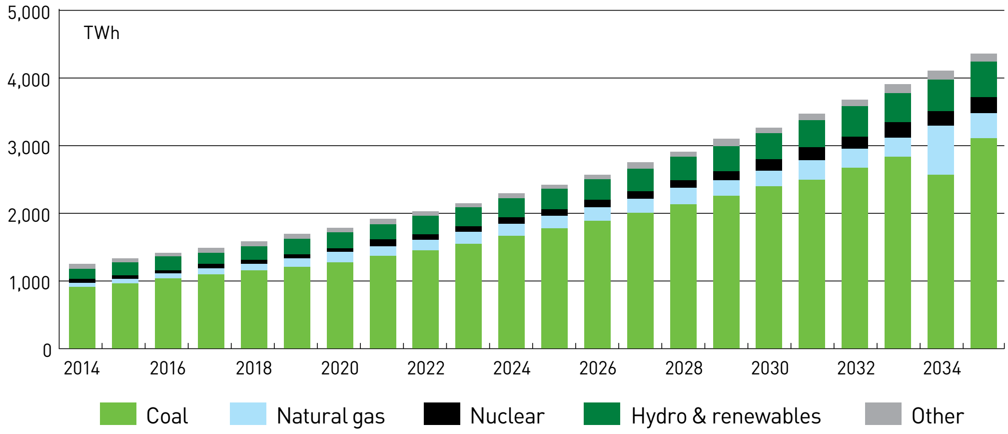
China’s long-term power needs are significant. Wood Mackenzie expects coal-fired capacity to grow by at least 841GW between now and 2035, while non-coal generating capacity grows by 1,200GW. The share of coal in the power generation mix will fall from 72% to about 60% by 2035. The non-power coal demand profile will remain muted compared to the growth in the power sector. A decline in the residential and heating sectors will be offset by the increase in coal conversion projects.

India

The Indian government continues to make electrification a priority. India has 184GW of coal-fired capacity, although the utilization level

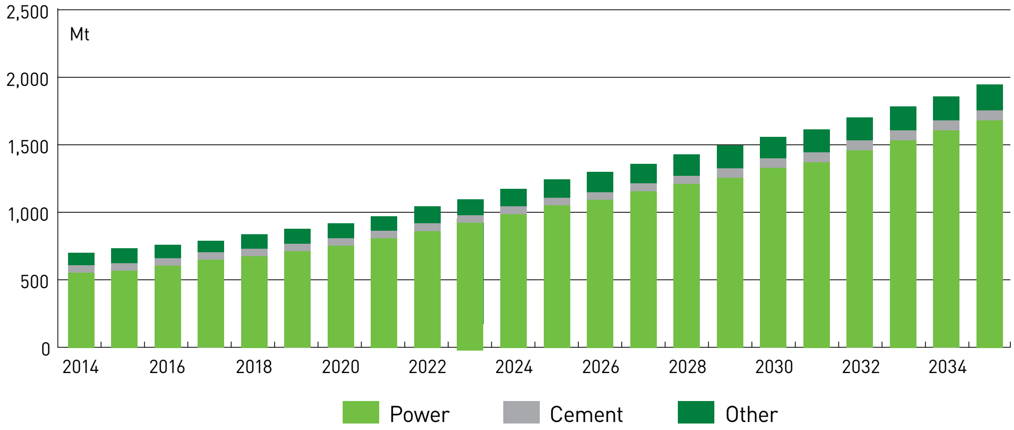
The long-term outlook for Southeast Asian coal trade remains bright, with the region's needs expected to triple to 600Mt by 2030.

India: Power Generation by Fuel Type to 2035



SOURCE: WOOD MACKENZIE GLOBAL THERMAL COAL LONG-TERM OUTLOOK 2H14, PAGE 40

India: Thermal Coal Consumption by Market Sector to 2035



SOURCE: WOOD MACKENZIE GLOBAL THERMAL COAL LONG-TERM OUTLOOK 2H14, PAGE 41

varies across projects based on whether or not they have power purchase agreements at reasonable tariff structures. Nevertheless, coal remains the dominant fuel in Indian power sector and in 2015 coal-fired power plants are estimated to account for approximately 60% of the total generating capacity installed in the country. Wood Mackenzie projects that coal-fired generation capacity in India will increase to 469GW by 2035.

In total, thermal coal import demand in India is likely to increase to as much as 462Mt by 2035 from 142Mt in 2014, according to Wood Mackenzie.

Though China and India have huge coal reserves, imported coal is competitive in their markets, mainly due to high inland infrastructure costs. Therefore, we expect coal imports to continue to be an integral part of their fuel supply mix.

Broadening Our Base for Organic Growth

We started out with a single concession in South Kalimantan, AI. However, in order to diversify the locations and licenses of our coal assets as well as our products, we spent the past few years acquiring mining concessions in other provinces in Indonesia, namely Central, East and South Kalimantan and South Sumatra.

In mining, it all comes down to the reserves. To support our growth plan, our Board of Directors requires that Adaro owns large coal reserves. These acquisitions have increased our resources to 12.8Bt (including an option to acquire up to 7.9Bt) and reserves to 1.1Bt. These acquisitions have also diversified our product portfolio to include metallurgical coal, thermal coal and lignite.

PT Adaro Indonesia

AI is currently our largest coal mining operation and we are constantly pursuing organic growth from it, in line with customer demand. However, we are not merely chasing production growth; our focus is to maintain a healthy margin from our coal mining operations.

AI operates in South Kalimantan under a CCA with the Government of Indonesia. AI's three pits within the concession — Tutupan, Paringin and Wara — produce sub-bituminous medium heat value coal between 4,000kcal/kg and 5,000 kcal/kg gar. AI's coal is branded as Envirocoal, due to its low-pollutant characteristics. Envirocoal has

Adaro's Coal Assets

	Location	Resources/Reserves	Asset Type	Ownership	License /Expiry
PT Adaro Indonesia (AI)	South Kalimantan	4.9Bt/862Mt	Thermal coal	100%	CCA until 2022
IndoMet Coal Project (IMC) JV with BHP Billiton	Central Kalimantan	1.27Bt of resources from 5 of 7 concessions	Metallurgical coal	25%	CCoW for 30 years after mining starts
PT Mustika Indah Permai (MIP)	South Sumatra	288Mt/254Mt	Thermal coal	75%	IUP 2030
PT Bukit Enim Energi (BEE)	South Sumatra	Geological studies pending	Thermal coal	61%	IUP 2031
PT Bhakti Energi Persada (BEP)	East Kalimantan	7.9Bt/No reserves estimated	Thermal coal	10.22% (option for up to 90%)	IUP 2031-38
Balangan Coal	South Kalimantan	296Mt/71Mt	Thermal coal	75%	IUP to 2034

The coal that AI mines is trademarked as Envirocoal and is one of the cleanest coals on the export market. For details see page 42.

among the world's lowest ash and sulphur content and has good reception from customers.

In 2014, AI sold 56.02Mt of its Envirocoal, approximately 55% of which was the E4900 product. This meant AI remained our largest revenue contributor, generating approximately [90%] of Adaro's revenue in 2014. Despite the cyclical downturn, AI continued to receive solid demand from its customers. Normal weather patterns during the year at AI's South Kalimantan site and the quality performance of its contractors enabled the company to maintain strong operational performance.

AI has four mining contractors, including our subsidiary PT Saptaindra Sejati (SIS). We reward our contractors based on performance and other efficiency measures. We also regard our subsidiaries as third-party contractors and encourage them to engage in healthy competition with other contractors.

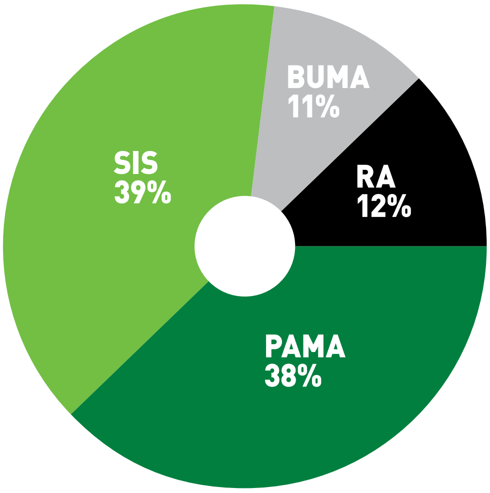
Having multiple contractors creates a level playing field, encourages efficient operations and helps us obtain good operations performance. Each contractor is responsible for providing its own equipment, supplies and labor requirements to mine within its allocated areas and achieve production targets. The charts above show the breakdown of overburden removal and coal production activities among AI's mining contractors:

AI, along with other coal miners worldwide, responded to the continued cyclical downturn in 2014 with further efficiency measures. As overcapacity, along with slower demand growth and economic growth, continued to keep coal prices under pressure, AI sharpened its focus on cost efficiency and productivity improvements. However, as AI's mines get bigger, there are unavoidable cost escalations, for example in the overburden hauling distances. We are therefore conducting detailed mine planning to curb the escalation of costs.

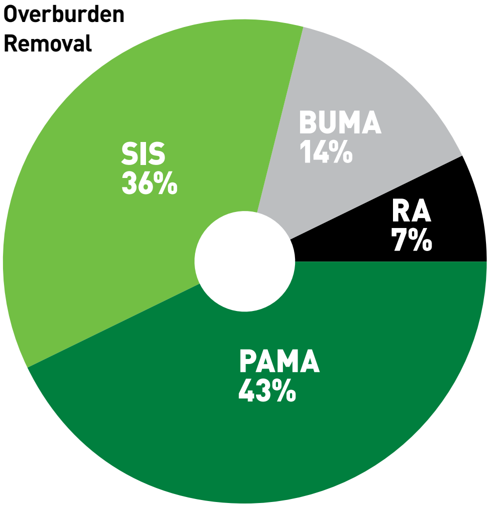
AI also worked closely with its contractors to improve business processes and reduce costs through better collaboration. The result was reflected in productivity gains during the year that came without the need to invest in new heavy equipment.

AI Use of Mining Contractors 2014

Coal Production



Overburden Removal



PAMA Pamapersada Nusantara
SIS Saptaindra Sejati
BUMA Bukit Makmur Mandiri Utama
RA Rahman Abdijaya

REVIEW OF MINING ASSETS

For an interactive virtual tour of AI's mine site in South Kalimantan and our entire coal supply chain , go to *www.adaro.com/operation/virtual-mine-site-tour/*

AI Operational Achievement in 2014

Millions of tonnes unless specified	2014	2013	Change
Coal Production			
Total	**55.32**	52.26	6%
Tutupan	**43.53**	38.65	13%
Paringin	**6.08**	5.74	6%
Wara	**5.71**	7.87	-27%
Coal Sales			
Total	**56.02**	52.16	7%
E5000	**18.26**	34.09	-46%
E4700 & E4900	**30.79**	8.43	265%
E4000 & E4500	**6.97**	9.64	-31%

AI 5-Year Highlights

	2010	2011	2012*	2013*	2014
Key Financial Highlights (US$ million)					
Total assets	1,885.0	2,699.6	2,884.6	2,874.4	**2,614.5**
Total liabilities	1,648.6	2,312.1	2,489.0	2,384.3	**2,057.3**
Interest-bearing debt	1,141.3	1,629.7	1,806.9	1,688.2	**1,363.0**
Total equity	236.4	387.5	395.6	490.2	**557.2**
Revenue	2,412.0	3,386.2	3,343.1	2,984.6	**3,045.9**
Operating Statistics					
Coal production (Mt)	42.2	47.7	47.2	52.3	**55.3**
Coal sales (Mt)	42.5	47.2	47.4	52.2	**56.0**
Overburden removal (Mbcm)	225.9	299.3	331.5	294.9	**314.9**
Average actual strip ratio (x)	5.35	6.27	7.02	5.64	**5.68**

*Restated due to adoption of IFAS 29, "Stripping Costs in the Production Phase of a Surface Mine."

Coal seams under mining at AI's Wara pit in South Kalimantan. Wara coal is used for our E4000 product.

Safety is a top priority at Adaro. Safe and reliable operations create trust with our partners, which is important to achieve our objective of creating maximum sustainable value from Indonesian coal.

In 2014, AI recorded a lost-time injury frequency rate (LTIFR) of 0.17 compared to 0.16 in 2013, and 12 lost-time injuries (LTIs). AI clocked in a total of 72,570,500 work hours and experienced no LTIs in February, June, July, September, and October 2014 — an excellent safety performance.

Our growth is based on a sustainable and responsible approach. We want to grow along with demand and we prioritize our operating margin. With a disciplined operational and financial framework, we expect our company to continue generating returns. Despite the continued weakness in coal price, we are still doing relatively well and remain on track to achieve our objectives.

Coal Mining

The year 2014 was our best ever in terms of production, with 55.3Mt of thermal coal mined and hauled, a 6% increase from the previous year. Strong customer demand, normal weather conditions and good performance by the contractors — an average of 145,680 tonnes mined daily on average from all three pits — combined to help attain our record results.

Tutupan remains our main mine, producing 43.53Mt in 2014, a 13% increase year-on-year. Demand for our E4900 product, which comes from Tutupan, was good during the year. Production from Wara was 5.71Mt in 2014, a 27% decrease, while Paringin grew 6% to 6.08Mt.

Overburden Removal and Strip Ratio

As part of its cost efficiency measures, AI maintained a relatively flat strip ratio of 5.69x in 2014 (compared to 5.64x in 2013). However, *Coal is conveyed to a stockpile for loading to trailers at AI's mine site. AI's production hit a new record in 2014 at 55.3Mt.*

> AI worked closely with its contractors to improve business processes and reduce costs through better collaboration. The result was reflected in productivity gains during the year that came without the need to invest in new heavy equipment.

Balangan's coal is of similar low pollutant properties as AI's Envirocoal. Understand its quality in detail from our Reserves and Resources tables from page 64.

this does not harm AI's reserves and long-term plan, as AI is still operating at its average life-of-mine strip ratio. We removed 314.92Mbcm of overburden in 2014, a 7% increase from the previous year. We were able to maintain a relatively low strip ratio without harming our long-term mine plan due to investments to increase overburden removal in 2011 and 2012, a time when coal prices were higher. Furthermore, this lower-than-average planned strip ratio remained higher than the life-of-mine strip ratio. The average daily overburden stripping for 2014 was 863,791 tonnes.

Coal Hauling and Barging

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 190,806 tonnes on November 23, 2014, which was higher than the previous record set in 2013 of 187,331 tonnes. To further improve productivity and decrease the cycle time along our hauling road, we constructed a coal trailer terminal at Kelanis to reduce queuing time.

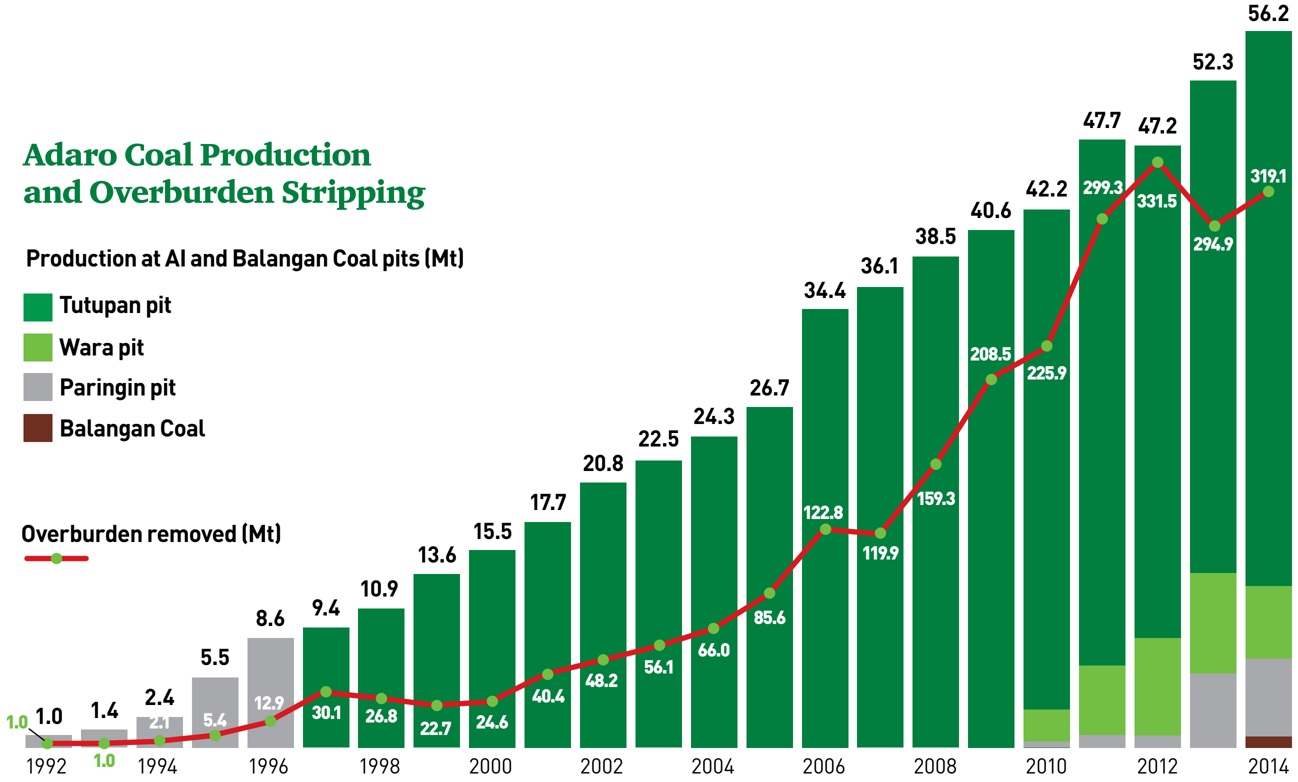
Coal Processing and Barge Loading

Operations at Kelanis, which handles all coal-crushing, stockpiling and barge-loading activities, maintained a high level of availability throughout the year. With the first stage upgrade that was completed in 2013, Kelanis has an annual capacity of 60Mt based on average operating conditions. We are working to further optimize the productivity of existing facilities in order to reach an annual capacity of 63Mt.

Marine Logistics

We barge our coal either to transhipment facilities located at the Taboneo offshore anchorage or PT 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 2014, we had 68 sets

Adaro Coal Production and Overburden Stripping



of tugs and barges serving AI, up from 55 sets in 2013. The average capacity of these barges was 12,522dwt, a 4% increase over 2013's average of 12,063dwt. In 2014, we did most of our shiploading activities — 66% of our total tonnage, or relatively flat year-on-year — at Taboneo anchorage using floating cranes. Another 18% of our total tonnage was directly barged 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 PT Maritim Barito Perkasa (MBP). MBP handled the largest volume for AI during the year, accommodating 54% of barging activities and 96% of ship-loading activities. To improve coordination and productivity, we reorganized our ship-loading contractors at the beginning of 2014. We now only have MBP as a contractor, and the rest work as subcontractors under it. In 2014, the average barge cycle time was 99.75 hours (down from 102 hours in 2013), while the average vessel waiting time was 1.12 days (down from 2.20 days in 2013).

Long-Term Plan

While an oversupplied thermal coal market has resulted in a sharp reduction in thermal coal prices, the low-cost nature of AI's mining operations has enabled it to maintain its coal reserve estimates. Reduced coal prices have resulted in short-term strip ratio reductions; however, AI continues to mine at an average life-of-mine strip ratio to ensure the long-term sustainability of the operations.

AI is working with equipment manufacturers and third-party suppliers to evaluate the applicability of a number of mining technologies on AI's already low-cost operations. As mining technologies mature and implementation costs reduce, AI will be able benefit from a 'fast follower' approach to adopting suitable mining technologies.

During the year, AI focused on optimizing mine plans to enable low-cost production expansion, while maintaining our commitment to the health and safety of our employees and the environment and communities in which we operate.

In addition, AI is working closely with mining contractors to realize production efficiencies associated with increased operating discipline. In particular, projects targeting increased equipment production rates, utilization, and availability of haul trucks and major mining equipment have been undertaken, as it is particularly important that AI maintain its low production costs while increasing capital spending efficiency. AI sees the current environment as an opportunity to become a more efficient mining company and reset its cost profile to increase the competitiveness of future production expansions.

Balangan Coal

In 2013, we added coal resources through the acquisition of 75% of Balangan Coal (Balangan), a greenfield coal deposit in South Kalimantan, located 11km southeast of AI's concession. Balangan has three coal licenses, known in Indonesia as Ijin Usaha Pertambangan (IUP), covering a total of 7,500 ha in the province's Balangan district. The three IUPs belong to PT Semesta Centramas (SCM), PT Laskar Semesta Alam (LSA), and PT Paramitha Cipta Sarana (PCS). Balangan's coal has a calorific value of 4,400 kcal/kg gar and shares similar characteristics with Envirocoal.

Coal Mining, Overburden Removal and Strip Ratio

We completed the construction of a haul road and bridges in the first half of 2014, and subsequently started commercial operations from Balangan. We produced 0.89Mt of coal from SCM during the year and were able to transform the greenfield mine into operations within a year. This has established SCM as a low-cost coal producer, wherein the successful integration of its mining operations into AI's existing supply chain brought SCM to market for a relatively low capital expenditure. We employ

Mining began at our Balangan Coal deposits in 2014. By the end of the year 0.89Mt had been produced.

two of our subsidiaries, SIS and MBP, for all of SCM's coal production and logistics activities. The market acceptance for SCM's coal has been good, with 0.88Mt sold in 2014 — 88% to customers in India.

In 2014, we removed 4.17Mbcm of overburden at SCM, which resulted in an actual strip ratio of 4.69x. SCM is a low-capex development. Due to its close proximity to AI's concession, it can share AI's infrastructure.

The initial capital outlay for ramping up coal production to 8Mt per year in the medium term is approximately US$15 million, excluding heavy equipment.

MBP is the barging and ship-loading contractor for Balangan. At the end of 2014, we had 31 sets of tugs and barges serving Balangan with an average capacity of 11,200dwt.

Long-Term Plan

Life-of-mine plans, which form the basis for JORC Coal Reserve estimates, have been completed for all three IUPs within Balangan. The three IUPs will continue to work towards converting additional coal resources into JORC coal reserves as additional mining and exploration data becomes available and required approvals are gained.

The three IUPs are an important addition to Adaro's coal mine portfolio as they serve as an additional source of low-rank thermal coal, aside from AI's E4000 product, while diversifying our product portfolio. Furthermore, favorable mining conditions and the proximity of the mining deposit to AI's existing infrastructure will help secure Adaro as a long-term producer of low-rank thermal coal.

Our Other Mining Assets

With a focus on creating maximum sustainable value from Indonesian coal and creating returns for shareholders, Adaro has invested approximately US$955 million, including capital expenditure, to acquire 16 coal concessions in Kalimantan and South Sumatra. Our strategy to invest in large, greenfield, low-cost, and expandable assets that will diversify our products, license maturities and locations has created a solid platform in the coal-mining segment of our business.

At the same time, these assets support our mining services, logistics and power segments, further strengthening our vertically integrated coal supply chain.

While we look at all opportunities available, we prefer to acquire undeveloped deposits rather than mines, as the former allows us to take advantage of our specialized knowledge and experience on how to take a deposit and turn it into a profitable, long-term asset. The assets we acquired play to our strength as an expert on inland, low-rank Indonesian coal. The three main criteria we look for in an asset are location, size and deposit quality. We have no specific minimum resources amount, but we are only interested in deposits that can create substantial value.

Developing large greenfield concessions is not without its challenges, thus the Board of Directors applies a disciplined approach in allocating capital for these assets. We spend money in increments to prepare the concessions for mining readiness.

Our investments in these coal assets mainly support our move downstream into power. At Adaro, we believe that having a pit-to-power portfolio provides a hedge against coal price volatility by giving us a captive market for our coal products. Although it has taken us longer than expected to develop these assets, we are now able to see a clearer path for them, i.e. pit-to-power integration by building mine-mouth power plants.

Surveying the ground at MIP in South Sumatra. MIP was acquired in 2011, and in 2014 we continued to prepare for mining readiness there.

PT Mustika Indah Permai and PT Bukit Enim Energi

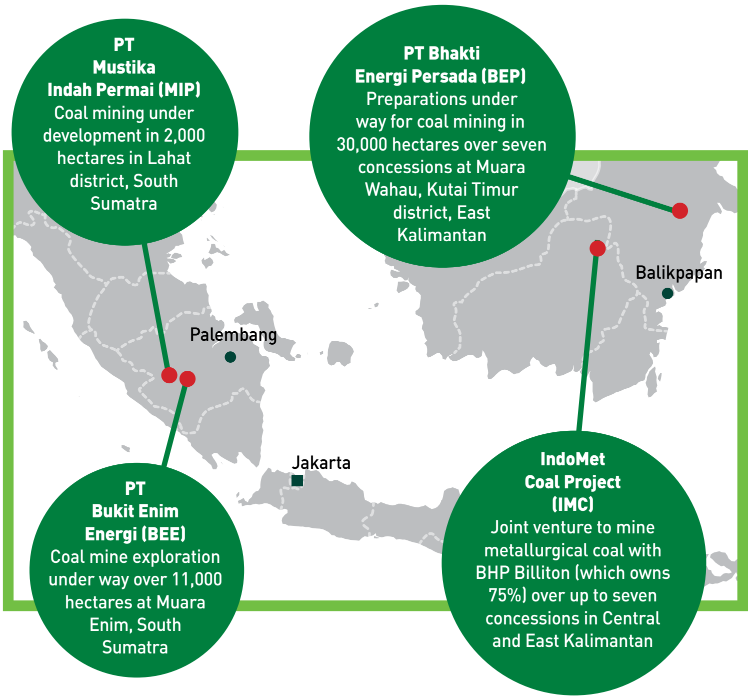
South Sumatra is one of Indonesia's coal-rich provinces, holding approximately 50% of the country's total coal resources. However, the province's coal production accounts for only 5% of Indonesia's total, mainly because of difficulties with transportation and logistics in the area.

Adaro's foothold in South Sumatra is through PT Mustika Indah Permai (MIP) and PT Bukit Enim Energi (BEE). We completed the US$301 million acquisition of these two mines in 2011.

When we acquired them, we simultaneously bought a 35% stake in Servo Meda Sejahtera (SMS), a logistics company that owns a dedicated coal-hauling road and barge-loading port. In early 2014, we divested our stake in SMS but retained the rights to use the hauling road owned by PT Servo Lintas Raya as well as the port facility operated by PT Swarnadwipa Dermaga Jaya. Both companies are 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.

We believe that under its new ownership, SMS will continue to operate strongly and benefit the local community. Our strategy of vertical integration remains, as we will now focus on pit-to-power integration in South Sumatra. In 2014, we continued to prepare MIP for mining readiness and continued with geological works for BEE.

The development of MIP is progressing as a number of infrastructure and mining studies on it near completion. With MIP, our focus is on the successful development of a long-life, low-capital, low-operating cost mine plan that maximizes the value of the coal resource. While infrastructure is in place to produce coal from MIP, it is also particularly suitable for integration with coal-fired power plants due to the nature of the deposit and its location relative to water sources and planned power distribution infrastructure. The low strip ratio and consistent quality of the MIP deposit make it a valuable addition to Adaro's coal mining asset portfolio.



PT Bhakti Energi Persada

Adaro owns 10.22% of BEP, which has one of the largest undeveloped deposits of low-rank, low-pollutant thermal coal in Indonesia. On May 28, 2012, we entered into a Convertible Loan and Share Subscription Agreement with the option to provide a loan to BEP of up to US$500 million, which is convertible to up to 51% of equity in BEP (Option One), and an option agreement to acquire BEP shares from its controlling shareholders by offering newly issued shares of Adaro (Option Two). We amended the period for these two options from three years to four years and thereby extended the options period up to 2016.

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 BEP 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 divisions, 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, as well as developing a mine-mouth power plant that will be able to supply electricity to the PLN grid.

As an initial step in the development of BEP, a further memorandum of understanding (MoU) was signed between China Shenhua Overseas Development and Investment Co., Ltd. (Shenhua Overseas), BEP and Adaro Power (AP) to establish a joint venture to develop mine-mouth coal-fired power plants in East Kalimantan with an initial capacity of 2x300MW. The power plants will use BEP coal.

Shenhua Overseas intends to initially acquire a minority equity interest in a BEP subsidiary for the development of a coal mine and for the purpose of supplying the fuel to the mine-mouth power plant, subject to a satisfactory outcome of its due diligence and evaluation. Pre-feasibility and feasibility studies and other preparatory work have started. The power plants will use the latest, most efficient and environmentally friendly technology.

IndoMet Coal Project

Acquisition of 25% of the IndoMet Coal Project (IMC) marked our first venture out of our South Kalimantan base. IMC is a joint venture between BHP Billiton and Adaro covering seven Coal Contracts of Work (CCoW) in East and Central Kalimantan with declared resources of 1.27Bt of undeveloped metallurgical coal. BHP Billiton owns 75% and Adaro owns 25% of each CCoW.

In 2014, we continued developing these CCoWs. Infrastructure development is under way, including road works and port loading facilities. IMC is also progressing with the development of a small-scale operation in Kalimantan called Haju, and we expect first production in 2015. We are also still evaluating the potential for larger-scale developments in the region.

Left: Exploratory and trial excavation under way at BEP in 2014. BEP's coal is intended as a fuel source for a mine-mouth power station.

Giant dump trucks lined up in readiness for despatch to their next load at the Tutupan pit. Orderliness and precision are equally critical in our physical mining operations and the oversight of our company's business.

REVIEW OF MINING SERVICES

Building Strength in Our Business Model

The mining contracting services sector was affected in 2014 by the market oversupply that continued to weigh down coal prices.

Many coal mining companies were forced to keep their stripping ratio at low levels for extended periods of time, while others had to temporarily halt their operations. As a result, mining contractors had to take further measures to lower costs; they worked to improve efficiency and productivity while maintaining good safety standards to offset the lower revenue from lower overburden removal.

Mining contractors also spent the minimum amount needed for regular equipment maintenance and replacement, and delayed buying additional heavy equipment for expansion. Despite short-term challenges, the long-term outlook for the mining contracting services sector remains attractive to support the strong, long-term fundamentals from the coal and energy sectors.

PT Saptaindra Sejati

As one of Indonesia's leading mining contractors, PT Saptaindra Sejati (SIS) provides mining services and develops infrastructure and logistics for AI and other customers. During 2014, SIS recorded a 6.7% increase in overburden removal to 173.9Mbcm, and a 8.6% increase in coal production to 30.3Mt.

AI remains SIS's largest customer as it accounted for 64% and 70% of SIS's total overburden removal and coal production, respectively. AI's total overburden removal by SIS increased 9% to 112.1Mbcm, while total coal production increased 7% to 21.2Mt. SIS also began the mining activities at Balangan Coal in 2014, with 4.2Mbcm of overburden removed and 0.9Mt of coal produced. SIS also continued to serve third-party customers in 2014, with overburden removal for them decreasing 4% to 57.6Mbcm and coal production increasing 1% to 8.21Mt. In 2014, SIS EBITDA increased 19.8% to US$120.8 million and its net debt to EBITDA remained healthy at 2.2x.

At the end of 2014, SIS owned more than 1,300 units of heavy equipment, including 400-tonne excavators and 250-tonne haul trucks, giving it an annual coal production capacity of 30Mt. SIS invested US$84 million in capital expenditure during the year for equipment maintenance and replacement.

SIS is constantly striving to improve its services by applying the best technologies available to increase efficiencies, especially during the current difficult coal market condition. SIS implemented the "jigsaw system" technology, a real-time tracking method to maximize efficiencies and cost savings. SIS has also obtained several international certificates for quality assurance, such as ISO 9001:2008 for Quality Management System, OHSAS 18001:2007 for Occupational Health and Safety Management System, and ISO 14001:2004 for Environmental Management System.

PT Jasapower Indonesia

PT Jasapower Indonesia (JPI) is the owner of Adaro's Out-of-Pit Overburden Crusher and Conveyor (OPCC). In order to combat rising haul-

Overburden stripping by AI's subsidiary SIS. In 2014, SIS was responsible for about 35% of coal-getting and 39% of overburden removal for AI.

SIS 5-Year Highlights

	2010	2011	2012	2013	2014
Key Financial Highlights (US$ million)					
Total Assets	482.8	564.3	618.1	534.1	**559.7**
Total Liabilities	381.9	449.4	487.9	404.8	**412.9**
Interest Bearing Debt	309.3	362.1	399.4	337.9	**335.5**
Total Equity	101.0	115.0	130.2	129.3	**146.8**
Revenue	304.5	424.7	494.6	410.3	**486.4**
Operating Statistics					
Overburden Removal (Mbcm)	128.1	167.6	192.5	163.5	**173.9**
Coal Production (Mt)	16.6	22.2	24.5	27.8	**30.5**

REVIEW OF MINING SERVICES

Our out-of-pit overburden crusher and conveyor at AI's Tutupan pit underwent final-stage trials in 2014. It crushes, transports and spreads overburden to outlying dumping areas not practically accessible for overburden trucks.

For profiles of all of our key operating subsidiaries, including mission, management, results and operational summary, please see *www.adaro.com/operation/our-operating-subsidiaries/*

age costs and reduce AI's dependence on fuel, we decided in 2010 to commence the mechanization of the mine with the installation of an 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 design and construct 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.

Our subsidiary PT Makmur Sejahtera Wisesa (MSW) will power the OPCC from its 2x30MW coal-fired mine-mouth power station. The use of coal-fired power will reduce diesel fuel consumption and contribute to cost savings and efficiency. As of December 31, 2014, we have completed the physical construction of OPCC and are in the testing phase.

PT Adaro Mining Technology

We established Adaro Mining Technology (AMT) in 2011 to focus on the research and development of coal upgrading techniques, coal gasification and coal liquefaction. Our goal is to optimize the use of coal reserves through developments in technology.

Coal Trading

Coaltrade Services International Pte Ltd

Coaltrade Services International Pte Ltd (CTI) is the coal sales agency handling Adaro's exports to certain destination countries. CTI also trades coal from third parties and sells these to the export market. Its offices are based in Singapore. In 2014, CTI's total sales declined by 5% to 4.5Mt. AI accounted for 90% of CTI's volume at 4.1Mt, and third-party customers accounted for 10% of volume at 0.4Mt, a 65% decrease compared to 2013.

CTI 5-Year Highlights

	2010	2011	2012	2013	2014
Key Financial Highlights (US$ million)					
Total assets	168.2	207.4	151.1	139.6	**89.6**
Total liabilities	146.3	142.1	95.1	70.2	**42.5**
Interest-bearing debt	128.0	101.3	74.7	48.0	**21.4**
Total equity	22.0	65.3	55.9	69.4	**47.1**
Revenue	292.2	542.3	384.6	344.1	**316.3**
Operating Statistics					
Total coal sales (Mt)	4.4	6.0	4.8	4.7	**4.5**
Coal from Adaro (Mt)	3.0	2.4	3.6	3.4	**4.1**
Coal from third parties (Mt)	1.4	3.6	1.2	1.3	**0.4**

Adaro Eksplorasi Indonesia

AEI is engaged in geological and exploration work for AI and other subsidiaries.

In June 2014, the Australian Guidelines for the Estimation and Classification of Coal Resources 2014 (2014 Coal Guidelines) were ratified. The coal guidelines influence how coal resources are determined for use as a basis for the further estimation of coal reserves.

The 2014 Coal Guidelines are not part of the JORC code, and ultimately it is the Competent Person (CP) who decides the applicability of the Coal Guidelines to parts of each deposit.

At AI, there is a long history of reconciliation of the tonnage of coal estimated each year against the actual production. Good agreement between the tonnages estimated and those mined has consistently proved that at Adaro the coal resource estimation procedures influenced by the 2003 Coal guidelines are sound.

Currently, Adaro derives its coal resources with reference to the 2003 Coal Guidelines. The coal resources are inputs to estimation of the proven and probable coal reserves subject to the modifying factors. From 2015, Adaro will gradually adopt the format of the 2015 Coal Guidelines in the preparation of coal resources; any impact in terms of changes in tonnage is expected to be small.

In 2014, Adaro increased knowledge of its coal assets through continued coal exploration accomplished through the completion of drill holes. For AI, 2014 was a year of "infill drilling" – a time to focus on converting Inferred Resources to Indicated Resources and Indicated Resources to Measured Resources by reducing the distance between drill holes. This infill drilling process moves coal resource tonnage between categories and increases the assurance of the existence of the coal.

In 2014, AI drilled 48,520 meters over 366 drill holes in its coal exploration program. About 65% of these drill holes were cored, which means the key coal seams were core sampled and later analyzed. Exploration activities focused on the North and South Tutupan pits.

A total of 1,967 individual coal samples from the exploration drilling were analyzed to enhance AI's coal quality database, and 596 coal seam composites were created and tested.

AT PT Mustika Indah, a small number of geotechnical drill holes and cone penetrometer holes were completed in aid of mining studies.

For Adaro's other properties, including PT Mustika Indah, PT Semesta Centramas, PT Paramitha Cipta Sarana, PT Laskar Semesta Alam, PT Bumi Kaliman Sejahtera, PT Bumi Murau Coal, PT Birawa Pandu Selaras, PT Khazana Bumi Kaliman, PT Persada Multi Baraw, PT Telen Eco Coal, PT Tri Panuntun Persada and PT Bukit Enim Energi, there was no specific coal exploration drilling.

> For AI, 2014 was a year of "infill drilling" – this process moves coal resource tonnage between categories and increases the assurance of the existence of the coal.

Notes

1) Adaro's coal resources refer to resources generally suited to host open-pit mineable coal reserves unless noted otherwise. They refer to JORC 2012 Edition. Adaro's coal resources and reserves as at December 31, 2014 use the JORC Coal Guidelines 2003 based on a history of successful post mining reconciliation. Evaluation of the 2014 JORC Coal Guidelines will occur in 2015.

2) Based on BHP Billiton's 2014 Annual Reports with permission. Some of IndoMet's coal resources are designated as resources which may host underground mining.

3) Based on Adaro exercising its option to increase its 10% equity share to 90%.

4) The Competent Person for PT Adaro Indonesia & PT Semesta Centra Mas & PT Paramitha Cipta Sarana coal reserves was Shahzad Chaudari MAusIMM (CP), an employee of PT Alam Tri Abadi

5) The Mustika Indah Permai coal reserves have not been re-estimated as at December 31, 2014, due to ongoing revisions to the regulated estimated price of mine-mouth power-plant coal. A re-estimate will be preformed in 2015.

Coal Resources and Reserves Summary

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

Group and Operating Company	Resources estimated as at Dec. 31, 2014				Resources estimated as at Dec. 31, 2013				Estimated changes 2014 vs. 2013	
	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 TOTAL SUB-BITUMINOUS [1] PT Adaro Indonesia, PT Semesta Centramas, PT Paramitha Cipta Sarana, PT Laskar Semesta Alam, PT Mustika Indah Permai	5,394	1,939	1,843	1,612	5,277	1,901	1,840	1,537	117	2%
ADARO TOTAL METALLURGICAL [2] IndoMet Coal	318	21	46	251	318	21	54	243	-	-
ADARO TOTAL LOW-RANK [3] PT Bhakti Energi Persada	7,161	3,480	2,885	797	7,161	3,480	2,885	797	-	-

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

Group and Operating Company	Reserves estimated as at Dec. 31, 2014			Reserves estimated as at Dec. 31, 2013			Estimated changes 2014 vs 2013	
	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 TOTAL COAL RESERVES PT Adaro Indonesia, PT Semesta Centra Mas, PT Parmitha Cipta Sarana, [4] PT Mustika Indah Permai [5]	1,106	891	215	1,091	853	239	15	1%

Coal Resources by Quantity

Adaro Coal Resources [1]

Operating Company	Locality	Coal resources as estimated at Dec. 31, 2014					
		Total measured, indicated & inferred (Mt)	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Adaro ownership equity (%)	Adaro attributable total measured, indicated & inferred (Mt)
PT Adaro Indonesia	Tutupan	2,693	807	886	1,000	100%	2,693
	North Paringin	367	108	127	132		367
	South Paringin	117	16	64	37		117
	Wara I	1,406	600	453	354		1,406
	Wara II	374	72	237	65		374
	Total Adaro Indonesia	**4,957**	**1,603**	**1,766**	**1,588**	**100%**	**4,957**
Balangan Coal [2]	PT Semesta Centramas (SCM)	101	75	22	5	75%	76
	PT Paramitha Cipta Sarana (PCS)	51	36	14	1	75%	38
	PT Laskar Semesta Alam (LSA)	144	59	58	27	75%	108
Total South Kalimantan		**5,253**	**1,773**	**1,860**	**1,620**	**99%**	**5,179**
PT Bhakti Energi Persada [3]	PT Bumi Kaliman Sejahtera	1,402	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 [4]	Haju (metallurgical/thermal)	14	11	2	1	25%	4
	Lampunut (metallurgical)	110	72	31	7		27
	Lampunut (thermal)	10	-	-	10		3
	Luon (metallurgical/thermal)	80	-	-	80		20
	Luon (metallurgical underground) [5]	60	-	-	60		15
	Bumbun (metallurgical/thermal)	187	-	82	105		47
	Juloi Northwest (metallurgical/thermal)	810	-	70	740		203
Total Central Kalimantan		**1,271**	**83**	**185**	**1003**	**25%**	**318**
PT Mustika Indah Permai [6]	Lahat	287.5	277.7	9.6	0.2	75%	215.6
PT Bukit Enim Energi	Muara Enim	No resources estimated in 2014					
Total South Sumatra		**287.5**	**277.7**	**9.6**	**0.2**	**75%**	**215.6**
TOTAL ADARO COAL RESOURCES		**14,768**	**5,999**	**5,258**	**3,508**	**87%**	**12,874**

Notes

1) Adaro's coal resources refer to resources generally suited to host open-pit mineable coal reserves unless noted otherwise.Adaro's coal resources are reported according to JORC 2012 Edition, with reference to the JORC Coal Guidelines 2003. The CP was Joseph Crisostomo MAusIMM, of PT Adaro Eksplorasi Indonesia, and the resources were estimated in March 2015 as at Dec. 31, 2014. Small differences are due to decimal place rounding.

2) Balangan Coal is an informal collective name for the separate IUPs PT Semesta Centramas, PT Paramitha Cipta Sarana and PT Laskar Semesta Alam. Their resources were estimated in March 2015 in accordance with JORC 2012 Edition subject to the use of the JORC Coal Guidelines 2003. The CP was Setiawan of PT Adaro Eksplorasi Indonesia. Significant increases in resources in all Balangan concessions related to reduced transportation costs allowing for a revision of the resource economic shell to greater depths.

3) 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.

4) Based on BHP Billiton's 2013 and 2014 Annual Report with the permission of BHP Billiton.

5) Luon metallurgical indicated resources are designated as having potential to host underground mining.

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

Reported according to JORC 2012 Edition[1]

Coal resources as estimated at Dec. 31, 2013						Calculated changes to Adaro's coal resources 2014 vs. 2013			
Total measured, indicated & inferred (Mt)	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Adaro ownership equity (%)	Adaro 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 attributable total measured, indicated & inferred (Mt)	Changes to Adaro attributable total measured, indicated & inferred (%)
2,708	893	928	887	100%	2,708	-15	-1%	-15	-1%
372	104	138	130		372	-5	-1%	-5	-1%
117	16	64	37		117	-	-	-	-
1,362	573	437	352		1,362	44	3%	44	3%
374	72	237	65		374	-	-	-	-
4,932	**1,657**	**1,804**	**1,471**	**100%**	**4,932**	**24**	**0.5%**	**24**	**0%**
62	31	25	6	75%	46	40	64%	30	64%
21	-	-	21	75%	16	30	142%	22	138%
90	16	14	60	75%	67	55	61%	41	61%
5,105	**1,704**	**1,842**	**1,558**	**99%**	**5,062**	**148**	**3%**	**117**	**2%**
1,402	526	683	193	90%	1,261	-	-	-	-
1,817	858	808	151		1,635	-	-	-	-
186	75	62	48		167	-	-	-	-
745	374	238	133		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	25%	4	-	-	-	-
110	72	31	7		27	-	-	-	-
10	-	-	10		3	-	-	-	-
80	-	-	80		20	-	-	-	-
60	-	-	60		15	-	-	-	-
187	-	112	75		47	-	-	-	-
810	-	70	740		203	-	-	-	-
1,271	**83**	**215**	**973**	25%	**318**	**-**	**-**	**-**	**-**
287.5	277.7	9.6	0.2	75%	215.6	-	-	-	-
No resources estimated in 2013						No resources estimated in 2013/14			
287.5	**277.7**	**9.6**	**0.2**	**75%**	**215.6**	**-**	**-**	**-**	**-**
14,620	**5,931**	**5,271**	**3,416**	**87%**	**12,756**	**148**	**1.0%**	**117**	**0.9%**

Coal Reserves by Quantity

Adaro Coal Reserves

Operating Company	Locality	Coal reserves as estimated at Dec. 31, 2014				
		Total proved & probable (Mt)	Proved (Mt)	Probable (Mt)	Adaro ownership equity (%)	Adaro attributable total proved & probable (Mt)
PT Adaro Indonesia [1]	Tutupan [2]	501	373	128	100%	501
	North Paringin [3]	51	35	16		51
	South Paringin	No reserves estimated in 2014				-
	Wara I [4]	310	260	50		310
	Wara II	No reserves estimated in 2014				-
	Total Adaro Indonesia	**862**	**668**	**194**	**100%**	**862**
Balangan Coal [5]	PT Semesta Centramas (SCM)	43	31	12	75%	32
	PT Paramitha Cipta Sarana (PCS)	28	20	8	75%	21
	PT Laskar Semesta Alam (LSA)	No reserves estimated in 2014			75%	-
Total South Kalimantan		**933**	**719**	**213**	**98%**	**915**
PT Bhakti Energi Persada (at Muara Wahau)		No reserves estimated in 2014			90%	-
Total East Kalimantan		**-**	**-**	**-**	**-**	**-**
IndoMet Coal	Central Kalimantan	No reserves estimated in 2014			25%	-
Total Central Kalimantan		**-**	**-**	**-**	**-**	**-**
PT Mustika Indah Permai [6]	Lahat	254	246	8	75%	191
PT Bukit Enim Energi	Muara Enim	No reserves estimated in 2014			61%	-
Total South Sumatra		**254**	**246**	**8**	**75%**	**191**
TOTAL ADARO PROVED AND PROBABLE COAL RESERVES		**1,187**	**965**	**221**	**93%**	**1,106**

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) Combined Tutupan reserves decreased by 35Mt due to Tutupan 2014 production and mining recovery adjustments

3) North Paringin reserves are based on a new pit shell due to additional mine planning work.

4) Wara 1 reserves decreased by 21 Mt due to Wara 2014 production and mining recovery adjustments

5) Balangan Coal is an informal collective name for the separate IUPs PT Semesta Centramas, PT Paramitha Cipta Sarana and PT Laskar Semesta Alam. The CP for PT Semesta Centramas and PT Paramitha Cipta Sarana was Shahzad Chaudari MAusIMM, who is an employee of PT Adaro Indonesia. Significant increases in reserves in PT Semesta Centramas and PT Paramitha Cipta Sarana are related to reduced transportation costs allowing for a revision of the reserves pit shell to greater depths.

6) The CP for the PT Mustika Indah Permai coal reserves was Leonard Dolby of Marston Inc., a Golder company. The reserves were last estimated in March 2014, and have not been reestimated as at Dec. 31, 2014 due to ongoing revisions to the regulated estimated price of mine-mouth power-plant coal. A reestimate will be performed in 2015.

Reported According to JORC 2012 Edition

Coal reserves as estimated at Dec. 31, 2013					Calculated changes to Adaro's coal reserves 2014 vs 2013			
Total proved & probable (Mt)	Proved (Mt)	Probable (Mt)	Adaro ownership equity (%)	Adaro attributable total proved & probable (Mt)	Changes to operating company total proved & probable (Mt)	Changes to operating company total proved & probable (%)	Changes to Adaro attributable total proved & probable (Mt)	Changes to Adaro attributable total proved & probable (%)
536	368	169	100%	536	-35	-7%	-35	-7%
33	28	5		33	18	55%	18	55%
No reserves estimated in 2013				-	No reserves estimated in 2013/2014			
331	272	59		331	-21	-6%	-21	-6%
No reserves estimated in 2013				-	No reserves estimated in 2013/2014			
900	**668**	**233**	**100%**	**900**	**-38**	**-4%**	**-38**	**-4%**
No reserves estimated in 2013			75%	-	43	N/A	32	N/A
			75%	-	28	N/A	21	N/A
			75%	-	No reserves estimated in 2013/14			
900	**668**	**233**	**100%**	**900**	**33**	**4%**	**15**	**2%**
No reserves estimated in 2013			90%	-	No reserves estimated in 2013/2014			
-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
No reserves estimated in 2013			25%	-	No reserves estimated in 2013/2014			
-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
254	246	8	75%	191	-	-	-	-
No reserves estimated in 2013			61%	-	No reserves estimated in 2013/2014			
254	**246**	**8**	**75%**	**191**	**-**	**-**	**-**	**-**
1,154	**914**	**241**	**94%**	**1,091**	**33**	**3%**	**15**	**1%**

Coal Resources by Quality

Quality of Adaro Coal Resources (Gross as Received Basis)

Operating company	Locality	Estimated as at Dec. 31, 2014				
		Total moisture %	Ash %	Volatile matter %	Total sulphur %	Calorific value Kcal/kg
PT Adaro Indonesia [1]	Tutupan	27.9	2.4	35.9	0.12	4,846
	North Paringin	28.7	3.0	33.9	0.23	4,807
	South Paringin	30.8	2.9	32.7	0.21	4,651
	Wara I	38.5	3.6	30.4	0.31	3,971
	Wara II	43.6	3.1	28.9	0.23	3,657
	Total Adaro Indonesia (thermal)	**32.2**	**2.8**	**33.6**	**0.19**	**4,500**
Balangan Coal [2]	PT Semesta Centramas	32.4	2.1	33.8	0.07	4,394
	PT Paramitha Cipta Sarana	31.0	3.5	33.9	0.08	4,359
	PT Laskar Semesta Alam	30.9	1.7	34.8	0.08	4,521
Total South Kalimantan (thermal)		**32.2**	**2.8**	**33.6**	**0.19**	**4,498**
PT Bhakti Energi Persada	PT Bumi Kaliman Sejahtera	47.3	3.6	25.4	0.1	3,272
	PT Bumi Murau Coal	46.3	2.9	26.2	0.09	3,415
	PT Birawa Pandu Selaras	46	3.3	26.2	0.09	3,423
	PT Khazana Bumi Kaliman	47	3.5	25.7	0.1	3,329
	PT Persada Multi Baraw	47.8	2.8	25.5	0.1	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	0.1	3,606
	Total PT Bhakti Energi Persada (thermal)	**46.9**	**3.1**	**25.9**	**0.1**	**3,354**
Total East Kalimantan		**46.9**	**3.1**	**25.9**	**0.1**	**3,354**
PT Mustika Indah Permai [3]	Lahat	34.1	5.1	31.2	0.46	4,342
PT Bukit Enim Energi	Muara Enim	No resources estimated in 2014				
Total South Sumatra (thermal)		**34.1**	**5.1**	**31.2**	**0.46**	**4,342**
ADARO TOTAL SUB-BITUMINOUS COAL RESOURCES i.e. Adaro Indonesia, Balangan and Mustika Indah Permai		**32.3**	**2.9**	**33.5**	**0.20**	**4,490**
ADARO TOTAL LOW-RANK COAL RESOURCES i.e. PT Bhakti Energi Persada		**46.9**	**3.1**	**25.9**	**0.1**	**3,354**

Notes

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

2) Balangan Coal is an informal collective name for the separate IUPs PT Semesta Centramas, PT Paramitha Cipta Sarana and PT Laskar Semesta Alam. Coal quality samples from each have been analysed to ASTM standards.

3) 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.

Reported according to JORC Code 2012 Edition

As at Dec. 31, 2013					Calculated changes to the quality of coal resources 2014 vs. 2013				
Total moisture %	Ash %	Volatile matter %	Total sulphur %	Calorific value Kcal/kg	Total moisture %	Ash %	Volatile matter %	Total sulphur %	Calorific value Kcal/kg
27.5	2.1	36.1	0.13	4,886	0.4	0.2	-0.3	-0.01	-40
29.3	3.2	33.5	0.22	4,737	-0.6	-0.2	0.4	0.01	71
30.8	2.9	32.7	0.21	4,651	-	-	-	-	0
39.0	3.1	30.5	0.24	3,975	-0.5	0.5	-0.1	0.07	-4
43.6	3.1	28.9	0.23	3,657	-	-	-	-	0
32.1	**2.6**	**33.8**	**0.17**	**4,524**	**0.1**	**0.3**	**-0.2**	**0.02**	**-24**
32.6	2.2	34	0.08	4,370	-0.2	-0.1	-0.1	-0.01	24
32.1	1.7	33.6	0.06	4,400	-1.1	1.8	0.3	0.02	-41
31.3	1.8	34.8	0.08	4,490	-0.4	-0.1	-	-	31
32.1	**2.5**	**33.8**	**0.17**	**4,521**	**-**	**0.2**	**-0.1**	**0.01**	**-27**
47.3	3.6	25.4	0.1	3,272	-	-	-	-	-
46.3	2.9	26.2	0.09	3,415	-	-	-	-	-
46	3.3	26.2	0.09	3,423	-	-	-	-	-
47	3.5	25.7	0.1	3,329	-	-	-	-	-
47.8	2.8	25.5	0.1	3,297	-	-	-	-	-
45.2	2.9	27.2	0.11	3,497	-	-	-	-	-
42.7	2.8	29.4	0.1	3,606	-	-	-	-	-
46.9	**3.1**	**25.9**	**0.1**	**3,354**	**-**	**-**	**-**	**-**	**-**
46.9	**3.1**	**25.9**	**0.1**	**3,354**	**-**	**-**	**-**	**-**	**-**
34.1	5.1	31.2	0.46	4,342	0.3	-0.5	0.2	-0.01	-12
No resources estimated in 2013					No resources estimated in 2013/14				
34.1	**5.1**	**31.2**	**0.46**	**4,342**	**0.3**	**-0.5**	**0.2**	**-0.01**	**-12**
32.2	**2.7**	**33.6**	**0.19**	**4,512**	**0.1**	**0.2**	**-0.1**	**0.01**	**-22**
46.9	**3.1**	**25.9**	**0.1**	**3,354**	**-**	**-**	**-**	**-**	**-**

Coal Resources by Quality

Quality of Adaro's Coal Resources (Air Dried Basis)

Operating company	Locality	Estimated as at Dec. 31, 2014				
		Inherent moisture %	Ash %	Volatile matter %	Total sulphur %	Calorific value Kcal/kg
PT Adaro Indonesia [1]	Tutupan	19.3	2.7	40.2	0.14	5,417
	North Paringin	19.9	3.4	38.1	0.26	5,398
	South Paringin	18.9	3.5	38.3	0.25	5,439
	Wara I	22.6	4.6	38.3	0.39	4,995
	Wara II	18.8	4.4	41.6	0.33	5,262
	Total Adaro Indonesia (thermal)	**20.2**	**3.4**	**39.5**	**0.24**	**5,285**
Balangan Coal [2]	PT Semesta Centramas	25.6	2.3	37.3	0.08	4,838
	PT Paramitha Cipta Sarana	23.4	3.9	37.6	0.08	4,767
	PT Laskar Semesta Alam	22.2	2.0	39.2	0.09	5,094
Total South Kalimantan (thermal)		**20.4**	**3.4**	**39.5**	**0.23**	**5,266**
PT Bhakti Energi Persada	PT Bumi Kaliman Sejahtera	14.3	5.9	41.4	0.17	5,328
	PT Bumi Murau Coal	14	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 [3]	Lahat	21.3	6.1	37.3	0.55	5,186
PT Bukit Enim Energi	Muara Enim	No resources estimated in 2014				
Total South Sumatra (thermal)		**21.3**	**6.1**	**37.3**	**0.55**	**5,186**
ADARO TOTAL SUB-BITUMINOUS COAL RESOURCES i.e. Adaro Indonesia, Balangan and Mustika Indah Permai		**20.4**	**3.5**	**39.4**	**0.24**	**5,262**
ADARO TOTAL LOW-RANK COAL RESOURCES i.e. PT Bhakti Energi Persada		**13.6**	**5.0**	**42.1**	**0.16**	**5,457**

Quality of Adaro Metallurgical Coal Resources (Air Dried Basis)

Operating company	Locality	Coal quality estimated as at June 30, 2014		
		Ash %	Volatile matter %	Total sulphur %
IndoMet Coal [4]	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) [5]	3.4	18.8	0.56
	Bumbun (metallurgical/thermal)	3.5	17.7	0.76
	Juloi Northwest (metallurgical/thermal)	4.2	26.9	0.50

Notes

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

2) Balangan Coal is an informal collective name for the separate IUPs PT Semesta Centramas, PT Paramitha Cipta Sarana and PT Laskar Semesta Alam. Coal quality samples from each have been analysed to ASTM standards.

3) 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

4) Based on BHP Billiton's 2014 Annual Report with the permission of BHP Billiton.

5) Considered an underground mining resource.

Reported according to JORC Code 2012 Edition

	As at Dec. 31, 2013					Calculated changes to the quality of coal resources 2014 vs. 2013				
	Inherent moisture %	Ash %	Volatile matter %	Total sulphur %	Calorific value Kcal/kg	Inherent moisture %	Ash %	Volatile matter %	Total sulphur %	Calorific value Kcal/kg
	19.0	2.4	40.4	0.14	5,453	0.2	0.3	-0.2	-	-35
	20.2	3.7	37.8	0.25	5,340	-0.3	-0.3	0.3	0.01	58
	18.9	3.5	38.3	0.25	5,439	-	-	-	-	0
	23.0	4.0	38.4	0.30	5,004	-0.4	0.6	-0.1	0.09	-9
	18.8	4.4	41.6	0.33	5,262	-	-	-	-	0
	20.2	**3.1**	**39.7**	**0.21**	**5,306**	**-**	**0.3**	**-0.1**	**0.02**	**-21**
	24.3	2.5	38.1	0.09	4,906	1.3	-0.1	-0.9	-0.01	-68
	17.4	2.1	40.9	0.07	5,353	6.0	1.8	-3.3	0.01	-586
	22.6	2.0	39.2	0.09	5,058	-0.4	-0.1	-	-	36
	20.3	**3.1**	**39.7**	**0.21**	**5,297**	**0.1**	**0.3**	**-0.2**	**0.02**	**-31**
	14.3	5.9	41.4	0.17	5,328	-	-	-	-	-
	14	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**	**-**	**-**	**-**	**-**	**-**
	21.3	6.1	37.3	0.55	5,186	-	-	-	-	-
	No resources estimated in 2013					No resources estimated in 2013/14				
	21.3	**6.1**	**37.3**	**0.55**	**5,186**	**-**	**-**	**-**	**-**	**-**
	20.3	**3.2**	**39.6**	**0.22**	**5,305**	**0.1**	**0.3**	**-0.2**	**0.02**	**-43**
	13.6	**5.0**	**42.1**	**0.16**	**5,457**	**-**	**-**	**-**	**-**	**-**

	Coal quality estimated as at December 31, 2013			Calculated changes to the quality of coal resources 2014 vs. 2013		
	Ash %	Volatile matter %	Total sulphur %	Ash %	Volatile matter %	Total sulphur %
	4.7	39.2	0.98	-	-	-
	4.2	28.5	0.55	-	-	-
	No quality quoted			No quality quoted		
	3.6	18.7	0.72	-	-	-
	3.4	18.8	0.56	-	-	-
	4.5	17.4	0.8	-	-	-
	4.5	27.7	0.49	-	-	-

Quality of Coal Reserves

Adaro Coal Reserves Quality (Gross As Received Basis)

Operating Company	Locality	Calculated as at Dec. 31, 2014				
		Total moisture %	Ash %	Volatile matter %	Total sulphur %	Calorific value Kcal/kg
PT Adaro Indonesia [1]	Tutupan	26.8	1.76	36.7	0.11	5,020
	North Paringin	26.3	2.38	35.3	0.21	5,056
	South Paringin	No reserves estimated in 2014				
	Wara I	39.1	2.6	30.5	0.21	4,003
	Wara II	No reserves estimated in 2014				
	Total Adaro Indonesia	**31.2**	**2.1**	**34.4**	**0.15**	**4,657**
Balangan Coal [2]	PT Semesta Centramas (SCM)	32.6	2.2	33.7	0.07	4384
	PT Paramitha Cipta Sarana (PCS)	31.1	3.7	33.7	0.07	4341
	PT Laskar Semesta Alam (LSA)	Pending JORC Reserves Study				
Total South Kalimantan		**31.3**	**2.2**	**34.3**	**0.15**	**4,634**
PT Bhakti Energi Persada	Muara Wahau	No reserves estimated in 2014				
Total East Kalimantan						
IndoMet Coal	Murung Raya	No reserves estimated in 2014				
Total Central Kalimantan						
PT Mustika Indah Permai [3]	Lahat	34.1	5.7	31.1	0.4	4,292
PT Bukit Enim Energi	Muara Enim	No reserves estimated in 2014				
Total South Sumatra		**34.1**	**5.7**	**31.1**	**0.4**	**4,292**

Adaro Coal Reserves Quality (Air Dried Basis)

Operating Company	Locality	Calculated as at Dec. 31, 2014				
		Inherent moisture %	Ash %	Volatile matter %	Total sulphur %	Calorific value Kcal/kg
PT Adaro Indonesia [1]	Tutupan	18.0	2.0	41.0	0.11	5,617
	North Paringin	18.2	2.7	39.2	0.24	5,613
	South Paringin	No reserves estimated in 2014				
	Wara I	20.0	3.5	40.0	0.28	5,236
	Wara II	No reserves estimated in 2014				
	Total Adaro Indonesia	**18.7**	**2.6**	**40.6**	**0.18**	**5,480**
Balangan Coal [2]	PT Semesta Centramas (SCM)	25.4	2.4	37.2	0.08	4,847
	PT Paramitha Cipta Sarana (PCS)	23.5	4.1	37.4	0.08	4,815
	PT Laskar Semesta Alam (LSA)	Pending JORC Reserves Study				
Total South Kalimantan		**19.2**	**2.6**	**40.3**	**0.17**	**5,431**
PT Bhakti Energi Persada	Muara Wahau	No reserves estimated in 2014				
Total East Kalimantan						
IndoMet Coal	Murung Raya	No reserves estimated in 2014				
Total Central Kalimantan						
PT Mustika Indah Permai [3]	Lahat	21.1	6.8	37.2	0.48	5,132
PT Bukit Enim Energi	Muara Enim	No reserves estimated in 2014				
Total South Sumatra		**21.1**	**6.8**	**37.2**	**0.48**	**5,132**

Notes

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

2) Balangan Coal is an informal collective name for the three separate IUPs PT Semesta Centramas, PT Paramitha Cipta Sarana and PT Laskar Semesta Alam. Coal quality samples from each have been analysed to ASTM standards.

3) 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. No additional data in 2014.

Reported according to JORC 2012 Edition

Calculated as at Dec. 31, 2013					Calculated changes to coal reserves quality 2014 vs 2013				
Total moisture %	Ash %	Volatile matter %	Total sulphur %	Calorific value Kcal/kg	Total moisture %	Ash %	Volatile matter %	Total sulphur %	Calorific value Kcal/kg
26.7	1.8	36.7	0.10	5,016	0.1	-	-	0.01	4
25.7	3.1	35.7	0.17	5,065	0.7	-0.7	-0.4	0.04	-9
No reserves estimated in 2013					No reserves estimated in 2013/14				
39.0	2.6	30.6	0.21	4,012	-	-	-0.1	-	-9
No reserves estimated in 2013					No reserves estimated in 2013/14				
31.2	**2.1**	**34.4**	**0.15**	**4,648**	**-**	**-**	**-**	**-**	**9**
Pending JORC Reserve Study					N/A	N/A	N/A	N/A	N/A
					N/A	N/A	N/A	N/A	N/A
					No reserves estimated in 2013				
31.2	**2.1**	**34.4**	**0.15**	**4,648**	**0.1**	**0.1**	**-0.1**	**-**	**-14**
No reserves estimated in 2013					No reserves estimated in 2013/14				
No reserves estimated in 2013					No reserves estimated in 2013/14				
34.1	5.7	31.1	0.4	4,292	-	-	-	-	0
No reserves estimated in 2013					No reserves estimated in 2013/14				
34.1	**5.7**	**31.1**	**0.4**	**4,292**	**-**	**-**	**-**	**-**	**0**

Reported according to JORC 2012 Edition

Calculated as at Dec. 31, 2013					Calculated changes to coal reserves quality 2014 vs 2013				
Inherent moisture %	Ash %	Volatile matter %	Total sulphur %	Calorific value Kcal/kg	Inherent moisture %	Ash %	Volatile matter %	Total sulphur %	Calorific value Kcal/kg
18.0	2.0	41.0	0.11	5,610	-0.1	-	-	-	7
17.3	3.4	39.8	0.19	5,638	0.9	-0.8	-0.6	0.05	-25
No reserves estimated in 2013					No reserves estimated in 2013/14				
20.0	3.4	40.0	0.27	5,241	-	-	-	0.01	-5
No reserves estimated in 2013					No reserves estimated in 2013/14				
18.7	**2.6**	**40.6**	**0.18**	**5,475**	**-**	**-**	**-0.1**	**-**	**5**
No reserves estimated in 2013					N/A	N/A	N/A	N/A	N/A
					N/A	N/A	N/A	N/A	N/A
					No reserves estimated in 2013				
18.7	**2.6**	**40.6**	**0.18**	**5,475**	**0.4**	**-**	**-0.3**	**-**	**-45**
No reserves estimated in 2013					No reserves estimated in 2013/14				
No reserves estimated in 2013					No reserves estimated in 2013/14				
21.1	6.8	37.2	0.48	5,132	-	-	-	-	-
No reserves estimated in 2013					No reserves estimated in 2013/14				
21.1	**6.8**	**37.2**	**0.48**	**5,132**	**-**	**-**	**-**	**-**	**-**

From Pit to Port: Delivering the Goods

Among the key challenges faced by Adaro in its early days were transportation and logistics. AI has one of the furthest inland coal mines in Indonesia. It is located 240km from the transshipment location at Taboneo, and another 80km from the barge-loading port at Kelanis. When our majority shareholders acquired AI in 2005, one of their first priorities was to improve our coal supply chain. Their experience with building PT Astra International Tbk provided them with an appreciation of the importance of supply chain management and logistics, and the necessary knowledge and expertise to develop it.

PT Adaro Logistics (AL) is tasked with coordinating and managing the logistics arm of our coal supply chain. AL has integrated the activities of our logistics business units to enhance its value as an integrated port-to-port logistics service provider to Adaro. AL contributes significantly to Adaro's integrated coal supply chain, starting from loading coal on to barges at Kelanis to transporting and delivering the coal at the discharging points or ports.

Through synergized planning, AL strengthens the business process from coal barging and transshipment, to the operation of the land-based coal assembly and ship-loading terminal, to port management for stevedoring and coal transshipment activities at Taboneo anchorage, and lastly to managing the availability of the Barito River channel by dredging the channel regularly. Dovetailing with our other business functions, AL promotes optimization and efficiency in its operation.

From Kelanis, PT Maritim Barito Perkasa (MBP), our barging and ship-loading subsidiary, carries the coal on barges to three possible destinations: to the Taboneo anchorage through the working area of PT Indonesia Multi Purpose Terminal (IMPT), where transshipment takes place for a significant portion of our coal to the land-based terminal operated by PT Indonesia Bulk Terminal (IBT) at South Pulau Laut, or directly to Adaro's domestic customers.

As the coal passes through the mouth of the Barito River, it enters the channel that PT Sarana Daya Mandiri (SDM) maintains through regular dredging.

At Taboneo, coal transshipment activities are assisted by PT Puradika Bongkar Muat Makmur (PBMM), as the stevedoring company, and MBP provides transshipment services in the working area of IMPT, which functions as the Taboneo Port Operator.

AL's vision is to become a reliable, efficient and best-managed Indonesian logistics company. It aims to ensure high-quality health and safety standards with environmental best practices to enhance the businesses that in return benefit stakeholders and communities. In 2014, AL successfully implemented its management system within several business units and witnessed improvements on operational reliability and efficiency.

AL has also completed two successful community development projects aimed at improving the delivery of education to young children. It built new school facilities at two villages in South Kalimantan, namely Tanipah and Desa Labat Muara.

AI's coal is loaded to barges by a series of conveyors at the Kelanis Dedicated Coal Terminal. Kelanis has an annual capacity of 60Mt based on average operating conditions.

From Kelanis, MBP carries the coal on barges to three possible destinations: to the Taboneo anchorage, to the land-based terminal operated by IBT at South Pulau Laut or directly to Adaro's domestic customers.

REVIEW OF LOGISTICS

Coal on its journey down the Barito River to Taboneo anchorage. Our subsidiary MBP is a major contractor in the barging process.

As a coal-focused logistics provider, the outlook for AL is affected by the outlook for coal. At Adaro, we believe that the long-term fundamentals for coal remain intact. We do, however, want to improve our non-coal mining activities such as logistics, mining services and power.

Apart from the coal industry, the outlook for the logistics business in Indonesia is reassuring. The government has made the maritime sector one of its priorities, and it plans to build more ports and water tollways to connect the archipelago. Because of this, AL plans to increase its strategic diversification into non-coal bulk materials as well as materials related to the oil and gas industry. AL will take these strategic moves to reduce its dependence on the coal industry and to open up new opportunities for future growth.

Furthermore, more barging and shiploading services will be required to transport coal to domestic power plants in the next five years, as the government plans to increase Indonesia's coal-fired power generation capacity by 20GW. AL has a number of subsidiaries involved in different parts of the logistics business, and each subsidiary has its own competitive advantage.

MBP has invested in larger-size barges and a floating transfer unit (FTU) to improve its operational performance and reliability. IMPT and IBT provide port operations at Taboneo and Pulau Laut, respectively.

The government's plan to control coal exports by appointing dedicated ports also gives us a competitive advantage, as we have been operating off shore and onshore coal ports for more than two decades.

PT Maritim Barito Perkasa

MBP is a prime contractor in transporting Adaro's coal from Kelanis to the Taboneo offshore anchorage and IBT at South Pulau Laut. In addition, MBP transports Adaro's coal directly to domestic customers. MBP also provides coal transportation services to third parties.

MBP's fleet consists of 99 vessels — 32 of which were chartered from third-party vendors — and four units of self-propelled barges and one

Balangan's coal is of similar low pollutant properties as AI's Envirocoal. See its quality in detail in our Reserves and Resources section on page 64.

MBP 5-Year Highlights

	2010	2011	2012	2013	2014
Key Financial Highlights (US$ million)					
Total assets	129.6	152.9	221.4	244.3	**316.2**
Total liabilities	139.2	139.8	170.6	153.0	**176.2**
Interest-bearing debt	0.1	130.6	156.0	141.6	**160.5**
Total equity	(9.6)	13.1	50.8	91.3	**140.0**
Net revenues	59.6	92.0	135.5	123.4	**146.7**
Operating Statistics (million tonnes)					
Coal barged	11.6	15.8	22.5	27.4	**31.8**
Coal loaded to ships	12.7	13.6	15.6	20.8	**37.1**

SDM 5-Year Highlights

	2010	2011	2012	2013	2014
Key Financial Highlights (US$ million)					
Total assets	47.7	44.5	44.3	42.1	**41.1**
Total liabilities	41.9	35.3	31.3	23.6	**21.3**
Interest-bearing debt	40.2	34.0	30.0	22.0	**15.6**
Total equity	5.8	9.2	13.0	18.6	**25.5**
Operating Statistics					
Channel volume (million tonnes)	68.4	79.2	84.6	91.8	**98.6**
Barge trips through channel	7,770	8,854	9,435	9,927	**10,407**

IBT 5-Year Highlights

	2010	2011	2012	2013	2014
Key Financial Highlights (US$ million)					
Total assets	94.3	94.4	96.6	91.5	**92.8**
Total liabilities	28.8	28.7	29.0	5.3	**5.4**
Interest-bearing debt	-	-	-	-	**-**
Total equity	65.5	65.7	67.6	86.2	**87.4**
Revenue	27.0	22.0	19.1	13.3	**15.0**
Operating Statistics					
Total coal loaded (Mt)	6.2	4.4	3.8	3.0	**3.4**
Vessels loaded	95	65	55	42	**48.0**

fuel oil barge. MBP operates a barge capacity of 503,000dwt, equivalent to an annual capacity of 45Mt if all barges are used for transshipment at Taboneo. In 2014, MBP invested US$27.3 million on additional vessels, which consist of five units of 15,000dwt barges and five units of 3,200bhp tugs.

In 2014, MBP recorded a 16% increase in total coal transported to 31.8Mt. Transported coal from AI and Balangan Coal increased 19% to 30.6Mt, while third-party coal decreased 24% to 1.2Mt. MBP's EBITDA increased 15.6% to US$74 million and it improved net debt to EBITDA to 1.1x.

Besides coal transportation, MBP also operates four floating cranes with an annual capacity of 19Mt and one floating transport unit (FTU) with an annual capacity of 21Mt. In 2014, MBP transshipped 37.1Mt of coal, a 78% increase, to export vessels at Taboneo through its floating cranes and FTU. AI remained as MBP's largest customer, accounting for 94% of the coal that it barged and 98% of the coal that it transshipped in 2014.

PT Sarana Daya Mandiri

SDM regularly dredges the 15km Barito River channel to maintain its width and depth, thus ensuring that it is safe and navigable on a 24-hour basis throughout the year. To monitor traffic, SDM has 16 navigation support buoys along the channel and a radar system equipped with CCTVs to support pilotage activities.

Since enabling the 24-hour operation of the channel in 2009, previous capacity constraints have been removed. The channel used to only have an 8-hour navigational window per day during high tide. After SDM dredged the channel and allowed 24-hour operations, its capacity increased from 60Mt to 200Mt per annum.

This has significantly reduced the infrastructure investments needed to cope with with increases in production. In Adaro's case, the availability of a straight and deep channel has increased the coal throughput capacity of barges by 40%. This in turn allowed for transportation efficiency and reduced freight costs.

In 2014, coal and other minerals shipped through the channel increased by 7% to 98.6Mt from 91.8Mt in 2013. The number of barges and ships that use the channel also increased 4.6% to 10,407 from 9,927 in 2013.

PT Indonesia Bulk Terminal

IBT is a port management company that holds the International Ship and Port Facility Security Code (ISPS Code) certification. The coal terminal is located on the southern tip of the island of Pulau Laut in the south-eastern part of South Kalimantan. PT Shell Indonesia began operating an 80,000-kiloliter fuel storage facility on the island in August 2010, and in 2014 it handled 771,000 kiloliters of fuel. This facility is a joint venture between IBT and Shell, and allows us to supply fuel to AI and third parties in a reliable manner.

During 2014, IBT's coal loaded onto vessels increased 11% to 3.35Mt. From the total coal loaded, AI contributed 2.75Mt, or 82% of IBT's volume. IBT loaded 48 vessels in 2014, up 14% from the previous year.

PT Indonesia Multi-Purpose Terminal

IMPT has been authorized by the Ministry of Transportation to operate as a Badan Usaha Pelabuhan (Port Operator and Manager) to manage and operate a terminal at the Taboneo offshore anchorage at the mouth of the Barito River in South Kalimantan.

In preparation to function as a port operator, IMPT has begun its Environmental Impact Assessment (AMDAL). It has also prepared for ISPS certification. Commercial operation is expected after the AMDAL and ISPS certification are attained.

PT Puradika Bongkar Muat Makmur

PBMM handles stevedoring activities at Taboneo anchorage. In 2014, PBMM's total coal handled increased 9% to 56.80Mt.

A customer's vessel is loaded at Taboneo offshore anchorage. At the front coal is piped from Adaro's floating transfer unit, at the rear a barge transfers the coal by grab-bucket.

Making Progress Downstream

To achieve our vision of becoming a leading Indonesian mining and energy group, we decided in 2009 to move downstream into power generation. Indonesia's looming electricity shortage provided an opportunity for us to set up PT Adaro Power (AP) and consequently diversify and strengthen our business from pit to power.

We established AP in 2010 as a strategic vehicle for our active involvement in the development of power plants in Indonesia. Our move into power leverages our competitive advantage in securing coal supply and creates a captive demand for our coal, boosts our domestic market obligation, secures us a stable revenue stream and favorable returns, improves our bargaining position with boiler manufacturers, and minimizes the impact of the volatility of the coal sector's cyclical nature.

The outlook for Indonesia's electrification is promising. PLN's data shows that Indonesia was able to increase its electrification ratio from 65% in 2009 to 84.4% in 2013. However, compared to other more-developed economies in the region, Indonesia still falls behind. Like other big infrastructure projects in Indonesia, difficulties related to land acquisition are one of the causes of delay in power plant development, which in turn creates an electricity shortage. Indonesia has the resources to be among the top global economies, and it aims to do so, but this ambition depends on infrastructure investment, electricity being one of them. Studies conducted on the correlation between economic growth and electricity growth show that to achieve 1% of GDP growth, a developing economy needs two times the growth in electricity generation.

According to PLN's latest business plan, the state-owned electricity company expects demand for electricity in Indonesia to grow by an average of 8.7% per annum until 2024. PLN aims to add an additional 70.4GW during the period, approximately 42GW of which will be coal-fired. By 2024, PLN expects the electrification ratio to reach 99.4%.

The Government of Indonesia is supportive of PLN's plan and has set a medium-term target to increase the country's power generation capacity by 35GW over the next five years. This creates a valuable opportunity for AP as it plays to our competitive advantage and is in line with our strategy to focus on power plant development in Indonesia to help build the nation. AP is in the right place and the right time to utilize this need for electricity in order to become a market leader in Indonesia's utilities industry. With this in mind, AP has also expressed its intention to install 20GW of generating capacity by 2030.

Developing power plants is a capital-intensive venture and requires long-term capital commitment, which usually suggests a larger loan-based financing portion by outside lenders compared with equity investments by shareholders. One of our strategies in developing power plants is to engage with Export Credit Agencies (ECA) and trade insurance companies from foreign countries, which have the ability to provide large-sum, long-term funds at competitive rates. Competitive funding from these entities gives us the ability to generate satisfactory returns from our power projects. We seek to have aver-

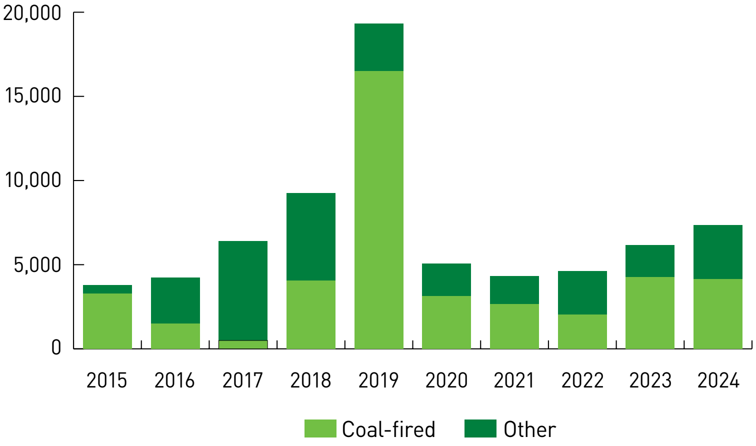
Power transmission lines lead away from our 2x30MW mine-mouth power plant near AI's operations in South Kalimantan. The plant was our first step into the power generation sector.

age returns in the low to mid-teens percent for our coal-fired power projects. To fund the equity portion, we seek commercial loans from our relationship banks that have considerable interests in infrastructure projects.

One of the essential ingredients for success as an Independent Power Producer (IPP) lies in the selection of partners. Our guiding principles is to develop partnerships with blue-chip, internationally renowned power utility companies with good track records and knowledge in building, owning and operating power plants, and who can provide much-needed synergy in the development of IPP projects. Our main role in these partnerships will be to provide long-term fuel supply through coal procurement, as we aim to be the base tonnage supplier in conjunction with other coal producers.

We are also still evaluating other IPP projects in Indonesia that offer commercially reasonable value as well as strategic benefits for our

Indonesia's Annual Addition of Electricity Generation Capacity (MW)



SOURCE: PT PLN (PERSERO) RUPTL 2015-2024 long-term business plan. Though still a relatively young company, AP already has credited itself with several accomplishments and has taken part in a number of projects.

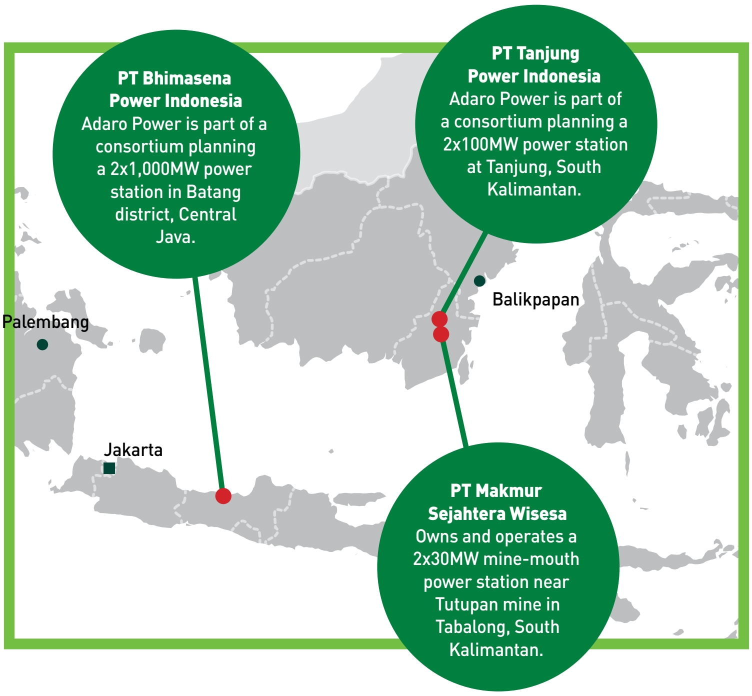
In November 2014, AP and BEP signed a Further Memorandum of Understanding (MoU) with China Shenhua Overseas Development and Investment Co., Ltd. (Shenhua Overseas) to initially develop 2x300MW mine-mouth coal fired power plant in East Kalimantan.

Furthermore, AP is looking at power investments in South Sumatra.

PT Makmur Sejahtera Wisesa

PT Makmur Sejahtera Wisesa (MSW) owns and operates our debut power plant, a 2x30MW mine-mouth power plant in Tanjung, South Kalimantan.

MSW 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.



PT Bhimasena Power Indonesia

PT Bhimasena Power Indonesia (BPI) is a consortium between 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 ultra-supercritical (USC) boilers that can burn low-calorific value coal as fuel. This technology also offers increased efficiency over conventional boiler designs and has lower impact on the environment in terms of emissions, particularly carbon dioxide. CJPP will be a showcase of the latest highly efficient and more environmentally friendly power generation technology. When fully operational, CJPP will consume up to 7Mt of coal per annum. AI will supply the 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 required capital spending for CJPP is US$4 billion. Of the amount, 80% will be financed by the Japanese Bank of International Cooperation (JBIC) at a competitive rate over a 25-year period. The remaining 20% equity portion will be funded through commercial bank loans. Of this equity portion, AP is responsible for 34%. This financing structure helped improve the attractiveness of the project's returns.

CJPP is the first Public-Private Partnership (PPP) infrastructure project in Indonesia guaranteed by the Indonesian Infrastructure Guarantee Fund (IIGF). In October 2011, BPI signed a power purchase agreement (PPA) with PLN with a 25 year term from the start of commercial operations. In October 2014, BPI signed a PPA amendment with PLN which extended the time limit for CJPP to achieve financial closure to October 6, 2015.

Due to circumstances not uncommon to large projects of this type and caliber, CJPP has been faced with delays specifically surrounding the task of land acquisition. However, CJPP has made good progress, including acquiring more than 87% of the power block land as well as re-

A closeup view of our mine-mouth power plant in Tanjung, South Kailmantan. The plant, owned and operated by our subsidiary MSW, is fed by coal from AI's s nearby mine operations.

By 2024, Indonesia's state electricity utility needs to add 70GW of generating capacity , with 60% of this coming from coal-fired power plants.

ceiving approval for its Environmental Impact Assessment (AMDAL) and other necessary permits. BPI is committed to continuing the project and expects the government's support in acquiring the remaining plots of land using Law No. 2/2012 on Land Procurement for Development in the Public Interest.

PT Tanjung Power Indonesia

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. TPI is a consortium of AP (65%) and PT EWP Indonesia (35%), a subsidiary directly owned by Korea East-West Power Co., Ltd.

This power plant will use circulating fluidized bed (CFB) technology and will use approximately 1Mt of coal per annum, the majority of which will be supplied by Adaro. In October 2014, TPI signed a PPA with PLN for 25 years and expects financial closure in July 2015.

The investment is an estimated US$450-US$550 million, most of which will be project financed using non-recourse debt. This project is included in PLN's fast-track program project phase 2, with a build, own, operate and transfer (BOOT) scheme guaranteed by the government in the form of a business viability guarantee letter.

Solid Demand Dulls the Pain of Lower Prices

Net Revenue, Average Selling Price and Production

Coal prices remained weak in 2014 due to persistent oversupply in the market and slower demand from China. Our average selling price (ASP) was 5% lower than in 2013, but we managed to post a higher sales volume as demand for our coal remained stable despite the market challenges. We increased revenue slightly by 1% to US$3,325 million in 2014, as sales volume grew 7% to 57Mt from both Envirocoal through AI and Balangan Coal through PT Semesta Centramas (SCM).

Cost of Revenue and Coal Cash Cost

In 2014, we recorded a consolidated strip ratio of 5.68x, slightly below our planned strip ratio guidance of 5.78x and slightly higher than 2013's 5.64x. Our cost of revenue increased 3% at US$2,605 million as we removed 319.1Mbcm of overburden, 8% more than in 2013, and had longer overburden hauling distances. Our coal cash cost (excluding royalty) decreased 5% to US$33.03 per tonne, below our annual guidance of US$35 to US$38 per tonne. Our better-than-expected coal cash cost was due to our discipline in implementing cost efficiencies, lower-than-expected fuel cost, lower freight and handling costs, and lower purchase volume of third-party coal.

Royalties to the Government: Our royalties to the Government of Indonesia increased 2% to US$354 million, in line with the higher revenue. Royalties accounted for 14% of our total cost of revenue for 2014.

EBITDA and Operational EBITDA

We recorded a 7% increase in EBITDA of US$877 million, in line with our guidance of US$750 million to US$1 billion, as we increased our sales volume and lowered costs.

Our EBITDA excludes a US$40 million impairment of mining properties, US$17 million impairment of goodwill and US$13 million foreign exchange loss. Our Operational EBITDA, which excludes an US$11 million one-time gain from the sales of minority interest in PT Servo Meda Sejahtera (SMS), US$6.5 million additional provision for doubtful account in trade receivables and a US$16 million expense related to a prior tax assessment, increased 3% to US$888 million.

Net Profit and Core Earnings

Our net profit after tax decreased 21% to US$183.5 million. Our core earnings increased 26% to US$362 million. This excludes non-operational accounting items net of tax, which consisted of a US$72 million amortization of mining properties, US$11 million gain from sale of interest in an associate, US$4 million provision for doubtful account in trade receivables, US$29 million expense related to a prior tax assessment, US$30 million impairment of mining properties, US$17 million impairment of goodwill, and US$38 million one-time financial charges related to refinancing and redemption of Senior Notes.

Higher core earnings reflect the improved performance of our core business and operational excellence.

Adaro's solid results and strong balance sheet are key to making the company an attractive long-term investment. See page 4 for the eight core reasons to invest.

Comparison of our Guidance and Actual Results

	Production	Strip Ratio	Coal Cash Cost	EBITDA	Capital Expenditure
2014 Guidance	54-56 Mt	5.78x	US$35-US$38	US$750m-US$1b	US$200m-US$250m
2014 Actual	56 Mt	5.68x	US$33	US$877m	US$165m
2015 Guidance	56-58 Mt	5.33x	US$31-US$33	US$550m-US$800m	US$75m-US$125m

Total Assets

Total assets decreased 4% to US$6,414 million. Current assets decreased 7% to US$1,272 million mainly due to lower prepaid taxes. Non-current assets decreased 3% to US$5,142 million. Cash increased 9% to US$745 million mainly due to our efforts to preserve cash and generate strong cash flow. Cash accounted for 12% of total assets, of which 77% was held in US dollars.

Mining Properties and Goodwill: Due to the lower coal price, we recognized an impairment charge after tax in mining properties and goodwill of US$30 million and US$17 million, respectively. Mining properties decreased 4% to US$2,099 million and goodwill decreased 2% to US$904 million.

Total Liabilities

Our total liabilities decreased 10% to US$3,156 million. Current liabilities were flat at US$775 million. AI secured a US$1 billion New Facility in August 2014 for refinancing purposes. The proceeds from the US$1 billion New Facility were used to redeem our US$800 million Guaranteed Senior Notes issued in October 2009 and to refinance the outstanding portion of our US$750 million 2011 bank loan facility. We made full repayment of that US$750 million 2011 bank loan facility in September 2014.

The refinancing will further lower our interest-bearing debt level and extend our debt maturity profiles.

The refinancing exercise combined with our internal cash balance and solid financial performance was fully accounted for in our FY14 audited financial statements and resulted in the improvement of our gearing ratios.

We maintained a net debt to last 12 months EBITDA of 1.31x and net debt to equity ratio of 0.35x.

Current Maturities of Long-Term Borrowings.

Notes

1] Net income excluding non-operational accounting items net of tax (amortization of mining properties, provision for doubtful account in trade receivable, gain from sales of interest in associate, expense related to prior tax assessment, impairment of goodwill and mining properties and one time financial charges related to refinancing and redemption of Senior Notes)

2] Profit before income tax + finance costs - finance income + foreign exchange loss + impairment of goodwill and mining properties + depreciation and amortization

3] EBITDA excluding non-operational accounting item of gain from sales of interest in associate, provision for doubtful account in trade receivable and expense related to prior tax assessment.

4] Purchase of fixed assets – proceed from disposal of fixed assets + payment for addition of mining properties + payment for addition of exploration and evaluation assets + acquisitions of assets under finance leases

5] EBITDA – taxes – change in net working capital – capital expenditure (excluding acquisitions of assets under finance leases)

Fiscal Year 2014 Performance

	2014	2013	% Chg
Operations Performance			
Production Volume (Mt)	**56.2**	52.3	7%
Sales Volume (Mt)	**57.0**	53.5	7%
Overburden Removal (Mbcm)	**319.1**	294.9	8%
Financial Performance (US$ million, unless noted)			
Net Revenue	**3,325**	3,285	1%
Cost of Revenue	**(2,605)**	(2,541)	3%
Gross Profit	**720**	744	-3%
Operating Income	**494**	539	-8%
Net Income	**184**	232	-21%
Core Earnings [1]	**362**	286	26%
EBITDA [2]	**877**	822	7%
Operational EBITDA [3]	**888**	860	3%
Total Assets	**6,414**	6,696	-4%
Total Liabilities	**3,156**	3,522	-10%
Stockholders' Equity	**3,258**	3,174	3%
Interest Bearing Debt	**1,896**	2,221	-15%
Cash and Cash Equivalents	**745**	681	9%
Net Debt	**1,151**	1,540	-25%
Capital Expenditure [4]	**165**	185	-11%
Free Cash Flow [5]	**691**	566	22%
Basic Earnings Per Share (EPS) (full amount, US$)	**0.00557**	0.00731	-24%
Coal Cash Cost (ex royalty) in US$/t	**33.03**	34.76	-5%
Financial Ratios			
Gross Profit Margin (%)	**21.7%**	22.7%	-4%
Operating Margin (%)	**14.8%**	16.4%	-10%
EBITDA Margin (%)	**26.4%**	25.0%	5%
Current Ratio (x)	**1.8**	1.6	-
Account Receivables Turnover (x)	**11.2**	8.4	-
Net Debt to Equity (x)	**0.35**	0.47	-
Net Debt to Last 12 Months EBITDA (x)	**1.31**	1.87	-
Cash from Operations to Capex (x)	**6.02**	4.37	-

Current maturities of long-term borrowings increased 3% to US$193 million as we included the repayment schedule for the US$1 billion New Facility.

Long-Term Borrowings. Long-term borrowings decreased 17% to US$1,688 million. Our long-term bank loans increased 35% to US$1,613 million.

Debt Management and Liquidity

PT Saptaindra Sejati (SIS) is our mining services company and PT Maritim Barito Perkasa (MBP) is our barging and shiploading company. In 2014, we secured a US$1 billion New Facility, as well as drew down US$96 million of SIS's revolving loan facility and US$60 million of MBP's loan facility. As of FY14, we had access to US$745 million in cash to help us weather these challenging times of lower coal prices.

Our average debt repayment schedule for the next five years from 2015 to 2019 is at a manageable level of around US$214 million per year.

We expect that our operating subsidiaries, especially AI, will continue to generate a healthy cash flow so that we can comfortably meet our financing needs.

Cash Flows Provided from Operating Activities

Cash flows provided from operating activities for FY14 decreased 18% to US$592 million mainly due to lower receipts from customers, higher payments of royalties and higher payments of interest and finance costs.

Receipts from customers decreased 3% to US$3,343 million, payments of royalties increased 68% and payments of interest and finance costs rose 57% due to expenses related to the redemption of the Senior Notes.

Cash Flows Used in Investing Activities

In FY14, we booked net cash flow used in investing activities of US$26 million as compared to

For full details of dividend policy, payments in 2014 and a comparison with the past three years, see Our Investors, page 141.

US$184 million in FY13. We obtained US$25 million in proceeds from the sale of our interest in SMS, and loan repayments from third and related parties totaling US$57 million. Purchases of fixed assets decreased 60% to U$55 million as we continued to optimize the capacity of our heavy equipment fleet and benefit from higher productivity gains.

Capital Expenditure: Our net capital expenditure — including the acquisition of assets under finance leases — during FY14 decreased 11% to US$165 million, which was mainly accounted for by expenditures on regular maintenance, on replacements for heavy equipment at SIS and on preparing mining readiness at our concessions.

Cash Flows Used in Financing Activities

Net cash flow used in financing activities during FY14 was US$496 million. During FY14, we drew down US$1,156 million, which consists of SIS's revolving loan facility (US$96 million), AI's term loan facility (US$1 billion) and MBP's loan facility (US$60 million). We also made total bank loan principal repayments of US$729 million, and redemption of US$800 million in senior notes.

Dividend

Adaro pays a regular cash dividend every year. As approved during the Annual General Meeting of Shareholders (AGMS) on April 25, 2014, our dividend payout ratio was 32% of 2013 net income, equivalent to US$75 million or US$0.00235 per share. This included the interim cash dividend for 2013 of US$40 million, which was paid on January 16, 2014.

In June 2014, we made the final dividend payment of US$35 million.

Furthermore, our Board of Commissioners and Board of Directors decided to distribute an interim cash dividend for 2014 of US$30 million or US$0.00094 per share, which was paid on January 16, 2015.

Our Debt Position

Debt repayment schedule[1] (US$m)

2014	2015	2016	2017	2018	2019
1,529[2]	165.5	137	207	299	264

Bank Loan Repayments

Borrower	Facility	Secured	Repaid in 2014 (US$m)
AI & CTI	US$750m	2007	US$100m
SDM	US$15m	2009	US$5.0m
SIS	US$400m	2011	US$127.3m
AI	US$1,000m	2014	-
AI	US$380m	2013	US$35.0m
MBP	US$160m	2012	US$41.0m
AI	US$750m	2011	US$421m

1) Debt repayment schedule includes the repayment schedule of the US$1 billion New Facility

2) The total debt repayment made in 2014 including the repayment of bank loans of US$729 million and redemption of Senior Notes of US$800 million

OUR PEOPLE

IN THIS SECTION

Our people determine how effectively we operate and they build our reputation. Our human resources activities are intended to make Adaro a great place to work to help us become the leading Indonesian mining and energy group.

Morning exercise for the staff at our Wara KM73 offices that serves as the site headquarters for AI's mining operations in South Kalimantan. Fitness is included in the regular employee assemblies.

PROFILES: BOARD OF COMMISSIONERS

One of Adaro's unique characteristics is that it is not owned or controlled by a single family, but by members of five well-respected Indonesian families. Find out more about how they work together at *www.adaro.com/about-adaro/our-leadership-team/*

Edwin Soeryadjaya

President Commissioner

Mr. Soeryadjaya, 65, an Indonesian citizen, has served as President Commissioner of PT Adaro Energy Tbk since the Extraordinary General Meeting of Shareholders (EGMS) as stated in Deed no.62 of April 18, 2008, drawn up before Company's Notary (the Deed). He was re-appointed at the AGMS on April 19, 2013.

The second son of the late William Soeryadjaya, founder of PT Astra International Tbk, he received a Bachelor's Degree in Business Administration from the University of Southern California in 1974. He joined Astra in 1978 and left 15 years later when Vice President Director. In 1998, he and Sandiaga Uno founded Saratoga Capital, an investment company focusing on natural resources, infrastructure and consumer products. Edwin currently serves as President Commissioner of PT Saratoga Investama Sedaya Tbk, PT Tower Bersama Infrastructure Tbk, PT Mitra Pinasthika Mustika Tbk and PT Lintas Marga Sedaya, Commissioner of PT Provident Agro Tbk and Director in Interra Resources Limited.

A long-time proponent of education, he remains active in the community through his role as co-founder of the William Soeryadjaya Foundation and is on the Board of Trustees of the Ora Et Labora Foundation.

Theodore Permadi Rachmat

Vice President Commissioner

Mr. Rachmat, 71, an Indonesian citizen, has served as Vice President Commissioner of PT Adaro Energy Tbk since the EGMS as stated in the Deed. He was re-appointed at the AGMS on April 19, 2013.

He started his career at 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 as the President Director of Astra, a position he held until 1998. 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 was a member of the National Economic Board from 1999-2000 and a Commissioner of PT Multi Bintang Tbk from 2002-2007. Mr. Rachmat is the founder of Triputra Group and is currently the President Director of PT Triputra Investindo Arya.

Ir. Subianto

Commissioner

Mr. Subianto, 72, an Indonesian citizen, has served as a Commissioner of PT Adaro Energy Tbk since the EGMS as stated in the Deed. He was re-appointed at the AGMS on April 19, 2013.

After receiving a Bachelor's Degree in mechanical engineering from the Bandung Institute of Technology in 1969, he joined PT Astra International Tbk's heavy equipment division.

For more than 30 years, he handled various management functions in Astra or its subsidiaries. He helped found PT United Tractors Tbk and joined it as a Director in 1972. He became its President Director in 1984 and was appointed Commissioner and later President Commissioner from 1997-1999. He also founded PT Persada Capital Investama in 2003, in which he currently serves as President Director.

Ir Palgunadi Tatit Setyawan

Independent Commissioner

Mr. Setyawan, 75, an Indonesian citizen, has served as an Independent Commissioner of PT Adaro Energy Tbk since the EGMS as stated in the Deed. He was re-appointed at the AGMS on April 19, 2013.

He 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, Executive Vice President for PT Raja Garuda Mas from 2000-2002, Independent Commissioner for PT Pembangunan Jaya Ancol Tbk 2004-2011, and President Commissioner for PT Jakarta Propertindo from 2010-2013.

Dr Ir Raden Pardede

Independent Commissioner

Dr. Pardede, 54, has served as an Independent Commissioner of PT Adaro Energy Tbk since his appointment at the EGMS on April 23, 2010. He was re-appointed at the AGMS on April 19, 2013.

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 former Minister of Finance of Indonesia, and serves as its managing partner until now.

PROFILES: BOARD OF DIRECTORS

Garibaldi Thohir

President Director &
Chief Executive Officer

Mr. Thohir, 49, an Indonesian citizen, has served as President Director of PT Adaro Energy Tbk since the EGMS as stated in the Deed. He was re-appointed at the EGMS on April 20, 2011.

He completed his MBA from Northrop University, California, in 1989, and BBA from the University of Southern California in the United States 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 develop a large network, which helped him create new business opportunities. In 1997, he formed PT Wahana Ottomitra Multiartha (WOM Finance), a motorcycle financing company. He led and grew the company to 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.

He is the President Commissioner of PT Alam Tri Abadi, PT Adaro Indonesia, PT Semesta Centramas, PT Laskar Semesta Alam, PT Paramitha Cipta Sarana, PT Adaro Power, PT Mustika Indah Permai, PT Bukit Enim Energi, PT Bhakti Energi Persada, PT Adaro Persada Mandiri, PT Rehabilitasi Lingkungan Indonesia, and PT Agri Multi Lestari.

He is also the President Director of PT Surya Esa Perkasa Tbk and PT Trinugraha Thohir.

Christian A. Rachmat

Vice President Director &
Deputy Chief Executive Officer

Mr. Rachmat, 41, an Indonesian citizen, has served as Vice President Director of PT Adaro Energy Tbk since the EGMS as stated in the Deed. He was re-appointed at the EGMS on April 20, 2011.

The son of Adaro Vice President Commissioner Theodore Permadi Rachmat, he earned his Bachelor of Industrial Engineering degree from Northwestern University in Illinois, United States, in 1995. He had more than 10 years of professional experience before joining Adaro in 2005, including 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 had learned to Adaro.

He is President Commissioner of PT Saptaindra Sejati, PT Adaro Logistics, PT Puradika Bongkar Muat Makmur, PT Makmur Sejahtera Wisesa, PT Adaro Eksplorasi Indonesia, and PT Adaro Mining Technologies. He is also a Commissioner in PT Adaro Indonesia, PT Alam Tri Abadi, PT Maritim Barito Perkasa, PT Harapan Bahtera Internusa, Indomet Coal Project, PT Bhakti Energi Persada, PT Mustika Indah Permai, PT Semesta Centramas, PT Laskar Semesta Alam, PT Paramitha Cipta Sarana, PT Jasapower Indonesia, PT Indonesia Bulk Terminal PT Adaro Power, PT Adaro Persada Mandiri, PT Rehabilitasi Lingkungan Indonesia, PT Agri Multi Lestari, and Orchard Maritime Logistics, Pte. Ltd.

For a discussion of the role and responsibilities of the Board of Commissioners and Board of Directors, see the Corporate Governance section, page 113

Sandiaga Uno

Director, General Affairs

Mr. Uno, 45, an Indonesian citizen, has served as a Director of PT Adaro Energy Tbk since the EGMS as stated in the Deed. He was re-appointed at the EGMS on April 20, 2011.

He graduated summa cum-laude with a degree in Business Administration from Wichita State University, United States, in 1990, and completed his MBA at George Washington University, United States, 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. He also co-founded Recapital Advisors in 1997.

He is President Commissioner of PT Indonesia Bulk Terminal, PT Jasapower Indonesia, PT Sarana Rekreasi Mandiri, as well as a Commissioner of PT Adaro Indonesia, PT Alam Tri Abadi, PT Mustika Indah Permai, PT Saptaindra Sejati PT Adaro Logistics, PT Puradika Bongkar Muat Mandiri, PT Makmur Sejahtera Wisesa, PT Adaro Persada Mandiri, PT Rehabilitasi Lingkungan Indonesia, and PT Agri Multi Lestari.

David Tendian

Director & Chief Financial Officer

Mr. Tendian, 48, an Indonesian citizen, has served as a Director of PT Adaro Energy Tbk since the EGMS as stated in the Deed. He was re-appointed at the EGMS on April 20, 2011.

He 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 worked in several international banks and private equity firms in North America, including Sakura Bank, Standard Chartered Bank, Chase Manhattan Bank, PricewaterhouseCoopers, and Citibank. After more than a decade in North America, he decided to return to Indonesia. He worked with a bank and with a number of coal companies before joining PT Adaro Indonesia in 2006.

He is a Director of PT Adaro Indonesia, PT Alam Tri Abadi, as well as a Commissioner of PT Semesta Centramas, PT Laskar Semesta Alam, PT Paramitha Cipta Sarana, PT Saptaindra Sejati, PT Adaro Logistics, PT Indonesia Bulk Terminal, PT Adaro Mining Technologies, PT Bhakti Energi Persada, PT Adaro Eksplorasi Indonesia, PT Maritim Barito Perkasa, PT Puradika Bongkar Muat Mandiri, PT Jasapower Indonesia, PT Adaro Persada Mandiri, PT Makmur Sejahtera Wisesa, PT Adaro Power, PT Rehabilitasi Lingkungan Indonesia, PT Agri Multi Lestari, and Orchard Maritime Logistics, Pte. Ltd.

PROFILES: BOARD OF DIRECTORS

Chia Ah Hoo

Director & Chief Operating Officer

Mr. Chia, 56, a Malaysian citizen, has served as a Director of PT Adaro Energy Tbk since the EGMS as stated in the Deed. He was re-appointed at the EGMS on April 20, 2011.

He 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 28 years of experience in civil construction projects and major open cut mining projects in Southeast Asia and more than 20 years of experience in running PT Adaro Indonesia's operations.

He is the President Director of PT Adaro Indonesia, PT Alam Tri Abadi, PT Jasapower Indonesia, PT Adaro Mining Technologies, PT Mustika Indah Permai, as well as a Director of PT Bhakti Energi Persada and the IndoMet Coal Project.

M. Syah Indra Aman

Director & Chief Legal Officer

Mr. Aman, 47, an Indonesian citizen, has served as a Director of PT Adaro Energy Tbk since his appointment at the EGMS on April 20, 2011.

He earned his law degree from the University of Indonesia in 1990, and completed 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 Minang Warman Sofyan SH & Associates and Lubis Ganie Surowidjojo Law Firm before joining Adaro in 1996.

He is President Director of PT Adaro Persada Mandiri and PT Agri Multi Lestari and a Director of PT Alam Tri Abadi. He is also a President Commissioner of PT Bukit Bara Alampersada as well as a Commissioner of PT Adaro Indonesia, PT Semesta Centramas, PT Laskar Semesta Alam, PT Paramitha Cipta Sarana, PT Saptaindra Sejati, PT Adaro Logistics, PT Jasapower Indonesia, PT Mustika Indah Permai, PT Maritim Barito Perkasa, PT Harapan Bahtera Internusa, PT Puradika Bongkar Muat Mandiri, PT Adaro Mining Technologies, PT Indonesia Bulk Terminal, PT Makmur Sejahtera Wisesa, PT Adaro Power, and PT Sarana Rekreasi Mandiri.

Julius Aslan

Director & Chief HRGA-IT Officer

Mr. Aslan, 51, an Indonesian citizen, has served as a Director of PT Adaro Energy Tbk since his appointment at the AGMS on April 19, 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 a 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 a Director of PT Adaro Indonesia, PT Alam Tri Abadi, as well as a Commissioner of PT Saptaindra Sejati, PT Adaro Mining Technologies, PT Adaro Logistics, PT Adaro Power, PT Indonesia Bulk Terminal and PT Puradika Bongkar Muat Makmur.

Siswanto Prawiroatmodjo

Director & Chief Logistics and Procurement Officer

Mr. Prawiroatmodjo, 60, an Indonesian citizen, has served as a Director of PT Adaro Energy Tbk since his appointment at the AGMS on April 25, 2014. He is the newest member of the Board of Directors.

He earned his Bachelor's Degree in mechanical engineering from Sepuluh Nopember Institute of Technology in Surabaya in 1978, and completed his MBA from the University of Southern California in the United States in 1990. He started his career at PT Federal Motor in 1978, and left in 1997 when he was Manufacturing Director. He served as the Executive Vice President Director of PT Astra Honda Motor from 2007 to 2009, and the President Director of PT Astra Otoparts Tbk from 2009 to 2013. He is also a Commissioner in PT Astra Otoparts Tbk.

He is the President Commissioner of PT Indonesia Multi-Purpose Terminal, as well as the Commissioner of PT Saptaindra Sejati, and PT Adaro Logistics.

MANAGEMENT STRUCTURE

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

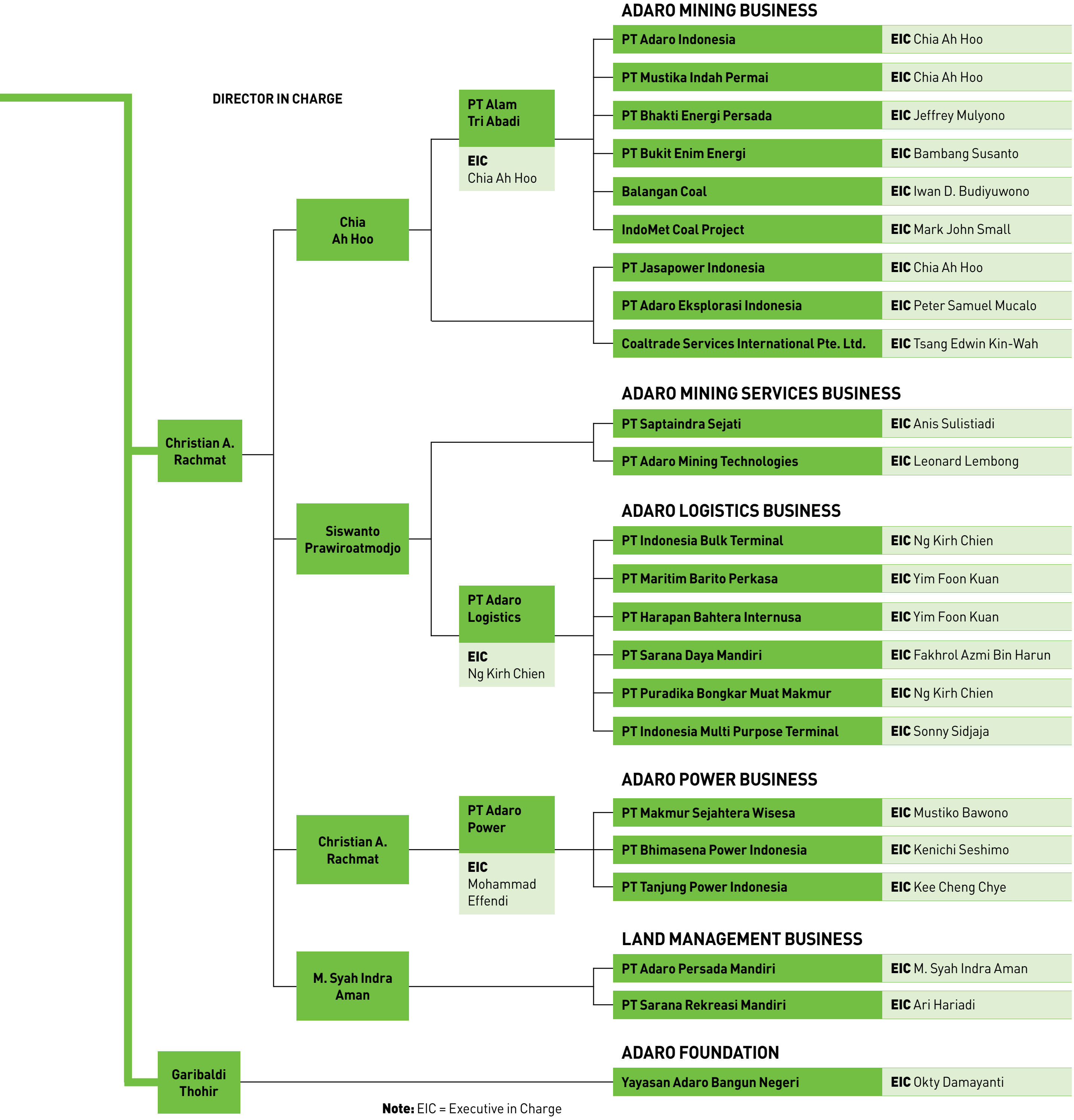
President Director Garibaldi Thohir
Vice President Director Christian A. Rachmat
Directors Sandiaga S. Uno, Chia Ah Hoo, David Tendian,
M. Syah Indra Aman, Julius Aslan
Independent Director Siswanto Prawiroatmodjo

CORPORATE FUNCTIONS

STRATEGIC BUSINESS UNITS

DIRECTOR IN CHARGE			
Garibaldi Thohir		**Internal Audit Division**	**H** Zayarwan Zain
		External Relations Division	**H** Priyadi
		Corporate Social Responsibility Division	**H** Okty Damayanti
Christian A. Rachmat	**Christian A. Rachmat**	**Business Development Division**	**H** Alastair B. Grant
		Marketing Division	**H** Tsang Edwin Kin-Wah **DH** Hendri Tamrin
	Chia Ah Hoo	**Quality, Health, Safety & Environment Division**	**H** Wisnu Susetyo
		Mine Planning Division	**H** Andris Pauls Svilans
		Engineering & Construction Division	**H** Reviyeno Nasution
	David Tendian	**Finance & Accounting Division**	**H** Susanti **DH** Tjoa Fanti Elvira
		Corporate Finance Division	**H** Heri Gunawan **DH** Jessie Wahab
		Tax Division	**H** Jul Seventa
		Corporate Project Finance Division	**H** Kee Cheng Chye (Ernest Kee)
		Corporate Secretary & Investor Relations Division	**H** Cameron Tough **DH** Mahardika Putranto
	M. Syah Indra Aman	**International Legal Affairs Division**	**H** Zillah Tin Lam Chun
		Domestic Legal Affairs Division	**H** Erwin Sundoro
		Legal Process Control Division	**H** Sylvia Trianasari
	Julius Aslan	**Human Resources Division**	**H** Djohan Nurjadi
		Information Technology Division	**H** Eka Suharto
	Siswanto Prawiroatmodjo	**Corporate Planning Division**	**H** Salim W. Halim
		Business Process & Procurement Division	**H** Lungar P. Siputro

Note:
H = Head
DH = Deputy Head



DIRECTOR IN CHARGE

Christian A. Rachmat

Chia Ah Hoo

PT Alam Tri Abadi
EIC Chia Ah Hoo

Siswanto Prawiroatmodjo

PT Adaro Logistics
EIC Ng Kirh Chien

Christian A. Rachmat

PT Adaro Power
EIC Mohammad Effendi

M. Syah Indra Aman

Garibaldi Thohir

ADARO MINING BUSINESS

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
Balangan Coal	**EIC** Iwan D. Budiyuwono
IndoMet Coal Project	**EIC** Mark John Small
PT Jasapower Indonesia	**EIC** Chia Ah Hoo
PT Adaro Eksplorasi Indonesia	**EIC** Peter Samuel Mucalo
Coaltrade Services International Pte. Ltd.	**EIC** Tsang Edwin Kin-Wah

ADARO MINING SERVICES BUSINESS

PT Saptaindra Sejati	**EIC** Anis Sulistiadi
PT Adaro Mining Technologies	**EIC** Leonard Lembong

ADARO LOGISTICS BUSINESS

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** Ng Kirh Chien
PT Indonesia Multi Purpose Terminal	**EIC** Sonny Sidjaja

ADARO POWER BUSINESS

PT Makmur Sejahtera Wisesa	**EIC** Mustiko Bawono
PT Bhimasena Power Indonesia	**EIC** Kenichi Seshimo
PT Tanjung Power Indonesia	**EIC** Kee Cheng Chye

LAND MANAGEMENT BUSINESS

PT Adaro Persada Mandiri	**EIC** M. Syah Indra Aman
PT Sarana Rekreasi Mandiri	**EIC** Ari Hariadi

ADARO FOUNDATION

Yayasan Adaro Bangun Negeri	**EIC** Okty Damayanti

Note: EIC = Executive in Charge

Making Adaro a Great Place to Work

The Five IMORE Values

- I — Integrity
- M — Meritocracy
- O — Openness
- R — Respect
- E — Excellence

One of the strategic foundations for Adaro's sustainable growth is the quality of our people. Our people determine our productivity and how effectively we operate, and they build our reputation with our investors, contractors, partners and other stakeholders on a daily basis. Ultimately, it is our people who execute the company's strategies to create maximum sustainable value from Indonesian coal.

The objective of our human resources activities is to make Adaro a great place to work, which is fundamental to our vision of becoming the leading Indonesian mining and energy group. Based on the company's values of IMORE — Integrity, Meritocracy, Openess, Respect, Excellence — we have identified three strategic human resources priorities: creating a winning system, a winning culture and a winning team.

Winning System

Delivering on our ambition requires having a solid system in place to attract and retain the best talent, provide opportunities for individual development, and recognize and reward excellence.

After completing a standardized corporate grading and company classification system for the entire group in 2013, we began creating remuneration standards in 2014. This will enable us to move our employees across business units based on their competencies and our business needs. To support Adaro's growing business, we need to ensure that we put our talented people in the right place and with the right reward, in roles that are suitable for their competencies and character.

Another aspect of our winning system is the establishment of the Adaro Recruitment and Assessment Center, which we completed in 2014. This will enable us to recruit the best talents that have consistent competencies and character across the group.

Winning Culture

We believe that with a culture in which performance is aligned with values, we can achieve sustainable and profitable growth.

In 2014, we continued to encourage the implementation of our corporate values. We promoted and communicated these through various media, such as banners and our internal newsletter. We also further embedded the Adaro values into our performance evaluation system to cultivate strong adoption, which in turn will create a positive working environment. Demerit points were applied for behaviors that ran contrary to our values.

We also conducted our first employee engagement survey, supported by Towers Watson (a leading global professional services company), to measure our employees' engagement level. Results from this survey will provide us with valuable feedback that will help us make the right decisions and take the right actions.

Winning Team

Our ability to attract, develop and retain qualified talent is critical if we are to compete and grow effectively. We believe that a strong team with great people outperforms individuals. Creating

The bulk of our 9,294 employees work at AI's South Kalimantan mines or as part of our coal supply chain. 6,624 (71%) come originally from Kalimantan. A large majority, 7,693 (82%) are from an engineering background.

Adaro Staff Educational Background

	Doctorate	Masters degree	Bachelors degree	Diploma	School (senior high)	School (other)	TOTAL
PT Adaro Eksplorasi Indonesia			13		4	5	**22**
PT Adaro Energy	1	50	173	25	8		**257**
PT Adaro Indonesia		31	437	109	419	106	**1102**
PT Adaro Logistics		2	7				**9**
PT Adaro Mining Technologies		1	1	1			**3**
PT Adaro Persada Mandiri		4	13	1			**18**
PT Adaro Power		11	35	1	1		**48**
PT Alam Tri Abadi		2	3	2			**7**
PT Bhakti Energi Persada	1	6	61	4	26	12	**110**
Coaltrade Services International Pte Ltd		2	5	2	2		**11**
PT Harapan Bahtera Internusa			4	22			**26**
PT Indonesia Bulk Terminal		3	34	18	101	28	**184**
PT Indonesia Multi Purpose Terminal			6	1	2		**9**
PT Jasapower Indonesia			52	12	97	3	**164**
PT Makmur Sejahtera Wisesa		3	45	38	48	1	**135**
PT Maritim Barito Perkasa		4	60	41	48	697	**850**
PT Mustika Indah Permai		2	15	3	8		**28**
PT Paramitha Cipta Sarana					1	6	**7**
PT Puradika Bongkar Muat Makmur			11	12	8		**31**
Orchard Maritime Logistics Pte Ltd		5	6	1	1		**13**
PT Sarana Daya Mandiri		1	19	1	12	3	**36**
PT Saptaindra Sejati		13	509	462	4,645	500	**6,129**
PT Semesta Centramas		1	19	1	10	4	**35**
PT Tanjung Power Indonesia		2	2				**4**
Yayasan Adaro Bangun Negeri		1	6				**7**
TOTAL	**2**	**145**	**1,547**	**794**	**5,441**	**1,365**	**9,294**

a winning team starts at the recruitment phase. We recruit the best talent and develop different leadership programs to accommodate the need for leaders at every level in the organization.

In 2014, we started the Adaro Mining Professional Program. We selected 16 graduates from universities in Indonesia to spend two years learning various aspects of the coal mining industry. They are going through a curriculum that combines theory with practical and experimental learning. To prepare them to become business leaders, the participants are also given leadership training aimed at improving their soft skills in managing people and business situations. Graduates are then given jobs within the group based on business needs.

To ensure long-term, sustainable operational activities, the mitigation of business risks, and the effective management of the organization, we recognize the need for a succession plan. This starts with identifying critical positions and their competencies to map out a Human Asset Value and Replacement Table Chart. Once this is done, individual development plans are put in place.

SOCIAL DIARY 2014

Adaro employee gathering, Apr. 22, Karanggan, Jakarta

Social badminton contest, Jun. 22, Pancoran, Jakarta

Breaking Ramadhan fast with 1,000 orphans, Jul. 22, Pasar Festival, Jakarta

Clean-up
Jakarta Day, Oct. 19,
Gelora Bungkarno, Jakarta

Adaro
22nd
anniversary
celebrations,
Oct. 2 & 23,
Jakarta and
Tanjung

Getting to the Heart of Our Guiding Principles

In the pursuit of our goals, Adaro is guided by a set of five values: Integrity, Meritocracy, Openness, Respect, and Excellence.

Collectively referred to as the IMORE values, these are not just words but a concrete way of measuring our performance as individuals. It unites all of us in pursuing our common vision, ensures everyone knows what is expected of them, and puts everyone on the same track to achieving the group's mission.

Here five of Adaro's commissioners and directors offer personal perspectives on the five values.

Integrity

Edwin Soeryadjaya on Integrity

Integrity is not something that can be compromised and is one of the characteristics of human life. When a person's actions or thoughts do not respect the value of integrity, the end results will not last.

That is why integrity is a principle that should not be compromised by anyone. A business can be filled with the smartest employees, but if they do not have integrity, the business will fail. Reputation is one of the most valuable assets an individual or organization can have, and integrity is a fundamental pillar of a strong reputation. This is the main reason I personally insist that everyone at Adaro base their actions and plans on integrity, which starts with everyone being honest with themselves.

An excellent example is Bernie Madoff, who

Each of Adaro's five IMORE values are elaborated with specific behaviors and attitudes. See them in full on our website at *www.adaro.com/careers/our-people/*

Meritocracy

Teddy Rachmat
on Meritocracy

The key conditions to growing a fertile plant are to have good seeds and mineral-rich soil. These are the same conditions we need to grow a strong, prosperous company: mineral-rich soil which we have at Adaro through our assets and infrastructure, and good seeds, which are our employees.

Our employees, driven by the philosophy of meritocracy, will thrive at Adaro, resulting in growth for employees and the organization.

By creating a corporate environment based on openness and sincerity, we eliminate the fear and internal politics that can ruin a company. An excellent example of openness and sincerity is President Joko Widodo. He has no hidden agenda, he is open and sincere, and he has been able to mobilize so many volunteer supporters who want to see him become president.

If there is transparency, openness and sincerity in a company, the employees will share the vision and work hard with full dedication, because they know that what is best for the company is best for them.

At Adaro, each and every single employee has the opportunity to move up within the company. Employees are not judged based on who they know or who they are related to; It's about working hard and bringing positive results in their work. At Adaro, the best will surely rise.

The principle of meritocracy also supports Adaro in reaching its goal of creating sustainable value from Indonesian coal.

Through meritocracy, we are a constantly developing and improving the organization, and the next generation of Adaro employees and leadership will be better than the current one. We must all remember that Adaro is here for the long run.

built a US$50 billion empire with no integrity. At 70 years old, at a time when he should be enjoying his retirement years, his empire collapsed and he was sentenced to 150 years in prison. While the heavy sentence included a deterrent effect, it was reflective of his guilt and a direct consequence of operating without integrity.

In regards to Adaro, one way of looking at integrity is to view our organization as part of the mining industry, where companies are seen not to be operating with integrity when it comes to the environment. This is our opportunity to show the world that Adaro is a company that acts with integrity in all areas, including the environment.

I believe our integrity drives us to work hard, makes us more responsible to all our stakeholders – including to Indonesia and to Indonesians – and supports our good track record.

I really want everyone at Adaro to encompass integrity as part of daily life, and I want everyone to use integrity as a shared characteristic that will allow us to work together to achieve the company's goals and create a reliable, strong and efficient Adaro.

Openness

David Tendian
on Openness

As human beings, the philosophy of openness is fundamental to our well-being.

Once we have fulfilled our basic primary needs, like having air to breathe, food and drink, and a shelter from danger, we also need to fulfill our other human needs. Because humans are social beings, we need communication; we communicate because we need each other. The philosophy of openness is a part of that need, and we must be open with each other in order to understand each person we interact with.

When communicating with others, honesty is the key. That doesn't mean we have to say things to hurt other people's feelings. We can communicate honestly with everyone – our subordinates,

Respect

Indra Syah Aman
on Respect

Gaining respect is not like a king inheriting a crown. Respect must be earned, and you have to work for it by building your competence and experience. Having the hard and soft skills needed to excel in one's work develops respect. Without competence and experience, people may feign respect for you, but it's not real and does not carry the same benefits as having real respect.

Showing respect, especially during times of strong disagreement, opens up unseen opportunities. By respecting different opinions and ways of doing things, we open our eyes to alternatives, allowing us to choose the best. And having the best options to choose from benefits both you as an individual and the team.

Mutual respect in a team leads to better outcomes. Consider a team of five people where two of the workers are quite lazy. The three hard-working ones will not respect the lazy ones and even complain about their work. If the two lazy workers really show respect, they will honor what the other three are doing and work hard to keep up, resulting in a much stronger sense of appreciation of one another and a much better team.

Mutual respect is also important between management and all employees. Leaders are respected for their competence and experience, and they must reflect that in the way they manage. Employees are also respected for their competence and experience, and they must reflect that by always doing their best and striving to become the best at what they do.

For more information on our human resources policies, our training institute and careers at Adaro, please see *www.adaro.com/careers/our-people/*

our bosses – constructively, encouragingly, and respectfully.

Honesty may not be easy for some to accept, but it is the best input anyone can receive.

I myself have many weaknesses. But a leader needs to be able to listen to other people's inputs and comments, and if better ideas are brought forward, that leader should encourage everyone to work on that idea together.

This is the kind of culture that is encouraged at Adaro – a culture where the various teams can debate objectively without anyone taking it personally. A work culture based on openness also fosters certainty among teams and positively affects how they work together.

We must be strong and focused and always work hard towards building a culture of openness. The cornerstone of a company is its culture, and if all Adaro employees incorporate a true culture of openness, Adaro's opportunities are limitless.

Adaro's leadership should never stop encouraging openness despite the challenges. Picture a river. In the beginning it may hard to walk against the stream, but with persistence we can change the stream.

Excellence

Sandiaga Uno
on Excellence

Every one of us here at Adaro can achieve excellence. Excellence is actually composed of several critical components: A strong work ethic, a sincere commitment to something you believe in, determination, and working smart. By combining these critical components with effective use of the tools that we have around us, we can achieve excellence. And if we are determined to achieve excellence, we will succeed.

Achieving excellence covers all areas of Adaro operations, from pit-to-power businesses and in all business divisions, including planning, executing, delivering, finance, marketing, and human resources. And the key to maintaining excellence is innovation. Innovation keeps us moving forward.

I really believe innovation is contagious and I want to spread the spirit of innovation into each corner of Adaro.

All our leaders must motivate, coach, and lead by example when it comes to innovation and most importantly must give everyone at Adaro the opportunity to take calculated decision making risks involving innovations which will make us more efficient and effective. This is everyone's responsibility.

Even when coal prices are low, the focus on excellence should not be put on hold. Low coal prices are an opportunity to see what we must do to be more competitive, and excellence helps us achieve this in terms of improving the system and the quality of human resources. By focusing on achieving excellence today, we will be even much better positioned when coal prices recover in the future, especially as a company achieving excellence in all areas of its pit-to-power operations

OUR GOVERNANCE

IN THIS SECTION

Our commitment to good corporate governance — transparency, accountability, responsibility, independence and fairness — is one of the key factors in our reputation for putting shareholders' interests first.

Adaro's commissioners and directors at the company's annual general meeting of shareholders in 2014. The meeting approved a dividend of US$75 million.

Upholding Principles Are Key to Protecting Shareholders

Our commitment to uphold the principles of Good Corporate Governance (GCG) is one of the key factors in our reputation for putting shareholders' interests first. We believe the continuous implementation of GCG practices will help us to achieve our vision of becoming a leading Indonesian mining and energy group. Adaro is committed to uphold and implement the principles of transparency, accountability, responsibility, independence and fairness to protect the interests of all stakeholders. During 2014, we focused on the latest developments in best practices that we can implement in the future.

Annual General Meeting of Shareholders

The Annual General Meeting of Shareholders (AGMS) is the highest decision-making body in Adaro. The AGMS enables all shareholders to exercise their right to voice opinions and cast votes on issues related to the Company and its future. The AGMS is also the forum to evaluate the Board's achievements during the fiscal year. The implementation of the AGMS is based on Adaro's Articles of Association, as well as prevailing laws and regulations.

In 2014, we held the AGMS for fiscal year 2013. On March 19, 2014, we sent an intention to conduct the AGMS to the regulators, which was then followed by the AGMS invitation to shareholders on April 10, 2014. We published the invitation in two national newspapers — Republika and Investor Daily — on the same day.

On April 25, 2014, we held the AGMS at the JS Luwansa Hotel and Convention Center, Ballroom 1. Attended by a quorum of shareholders, as stipulated by the Articles of Association, the AGMS reached the following resolutions:

1) Approved and ratified the Company's Annual Report and its consolidated financial statements for the fiscal year ending December 31, 2013. As stipulated in the report dated February 28, 2014, public accounting firm KAP Tanudiredja, Wibisana & Rekan (an Indonesian member firm of PwC global network) audited the financial statements.

2) Granted full release and discharge (*acquit et de charge*) to all members of the Company's Board of Directors (BoD) and Board of Commissioners (BoC) for the management and the supervisory actions carried out in the fiscal year ended on December 31, 2013.

3) Approved the use of the Company's net income for FY13, after deducting income attributed to non-controlling interests, of US$231,230,611 with the following details: US$2,312,306.11 for a general reserve fund, US$75,167,010.70 (or 32.51% of the Company's net profit) to be paid out as cash dividend (comprising an interim dividend of US$39,982,452.50 paid on January 16, 2014, and the remaining US$35,184,558.20 paid out as final cash dividend), and US$153,751,294.19 as retained earnings.

4) Appointed Siswanto Prawiroatmodjo as a new member of the BoD.

5) Granted authority to the BoC to appoint a public accounting firm registered with the Otoritas Jasa Keuangan (OJK) to audit Adaro's financial statements for the fiscal year ending

December 31, 2014, 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.

At the AGMS, we gave notice to our shareholders to ask questions and exercise voting rights. We published these resolutions in two national media (Republika and Investor Daily) on April 29, 2014, as well as in the Company and the IDX websites.

Board of Commissioners

The appointment and dismissal of the members of the BoC is determined by the AGMS. The BoC comprises five members: three representatives of the major shareholders and two independent commissioners. That number complies with OJK Regulation No. 33/POJK.04/2014 dated December 8, 2014, and the IDX Regulation I-A on Listing of Shares and Equity-Type Securities Other Than Shares Issued by Listed Companies dated January 20, 2014, which stipulate at least 30% of the BoC members should be independent commissioners.

The BoC supervises Adaro's business and management in accordance with applicable laws and regulations, and the Articles of Association. It advises the BoD and examines certain actions as requested by the latter, in accordance with prevailing regulations and shareholder approval. It also has to monitor the effectiveness of GCG practices implemented by Adaro and make necessary adjustments accordingly.

In 2014, the BoC held four official meetings to evaluate Adaro's operational performance and market updates and review financial performance. These are documented in the Minutes of Meeting, including any dissenting opinions.

Training Program. The members of our BoC have been with Adaro for many years. The BoC did not undergo any training programs in 2014, however, we plan to have training programs that will include OJK regulation, industry outlook and orientation for new BoC members to enable them to discharge their responsibilities.

BoC Meeting Attendance in 2014

Edwin Soeryadjaya	4/4
Ir Theodore Permadi Rachmat	4/4
Ir Subianto	3/4
Ir Palgunadi Tatit Setyawan	3/4
Dr Ir Raden Pardede	3/4

Audit Committee Meeting Attendance in 2014

Ir. Palgunadi Tatit Setyawan	23/24
Dr Irwandy Arif	24/24
Mamat Ma'mun	22/24

Supporting Committees to the Board Of Commissioners

1) Audit Committee

The BoC established an Audit Committee in 2009 to assist them in carrying out their supervision duties to ensure Adaro is managed properly under GCG principles. The Audit Committee was re-appointed based on the agreement of the BoC No. AE/072IKAN-13/PTS dated May 1, 2013, with a term of office lasting until the AGMS in 2018.

Adaro's Audit Committee consists of one independent commissioner, acting as the chairman, and two expert non-Adaro employees. The current members of the Audit Committee are:

Ir Palgunadi Tatit Setyawan, Chairman. For a full profile see page 92.

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 2009 and is currently a commissioner at PT Duta Oto Prima, PT Anugrah Power Mandiri and PT Dharma Group.

As stipulated in the Audit Committee Charter, the committee reviews Adaro's financial statement, appoints and monitors the performance of Independent Auditors, monitors the implementation of policies and procedures in every level of the organization, monitors the risk profile, as well as ensures that internal audit functions are working as intended.

During 2014, the Audit Committee carried out its duties and responsibilities in accordance with the Audit Committee Charter. The committee held 24 official meetings with senior management of Adaro and its strategic business units as well as representatives from the public accounting firm PwC. In these meetings it covered the following:

1) A review of the Company's financial statements and other financial information to be issued by the company.

2) An evaluation of the effectiveness of the Internal Audit Unit;

3) Evaluated the audit activities conducted by the public accounting firm.

Audit Committee members Dr Irwandy Arif, Ir Palgunadi Tatit Setyawan (Chairman) and Mamat Ma'mun

4) Studied and reviewed the effectiveness of the internal control systems.

5) Oversaw and evaluated the audit results from the Internal Audit Unit, with primary focus on AI's results.

6) Continued to evaluate human resources and operational costs, as well as production costs including fuel and land acquisition.

7) Reported any risks encountered.

8) Other tasks assigned by the BoC.

2) Nomination and Remuneration Committee

The role of the Nomination and Remuneration Committee is performed by the BoC. In 2014, total remuneration of the BoCs and BoDs of Adaro and its consolidated subsidiaries was US$20.1 million, a 5% increase from US$19.1 million in 2013.

3) Risk Management Committee

As delineated in our Audit Committee Charter, the Audit Committee is also responsible for monitoring the effectiveness of the Company's internal control and risk management systems. Therefore, we decided not to have a separate risk management committee at this time to avoid duplication.

Board of Directors

The BoD consists of executives who are responsible for the management of the Company in line with the stated goals, objectives and business activities. The BoD also receives advice from the BoC in carrying out its duties and responsibilities.

Adaro's BoD consists of eight members. Based on their competency and experience, each member has responsibilities to establish strategies and targets, monitor performance, and mitigate risks to achieve targets. They meet on a regular basis, or as needed, to discuss Adaro's operational and financial performance, coal market conditions, the progress of projects and other issues that require attention and decision-making.

In 2014, there were six BoD meetings. These are well documented through the Minutes of Meeting, including any dissenting opinions.

BoD Meeting Attendance in 2014

Garibaldi Thohir	5/6
Christian A. Rachmat	6/6
Sandiaga S. Uno	5/6
David Tendian	5/6
Chia Ah Hoo	5/6
M. Syah Indra Aman	6/6
Julius Aslan	6/6
Siswanto Prawiroatmodjo	4/4*

* Siswanto Prawiroatmodjo was appointed on April 25, 2014

Disclosures to the Indonesia Stock Exchange in 2014

Announcement of Interim Dividend Conversion Rate	2 Jan
Exploration Activity Report for December 2013	10 Jan
Disclosure of Certain Shareholder	13 Jan
Report on Share Ownership of 5% or More for December 2013	13 Jan
4Q13 Quarterly Activities Report	4 Feb
Exploration Activity Report for January 2014	12 Feb
Report on Share Ownership of 5% or More for January 2014	14 Feb
Disclosure on Share Divestment in Servo	25 Feb
IDX Inquiry on Servo Transaction	5 Mar
Report on Share Ownership of 5% or More for February 2014	6 Mar
Financial Report FY13 and Financial Press Releases	10 Mar
Proof of Media Advertisement for Financial Statement	11 Mar
Exploration Activity Report for February 2014	13 Mar
Announcement of AGM for Fiscal Year 2013	19 Mar
Proof of Media Advertisement for AGM Announcement	26 Mar
AGM Invitation with Agenda Revision	10 Apr
Delivery of 2013 Annual Report (Bahasa Indonesia)	10 Apr
The Proof of AGM Invitation Advertisement on Media delivery	11 Apr
Exploration Activity Report for March 2014	11 Apr
Report on Share Ownership of 5% or More for March 2014	11 Apr
Delivery of 2013 Annual Report (English)	17 Apr
Adaro Energy AGM 2014 Result and Press Releases	25 Apr
Notary Resume of 2014 AGM Decision	25 Apr
Public Expose Announcement	25 Apr
Announcement of Dividend Distributions	29 Apr
Proof of 2014 AGM Result Advertisement on Media delivery	29 Apr
1Q14 Quarterly Activities Report	29 Apr
1st Quarter Interim Financial Report 2014 & Financial Press Releases	30 Apr
Proof of Advertisement for Announcement of Dividend Distribution	2 May
Public Expose Material Delivery	5 May
Exploration Activity Report for April 2014	12 May
Report on Share Ownership of 5% or More for May 2014	12 May
Report on Public Expose Result	13 May
Announcement of Final Dividend Conversion Rate	2 Jun
Exploration Activity Report for May 2014	16 Jun
Report on Share Ownership of 5% or More for May 2014	16 Jun
Response to IDX Inquiry re Governement Regulation No. 23/2010	30 Jun
Announcement on Declaration of Force Majeure by BPI	7 Jul
Announcement on Limited Review for 1H14 Financial Statement	10 Jul
Exploration Activity Report for June 2014	11 Jul
Report on Share Ownership of 5% or More for June 2014	11 Jul
Disclosure of Certain Shareholder	24 Jul
Quarterly Activities Report 2Q14	4 Aug
Report on Share Ownership of 5% or More for July 2014	12 Aug
Exploration Activity Report for July 2014	12 Aug
Explanation of IDX Inquiry — Volatility Transactions	19 Aug
Interim Financial Statement and Financial Press Release 1H14	27 Aug
Proof of Advertisement on Interim Financial Statement	28 Aug
Disclosure on the Changing of the Corporate Secretary	1 Sep
Disclosure on MSW-PLI Arbitration	5 Sep
Exploration Activity Report for August 2014	11 Sep
Report on Share Ownership of 5% or More for August 2014	16 Sep
Explanation of IDX Inquiry — Key and Controlling Shareholders	18 Sep
Disclosure and Press Release on CCA Renegotiation	22 Sep
Exploration Activity Report for September 2014	10 Oct
Report on Share Ownership of 5% or More for September 2014	10 Oct
Disclosure for PPA Signing of IPP 2x100MW	17 Oct
Disclosure on Bond Repayment	23 Oct
Quarterly Activities Report 3Q14	30 Oct
9M14 Interim Financial Statement and Financial Press Release	30 Oct
Disclosure for PPA Amendment on PLTU Batang	4 Nov
Exploration Activity Report for October 2014	12 Nov
Report on Share Ownership of 5% or More for October 2014	18 Nov
Disclosure for MoU Signing Adaro - Shenhua	25 Nov
Announcement on Interim Dividend Distribution FY2014	4 Dec
Proof of Ad on Interim Dividend Announcement	5 Dec
Exploration Activity Report for November 2014	16 Dec
Report on Share Ownership of 5% or More for November 2014	16 Dec

For an archive of all reports, press releases and disclosures Adaro has published since its listing in 2008, please see *www.adaro.com/investing/financial-reports/*

Corporate Secretary & Investor Relations Division

The Corporate Secretary is responsible for ensuring the Company is in compliance with capital market rules and regulations. The Corporate Secretary has to possess sufficient knowledge on the rules and regulations of the capital market in order to carry out his duties and responsibilities, especially on issues related to information disclosure.

Adaro's Corporate Secretary is Mahardika Putranto. He graduated from University of New England with Bachelor of Commerce degree in business economics, marketing and finance. He then earned Master of Economics degree in economics and finance from Macquarie University. He started his career in several securities companies in Indonesia handling among others the areas of research, investment banking and fixed income. In 2005, he joined PT Apexindo Pratama Duta Tbk as Investor Relations and appointed as the Head of Corporate Finance in 2008. During his tenure in Apexindo, he was also directly involved in corporate secretary exercises. In January 2014, he joined Adaro as Corporate Secretary and Investor Relations Deputy Division Head. In September 2014, the BOD issued a decree appointing him as Adaro's Corporate Secretary. The Corporate Secretary reports to the Head of the Corporate Secretary and Investor Relations Division.

Disclosure Committee

In line with Adaro's emphasis on transparency, we formed a Disclosure Committee to provide clear guidance on the disclosure of material information that can impact shareholder decisions. The Disclosure Committee refers to the provisions of the OJK and the Indonesia Stock Exchange, which apply to all public companies, in reporting material information to the regulator and the public. Adaro aims to follow the highest standards for all of our financial and non-financial disclosure practices. We make all disclosures and communication with shareholders available on our website in a timely fashion.

The Disclosure Committee consists of the President Director and CEO, Vice President Director and Deputy CEO, Director & Chief Finance Officer, Director and Chief Legal Officer, Director and Chief Operating Officer, and senior managers from the Corporate Secretary and Investor Relations, Legal, Operations and Marketing divisions. It meets quarterly to discuss a corporate action plan to be carried out and consider whether such actions have an impact on the decision of the shareholders.

Corporate Planning Division

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

Code of Conduct

Adaro does not yet have an official Code of Conduct. However, we continue to conduct our business in line with GCG principles on a day-to-day basis. We have issued updated regulations based on Adaro's corporate values, i.e. Integrity, Meritocracy, Openness, Respect and Excellence, as well as gratification policies.

We expect to issue the Company's Code of Conduct in the first quarter of 2015.

Whistleblowing System

Adaro does not yet have an official mechanism for a whistleblower to report misconducts. However, employees and other stakeholders can report any cases of fraud or violations of business ethics, company rules and regulations, our Articles of Association, laws, confidential information and others to their direct supervisor.

Adaro 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 GCG.

Administrative Sanctions and Suspension

No suspensions or administrative sanctions were imposed on any of our BoC or BoD members by regulators in 2014.

Corporate Social Responsibility

Our CSR programs aim to create a positive impact on the environment and communities as we believe that involvement in our community is a key investment towards sustainable growth. Please see page 132 for more details of our corporate social responsibility programs.

Internal Audit

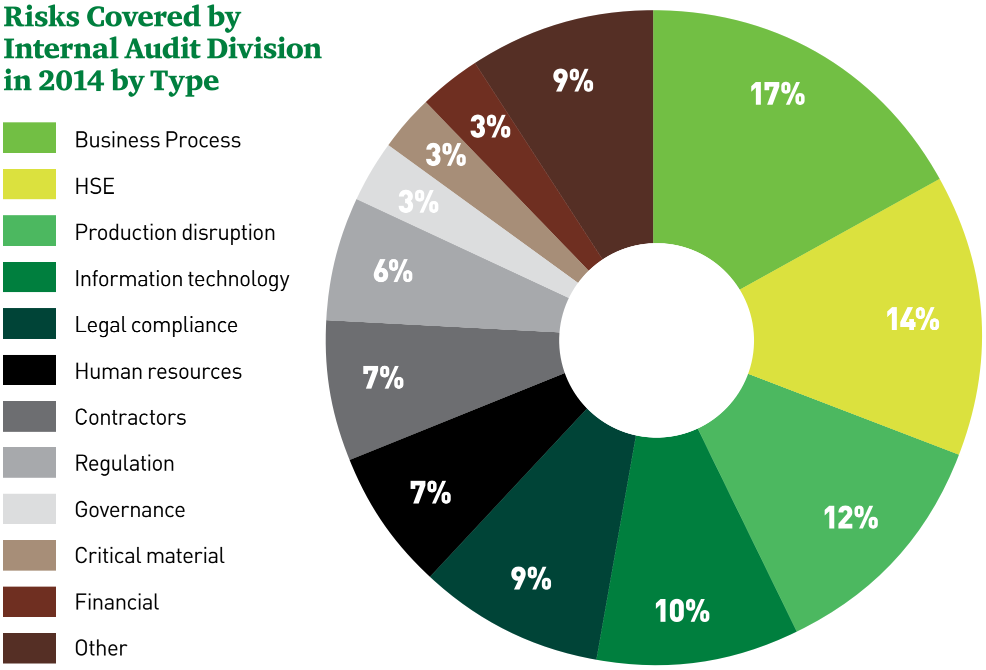
The role of the Internal Audit Division is to support the BoD in the areas of governance, risk management and control by providing assurances in these areas, as well as providing advice on how to continually improve existing business processes.

The division has developed an organizational structure, work standards and practices, and communication and quality assurance programs. Its practices are based on the International Standards for the Professional Practice of Internal Auditing, and it adopts the code of ethics issued by the Institute of Internal Audit (IIA).

In 2014, the Internal Audit Division performed its tasks in accordance with its annual audit plan, and played its role as stated in the Internal Audit Charter. The management imposes no scope limitation or access restriction on the Division in performing its work.

Annual Audit Plan and Risk Coverage. To provide optimum benefits with the available resources, the Internal Audit Division selects subjects to be included in the annual audit plan based on the assessment of risk priorities. The division completed 15 audit reports from the planned 16 audit subjects during 2014, an increase from 2013, where eight audit reports were conducted from the planned eight audit subjects. The division also covered more risks in 2014, and plans to conduct 19 audit subjects in 2015.

Risks Covered by Internal Audit Division in 2014 by Type



Implementation of Corrective Actions. We rate the adequacy of controls performed by management to mitigate risks and compile these in each audit report submitted to the BoD, Audit Committee and related management personnel. Each audit report includes recommendations or corrective actions agreed upon with the management. However, we recognize that such recommendations will only provide value upon implementation by the management, therefore we continuously monitor their implementation and report the progress to the BoD and Audit Committee on a quarterly basis. The number of corrective actions in 2014 are listed in the table on the right.

Quality Assurance Program. To ensure the quality of the Internal Audit Division, we implement a Quality Assurance Program, which comprises the following:

- Conduct satisfaction surveys to obtain management feedback for the improvement of the division.
- Develop an internal audit manual and perform self-assessment for each audit assignment to ensure compliance.
- Ensure compliance with the International Standards for the professional practice of Internal Auditing, as well as OJK regulations.

The quality assurance program has been working as intended with favorable results.

Internal Audit Personnel. The Internal Audit Division consists of internal auditors with a variety and complementary range of educational backgrounds, skills and work experiences. The division is led by the Chief Audit Executive, who reports directly to the President Director & CEO of Adaro Energy. At the end of 2014, the division consisted of eight people, with plans to add three more in 2015. Two of the eight personnel have international professional certification related to internal audit work.

The division also has a training program to ensure that its personnel have adequate knowledge on how to carry out their tasks. Each staff member is expected to attend 10 days of training during the year. In 2014, the division's personnel attended an average of 10 training days.

Corrective Actions Taken

2014	2013
Agreed corrective actions *266*	Agreed corrective actions *36*
Corrective actions due in December *181*	Corrective actions due in December *33*
Corrective actions Implemented *84%*	Corrective actions Implemented *80%*

Indonesia's Regulatory Environment

The Indonesian Constitution declares that all natural resources within Indonesia shall be managed by the state and utilized for the welfare of its citizens. 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, it replaces the preceding Law No. 11 of 1967 on the Basic Provisions of Mining. The ratification of the New Mining Law led to significant changes to Indonesia's mining regulatory regime. Some of its implementing regulations 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 for the utilization and appointment of mining services contractors. The regulation requires mining concession companies to conduct all coal extraction activities under their existing contracts themselves within three years of the issuance of the regulation, except for new contracts where the obligation is effective from the date of the contract. On October 8, 2012, the aforementioned regulation was partially amended with MR No. 24 of 2012, which states that a mining license holder may lease equipment from any mining supporting companies holding a 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, which requires AI to carry out coal extraction activities by itself, as well as MR No.24/2012 regarding equipment leases. Neither regulation has substantial impact on the structure of our operations.

2) In December 2009, the MEMR issued **MR No. 34 of 2009** regarding the 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 June 23, 2014, the Director General of Mineral and Coal issued a letter regarding the implementation of DMO for 2014, which stated that MR No. 34/2009 is under revision. We are committed to supporting Indonesia's growing demand for coal and closely monitor the DMO quantity to ensure we fulfill the requirement.

3) In February 2010, the Government of Indonesia issued two implementing regulations for **Law No. 4/2009: Government Regulation (GR) No. 22 of 2010**, which deals with the establishment of mining areas under a Mining Business Permit (IUP), and **GR No. 23 of 2010**, which clarifies the procedures to obtain a new IUP. GR No. 23/2010 also states that existing Coal Cooperation Agreements (CCAs) will be honored by the Government, although any extension of existing CCAs will be through the issuance of an IUP. The Government of Indonesia further amended GR No. 23 of 2010 by issuing, among others, GR No. 24/2012 on February 21, 2012, and later by issuing GR No. 1/2014 dated January 11, 2014 and GR No. 77/2014 dated October 14, 2014, which regulate the transfer of 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 to find common ground for the extension of our CCA.

4) In September 2010, the MEMR issued **MR No. 17 of 2010** which provides the 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 have to be conducted with reference

Indonesian law allows for a range of mining licenses under which miners can work. See the table on page 48 for details of Adaro's mining assets and licenses.

to the benchmark price (Harga Batubara Acuan or HBA) issued by the government, and pricing beyond 12 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 the 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 MR No. 18 of 2008 regarding Reclamation and Post-Mining Activities. On February 28, 2014, the MEMR issued MR No. 07 of 2014 to replace MR No. 18 of 2008. MR No. 07/2014 states that a mining company is required to provide mine reclamation and post-mining guarantees, which may be in the form of a time deposit, bank guarantee, or accounting reserve, all of which have a duration corresponding to the reclamation schedule. We have submitted our mine closure plan, which was approved by MEMR on February 14, 2013. As of December 31, 2014, AI had placed reclamation guarantees in the form of performance bonds in the amount of Rp 58.3 billion (Rp 29.5 billion in 2013).

6) In August 2013, the MEMR issued **MR No. 25 of 2013** on the supply, use and trade of biofuel as an alternative energy source. This regulation requires coal companies to gradually blend biofuel with diesel fuel. We are monitoring the adoption of this regulation and its impact to our operations. We procure fuel for our operations that is already blended with biofuel. We have also developed a biofuel pilot plant together with Komatsu that 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 procedures for the determination of divestment price, as well as changes in capital investment for mineral and coal mining businesses. The provision that governs the changes in capital investment covers changes in investment and financing sources, changes in company status from foreign investment to domestic investment or vice versa, changes in the Articles of Association, changes in the Board of Directors and Commissioners, and changes in shareholders' composition. This regulation only applies to companies within the group with mining business permits. We are monitoring the adoption of this regulation and will ensure compliance.

Adaro aims to continue to fulfill the mandate and obligations of Indonesian law as part of the normal course of conducting our business. On September 18, 2014, AI entered into an MOU with the Indonesian government on the renegotiation of our CCA. This MOU was signed in the framework of the renegotiation process to adjust the CCA as mandated by Article 169 of Law No. 4 of 2009, which was preceded by an agreement on six strategic issues: (i) CCA area, (ii) the Continuation of Mining Operations, (iii) State Revenue, (iv) Obligations of Domestic Processing, (v) Obligations to Divest, and (vi) Use of Local Labor, Goods, and Domestic Services. AI has agreed to reduce its concession area to 31,379.80 hectares.

> Adaro aims to continue to fulfill the mandate and obligations of Indonesian law as part of the normal course of conducting our business.

Focused on Key Risks Across the Enterprise

Adaro is committed to managing risk in all our businesses through our Enterprise Risk Management (ERM) policy. This policy governs the risk appetite and risk management principles, roles and responsibilities, and behavior applied to all aspects of our business.

The following explain Adaro's views on risk, which drive our approach to risk management:

1) Avoid any situation that can negatively impact health, safety, the environment, and prevailing laws and regulations;

2) Minimize vulnerability to risk events which, while unlikely to occur, could have a significant impact, such as natural disasters, through insurance programs or incorporating a business continuity plan;

3) Take proactive measures to minimize risk levels in day-to-day operations by taking into account the costs and benefits;

4) Adaro's Board of Directors (BoD) has the authority to decide on new business initiatives based on their expected returns and value, subject to BoC approval. The BoD is also responsible for the successful delivery of those initiatives.

5) Adaro's BoD does not take speculative business initiatives with greater inherent risk, even though there is potential for higher returns.

Since May 2014, we have implemented our ERM policy in all of our strategic business units. Across these business units we have assigned 20 Risk Champions to be responsible for promoting and implementing ERM within their respective organizations. Employees at all levels within the Adaro Group are accountable for risk management initiatives, starting from the BoD to each division head and down to their entire staff.

We have embedded key ERM activities in all regular management cycles within the group, starting from the planning stage, to ensure the consistency and sustainability of its implementation.

- Planning: establishing 1-year and 5-year plans, budgeting;
- Monitoring: Regular monthly meetings by all SBUs; regular quarterly and annual meetings with the BoD; managing ongoing projects; strategic decision-making and improvement plans.

The risk map opposite summarizes identified risks as of December 2014 that Adaro's BoD and senior management monitor closely.

> We have embedded key Enterprise Risk Management activities in all regular management cycles within the group, starting from the planning stage, to ensure the consistency and sustainability of its implementation.

Adaro Risk Map

External Environment

Macroeconomic — Slower economic growth (energy demand growth) in Indonesia, China, India	🟦 ◀▶
Industry — Alternative energy (renewable energy, cheap energy)	🟩 ◀▶
Commodity Price — Coal price decline	🟥 ◀▶
Production Costs — Significant increase in fuel costs or strip ratio	🟦 ◀▶
Regulation — Unfavorable changes in regulation, such as tax/royalty, export quotas, production quotas	🟥 ▲
Government & External Relations — Social issues with local community	🟥 ◀▶
Human Threats — Security threats, including civil disturbance, hijacking, vandalism	🟩 ◀▶
Weather — Prolonged rain or drought, climate change, low water at river jetty	🟩 ◀▶
Natural Disasters — Flooding, earthquake, tsunami, severe storm	🟩 ◀▶
Joint Ventures — Sub-optimal capital investment, prolonged decision-making	🟦 ◀▶

Operational

Core value-generating activities, i.e. Mining Assets, Mining Services, Logistics, Power

Health, Safety and Environment — Workplace accidents, pandemics, inappropriate disposal of waste materials	🟥 ◀▶
Critical Materials — Non-availability of fuel, explosives or other critical materials, equipment and machines	🟦 ◀▶
Production Disruption — Intrusion into pit area, pit flooding, slippery roads, barge collision	🟦 ◀▶
Product Quality — Poor coal quality, delivery of contaminated or incorrect calorific-value product	🟦 ▲
Facilities and Infrastructure — Substandard roads, bridges, crushing plant, shallow river depth	🟥 ▲
Contractors — Poor performance of contractors, loss of major contractor	🟥 ◀▶
Capacity — Insufficient or excess production capacity	🟦 ◀▶
Operation Planning — Erroneous assumptions, coal blending management failures	🟦 ◀▶
Business Interruption — Disruption of coal supply chai: hauling road, Kelanis port, Barito channel	🟥 ◀▶
Land Availability — Inability to acquire and use land to support operations	🟥 ◀▶
Project Management — Project delays, overruns, quality below specification	🟦 ▲
Sales Effectiveness — Poor customer relationship or approach, poor marketing strategy	🟦 ◀▶
Reserves — Decreasing coal reserves threaten long-term operations	🟩 ◀▶

Support Functions

Human Resources — Skill shortages, dependency on key staff, high staff turnover, strikes	🟦 ◀▶
Governance — Damage to reputation, non-existence of governance elements.	🟦 ◀▶
Business Process — Failed process in operations and sales divisions	🟦 ◀▶
Financial — Poor liquidity, interest rate rise, foreign exchange loss, bad debt etc.	🟦 ◀▶
Information Technology — Unavailablity or inaccuracy of important information	🟩 ◀▶
Legal and Regulatory Compliance — Non-compliance with regulations, adverse lawsuits, breach of contract terms	🟥 ◀▶
Financial Reporting — Improper presentation (understatement/overstatement of figures) etc.	🟦 ◀▶

Risk Level: ⬛ Critical 🟥 High 🟦 Moderate 🟩 Low Risk trend: ▲ Increasing ▼ Decreasing ◀▶ Stable

Adaro's Key Risks and Mitigating Actions

We identified nine key risks with high level, and focused our efforts on mitigating those. We discussed and formulated mitigation plans with the direct involvement of senior management personnel. We also regularly monitor their progress and effectiveness.

The table that follows summarizes the nine key high-risk items and our mitigation plans for each of them.

1 Commodity Price: Fluctuations in commodity prices expose Adaro to the risk of lower margins.

The level of Commodity Price risks decreased even though coal prices declined further in 2014, as our pit-to-power business model remains resilient and enables us to maintain low production costs.

We secure long-term contracts using a mix of two-thirds fixed prices and one-third index-linked prices. Fixed-price contracts are set either quarterly or annually.

We also accelerated our plan to move downstream into power and become an Independent Power Producer (IPP) to create a market for our coal and reduce the impact of coal price volatility.

2 Regulations: Changes in rules and regulations impact Adaro's capacity to enter transactions, enforce contractual agreements, or implement specific strategies and activities.

The level of Regulation risks decreased as the new government's program to develop 35,000MW of new generating capacity in Indonesia in the next 5 years is in line with our strategy to develop our power business.

We proactively monitor the impact of new rules and regulations to minimize the impact on our operations.

We believe that we have exerted our best efforts to ensure that our operations have complied with the applicable law and regulations.

3 Government & External Relations: Lack of local community and local authority support could threaten the sustainability of our operations.

The level for Government & External Relations risk remained high. Our business is highly regulated and long-term oriented, making support from the government and the community a necessity.

We view our local communities as partners. We address the needs of the people affected by our operations through community development programs on health, education, economy, environment and socio-cultural issues. We also empower our employees to take part in our community-relation activities.

4 Health, Safety and Environment: Failure to provide a safe working environment for workers and activities that are harmful to the environment could expose Adaro to excess costs associated with compensation liabilities, loss of business reputation, or increased compensation insurance premiums.

The HSE risk level decreased from critical to high as our Quality, Health, Safety and Environment (QHSE) programs to mitigate risks have been successfully implemented. We continue to improve safety awareness through the Adaro Fatality Prevention Program (AFPP) and through education and training to build the competency of our workforce. Together with our contractors, we conduct regular site safety talks.

To improve our fuel loading and unloading operations, we plan a permanent fuel jetty. We have established standard operating procedures for fuel loading and unloading at Kelanis and Indonesia Bulk Terminal (IBT), which we closely monitor. Moreover, we require our contractors to implement Adaro's fuel management system.

Our geotechnical engineering team has established a system to ensure mining wall and disposal area design complies with standards.

We ensure that mine water from pit dewatering and surface run-off is treated properly in settling ponds before discharging it.

The health of our staff and the safety of their working environment are important in workplace risk management.

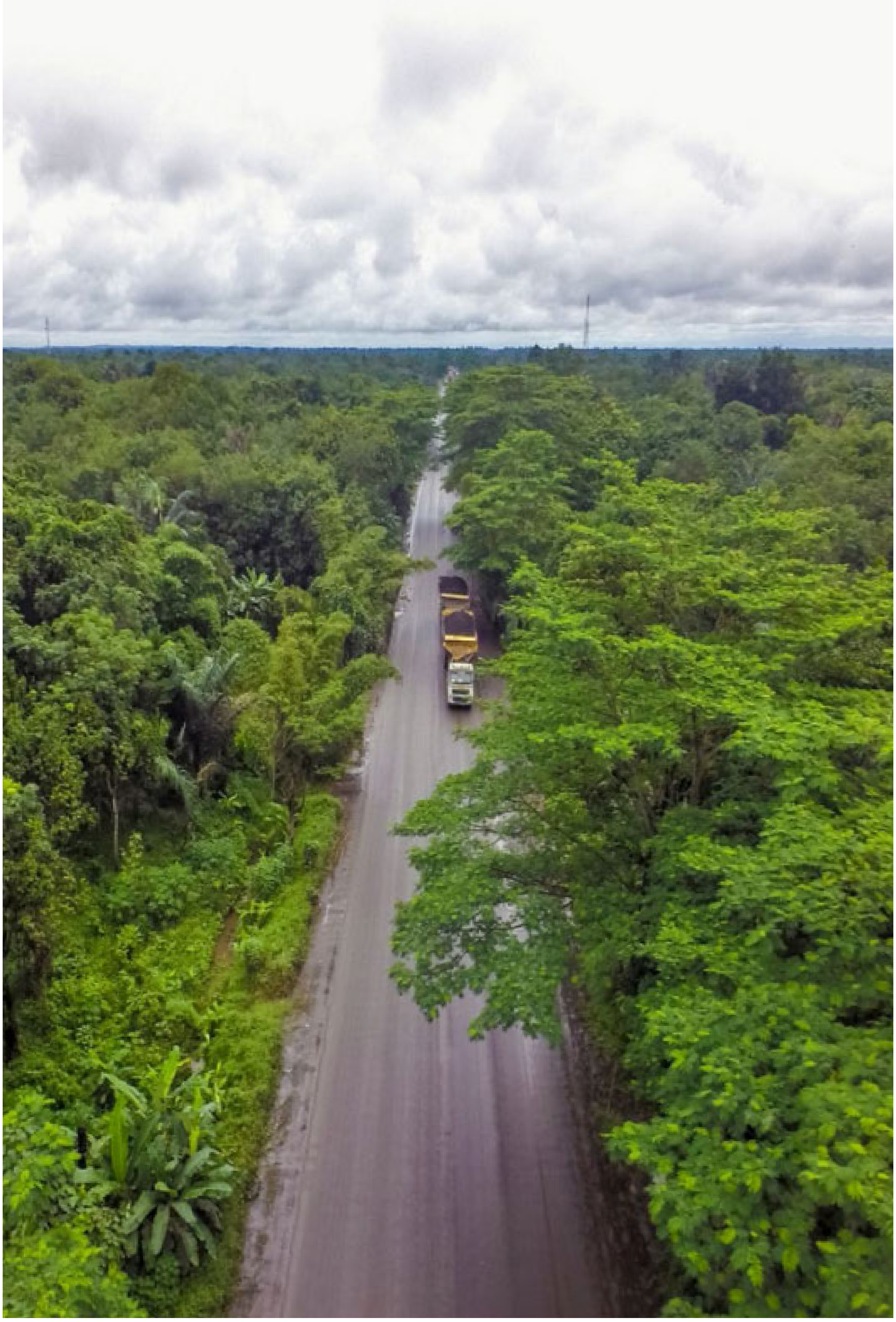
5 Facilities and Infrastructure: Inadequate facilities and infrastructure hinder effective support of operations in an efficient, cost-effective and well-controlled manner.

The level of Facility and Infrastructure risk remained at a high level. We increase production every year, and our existing facilities and infrastructure have almost reached their designed capacities. Infrastructure updates will be done as required.

We plan to increase the capacity of our main fuel storage facilities at Kelanis, and ensure that our fuel loading and unloading installations have sufficient capacity.

Our subsidiary, SDM, continues to dredge the Barito River channel to maintain sufficient channel depth for our barges.

Coal is delivered along our 80km dedicated haul road between AI's mining area and the Kelanis river port. Disruptions to our coal supply chain are a significant risk to be managed.



6 Contractors: Non-performing contractors may result in decreased productivity or quality, higher cost and damaged reputation/image.

The level of Contractor risk remained high. We continue to focus on improving the performance of our existing contractors. We are also improving our selection process for EPC contractors.

We have developed specific criteria for the selection of contractors and only choose qualified ones. We have also established an in-house project engineering team to review all the technical and engineering aspects of EPC contracts. This team will set up all the technical and engineering guidelines for our EPC contractors and monitor their work.

We engage several contractors for our pit-to-port coal supply chain operation. Some of our major contractors are our subsidiaries, such as SIS (overburden removal, coal production, and hauling activities) and MBP (coal barging and fuel transport).

7 Business Interruption: Disruption stemming from the unavailability of key facilities, infrastructure and information technologies threaten the company's capacity to continue operations.

The level for Business Interruption risk decreased from critical to high as we have developed a Business Continuity Management Plan (BCMP) for our mining operations. This will allow us to quickly respond to any significant events and normalize business activity at the earliest possible time.

We have developed an Emergency Response Team (ERT) stationed at Kelanis and the mine office as part of our BCMP, and we have a well-defined standard operating procedure to anticipate disruptions.

We plan to improve our fire and explosion detection and prevention system by engaging an independent consultant to do Fire and Explosion Risk Assessment of all critical facilities.

In addition to this, we have sufficient insurance coverage for all of our assets and business interruptions arising from the damage of those assets.

8 Land Availability: An increased number of legal issues regarding land and/or the inability to effectively manage legal risks can result in losses and lower profitability.

The level of Land Availability risk decreased from critical to high because we have implemented a land management program. We have since managed to resolve several issues on land acquisition for power projects and mining operations.

We established PT Adaro Persada Mandiri (APM) to develop an Adaro Land Management Information System that contains the latest progress on land acquisition, land locations, legal status, and land title certificates. We continue to improve and enhance the land parcel database system.

We negotiate directly with landowners to acquire land at fair market prices, and we work together with local community leaders to promulgate the benefits of Adaro's business plan to communities that will be affected.

9 Legal and Regulatory Compliance: Adverse lawsuits, inadequate contract clauses, non-compliance with regulations that expose Adaro to liabilities for damages, fines, legal fees, damaged reputation or other negative impacts.

We now rate Legal and Regulatory Compliance risk as high, as we put an emphasis on compliance with all applicable laws and regulations.

We have a dedicated legal team with excellent knowledge and experience in the mining, utilities and logistics industries. Our legal team assists in mitigating all risks related to legal and regulatory compliance. The team ensures each business activity complies with applicable laws and regulations. We also plan to establish a compliance assessment system to measure the status or progress of compliance.

OUR COMMUNITIES

IN THIS SECTION

The safety of our people is central to our operations, we wholeheartedly embrace sustainable environmental stewardship, and we give community empowerment a key role in building a good relationship between Adaro and its stakeholders.

Child health and education in the communities around our operations form the backbone of our activities in building shared value for stakeholders and ensuring that the areas we operate in are readied for the eventuality of life post-mining.

No Compromise on Superlative Standards

With a vision of becoming a leading Indonesian mining and energy group, Adaro has a strong commitment to continuously improve occupational health and safety standards as well as environmental standards in our operations. The safety of our people is central to our operations and we are relentless in striving to achieve our goal of zero harm. We are committed to embracing sustainable environmental stewardship and minimizing the environmental impact of our operations.

Our operations are subject to extensive occupational health, safety and environmental regulations and legislations which we are committed to comply with. In managing the Quality, Health, Safety and Environment (QHSE) aspect of our operations, we are driven by the following "Five Pillars":

Leadership commitment: Our commitment towards QHSE starts at the Board level and extends across all levels in the organization. QHSE responsibilities extend beyond QHSE departments. Everyone in Adaro must follow the QHSE policies and standards set by the Company.

Focus on controlling major risks: In operations as large and as complex as Adaro's, there are numerous QHSE risks that we have to be mindful of. We must therefore constantly focus our limited resources on mitigating major risks. Toward this end, we implement the Adaro Fatality Prevention Program (AFPP), which identifies and assesses major risks in each activity and establishes adequate controls on both the worker and supervisor sides.

Workforce education and training: We employ thousands of people across Adaro, including in our subsidiaries and contractors, and they are all exposed to significant occupational health and safety risks. We take it as our responsibility to educate and train all members of the team on how to work in a safe and healthy manner. New workers undergo a comprehensive safety induction class and field orientation before obtaining a permit to work in an Adaro project area. In addition, we also conduct safety induction sessions for visitors entering our operation sites.

Integrated QHSE management system: In order to effectively manage QHSE in our operations, we continuously develop and implement our integrated QHSE management system throughout the organization. This system conforms to international standards such as ISO 9001, ISO 14001 and OHSAS 18001.

The implementation of the management system ensures that each and every task within Adaro's operation is consistently performed following a standard procedure that is in line with company policies, and at the same time conforms to international standards.

During the year, the Group's QHSE division was able to complete the development of the integrated management system for Jasapower Indonesia (JPI) and the improvement of the mine water management system at AI. We have also started implementing the integrated management system at Makmur Sejahtera Wisesa (MSW), as well as the upgrading and updating of the QHSE management system for the coal-processing and barge-loading unit of AI.

In 2014, we initiated a QHSE corporate audit for AI's coal-processing and barge -loading management system. Audit findings are followed

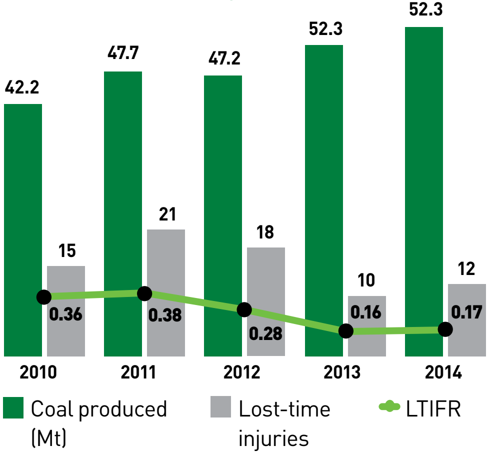
Careful planning and a permanent stress on safety mean emergencies at AI's mine site are rare, but the dedicated Emergency Response Team is continually drilled and ready.

up through a corrective action plan. Besides the Adaro corporate audit, we commissioned independent audit firm SGS to carry out a surveillance audit on the same unit to maintain the certification of the management system.

Another important part of AI's QHSE management is the establishment of "Adaropedia", a web-based information system which stores and displays HSE monitoring data and information.

Enforcement of QHSE Policies and Procedures: Each and every worker in Adaro and its subsidiaries must respect and follow QHSE policies and procedures. 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. We believe that without strong enforcement, efforts to achieve better QHSE performance will not be effective.

AI Lost-Time Injuries



Occupational Health and Safety

Safety performance, in terms of total recordable injuries, tells a story of progressive improvement. The implementation of safety initiatives in line with the QHSE Five Pillars has helped us identify major risks and ensured that adequate controls are well embedded in the working and supervising procedures to prevent accidents from taking place. We continue to work together with our major contractors and hold regular meetings with them and our management team to discuss QHSE issues and make strategic decisions. Since the ultimate responsibility for QHSE rests on Adaro, we insist that our contractors comply fully with our QHSE standards and procedures, and we dilligently monitor their compliance.

Our group-wide lost-time injury frequency rate (LTIFR) and severity rate (SR) were 0.18 and 122.8 for 2014, respectively. This means that there is 0.18 LTI for every one million work-

Five Pillars of QHSE

- Leadership commitment
- Focus on controlling major risks
- Workforce education and training
- Integrated QHSE management system
- Enforcement of QHSE policies and procedures

hours, while an SR of 122.8 indicates the number of days lost in one million work-hours. We achieved a 56% reduction in SR for AI compared to 2013.

The Ministry of Energy and Mineral Resources disclosed in its recent mine safety report that the average SR for Indonesian mining was 266.02. This shows that Adaro is performing better than most other mining companies in Indonesia in terms of safety. We are operating as one of the safer mining companies nationwide.

We will continue to target improvement in our safety performance, and renew and update our standards and procedures to try to achieve our goal of zero injuries. We are working together with the human resources department to design safety roles and responsibilities that will be part of site workers' performance indicators.

Environment

In our continuing effort to implement good mining practices, we do our best to balance the 3Ps — profit, planet and people — aspects of our operations. Our sector is subject to extensive environmental laws, regulations, and standards, alongside community and stakeholder expectations. We have carefully formulated and implemented a number of programs to manage and monitor the environmental impact of our operations.

In 2014, the government acknowledged our environmental efforts with several awards. For the fifth straight year, we received the Aditama award in coal mining environment management from the Ministry of Energy and Mineral Resources. We also received the PROPER Green award for the sixth time from the Ministry of Environment. A green rating signifies that Adaro fully complies with environmental regulatory requirements and excels in environmental management, conservation of resources and community development.

Mine water management

Our operation is located in a tropical region with high annual rainfall, and therefore large volumes of water must be managed from our coal mining activities. Mine water generated in AI's mining area comes from rainfall that flows into the open pits and runoff water from disturbed lands, such as overburden disposal areas. Most of the water from the pit and overburden disposal areas mixes with mud and must therefore be processed before being released back to the environment. AI ensures that the water discharged to rivers meets the quality standards set by the government. In

Scenes from Adaro's environmental management activities around AI's South Kalimantan mining operations. From left, our WTP T-300 water treatment plant; tree planting on post-mining areas; water settling ponds; water quality measurement; nurturing plants for use in rehabilitating post-mining areas; an aerial view of the nursery.

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. In 2014, we processed a total of 355 million cubic meters of mine water.

To strengthen our environmental management, we embarked on a mine water management systems improvement program in 2014. The improvement program made mine water management more conservative and rigorous in ensuring compliance with the prevailing regulations and good mining practices.

We use processed wastewater in place of fresh water for various needs in our operation, such as dust suppression along haul roads. Further, we process some of the waste water in a water treatment facility called WTP T-300, to produce clean water that is ready for use for domestic and industrial purposes. This facility reflects AI's commitment to the environment beyond regulatory compliance, since it creates value by producing clean, safe water from waste water.

This facility operates 14 to 15 hours per day, generating 1,100 m3 of water daily. 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 access to clean water a luxury.

Land reclamation

After mining activities are completed, we carry out progressive reclamation for affected land by planting trees. This is to create a new and green environment following an agreed upon land use plan. During the year, we reclaimed 212 hectares of ex-mining areas from a total target of 198 hectares. AI is also cultivating freshwater fish, poultry and cattle in the reclamation area to demonstrate integrated farming in an ex-mining area.

Energy preservation

We comply with government regulations regarding the use of biodiesel in our operations, 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 natural resources industries, to use a portion of biodiesel in their operations. AI is at the forefront of mining companies implementing the use of B-10 diesel fuel, which contains 10% biofuel. With annual diesel consumption close to 700 million liters, AI replaced 70 million liters of diesel with biodiesel.

Empowering Lives Wherever We Work

Community empowerment plays a key role in building a good relationship between Adaro and its stakeholders. We believe that creating shared value is in line with our commitment to good corporate governance and to achieve our vision of becoming a leading Indonesian mining and energy group.

In implementing community development programs, Adaro is guided by the Millennium Development Goals (MDGs) established by the World Bank. We carefully balance economic, environmental and social considerations in all our activities to ensure they deliver positive and significant impacts that extends beyond financial benefits.

In order to carry out the Group's social investment activities more efficiently, we established Yayasan Adaro Bangun Negeri (YABN), the Adaro Bangun Negeri Foundation. YABN collaborates with well-respected community organizations and local residents in carrying out its mission.

We invest in developing and maintaning five main social programs: educational development, economic development, health improvement, environment protection and socio-cultural promotion.

Throughout 2014, we invested a total of US$5.72 million for these programs.

We remain committed to creating shared value despite the cyclical downturn affecting the coal sector in recent years, as it is in line with our long-term objective of creating maximum sustainable value from Indonesian coal.

Our Community Empowerment Programs

Educational Development

We believe that improving educational quality is critical for the success of future generations. Some of our main progams include providing scholarships and mobile libraries, as well as improving school infastructure.

In one program, we have seen encouraging results. A forum was held involving students, parents, teachers and headmasters, to discuss science projects that make use of local resources. Stemming from this forum, two groups of high school students from Murung Pudak Vocational School in Tanjung successfully generated electricity from rubber sand, and they will compete in the National Science Olympiad in 2015.

Health Improvement

We aim to improve community health care though various programs in line with the MDGs as well as targets set by the government. One of our main projects is the Community-Based Total Sanitation (CLTS) program. This was conceptualized after we found that in 2012 there were 9,492 diarrhea cases in the Tabalong district in South Kalimantan, the location of AI's mining operations, and that 17,000 households in the area practice open defecation.

To encourage housewives to be health care cadres and promote the Stop Open Defecation Program (SODP), we work closely with women's organizations and the Family Welfare Movement (PKK). We trained 40 cadres from eight villages through workshops, and they now work with the regional health department. After we started this program, three villages in Tabalong were declared Open Defecation-Free (ODF) in 2013. In 2014, another five villages in Tabalong (2,893 households) and two in the East Barito district (575 households) were declared ODF. Our target is to have 17,000 ODF households by 2019.

Economic Development

Economic development is essential to create independent post-mine communities. Our CLTS program can create multiple benefits in the areas of health improvement, economic development, educational development and socio-cultural development. We collaborate with local youth organizations and empower them to be sanitation entrepreneurs. Around 270 youth received our professional sanitation marketing training in 2014.

As the demand for better facilities increased, we encouraged the establishment of APPSANI (a sanitation organization) in Tabalong and Balangan to fulfill the need for proper, affordable sanitation. APPSANI has installed 323 sanitation facilities for villagers, generating revenue of US$43,000 and a net profit of US$17,150 in 2014.

Environment Protection

In 2014, we continued bamboo planting to halt land degradation along the rivers in the Tabalong and Balangan districts. YABN plays a key role in educating and training local communities on the economics and environmental benefits of bamboo planting. In 2015, we plan to provide 5,000 seeds and the location to plant bamboo trees, and form two groups at Tabalong and Balangan districts so that this program can run sustainably.

Socio-Cultural Development

We aim to cultivate a good relationship with local communities by preserving and developing their traditional culture. The Tabalong Ethnic Festival, held annually for the past three years, is expected to be one of country's tourist attractions as it showcases the richness of Tabalong culture through dance, food, traditional costumes and cultural heritage. It has benefited the Tabalong community by strengthening its traditional culture and providing economic benefits.

Above: Murung Pudak Vocational School students in experimental science class. Stemming from a science forum organized by Adaro, students will go on to compete in the National Science Olympiad in 2015.

Below: An example of small businesses that our economic development program has helped to nurture.

OUR INVESTORS

IN THIS SECTION

We believe that good, clear and credible communication will build trust and understanding with investors, resulting in maximum value for shareholders.

Adaro's commissioners and directors at the company's annual general meeting of shareholders in 2014. The meeting approved a dividend of US$75 million.

Surviving a Year of Macro Pressures

Adaro held its Initial Public Offering (IPO) on July 16, 2008 to simplify the corporate structure into a single holding company and strengthen its coal supply chain. The IPO raised Rp11.8 trillion in net proceeds and saw 32 billion shares listed on the Indonesian Stock Exchange (IDX). The proceeds were entirely spent as of May 29, 2009. The company's management reported this to its shareholders during the Annual General Meeting of Shareholders (AGMS) on June 3, 2009.

Adaro is constantly seeking to attract like-minded and supportive shareholders, looking not just for investors but for partners in the capital markets to help build a great company.

Adaro had 16,071 shareholders by the end of 2014, a slight decrease from 16,143 at the end of 2013. PT Adaro Strategic Investment remained the biggest shareholder with a 43.91% stake.

Although Adaro is actively targeting domestic institutions and investors, foreign ownership increased by 17% year-on-year. Total shares held by the public reached 35%. BPJS Ketenagakerjaan and Singapore's GIC were the biggest public shareholders with 3.11% and 1.40%, respectively.

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%**

Shareholders by Type

ADRO shareholders at Dec 31, 2014	Total no. of shareholders	Share (%)
Domestic		
Retail	14,708	18.19
Corporation	300	53.64
Pension Fund	152	2.64
Foundation	16	0.09
Co-operative	5	0.02
Sub-Total	**15,181**	**74.59**
Foreign		
Retail	110	0.06
Corporation	780	25.35
Sub-Total	**890**	**25.41**
TOTAL	**16,071**	**100.00**

Key Shareholders

ADRO shareholders at Dec 31. 2014	No. of shares	% of total
Corporate		
Adaro Strategic Investment	14,045,425,500	43.91
Saratoga Investama Sedaya	1,560,274,770	4.88
Trinugraha Thohir	209,419,470	0.65
Triputra Investindo Arya	55,085,197	0.17
Persada Capital Investama	13,737,000	0.04
Subtotal	**15,883,941,937**	**49.65**
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
Subtotal	**2,211,159,094**	**6.91**
BOD Members		
Garibaldi Thohir	1,976,632,654	6.18
Sandiaga S, Uno	640,838,202	2.00
Chia Ah Hoo	8,413,500	0.03
Subtotal	**2,625,884,356**	**8.21**
TOTAL	**20,720,985,387**	**64.77**

Largest Public Shareholders

Rank	Top 20 shareholders of ADRO at Dec. 31, 2014	Total no. of shares	% of total
1	BPJS Ketenagakerjaan-JHT	994,948,000	**3.11**
2	GIC S/A Government of Singapore	449,242,996	**1.40**
3	Credit Suisse AG Singapore Trust A/C Clients-2023904000	448,538,300	**1.40**
4	Korea Electric Power Corporation	384,000,000	**1.20**
5	Dimensional Emerging Markets Value Fund	252,188,700	**0.79**
6	BBH Boston S/A Vangrd Emg Mkts Stk Infd	232,928,680	**0.73**
7	PT Taspen (Persero) - THT	171,409,000	**0.54**
8	GSCO-Adcorp Holdings	148,077,573	**0.46**
9	BBH Luxembourg S/A Fidelity Fd, Sicav-Indonesia Fd	114,133,000	**0.36**
10	SSB OBIH S/A Ishares MSCI Emerging Markets ETF-2144609616	112,040,900	**0.35**
11	Saudi Arabian Monetary Agency	112,011,500	**0.35**
12	SSB 1Ba9 ACF MSCI Equity Index Fund B-Indonesia - 2144609619	109,249,100	**0.34**
13	JPMorgan Bank Luxembourg Sa. Re JPMorgan - 2157804021	107,466,500	**0.34**
14	UBS AG Singapore Non-Treaty Omnibus Account - 2091144090	104,173,100	**0.33**
15	United Harmony Investments Limited	100,000,000	**0.31**
16	Korea South-East Power Corporation	96,000,000	**0.30**
17	Morgan Stanley & Co Intl Plc - IPB Client Account	92,143,181	**0.29**
18	Boston Trilogy Investment Funds Plc - 2144607573	85,772,315	**0.27**
19	Abu Dhabi Investment Authority	85,320,318	**0.27**
20	JPMCB-Vanguard Total Interntnl Stock Index Fund -2157804327	83,139,052	**0.26**

Indonesian Stocks in 2014

The year 2014 was characterized by slower growth, a wait-and-see approach due to the presidential election, and a declining oil price. However, The Jakarta Composite Index (JCI) showed an encouraging 22% increase to 5,227 points on Dec. 31, 2014, from 4,274 at the end of 2013. The total stock market capitalization by the end of the year amounted to Rp4,930 trillion, up 17% from Rp4,219 trillion at the end of 2013. On September 8, 2014, the index hit a record high of Rp5,246, and hit its lowest level of Rp4,175 on January 7, 2014.

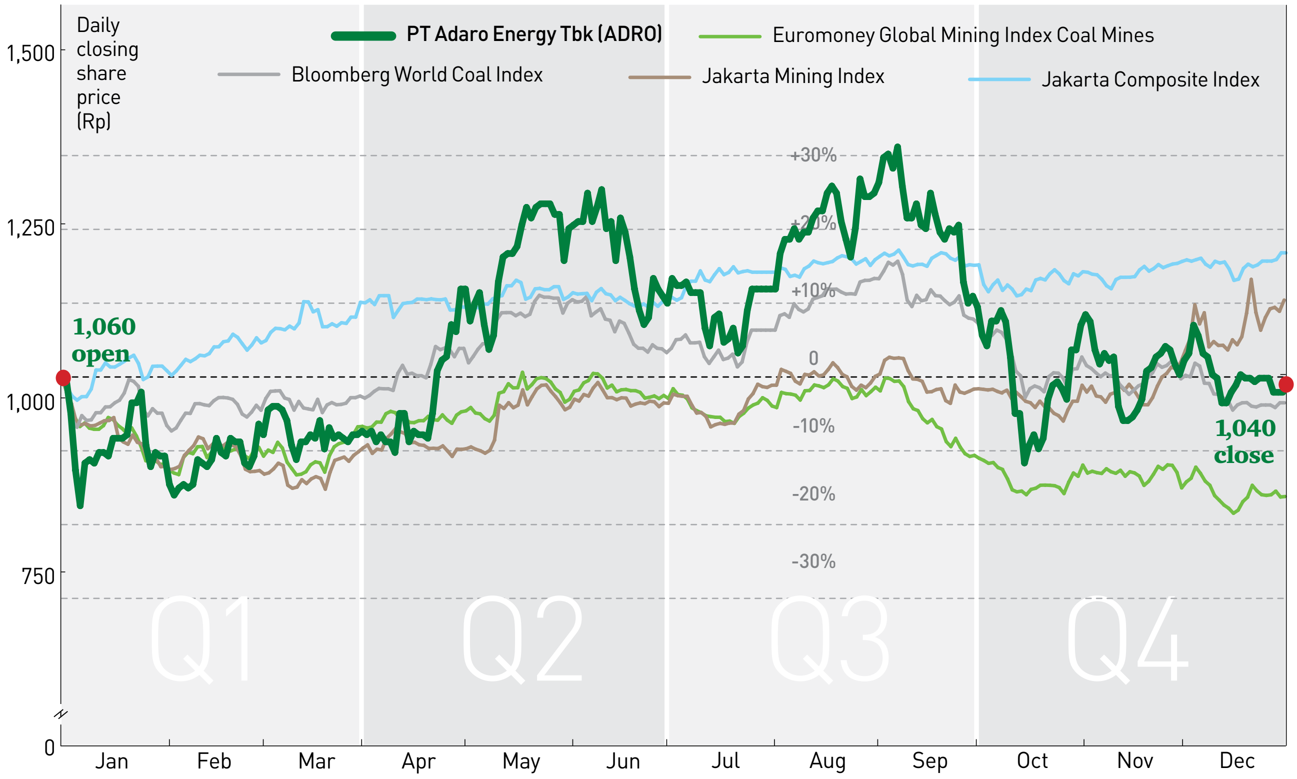
ADRO performance: Adaro Energy's share price closed at Rp1,040 on December 30, 2014, a 5% decrease compared to Rp1,090 at the end of 2013. It reached its highest level of Rp1,385 on September 8 and lowest level of Rp880 on January 7.

Our operations ran well due to our resilient business model, which allowed us to remain among the lowest-cost coal producers in 2014. However, the lower global coal price had an effect on all Indonesian coal mining companies, including Adaro.

Adaro Energy's market capitalization reached its lowest point of Rp28.15 trillion at the beginning of 2014, but ended the year with a market capitalization of Rp33.3 trillion, a 4% decrease from Rp34.7 trillion at the end of 2013.

Adaro Energy contributed 1.49% to the total market capitalization of JCI constituents, and we remained one of Indonesia's largest listed mining companies. Adaro shares are consistently included in various indices besides the JCI in the IDX, namely the Main Board Index, Mining Index, Jakarta Islamic Index, LQ45, Kompas 100, Bisnis-27 and SRI-Kehati.

ADRO Share Price 2014 vs Selected Indexes



See the next page for a full list of analysts covering Adaro's stock and how they see the price moving.

ADRO Quarterly Share Price 2013-2014

	2013				2014			
	Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Open	1,590	1,310	860	900	1,060	985	1,165	1,160
Highest	1,770	1,370	1,030	1,250	1,060	1,325	1,385	1,160
Lowest	1,250	750	640	890	880	955	1,095	940
Close	1,310	860	900	1,090	980	1,175	1,175	1,040

Market Capitalization

	2014		2013	
Rp	**Share price**	**Market capitalization**	**Share price**	**Market capitalization**
Open	1,060	33,905 trillion	1,590	55,656 trillion
Highest	1,385	44,301 trillion	1,770	55,975 trillion
Lowest	880	28,148 trillion	640	20,791 trillion
Yearend	1,040	33,265 trillion	1,090	34,865 trillion

ADRO vs International Indices

	Open on July 16, 2008	**Open on Jan 2, 2014**	**Close on Dec 30, 2014**	**% Change Jan-Dec 2014**
ADRO	**1,100**	**1,060.00**	**1,040.00**	**-2**
JCI	2,215	4,327.27	5,226.95	**21**
DJIA	10,963	16,441.35	17,823.07	**8**
S&P 500	1,245	1,831.98	2,058.90	**12**
FTSE 100	5,172	6,717.91	6,566.09	**-2**
NIKKEI	12,755	15,908.88	17,450.77	**10**
JAKMINE	2,215	1,419.13	1,369.00	**-4**
Bloomberg Mining	405	222.47	198.15	**-11**
Bloomberg Coal	903	239.18	264.75	**11**
HSBC Mining	5,172	873.28	694.82	**-20**
HSBC Coal	12,755	665.61	566.75	**-15**

SHAREHOLDER INFORMATION

AE is covered by at least 26 analysts from domestic and international brokerages, among the highest number in the Indonesian coal sector. At end-2014, we had a Bloomberg consensus rating of 3.48 out of 5, consisting of 8 buys, 15 holds and 2 sells.

Recommendations of Analysts Covering Adaro

Firm	Analyst	Recommends	Target price	Date
Samuel Equity Research	Todd Showalter	Buy	**1,100**	19 Mar 15
Goldman Sachs	Nikhil Bhandari	Neutral	**970**	18 Mar 15
Panin Sekuritas	Fajar Indra	Buy	**1,100**	13 Mar 15
Bahana	Arandi Nugraha	Reduce	**900**	12 Mar 15
Danareksa	Stefanus Darmagiri	Buy	**1,280**	11 Mar 15
Barclay's	Ephrem Ravi	Neutral	**1,100**	11 Mar 15
Deutsche Bank	Albert Saputro	Buy	**1,360**	11 Mar 15
Credit Suisse	Ami Tantri	Neutral	**1,000**	11 Mar 15
JP Morgan	Lydia Toisuta	Neutral	**1,100**	11 Mar 15
Ciptadana	Andre Varian	Hold	**915**	11 Mar 15
Mandiri Sekuritas	Ariyanto Kurniawan	Neutral	**1,000**	9 Mar 15
Maybank	Isnaputra Iskandar	Buy	**1,400**	24 Feb 15
Morgan Stanley	Wee Kiat-Tan	Equal-Weight	**985**	30 Jan 15
BNP Paribas	Ghee Peh	Hold	**1,100**	20 Jan 15
BAML	Andi Hadiwidjojo	Neutral	**1,075**	14 Jan 15
CIMB	Erindra Krisnawan		**1,315**	11 Dec 14
Sucorinvest Central Gani	Andy Wibowo Gunawan	Buy	**1,310**	1 Dec 14
CLSA	Abdullah Hashim	Underperform	**1,170**	14 Nov 14
AmCapital Indonesia	Vieviet S Putri	Hold	**1,460**	10 Nov 14
RHB	Shekhar Jaiswal	Neutral	**1,250**	3 Nov 14
Citi Group Securities	Ferry Wong	Neutral	**1,025**	31 Oct 14
Eva Dimensions	Neil Fonseca	Overweight	**-**	8 Sep 14
Onix Sekuritas	Bagus Hananto	Hold	**1,200**	29 Aug 14
Macquaire	Stanley Liong	Outperform	**1,255**	6 Aug 14
BNI securities	Yasmin Soulisa	Hold	**1,230**	24 Jul 14
Kresna Graha Sekurindo	Devinna Kristanto	Hold	**1,250**	13 Jun 14
Average			**1,154**	

Dividend Policy and Payment

According to Adaro's Articles of Association, if the company books a net profit, then Adaro may distribute dividends to its shareholders upon the recommendation of the Board of Directors after obtaining approval from the AGMS.

Adaro will declare dividends with respect to: 1) The operating income, cash flow, capital adequacy and the financial condition of Adaro and its subsidiaries with regard to reaching optimum growth in the future; 2) The required fulfillment of reserve funds; 3) Adaro and its subsidiaries' obligations based on agreements with third parties (including creditors); 4) Compliance with prevailing laws and regulations and AGMS approval.

We are committed to pay a cash dividend every year. The interim dividend can be paid based on the Board of Directors' decision after having obtained approval from the Board of Commissioners.

2014 dividends: The 2014 Adaro AGMS approved a total dividend payment of US$75.16 million, equivalent to 32.51% of the 2013 fiscal year net profit, which was reduced by net profit attributable to non-controlling interests for the year ended December 30, 2013. This amount includes the interim cash dividend payment of US$39.98 million on January 16, 2014. The final dividend payment of US$35.18 million was paid in rupiah on June 12, 2014, using the Indonesia Central Bank middle rate of Rp11,740/US$. On Dec. 2, 2014, Adaro's Board of Directors and Board of Commissioners approved an interim cash dividend payment for the 2014 fiscal year in the amount of US$30million. The dividend payment was made on January 16, 2015.

Dividend Distribution 2012-2014

Fiscal year	**2014**	**2013**	**2013**	**2012**	**2012**	**2012**
Type of dividend	**Interim**	**Final**	**Interim**	**Final**	**Interim**	**Interim**
Net Income	-	US$231,230,000		US$383,306,700	-	-
Date of announcement	5-Dec-14	25-Apr-14	5 Dec 13	26 Apr 13	5 Dec 12	7 May 12
Media placement	IFT & IDI	IFT & Republika	IFT, Republika	IFT, Republika	IFT, Republika	IDI, Republika
Cum-dividend date (regular & negotiated market)	24-Dec-14	26-May-14	24 Dec 13	29 May 13	26 Dec 12	29 May 12
Cum-dividend date (cash market)	2-Jan-15	2-Jun-14	2 Jan 14	3 Jun 13	2 Jan 13	1 Jun 12
Ex-dividend date (regular & negotiated market)	29-Dec-14	28-May-14	27 Dec 13	30 May 13	27 Dec 12	30 May 12
Ex-dividend date (cash market)	5-Jan-15	3-Jun-14	3 Jan 14	4 Jun 13	3 Jan 13	4 Jun 12
Recording date (DPS)	2-Jan-15	2-Jun-14	2 Jan 14	3 Jun 13	2 Jan 13	1 Jun 12
Distribution date	16-Jan-15	12-Jun-14	16 Jan 14	12 Jun 13	15 Jan 13	12 Jun 12
Dividend per share	US$0.00094	US$0.0011	US$0.00125	US$0.00126	US$0.0011	US$0.00130
Number of shares	31,985,962,000	31,985,962,000	31,985,962,000	31,985,962,000	31,985,962,000	31,985,962,000
Dividend amount	US$30,066,804	US$35,184,558	US$39,982,453	US$40,302,312	US$35,184,558	US$41,581,751
Total dividends for year	-	US$75,167,010	-	US$117,068,620	-	-
Dividend payout ratio	-	32.51%	-	30.38%	-	-

OUR FINANCES

IN THIS SECTION

One of our strategies to get through cyclical downturns is to maintain strong balance sheets and flexible liquidity by preserving cash and reducing debt. Having large cash holdings acts as a buffer against potential further downturns.

A planning meeting at AI's site offices in South Kalimantan. The core of our business remains coal mining, and attention to costs and logistics in planning mining activities is essential in ensuring consistently strong results.

PT ADARO ENERGY Tbk AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2014 AND 2013

BOARD OF DIRECTORS' STATEMENT REGARDING THE RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013 AND AS AT 1 JANUARY 2013

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

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ENAM RIBU RUPIAH

Garibaldi Thohir
President Director

David Tendian
Director

JAKARTA
27 February 2015

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 2014, 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 2014, and their financial performance and cash flows for the year then ended in accordance with Indonesian Financial Accounting Standards.

JAKARTA
27 February 2015

Yanto, S.E., Ak., M.Ak., CPA
Licence of Public Accountant No. AP.0241

Nomor Izin Usaha: KEP-151/KM.1/2010.
A150227018B/DC2/YAN/I/2015

PT ADARO ENERGY Tbk AND SUBSIDIARIES **Schedule 1/1**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014, 31 DECEMBER 2013 AND 1 JANUARY 2013

(Expressed in thousands of US Dollars, except for par value and share data)

	Notes	31 December 2014	31 December 2013*	1 January 2013*
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	6	745,248	680,904	500,368
Restricted cash in bank and time deposits - current portion	7	-	389	-
Trade receivables - third parties	8	285,560	309,565	474,013
Inventories	10	96,743	102,747	64,487
Prepaid taxes - current portion	36a	80,452	186,716	142,906
Recoverable taxes - current portion	36b	45,779	10,875	89,266
Other receivables - third parties		1,606	1,980	11,205
Loans to third parties	16	-	16,670	36,670
Loan to a related party	37b	-	40,233	44,562
Derivative financial instruments		-	1,379	-
Advances and prepayments - current portion	9	15,656	18,469	46,062
Other current assets		588	952	4,336
Total current assets		1,271,632	1,370,879	1,413,875
NON-CURRENT ASSETS				
Restricted cash in bank and time deposits - non-current portion	7	1,166	601	801
Investment in associates and joint ventures	13	395,626	402,021	393,647
Advances and prepayments - non-current portion	9	52,641	68,170	88,157
Prepaid taxes - non-current portion	36a	47,473	-	-
Recoverable taxes - non-current portion	36b	-	12,301	15,451
Exploration and evaluation assets	11	213	111	570
Mining properties	14	2,098,603	2,186,801	1,927,467
Fixed assets	12	1,616,603	1,705,799	1,769,016
Goodwill	15	903,553	920,296	1,022,173
Deferred tax assets	36e	4,539	8,694	8,340
Other non-current assets		21,599	20,278	9,951
Total non-current assets		5,142,016	5,325,072	5,235,573
TOTAL ASSETS		6,413,648	6,695,951	6,649,448

* As restated (refer to Note 3)

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 2014, 31 DECEMBER 2013 AND 1 JANUARY 2013

(Expressed in thousands of US Dollars, except for par value and share data)

	Notes	31 December 2014	31 December 2013*	1 January 2013*
LIABILITIES AND EQUITY				
LIABILITIES				
CURRENT LIABILITIES				
Trade payables	17	351,145	326,987	352,675
Dividends payable	30	30,067	39,983	35,185
Accrued expenses	19	26,887	44,836	35,539
Taxes payable	36c	47,744	37,468	40,637
Royalties payable	18	44,786	117,022	128,392
Current maturity of long-term borrowings:				
- Finance lease payables	22	32,249	32,289	31,643
- Bank loans	23	160,522	155,577	268,408
Loans from a third party	20	15,541	-	-
Derivative financial instruments	21	61,864	-	1,979
Other liabilities		3,790	19,517	4,765
Total current liabilities		774,595	773,679	899,223
NON-CURRENT LIABILITIES				
Long-term borrowings, net of current maturities:				
- Finance lease payables	22	74,322	47,511	58,819
- Bank loans	23	1,613,437	1,195,541	1,298,082
Senior Notes	24	-	789,870	788,530
Derivative financial instruments		-	-	467
Deferred tax liabilities	36e	574,855	631,734	581,825
Non-trade related party payables		-	-	500
Retirement benefits obligation	25	53,153	43,068	34,281
Provision for mine reclamation and closure	26	65,138	40,355	16,211
Total non-current liabilities		2,380,905	2,748,079	2,778,715
TOTAL LIABILITIES		3,155,500	3,521,758	3,677,938
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	27	342,940	342,940	342,940
Additional paid-in capital, net	28	1,154,494	1,154,494	1,154,494
Retained earnings	29	1,309,707	1,196,797	1,043,117
Other comprehensive loss	2i	(40,707)	(10,256)	(5,125)
Total equity attributable to owners of the parent		2,766,434	2,683,975	2,535,426
Non-controlling interests	31	491,714	490,218	436,084
Total equity		3,258,148	3,174,193	2,971,510
TOTAL LIABILITIES AND EQUITY		6,413,648	6,695,951	6,649,448

* As restated (refer to Note 3)

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements

PT ADARO ENERGY Tbk AND SUBSIDIARIES **Schedule 2/2**

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013
(Expressed in thousands of US Dollars, except for basic and diluted earnings per share)

	Notes	2014	2013*
Revenue	32	3,325,444	3,285,142
Cost of revenue	33	(2,605,444)	(2,540,984)
Gross profit		720,000	744,158
Operating expenses	34	(159,734)	(173,089)
Other expenses, net	35	(66,713)	(31,812)
Operating income		493,553	539,257
Finance income		25,260	16,139
Finance costs		(189,717)	(116,582)
Share in net loss of associates and joint ventures	13	(3,736)	(14,558)
		(168,193)	(115,001)
Profit before income tax		325,360	424,256
Income tax expense	36d	(141,820)	(192,259)
Profit for the year		**183,540**	**231,997**
Other comprehensive income/(loss) for the year, net of tax			
Exchange difference due to financial statements translation		(4,082)	(7,006)
Share of other comprehensive income of associates and joint ventures		(310)	597
Effective portion of (losses)/gains on hedging instruments designated as cash flow hedges	36d	(52,044)	4,066
Related income tax benefit/(expense) on other comprehensive income	36d	23,419	(1,509)
Total other comprehensive loss for the year, net of tax		(33,017)	(3,852)
Total comprehensive income for the year		**150,523**	**228,145**
Profit for the year attributable to:			
Owners of the parent		178,162	233,965
Non-controlling interests	31	5,378	(1,968)
Profit for the year		183,540	231,997
Total comprehensive income for the year attributable to:			
Owners of the parent		147,711	228,834
Non-controlling interests	31	2,812	(689)
Total comprehensive income for the year		150,523	228,145
Earnings per share attributable to the owners of the parent	38		
- basic		0.00557	0.00731
- diluted		0.00518	0.00681

* As restated (refer to Note 3)

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 2014 AND 2013

(Expressed in thousands of US Dollars)

		Attributable to owners of the parent									
						Other comprehensive income					
				Retained earnings							
	Notes	**Share capital**	**Additional paid-in capital, net**	**Appropriated**	**Unappropriated**	**Foreign currency translation**	**Share of other comprehensive income of associates and joint ventures**	**Cash flow hedges**	**Total**	**Non-controlling interests**	**Total equity**
Balance as at 1 January 2013 before restatement		342,940	1,154,494	43,235	1,023,426	(2,988)	(287)	(1,850)	2,558,970	436,084	2,995,054
Impact of adoption of IFAS No. 29	3	-	-	-	(23,544)	-	-	-	(23,544)	-	(23,544)
Balance as at 1 January 2013*		342,940	1,154,494	43,235	999,882	(2,988)	(287)	(1,850)	2,535,426	436,084	2,971,510
Total comprehensive income for the year*		-	-	-	233,965	(8,285)	597	2,557	228,834	(689)	228,145
Appropriation of retained earnings	29	-	-	3,853	(3,853)	-	-	-	-	-	-
Payment of dividends	30, 31	-	-	-	(80,285)	-	-	-	(80,285)	(705)	(80,990)
Acquisition and addition of subsidiaries in the year	31	-	-	-	-	-	-	-	-	55,528	55,528
Balance as at 31 December 2013*		342,940	1,154,494	47,088	1,149,709	(11,273)	310	707	2,683,975	490,218	3,174,193
Total comprehensive income for the year*		-	-	-	178,162	(1,516)	(310)	(28,825)	147,711	2,812	150,523
Appropriation of retained earnings	29	-	-	2,312	(2,312)	-	-	-	-	-	-
Payment of dividends	30, 31	-	-	-	(65,252)	-	-	-	(65,252)	(1,032)	(66,284)
Addition and deduction of subsidiaries in the year	31	-	-	-	-	-	-	-	-	(284)	(284)
Balance as at 31 December 2013*		342,940	1,154,494	49,400	1,260,307	(12,789)	-	(27,818)	2,766,434	491,714	3,258,148

* As restated (refer to Note 3)

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements

PT ADARO ENERGY Tbk AND SUBSIDIARIES **Schedule 4/1**

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013
(Expressed in thousands of US Dollars)

	2014	2013
Cash flows from operating activities		
Receipts from customers	3,342,921	3,439,590
Payments to suppliers	(1,988,783)	(2,002,640)
Payments to employees	(131,744)	(131,974)
Receipts of finance income	25,260	10,377
Payments of royalties	(396,338)	(235,267)
Payments of income taxes	(182,635)	(259,831)
Receipts on income tax refund	88,726	12,571
Payments of interest and finance costs	(164,298)	(104,597)
Other payments, net	(1,003)	(6,484)
Net cash flows provided from operating activities	592,106	721,745
Cash flows from investing activities		
Purchase of fixed assets	(55,226)	(136,397)
Proceeds from disposal of fixed assets	5,086	15,087
Purchase of additional investment in associates	(9,750)	(17,426)
Proceeds from sales of investment in associate	25,130	-
Receipt from repayment of loan to a related party	40,233	-
Receipt from repayment of loan to third parties	16,670	20,000
Payment for addition of mining properties	(48,054)	(43,805)
Payment for addition of exploration and evaluation assets	(102)	(37)
Net cash outflow from acquisition of subsidiaries	-	(20,949)
Net cash flows used in investing activities	(26,013)	(183,527)
Cash flows from financing activities		
Payments of loan related costs	(22,762)	(10,556)
Proceeds from bank loans	1,156,000	380,000
Repayments of bank loans	(729,249)	(594,000)
Loans from a third party	15,541	-
Payments of dividends to the Company's shareholders	(75,168)	(75,487)
Payments of dividends to non-controlling interests	(1,032)	(705)
Receipt of capital injection from non-controlling interests	219	444
Transfer to restricted cash in bank and time deposits	(176)	(189)
Payments of finance lease payables	(39,694)	(31,007)
Redemption of Senior Notes	(800,000)	-
Net cash flows used in financing activities	(496,321)	(331,500)
Net increase in cash and cash equivalents	69,772	206,718
Cash and cash equivalents at the beginning of the year	**680,904**	**500,368**
Effect of exchange rate changes on cash and cash equivalents	(5,428)	(26,182)
Cash and cash equivalents at the end of the year (refer to Note 6)	745,248	680,904

Refer to Note 40 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2014 AND 2013
(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 2014 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 Siswanto Prawiroatmodjo

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2014 AND 2013
(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 2014 and 2013 was as follows:

Chairman	:	Ir. Palgunadi Tatit Setyawan
Members	:	Prof. Dr. Ir. Irwandy Arif, MSc Mamat Ma'mun, SE.

As at 31 December 2014, the Company and its subsidiaries had 7,345 permanent employees (2013: 6,523 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 2014 and 31 December 2013, 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)	
				2014	2013	2014	2013
Directly owned subsidiaries							
PT Alam Tri Abadi ("ATA") a) d)	Trading and services	Indonesia	2007	100%	100%	6,800,071	7,158,023
PT Saptaindra Sejati ("SIS")	Mining services	Indonesia	2002	100%	100%	559,574	522,523
Indirectly owned subsidiaries							
PT Adaro Indonesia ("Adaro") d)	Mining	Indonesia	1992	100%	100%	2,615,232	2,874,457
PT Dianlia Setyamukti ("Dianlia") d)	Investment	Indonesia	-	100%	100%	37,821	38,513
PT Jasapower Indonesia ("JPI") a)	Mining services	Indonesia	-	100%	100%	271,697	278,436
PT Biscayne Investments ("Biscayne")	Investment	Indonesia	-	100%	100%	127	33,568
PT Indonesia Bulk Terminal ("IBT")	Terminal handling services	Indonesia	1997	100%	100%	92,641	91,625
PT Adaro Persada Mandiri ("APM") a)	Services	Indonesia	2006	100%	100%	49,414	37,151
Arindo Holdings (Mauritius) Ltd. ("Arindo Holdings") a)	Investment	Mauritius	-	100%	100%	420,548	436,657
Vindoor Investments (Mauritius) Ltd. ("Vindoor") a)	Investment	Mauritius	-	100%	100%	360,365	342,615
Coaltrade Services International Pte Ltd. ("Coaltrade")	Coal trading	Singapore	2001	100%	100%	88,459	139,611
PT Viscaya Investments ("Viscaya") d)	Investment	Indonesia	-	100%	100%	269,150	270,536

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)	
				2014	2013	2014	2013
Indirectly owned subsidiaries (continued)							
PT Sarana Daya Mandiri ("SDM")	Services	Indonesia	2009	51%	51%	41,109	42,111
Coronado Holdings Pte Ltd. ("Coronado")	Investment	Singapore	-	86%	86%	32	773
Orchard Maritime Logistics Pte Ltd. ("OML") a)	Coal handling and barging	Singapore	2006	95%	95%	3,132	4,843
Orchard Maritime Netherlands B.V. ("OMN")	Investment	Netherlands	-	95%	95%	54	407
PT Adaro Logistics ("AL") a)	Investment	Indonesia	-	100%	100%	421,181	342,228
PT Maritim Barito Perkasa ("MBP")	Coal handling and barging	Indonesia	2004	100%	100%	320,942	244,277
PT Harapan Bahtera Internusa ("HBI")	Coal handling and barging	Indonesia	2004	100%	100%	10,239	7,567
PT Maritim Indonesia ("Marindo") c)	Investment	Indonesia	-	72%	72%	-	629
PT Adaro Power ("Adaro Power") a)	Services	Indonesia	-	100%	100%	180,562	187,159
PT Makmur Sejahtera Wisesa ("MSW")	Trading and power plant services	Indonesia	2013	100%	100%	168,662	177,025
PT Puradika Bongkar Muat Makmur Jasa ("PBMM")	Services	Indonesia	2013	100%	100%	2,457	1,816
PT Rehabilitasi Lingkungan Indonesia ("RLI")	Services	Indonesia	-	100%	100%	1,070	1,039
PT Indonesia Multi Purpose Terminal ("IMPT")	Terminal handling services	Indonesia	2013	85%	85%	2,792	3,311
PT Mustika Indah Permai ("MIP")	Mining	Indonesia	-	75%	75%	39,668	33,063
PT Bukit Enim Energi ("BEE")	Mining	Indonesia	-	61%	61%	703	143
PT Adaro Mining Technologies ("AMT") a)	Services	Indonesia	-	100%	100%	37,451	39,022

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2014 AND 2013
(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)	
				2014	2013	2014	2013
Indirectly owned subsidiaries (continued)							
PT Adaro Eksplorasi Indonesia ("AEI")	Services	Indonesia	2007	100%	100%	2,738	3,854
PT Bhakti Energi Persada ("BEP") [a]	Investment	Indonesia	-	10%	10%	59,248	52,091
PT Persada Multi Bara ("PMB")	Mining	Indonesia	-	10%	10%	13,138	11,883
PT Khazana Bumi Kaliman ("KBK")	Mining	Indonesia	-	9%	9%	5,438	4,580
PT Bumi Kaliman Sejahtera ("BKS")	Mining	Indonesia	-	9%	9%	8,010	6,564
PT Telen Eco Coal ("TEC")	Mining	Indonesia	-	10%	10%	11,713	11,288
PT Bumi Murau Coal ("BMC")	Mining	Indonesia	-	10%	10%	4,070	3,676
PT Birawa Pandu Selaras ("BPS")	Mining	Indonesia	-	9%	9%	453	396
PT Tri Panuntun Persada ("TPP")	Mining	Indonesia	-	9%	9%	392	342
PT Wahau Tutung Investindo ("WTI")	Trading and construction Services	Indonesia	-	10%	10%	8,019	6,274
PT Bhakti Kutai Transportindo ("BKT")	Transportation	Indonesia	-	6%	6%	136	5
PT Bukit Bara Alampersada ("BBA") a)	Investment	Indonesia	-	10%	10%	5,233	4,734
PT Bhakti Kumala Sakti ("BKI")	Services	Indonesia	-	10%	10%	6	1
PT Wahau Sumber Alam ("WSA")	Services	Indonesia	-	10%	10%	73	81
PT Sarana Rekreasi Mandiri ("SRM")	Services	Indonesia	-	100%	100%	8	8
PT Paramitha Cipta Sarana ("PCS") b)	Mining	Indonesia	-	75%	75%	39,495	34,995
PT Semesta Centramas ("SCM") b)	Mining	Indonesia	2014	75%	75%	51,225	21,410
PT Laskar Semesta Alam ("LSA") b)	Mining	Indonesia	-	75%	75%	799	324

[a] and subsidiaries
[b] for the acquisition of PCS, SCM and LSA (refer to Note 5)
[c] has been liquidated
[d] total assets in 2013 have been restated

1. GENERAL (continued)

c. Coal Cooperation Agreement

Adaro's activities are governed by the provisions of a Coal Cooperation Agreement (the "CCA") which was entered into by Adaro and PT Tambang Batubara Bukit Asam (Persero) Tbk ("PTBA"), formerly Perusahaan Negara Tambang Batubara, on 16 November 1982. Based on Presidential Decree No. 75/1996 dated 25 September 1996 and the amendment to CCA No. J2/Ji.DU/52/82 between PTBA and Adaro on 27 June 1997, all of the rights and obligations of PTBA under the CCA were transferred to the Government of the Republic of Indonesia (the "Government") represented by the Minister of Mines and Energy, effective from 1 July 1997.

Under the terms of the CCA, Adaro acts as a contractor to the Government, and is responsible for coal mining operations in an area located in South Kalimantan. Adaro commenced its 30-year operating period on 1 October 1992 with coal produced from the Paringin area of interest. Adaro is entitled to 86.5% of the coal produced, with the remaining 13.5% being the Government's share of production. However, the Government's share of production is, in practice, settled in cash when the sales of coal are actually completed. Therefore, the amount of royalty payable that is settled in cash to the Government depends on the actual volume of sales made in that particular period.

On 18 September 2014, Adaro signed a Memorandum of Understanding ("MOU") with the Government to amend its CCA. This MOU was signed in the framework of the renegotiation process adjustment of the CCA as mandated by Article 169 of Law No. 4 of 2009 on Mineral and Coal Mining, which only related to six strategic issues: (i) CCA area, (ii) the continuation of Mining Operations, (iii) State Revenue, (iv) Obligations of Domestic Processing, (v) Obligations to Divest and (vi) Use of Local Labour, Goods and Domestic Services. Adaro believes that the revised terms will not have a material impact to the operations or financial position of Adaro..

Adaro's sales reflect 100% of the revenue generated from coal sales and the Government royalty expense is recorded as part of cost of revenue (refer to Note 33).

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 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 liquid bulk terminal activities.

On 9 February 2011, IBT and Pelindo III 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 was effective from 1 January 2010 to 20 August 2012, subsequently extended to 20 August 2017.

On 1 October 2014, IBT and Pelindo III agreed to amend the shared amount of handling fee per kiloliter for unloading and loading liquid bulk terminal activities.

1. GENERAL (continued)

e. Barito Channel Cooperation Agreement

On 28 August 2007, PT Ambang Barito Nusapersada ("Ambapers") appointed SDM as a partnership winner to execute the dredging of the 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 2014, other than the CCA entered into by Adaro, the Group had the following mining business permits (unaudited):

No	Decree			Permit		Period (Years)	Location
	Number	Date	By	Type	Holder		
1	No. 503/188/KEP/ PERTAMBEN/2010	29 April 2010	Regent of Lahat	IUPOP	MIP	20	Lahat Regency, South Sumatera Province
2	No. 256/KPTS/ TAMBEN/2011	9 March 2011	Regent of Muara Enim	IUPOP	BEE	20	Muara Enim Regency, South Sumatera Province
3	No. 540.1/K.288/ HK/V/2011	10 May 2011	Regent of East Kutai	IUPOP	BMC	20	East Kutai Regency, East Kalimantan Province
4	No. 540.1/K.289/ HK/V/2011	10 May 2011	Regent of East Kutai	IUPOP	PMB	20	East Kutai Regency, East Kalimantan Province
5	No. 540.1/K.490/ HK/V/2010	21 May 2010	Regent of East Kutai	IUPOP	TEC	28	East Kutai Regency, East Kalimantan Province
6	No. 540.1/K.665/ HK/VIII/2012	6 August 2012	Regent of East Kutai	IUPOP	KBK	20	East Kutai Regency, East Kalimantan Province
7	No. 540.1/K.666/ HK/VIII/2012	6 August 2012	Regent of East Kutai	IUPOP	BKS	20	East Kutai Regency, East Kalimantan Province
8	No. 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

* The IUPE of LSA is currently in the evaluation and verification process to change the status to an IUPOP
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 the 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 under 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 in the process of 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 4.

b. New and revised accounting standards and interpretations

There are no statements of financial accounting standards or interpretations of statements of financial accounting standards that are effective for the first time for the financial year beginning on 1 January 2014 that have a material impact on the consolidated financial statements of the Group, except for Interpretation of Statements of Financial Accounting Standards ("IFAS") No. 29, "Stripping Costs in the Production Phase of a Surface Mine".

This interpretation 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 Statements of Financial Accounting Standards ("SFAS") No. 33 (Revised 2011), "Stripping Activities and Environmental Management in General Mining".

Previously, the ongoing stripping costs were normally recognised as production costs based on the annual planned stripping ratio. The annual planned stripping ratio was determined based on the average five years mine plan. In situations where the actual stripping ratio was not significantly different from the planned stripping ratio, the stripping costs incurred during the year were recognised as production costs. When the actual stripping ratio was significantly higher than the planned stripping ratio, the excess stripping costs were recorded in the consolidated statement of financial position as deferred stripping costs. These deferred costs were expensed as production costs in periods where the actual ratio was significantly lower than the planned stripping ratio.

The interpretation requires that mining entities 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 mining entity;
2. The mining 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.

There are two key changes in the Group's previous accounting policy as a result of the adoption of IFAS No. 29. Firstly, the initial recognition of the stripping asset and subsequent depreciation is determined with reference to components of the coal body rather than with reference to the entire operation. Secondly, the subsequent measurement of the asset is recognised as depreciation on a unit of production basis, rather than as a charge to profit or loss when the actual stripping ratio is significantly lower than the planned stripping ratio.

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 coal body. The interpretation may also require mining entities that presently allocate their stripping costs as a production cost to revisit their approach and capitalise a portion of their costs.

Refer to Note 2o for the revised accounting policy from adopting IFAS No. 29 and Note 3 for the disclosure on the impact of adopting IFAS No. 29 on the Group's consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. New and revised accounting standards and interpretations (continued)

The following new standards 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. 1 (Revised 2013), "Presentation of Financial Statements"
- SFAS No. 4 (Revised 2013), "Separate Financial Statements"
- SFAS No. 15 (Revised 2013), "Investments in Associates and Joint Ventures"
- SFAS No. 24 (Revised 2013), "Employee Benefits"
- SFAS No. 46 (Revised 2014), "Income Taxes"
- SFAS No. 48 (Revised 2014), "Impairment of Assets"
- SFAS No. 50 (Revised 2014), "Financial Instruments: Presentation"
- SFAS No. 55 (Revised 2014), "Financial Instruments: Recognition and Measurement"
- SFAS No. 60 (Revised 2014), "Financial Instruments: Disclosures"
- 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"
- IFAS No. 26 (Revised 2014), "Reassessment of Embedded Derivatives"

Upon the application of SFAS No. 24 (Revised 2013), "Employee Benefits", all actuarial gains/(losses) of the Group's post-employment benefit obligations will have to be recognised immediately in other comprehensive income. The Group's current accounting policy of deferring the recognition of unrecognised actuarial gains/(losses) using the corridor method will no longer be permitted. As such, the Group expects a change to the balance of post-employment benefit obligations. Management is still quantifying the full impact of the application of SFAS No. 24 (Revised 2013).

As at the issuance date of these consolidated financial statements, the Group was still evaluating the potential impact of the other new standards and amendments to existing standards.

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 de-facto control. De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersal of the 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Principles of consolidation (continued)

i. Subsidiaries (continued)

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 value 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 value 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 entity.

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 reviewed, in the case of a bargain purchase, the difference is recognised directly in profit or loss.

ii. Changes in ownership interest in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

iii. Disposal of subsidiaries

When the Group loses control of a subsidiary, the Group derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost. Amounts previously recognised in other comprehensive income are also reclassified to profit or loss, or transferred directly to retained earnings if required under 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 and joint ventures

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%. Investment in associates are accounted for in the consolidated financial statements using the equity method less impairment losses, if any.

A joint venture is a joint arrangement in which the parties that share joint control have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method less impairment losses, if any.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Principles of consolidation (continued)

iv. Associates and joint ventures (continued)

- **Acquisitions**

Investment in an associate or joint venture are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets transferred, equity instruments issued or liabilities incurred or assumed as at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on an associate or joint venture represents the excess of the cost of acquisition of the associate or joint venture over the Group's share of the fair value of the identifiable net assets of the associate or joint venture 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 associate's or joint venture's 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 an associate or a joint venture are adjusted against the carrying amounts of the investment. When the Group's share of the losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture, 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 associate or joint venture.

Unrealised gains on transactions between the Group and its associate or joint venture are eliminated to the extent of the Group's interest in the associate or joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. The accounting policies of the associate or joint venture have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Dividend receivable from an associate or joint venture is 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 associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and joint venture and its carrying value and recognises the amount in profit or loss.

- **Disposals**

Investment in an associate or a joint venture is derecognised when the Group losses 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 investment in an associate and joint venture in which significant influence is retained are recognised in profit or loss, and only a proportionate share of the amount 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 Group's entities 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 United States Dollars ("US$" or "US Dollars"), which is the Company's functional currency and the Group's presentation currency.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Foreign currency translation (continued)

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):

	31 December 2014	31 December 2013
Rupiah 10,000 (“Rp”)	0.80	0.82
Pound Sterling (“£”)	1.56	1.65
Singapore Dollars (“S$”)	0.76	0.79
Australian Dollars (“A$”)	0.82	0.89
Euro (“€”)	1.22	1.38
Yen 100 (“¥”)	0.84	0.95

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.

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 that 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.

f. Receivables

Trade receivables are amounts due from customers for coal and electricity sold 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Inventories

Coal inventories are stated at the lower of cost or net realisable value. Cost is determined based on the weighted average method which includes mining costs, direct labor costs, other direct costs and an appropriate portion of fixed and variable overheads related to mining operations. 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, tools and supplies are valued at cost less a provision for obsolete and slow moving inventory. Cost is determined based on the weighted average 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 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.

As at 31 December 2014, the Group only has financial assets classified as loans and receivables (31 December 2013: loans and receivables and derivative financial instrument - cash flow hedge).

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 in bank and time deposits, trade receivables, other receivables, loans to third parties and loan to a related party.

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.

Refer to Note 2i for the Group's accounting policy on derivative financial instruments.

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 period, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Financial assets (continued)

h.4. Impairment of financial assets carried at amortised cost (continued)

For the loans and receivables category, 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 and the amount of the loss is recognised in profit or loss. If a loan has a floating 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, during 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 reversal of the previously recognised impairment loss is 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).

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 a 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Fixed assets

Land rights are recognised at cost and not depreciated.

Initial legal costs incurred to obtain legal rights are recognised as part of the acquisition cost of the land and these cost are not depreciated. Costs related to the renewal of land rights are recognised as intangible assets and amortised over the contractual life of the land rights.

Fixed assets are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Fixed assets, except for the fixed assets of Adaro, are depreciated using the straight-line method to their residual values over their expected useful lives as follows:

	Years
Buildings	20
Infrastructure	5 - 30
Power plant	25
Machinery, operational equipment and vehicles	4 - 10
Vessels	5 - 25
Project equipment	4
Mining equipment	4
Office equipment	4

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	8 - 20
Machinery, operational equipment and vehicles	2 - 10
Office equipment	10
Crushing and handling facilities	8 - 30
Roads and bridges	8 - 30
Stockpile facilities	8 - 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 period in which they are incurred.

Assets' useful lives, residual values and depreciation methods are reviewed and adjusted if appropriate, 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 (Note 2l).

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, production facilities 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 complete. Depreciation is charged from the date on which the assets are ready for use in the manner intended by management.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Goodwill

Goodwill arises from the acquisition of subsidiaries, and represents the excess of the consideration transferred over the interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each cash-generating units ("CGU"), or group of CGUs, that is expected to benefit from the synergies of the combination. Each CGU or group of CGUs to which the goodwill is allocated represents the lowest level within the entity at which goodwill is monitored for internal management purposes. Goodwill is monitored at operating segment level.

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 but tested annually for impairment, or more frequently if 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. Non-financial assets other than goodwill that suffer impairment are reviewed for possible reversal of the impairment at each reporting date.

Reversal on impairment losses for assets other than goodwill is 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 should not result in the carrying amount of an asset exceeding what the depreciated cost would have been had the impairment not been recognised at the date on which the impairment was reversed. Impairment losses relating to goodwill will 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 a 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.

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 assets 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m. Exploration and evaluation assets (continued)

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”.

Expenditure incurred before the entity has obtained the legal right to explore a specific area is expensed as incurred.

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 amortisation 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 unit-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 initially 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.

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.

Stripping activity conducted during the production phase may provide two benefits accruing to the Group: (i) coal that is processed into inventory in the current period and (ii) improved access to the coal body in future periods. To the extent that the benefit from the stripping activity is realised in the form of inventory produced, the Group accounts for the costs of that stripping activity in accordance with the principles of SFAS No. 14, “Inventories”. To the extent the benefit is improved access to the coal body, the Group recognises these costs as 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 coal body) associated with the stripping activity will flow to the Group;
2. The Group can identify the component of the coal body for which access has been improved; and
3. The costs relating to the stripping activity associated with that component can be measured reliably.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o. Stripping costs (continued)

The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of the coal body, plus an allocation of directly attributable overhead costs. If incidental operations are occurring at the same time as the production stripping activity, but are not necessary for the production stripping activity to continue as planned, the costs associated with these incidental operations are not included in the cost of the stripping activity asset.

When the costs of the stripping activity asset and the inventory produced are not separately identifiable, the Group allocates the production stripping costs between the inventory produced and the stripping activity asset by using an allocation basis that is based on a relevant production measure. This production measure is calculated for the identified component of the coal body, and is used as a benchmark to identify the extent to which the additional activity of creating a future benefit has taken place. The Group uses the expected volume of waste extracted compared with the actual volume, for a given volume of coal production.

Subsequently, the stripping activity asset is carried at cost less amortisation and impairment losses, if any. The stripping activity asset is amortised using the unit-of-production method over the expected useful life of the identified component of the coal body that becomes more accessible as a result of the stripping activity unless another method is more appropriate.

Changes to the expected useful life of the identified component of the coal body are considered changes in estimates and are accounted for on a prospective basis.

The stripping activity asset is accounted for as an addition to, or an enhancement of, an existing asset, therefore it has been presented as part of "mining properties" in the consolidated statement of financial position.

Stripping activity assets are included in the cost base of assets when determining a CGU for impairment assessment purposes.

As at the date of these consolidated financial statements, the Group did not have stripping costs during the production phase which qualify for deferral in accordance with the Group’s accounting policies.

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

The determination of whether an arrangement is, or contains, a lease is made based on the substance of the arrangement and an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets, and the arrangement conveys a right to use the asset.

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 term of the lease.

Leases of fixed assets where the Group as lessee has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease’s commencement at the lower of the fair value of the leased asset or the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in “finance lease payables”.

Each lease payment is allocated between the payables 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 payables for each period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q. Leases (continued)

Fixed assets acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term, unless there is reasonable certainty the Group will obtain ownership of the asset by the end of the lease term, in which case the leased asset is depreciated over its useful life.

r. Provision

(i) Provision for decommissioning, mine reclamation and mine closure

Restoration, rehabilitation and environmental expenditure to be incurred in relation to the 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. This obligation initially and subsequently 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. 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 a finance cost.

Provision for decommissioning of mining assets and related post mining activities as well as the abandonment and decommissioning of other long-lived assets is made for the legal obligations associated with the retirement of mining related assets and other long lived assets including the decommissioning of buildings, equipment, crushing and handling facilities, infrastructure and other facilities that resulted from the acquisition, construction or development of such assets. These obligations are recognised as liabilities when a legal or constructive obligation is incurred 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 which is 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 a finance cost.

The changes in the measurement of decommissioning obligations that result from changes in the estimated timing or amount of any 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 any such indication, the Group will test the asset for impairment by estimating its recoverable amount and will record the impairment losses incurred, if any.

(ii) Other provisions

Provision for restructuring costs, legal claims, environmental issues that may not involve the retirement of an asset, reclamation and closure of mining areas and others is 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.

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 an 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.

Provisions are 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 a finance cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 period 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 financing cost and amortised over the period 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.

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 spent on the qualifying asset. An entity shall cease capitalising borrowing costs when substantially all of the activities necessary to prepare the qualifying asset are complete.

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 (the "Labour Law") 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. A defined benefit plan is a pension plan that is defined as 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 liability recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period 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 to the terms of the related pension obligations. When there is no deep market for such bonds, the market rates of government bonds are used.

Expenses charged to profit or loss include current service costs, finance 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 upon 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u. Employee benefits (continued)

(i) Post employment benefits (continued)

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, in excess of the greater of 10% of the fair value of plan assets or 10% of the present value of the defined benefit obligation, are charged or credited to profit or loss over the employees expected average remaining working lives.

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 and the entity 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 issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

w. Earnings per share

Basic earnings per share are calculated by dividing the profit for the year attributable to the equity holders 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 distributions

Dividend distributions to the Company's shareholders are recognised as liabilities in the consolidated financial statements in the period when the dividends declared.

y. Business combinations of entities under common control

Business combinations 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 expense recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services 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.

The Group recognises revenue when the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

z. Revenue and expense recognition (continued)

i. Sales of coal

Revenue from coal sales is recognised when all of the following conditions are fulfilled:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the coal;
- the Group retains neither continuing managerial involvement 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 with respect 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 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.

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 recognised expenses 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 or 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 lessee) is recognised on a straight-line basis over the lease term.

Expenses are recognised as incurred on an accruals basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

aa. Current and deferred income tax

The tax expense comprises current and deferred tax. Tax 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 with respect to situations in which the applicable tax regulations are subject to interpretation. It establishes a provision where appropriate 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 period. The difference between the amount of tax payable and the amount charged as current tax for the calculation of profit or loss is recognised as prepaid tax or accrued tax.

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 that have been enacted or substantially enacted at the start of the reporting period 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 income tax is provided on temporary differences arising on investment in subsidiaries and associates, except for deferred income tax liability 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 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 or revenue (i.e. royalty fees). Exploitation fees and royalty fees are accounted for as income taxes when they have the characteristics of an income tax. This is considered to be the case when the tax is imposed by governmental authority and the amount payable is based on taxable income rather than on physical quantities produced or a percentage of revenue. For such arrangements, current and deferred income tax is provided for on the same basis as described above for other forms of taxation Obligations arising from exploitation fees or royalty arrangements do not satisfy these criteria, and 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 decisions, has been identified as the Board of Directors.

3. RESTATEMENT OF ACCOUNTS IN THE CONSOLIDATED FINANCIAL STATEMENTS

The Indonesian Financial Accounting Standards Board issued IFAS No. 29, "Stripping Costs in the Production Phase of a Surface Mine" which is required to be applied for financial years beginning on or after 1 January 2014. The Group has adopted this intepretation in accordance with the transitional provisions of IFAS No. 29.

There are two key changes to the Group's previous accounting policy as a result of the adoption of IFAS No. 29. Firstly, the initial recognition of the stripping asset (if any) and subsequent amortisation is determined by reference to components of the coal body rather than by reference to the entire operation. Secondly, the asset is amortised subsequently using the unit-of-production method over the expected useful life of the identified component of the coal body that becomes more accessible as a result of the stripping activity, unless another method is more appropriate, rather than as a charge to operating costs based on an expected stripping ratio.

The transitional provisions of IFAS No. 29 require that it should be applied from 1 January 2013, being the beginning of the earliest period presented in the consolidated financial statements. Any previously recognised asset balance that resulted from stripping activity (predecessor stripping asset) shall be reclassified as part of an existing asset to which the stripping asset related, to the extent that there remains an identifiable component of the coal body with which the predecessor stripping asset can be associated. Such balance shall be amortised over the remaining useful life of the identified component of the coal body to which each predecessor stripping asset balance relates.

To the extent there is no identifiable component of the coal body to which the predecessor stripping asset relates, the asset should be written-off to opening retained earnings at the beginning of the earliest period presented in the consolidated financial statements, being 1 January 2013.

Management has reviewed the capitalised deferred stripping costs as at 1 January 2013 in line with the requirements of IFAS No. 29. As a result of applying the transitional provisions within the interpretation, the Group has recognised in opening retained earnings - unappropriated at the beginning of the earliest period presented (1 January 2013) US$42,808 of historical unallocatable deferred stripping costs and a related tax effect of US$19,264. Further adjustments have been made to the consolidated financial statements as of 31 December 2013 to reflect the fact that the previous recognised stripping asset was unable to be associated with an identifiable coal component. The total write-off to retained earnings - unappropriated at 31 December 2013 as a result of these adjustments is US$37,836 with a related tax effect of US$17,026.

As part of the adoption, management has reversed the addition and amortisation of the deferred stripping costs in 2013. As a result, the cost of revenue for the year ended 31 December 2013 has been decreased, resulting in a net increase of US$2,734 (net of tax) in total comprehensive income for the year.

The Group's consolidated statement of financial position as at 1 January 2013 which has been restated is as follows:

	Previously reported	Adjustment due to adoption of IFAS No. 29	Balance after adjustment
NON-CURRENT ASSETS			
Deferred stripping costs	42,808	(42,808)	-
NON-CURRENT LIABILITIES			
Deferred tax liabilities	601,089	(19,264)	581,825
EQUITY			
Retained earnings	1,066,661	(23,544)	1,043,117

3. RESTATEMENT OF ACCOUNTS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

The Group's consolidated statement of comprehensive income for the year ended 31 December 2013 which has been restated is as follows:

	Previously reported	Adjustment due to adoption of IFAS No. 29	Balance after adjustment
Cost of revenue	(2,545,956)	4,972	(2,540,984)
Gross profit	739,186	4,972	744,158
Operating income	534,285	4,972	539,257
Profit before income tax	419,284	4,972	424,256
Income tax expense	(190,021)	(2,238)	(192,259)
Profit for the year	229,263	2,734	231,997
Total comprehensive income for the year	225,411	2,734	228,145
Profit for the year attributable to owners of the parent	231,231	2,734	233,965
Total comprehensive income for the year attributable to owners of the parent	226,100	2,734	228,834
Earnings per share			
- basic	0.00723	0.00008	0.00731
- diluted	0.00673	0.00008	0.00681

The Group's consolidated statement of financial position as at 31 December 2013 which has been restated is as follows:

	Previously reported	Adjustment due to adoption of IFAS No. 29	Balance after adjustment
NON-CURRENT ASSETS			
Deferred stripping costs	37,836	(37,836)	-
NON-CURRENT LIABILITIES			
Deferred tax liabilities	648,760	(17,026)	631,734
EQUITY			
Retained earnings	1,217,607	(20,810)	1,196,797

4. 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 period. 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 financial position of the Group reported in future years.

- 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 made by management as discussed above may be challenged by the Directorate General of Taxation ("DGT"). 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 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 affected by management's estimates and assumptions regarding the 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.

- Provision for decommissioning and abandonment of mining related assets

  As discussed in Note 43 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 and Ministerial Regulation No. 7/2014 deals with reclamation and post-mining activities in the mineral and coal mining business. 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.

  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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

- Reserve estimates

Coal reserves are estimates of the amounts of coal that can be economically and legally extracted from the Group's properties. The Group determines and reports its coal reserves under the principles incorporated in the Joint Ore Reserves Committees for the Reporting of Mineral Resources and Ore Reserves (the "JORC"). 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 future capital expenditure, mine closure obligation 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.
- 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.

- Pension obligation

The present value of the pension obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/(income) for pensions include the discount rate, future remuneration changes, employee attrition rates, life expectancy and expected remaining periods of service of employees. Any changes in these assumptions will have an impact on the carrying amount of the pension obligation.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the related pension obligation. In determining the appropriate discount rate, the Group considers the interest rates of high quality corporate bonds (or government bonds, if there is no deep market for high quality corporate bonds) that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for pension obligation benefits are based in part on current market conditions.

Were the discount rate used to differ by 1% (Rp) and 0.5% (US$) from management's estimates, the estimated present value of obligations would be US$3,390 (Rp) and US$140 (US$) lower or US$4,037 (Rp) and US$147 (US$) higher.

5. BUSINESS COMBINATIONS

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") (collectively referred to "Balangan") for Rp1,875 million (full amount) or equivalent to US$193, Rp1,875 million (full amount) or equivalent to US$193 and Rp188 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
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

The total loss of Balangan from the acquisition date which was recognised in profit or loss for the year ended 31 December 2013 amounted to US$1,120.

The total loss of Balangan for the year ended 31 December 2013 as if Balangan had already been acquired from 1 January 2013 would have amounted to US$1,145.

The negative goodwill arising from the business combination was due to Balangan's distressed purchase price and the synergy generated from the acquisition of Balangan with the Group's existing coal mine business (Adaro).

Management believes that the business combination transaction entered into by the Group was in compliance with the relevant Bapepam-LK regulations. The business acquisition made by the Group was intended to diversify and integrate the Group's operations and to increase the Group's coal reserves.

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6. CASH AND CASH EQUIVALENTS

	2014	2013
Cash on hand	203	195
Cash in banks - Rupiah		
PT Bank OCBC NISP Tbk	9,053	52,460
Others (each below US$50,000)	16,369	16,961
Total Rupiah accounts	25,422	69,421
Cash in banks - US Dollars		
PT Bank DBS Indonesia	246,413	841
PT CIMB Niaga Tbk	57,615	35,584
Oversea-Chinese Banking Corporation Ltd.	49,147	100,458
PT Bank OCBC NISP Tbk	37,057	265,995
Others (each below US$50,000)	4,398	9,131
Total US Dollars accounts	394,630	412,009
Cash in banks - Other currencies		
Others (each below US$50,000)	1,167	944
Total other currencies accounts	1,167	944
Total cash in banks	421,219	482,374
Time deposits - Rupiah		
PT Bank Sumitomo Mitsui Indonesia	61,490	-
Others (each below US$50,000)	79,440	27,632
Total Rupiah time deposits	140,930	27,632
Time deposits - US Dollars		
PT Bank OCBC NISP Tbk	157,447	143,147
Others (each below US$50,000)	25,449	27,214
Total US Dollars time deposits	182,896	170,361
Time deposits - Other currencies		
Others (each below US$50,000)	-	342
Total other currencies time deposits	-	342
Total time deposits	323,826	198,335
Total	745,248	680,904

There are no cash and cash equivalents with related parties.

The contractual interest rates on time deposits during the year were as follows:

	2014	2013
Rupiah	3.20% - 10.90%	3.10% - 10.25%
US Dollars	0.09% - 3.40%	0.13% - 4.00%

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7. RESTRICTED CASH IN BANK AND TIME DEPOSITS

	2014	2013
Cash in bank - US Dollars		
PT Bank OCBC NISP Tbk	-	389
Time deposits - US Dollars		
The Hongkong and Shanghai Banking Corporation Ltd.	600	601
PT Bank Mandiri (Persero) Tbk	566	-
	1,166	601
Total restricted cash in bank and time deposits	1,166	990
Less: current portion	**-**	**(389)**
Non-current portion	**1,166**	**601**

The contractual interest rates on the restricted time deposits during the year were as follows:

	2014	2013
US Dollars	0.20% - 1.50%	0.38% - 0.85%

There are no restricted cash in banks and time deposits with related parties.

The restricted time deposits in The Hongkong and Shanghai Banking Corporation Ltd. and PT Bank Mandiri (Persero) Tbk are placed as security for bank guarantees issued by these banks (refer to Note 42c).

The restricted cash in PT Bank OCBC NISP Tbk is placed as required by SDM's loan agreement (refer to Note 23h). The loan was fully paid in September 2014.

8. TRADE RECEIVABLES

	2014	2013
Third parties	312,088	329,565
Less: provision for impairment	(26,528)	(20,000)
Total, net	**285,560**	**309,565**

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2014	2013
US Dollars	208,166	240,990
Rupiah	103,922	88,575
Total	312,088	329,565

The aging analysis of trade receivables is as follows:

	2014	2013
Current	256,065	283,852
Overdue by 1 - 30 days	24,626	14,726
Overdue by 31 - 60 days	1,023	1,437
Overdue by 61 - 90 days	49	1,210
Overdue by more than 90 days	30,325	28,340
Total	312,088	329,565

8. TRADE RECEIVABLES (continued)

The movements in the provision for impairment of trade receivables during the year are as follows:

	2014	2013
At beginning of the year	20,000	10,000
Addition	6,528	10,000
At end of the year	26,528	20,000

As at 31 December 2013, trade receivables of SDM amounting to US$2,676 were pledged as collateral for the loan from PT Bank OCBC NISP Tbk, as described in Note 23h. The loan was fully paid in September 2014.

Management is of the opinion that the provision is sufficient to cover any possible loss from the outstanding trade receivables.

9. ADVANCES AND PREPAYMENTS

	2014	2013
Advance for purchase of fixed assets and projects	50,505	56,621
Advances to suppliers	6,212	8,545
Prepaid rent and insurance	2,953	2,942
Advances for the purchase of fuel	1,956	2,718
Financing cost	-	10,142
Others	6,671	5,671
Total advances and prepayments	68,297	86,639
Less: current portion	**(15,656)**	**(18,469)**
Non-current portion	**52,641**	**68,170**

10. INVENTORIES

	2014	2013
Coal inventory	44,011	44,298
Tools and supplies	18,319	26,580
Fuel and lubricants	17,408	12,765
Spare parts	17,005	19,104
Total	**96,743**	**102,747**

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 2014, the Group's inventories were covered by insurance against the risk of material damage with total coverage of US$59,792 (31 December 2013: US$60,886). The Group's management is of the opinion that the inventories are adequately insured to cover the risk of loss and damage.

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11. EXPLORATION AND EVALUATION ASSETS

	31 December 2014			
	Beginning balance	Addition	Transfer to mines under development	Ending balance
Balangan	111	102	-	213

	31 December 2013				
	Beginning balance	Acquisition	Addition	Transfer to mines under development	Ending balance
Balangan	-	74	37	-	111
Muara Wahau	570	-	-	(570)	-
Total	570	74	37	(570)	111

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.

12. FIXED ASSETS

	31 December 2014				
	Beginning balance	Additions	Disposals/ reclassifications	Exchange differences due to financial statements translation	Ending balance
Acquisition costs					
Direct ownership					
Land	75,149	-	1,436	(207)	76,378
Buildings	66,413	2,937	11,121	(212)	80,259
Infrastructure	76,612	180	8,742	-	85,534
Power plant	114,388	3	48,034	-	162,425
Machinery, operational equipment and vehicles	964,466	21,552	31,964	(44)	1,017,938
Vessels	238,864	-	132	-	238,996
Mining equipment	3,181	752	(58)	-	3,875
Project equipment	10,661	2,442	(690)	-	12,413
Office equipment	23,440	1,386	128	(47)	24,907
Crushing and handling facilities	252,629	4,431	46,610	-	303,670
Roads and bridges	165,084	123	58	-	165,265
Stockpile facilities	6,101	-	299	-	6,400
Dock facilities	2,508	-	-	-	2,508
Subtotal	1,999,496	33,806	147,776	(510)	2,180,568
Construction in progress	387,090	38,494	(139,002)	(157)	286,425
Leased assets					
Operational equipment	143,743	66,465	(45,025)	-	165,183
Total	2,530,329	138,765	(36,251)	(667)	2,632,176

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12. FIXED ASSETS (continued)

	31 December 2014				
	Beginning balance	Additions	Disposals/ reclassifications	Exchange differences due to financial statements translation	Ending balance
Accumulated depreciation					
Direct ownership					
Buildings	(11,792)	(4,189)	188	36	(15,757)
Infrastructure	(27,855)	(4,868)	-	-	(32,723)
Power plant	(4,205)	(7,098)	48	-	(11,255)
Machinery, operational equipment and vehicles	(512,264)	(127,654)	3,692	16	(636,210)
Vessels	(36,903)	(13,318)	600	-	(49,621)
Mining equipment	(1,693)	(736)	38	-	(2,391)
Project equipment	(6,445)	(1,936)	402	-	(7,979)
Office equipment	(13,783)	(3,719)	20	42	(17,440)
Crushing and handling facilities	(90,273)	(23,831)	-	-	(114,104)
Roads and bridges	(66,882)	(11,267)	-	-	(78,149)
Stockpile facilities	(5,079)	(262)	-	-	(5,341)
Dock facilities	(2,220)	(63)	-	-	(2,283)
Subtotal	(779,394)	(198,941)	4,988	94	(973,253)
Leased assets					
Operational equipment	(45,136)	(22,319)	25,135	-	(42,320)
Total	(824,530)	(221,260)	30,123	94	(1,015,573)
Net book value	1,705,799				1,616,603

	31 December 2013					
	Beginning balance	Acquisitions	Additions	Disposals/ reclassifications	Exchange differences due to financial statements 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
Subtotal	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
Total	2,434,011	14,767	159,946	(73,143)	(5,252)	2,530,329

12. FIXED ASSETS (continued)

	31 December 2013					
	Beginning balance	**Acquisitions**	**Additions**	**Disposals/ reclassifications**	**Exchange differences due to financial statements translation**	**Ending balance**
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)
Subtotal	(621,174)	(77)	(189,493)	30,930	420	(779,394)
Leased assets						
Operational equipment	(43,821)	-	(19,607)	18,292	-	(45,136)
Total	(664,995)	(77)	(209,100)	49,222	420	(824,530)
Net book value	1,769,016					1,705,799

Depreciation expenses for the years ended 31 December 2014 and 2013 were allocated as follows:

	2014	**2013**
Cost of revenue (Note 33)	217,256	205,472
Operating expenses	2,772	2,838
Capitalised as fixed assets and mining properties	1,232	790
Total	221,260	209,100

The calculation of loss on disposals of fixed assets for the years ended 31 December 2014 and 2013 was as follows:

	2014	**2013**
Acquisition costs	36,251	73,143
Accumulated depreciation	(30,123)	(49,222)
Carrying values of disposed fixed assets	6,128	23,921
Proceeds from disposals of fixed assets	5,086	15,087
Loss on disposals of fixed assets	(1,042)	(8,834)

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.

12. FIXED ASSETS (continued)

The Group owns 30 plots of land with "Hak Guna Bangunan" titles ("Building-Use Titles" or "HGB") which have remaining useful lives of between 6 and 27 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 finalisation process of being transferred to ATA. Up to the completion date of these consolidated financial statements, certain land title transfer had been finalised.

As at 31 December 2014, the Group's fixed assets were insured against all risks of damage, with total coverage of approximately US$1,778,530 (31 December 2013: US$1,803,873), 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 2014 and 2013 were adequately insured.

As at 31 December 2014, the acquisition cost of fixed assets with a net book value of zero but still in use amounted to US$165,974 (31 December 2013: US$109,108).

As at 31 December 2014 and 2013, all leased assets were pledged for finance leases payable (refer to Note 22) and there are no directly owned fixed assets that had been pledged.

As at 31 December 2014, the Group's management believed that there was no indication of impairment in the fixed assets value.

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:

31 December 2014			
Construction in progress	**Percentage of completion**	**Accumulated costs**	**Estimated completion**
Overburden crushing and conveying system	*)	233,833	*)
Crushing and handling facilities	14% - 99%	15,811	February 2015 - December 2016
Roads and bridges	20% - 98%	12,817	January - December 2015
Others (each below US$10,000)	1% - 98%	23,964	Various
Total		286,425	

*) As at 31 December 2014, the physical construction of the overburden crushing and conveying system ("OPCC") had been completed and currently it is at certain testing procedures as required under the contract.

31 December 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
Total		387,090	

Borrowing costs capitalised as fixed assets for the years ended 31 December 2014 and 2013 amounted to US$nil and US$17,904, respectively.

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13. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	31 December 2014				
Associates and joint ventures	**Beginning balance**	**Addition/ deduction**	**Share in net income/ (losses)**	**Other comprehensive income**	**Ending balance**
Associates					
PT Juloi Coal	141,170	1,212	(1,542)	-	140,840
PT Kalteng Coal	74,232	225	(144)	-	74,313
PT Lahai Coal	67,793	8,138	(4,304)	-	71,627
PT Maruwai Coal	59,146	-	271	-	59,417
PT Sumber Barito Coal	27,784	125	(109)	-	27,800
PT Ratah Coal	7,031	50	(55)	-	7,026
PT Pari Coal	7,014	-	(68)	-	6,946
PT Servo Meda Sejahtera ("SMS")	13,694	(13,384)	-	(310)	-
Subtotal	397,864	(3,634)	(5,951)	(310)	387,969
Joint ventures					
PT Bhimasena Power Indonesia ("BPI")	4,157	-	2,323	-	6,480
PT Tanjung Power Indonesia	-	1,285	(108)	-	1,177
Subtotal	4,157	1,285	2,215	-	7,657
Total	402,021	(2,349)	(3,736)	(310)	395,626

	31 December 2013				
Associates and joint ventures	**Beginning balance**	**Addition/ deduction**	**Share in net income/ (losses)**	**Other comprehensive income**	**Ending balance**
Associates					
PT Juloi Coal	141,512	2,200	(2,542)	-	141,170
PT Kalteng Coal	74,363	263	(394)	-	74,232
PT Lahai Coal	55,416	18,408	(6,031)	-	67,793
PT Maruwai Coal	57,450	1,525	171	-	59,146
PT Sumber Barito Coal	27,856	200	(272)	-	27,784
PT Ratah Coal	7,057	105	(131)	-	7,031
PT Pari Coal	7,043	138	(167)	-	7,014
SMS	18,785	-	(5,688)	597	13,694
PT Rachindo Investment	504	(504)	-	-	-
Subtotal	389,986	22,335	(15,054)	597	397,864
Joint ventures					
BPI	3,661	-	496	-	4,157
Total	393,647	22,335	(14,558)	597	402,021

Additions during the year represented capital contributions which were made proportionately by all investors without changing the relative percentage of ownership of the associates and joint ventures.

On 21 February 2014, ATA, PT Energi Karya Persada (EKP) and PT Perusahaan Palembang Investama (PPI) signed interest share sale and purchase agreements, whereby ATA sold its interest in SMS totaling US$25,130. The gain from sale of investment in SMS amounting to US$11,436 was presented in the consolidated statement of comprehensive income as part of the "other expenses, net" account (Note 35).

13. INVESTMENT IN ASSOCIATES AND JOINT VENTURES (continued)

The summary of the Group's associates and joint ventures financial information, all of which are unlisted, is as follows:

	Country of domicile	Assets	Liabilities	Revenues	Profit/(loss)	Interest held (%)
31 December 2014						
PT Juloi Coal	Indonesia	10,729	6,138	-	(6,168)	25
PT Kalteng Coal	Indonesia	1,730	447	-	(577)	25
PT Maruwai Coal	Indonesia	179,644	13,229	-	1,090	25
PT Lahai Coal	Indonesia	159,329	20,511	-	(17,217)	25
PT Sumber Barito Coal	Indonesia	1,188	508	-	(438)	25
PT Ratah Coal	Indonesia	379	182	-	(224)	25
PT Pari Coal	Indonesia	591	227	-	(275)	25
BPI	Indonesia	244,095	225,037	81,665	6,832	34
PT Tanjung Power Indonesia	Indonesia	17,458	15,642	5,045	(166)	65
31 December 2013						
PT Juloi Coal	Indonesia	8,722	8,914	-	(10,167)	25
PT Kalteng Coal	Indonesia	1,281	1,171	-	(1,577)	25
PT Maruwai Coal	Indonesia	152,718	2,692	-	682	25
PT Lahai Coal	Indonesia	146,440	33,655	-	(24,125)	25
PT Sumber Barito Coal	Indonesia	1,034	716	-	(1,088)	25
PT Ratah Coal	Indonesia	374	414	-	(524)	25
PT Pari Coal	Indonesia	443	64	-	(668)	25
SMS	Indonesia	55,515	68,492	356	(16,249)	35
BPI	Indonesia	170,188	157,962	38,587	1,459	34

The Group has representation on the Board of Directors in the above associates and joint ventures.

As discussed in Note 42q, the Group believes that the Group's investment in BPI is not impaired.

14. MINING PROPERTIES

	31 December 2014		
	Mines under development	Mines in production	Total
<u>Acquisition costs</u>			
Beginning balance	1,305,481	1,249,738	2,555,219
Transfer to mines in production	(286,167)	286,167	-
Addition	6,469	41,727	48,196
Ending balance	1,025,783	1,577,632	2,603,415
<u>Accumulated amortisation</u>			
Beginning balance	-	(368,418)	(368,418)
Amortisation	-	(95,689)	(95,689)
Ending balance	-	(464,107)	(464,107)
Provision for impairment (Notes 15 and 35)	(40,705)	-	(40,705)
Total carrying amount	**985,078**	**1,113,525**	**2,098,603**

14. MINING PROPERTIES (continued)

	31 December 2013		
	Mines under development	Mines in production	Total
Acquisition costs			
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			
Beginning balance	-	(289,427)	(289,427)
Amortisation	-	(78,991)	(78,991)
Ending balance	-	(368,418)	(368,418)
Total carrying amount	1,305,481	881,320	2,186,801

All amortisation of mining properties was allocated to the cost of revenue.

Refer to Note 15 for impairment of mining properties and goodwill.

Management believes that the provision of impairment in the value of mining properties as at 31 December 2014 is adequate to cover any losses from the impairment of mining properties.

15. GOODWILL

	2014	2013
Beginning balance	920,296	1,022,173
Impairment charge (Note 35)	(16,743)	(101,877)
Carrying amount - ending balance	903,553	920,296

Details of goodwill based on lines of business, are as follows:

	Coal mining and trading	Mining services	Logistics	Total
31 December 2014	733,634	39,665	130,254	903,553
31 December 2013	750,377	39,665	130,254	920,296

In accordance with the Group's accounting policy, the goodwill is tested for impairment annually (Note 2l). For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (CGU).

The Group use cash flow for period until the reserve is fully depleted or concession period is expired, whichever is earlier. The recoverable amounts of the CGUs 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 table below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

The Group used an income approach to assess certain cash generating unit. 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.

15. GOODWILL (continued)

On 31 December 2014, the fair value less cost to sell of all CGUs exceeded their carrying values except for coal mine under development in the coal mining and trading business line. As a result, the Group recognised an impairment charge of US$57,448 in profit or loss which comprised of impairment of goodwill amounting to US$16,743 and mining properties amounting to US$40,705 due to decrease in the coal price.

On 31 December 2013, the fair value less cost to sell of all CGUs exceeded their carrying values except for the logistics business line. As a result, the Group recognised an impairment charge of US$101,877 in profit or loss for the year ended 31 December 2013 due to changes in the business model of one of the logistics companies which results in less business in that company.

The key assumptions used for recoverable amount calculations as at 31 December 2014 and 2013 are as follows:

	Coal mining and trading	Mining services	Logistics
31 December 2014			
Growth rate after five years	0%	0%	0%
Post-tax discount rate (for fair value less costs to sell calculation)	9.5%-14%	9.5%	9%-12%
31 December 2013			
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 2014, one of the Group's coal mining companies which was in a developing stage was the CGU with the lowest sensitivity. The CGU has an excess of recoverable amount, calculated based on the fair value less costs to sell method over the carrying value of US$51,395. A rise in the discount rate of 0.29% would remove the remaining headroom for the relevant CGU.

16. LOAN TO THIRD PARTIES

	2014	2013
PT Servo Infrastruktur	-	16,670

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 has received full repayment for this loan in February 2014.

17. TRADE PAYABLES

	2014	2013
Third parties	333,925	316,762
Related parties	17,220	10,225
Total	351,145	326,987

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17. TRADE PAYABLES (continued)

Details of trade payables based on currencies are as follows:

	2014	2013
US Dollars	285,279	282,175
Rupiah	64,743	43,582
Australian Dollars	591	605
Euro	403	541
Singapore Dollars	116	51
Yen	13	3
Pound Sterling	-	30
Total	**351,145**	**326,987**

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 37 for details of transactions and balances with related parties.

18. ROYALTIES PAYABLE

	2014	2013
Government royalties payable, net	44,786	117,022

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 (refer to Note 36b).

19. ACCRUED EXPENSES

	2014	2013
Freight cost	4,700	9,775
Interest	3,231	16,936
Others	18,956	18,125
Total	**26,887**	**44,836**

20. LOANS FROM A THIRD PARTY

On 22 October 2014, PCS, SCM and LSA entered into Loan Agreements with Far East Investment Ltd. ("FEIL"), a third party, under which FEIL provided loan facilities to PCS, SCM and LSA with total amounts of US$8,760, US$6,630 and US$151, respectively. The loans bear a interest at a rate of LIBOR plus a certain percentage which is payable semi-annually. The loans will be due on 31 August 2015. As at 31 December 2014, the outstanding balances recorded by PCS, SCM and LSA amounted to US$8,760, US$6,630 and US$151, respectively.

21. DERIVATIVE FINANCIAL INSTRUMENTS

	2014	2013
Fuel swap	61,864	-

Adaro's fuel hedges as at 31 December 2014 were as follows:

	Contract date	Period start	Period end	Quantity (barrels)
Morgan Stanley & Co. International plc	19 March 2014	1 October 2014	31 December 2014	240,000
Standard Chartered Bank	13 January 2014	11 January 2014	31 December 2014	1,080,000
HSBC Limited	5 February 2014	5 February 2014	31 December 2014	550,000
HSBC Limited	18 March 2014	1 October 2014	31 December 2014	150,000
Morgan Stanley & Co. International plc	3 September 2014	1 January 2015	31 December 2015	540,000
CIMB Bank Berhad	3 September 2014	1 January 2015	31 December 2015	480,000
OCBC Ltd.	24 September 2014	1 January 2015	31 December 2015	420,000

All the derivatives are based on price on GAS OIL-0.5 SINGAPORE-PLATTS ASIA-PACIFIC and the transactions are effective cash flow hedges for the purpose of the accounting standards.

22. FINANCE LEASE PAYABLES

	2014	2013
PT Komatsu Astra Finance	54,392	57,541
PT Mitra Pinasthika Mustika Finance	27,450	3,581
PT Orix Indonesia Finance	13,785	18,678
PT Caterpillar Finance Indonesia	10,944	-
	106,571	79,800
Less:		
Current portion	(32,249)	(32,289)
Non-current portion	74,322	47,511

Future minimum lease payments under finance leases together with the present value of the minimum lease payments as at 31 December 2014 and 2013 were as follows:

	2014	2013
Payable not later than one year	36,022	34,363
Payable later than one year and not later than five years	79,068	49,794
	115,090	84,157
Less:		
Future financing charges	(8,519)	(4,357)
Present value of minimum finance lease payments	106,571	79,800
Payable not later than one year	32,249	32,289
Payable later than one year and not later than five years	74,322	47,511
Present value of minimum finance lease payments	106,571	79,800

22. 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.

23. LONG-TERM BANK LOANS

	2014	2013
US$1,000,000 Facility Agreement, net of unamortised financing cost of US$21,678 (2013: US$nil)	978,322	-
US$380,000 Facility Agreement, net of unamortised financing cost of US$8,168 (2013: US$9,676)	318,832	352,324
Syndicated Bank Loan, net of unamortised financing cost of US$6,774 (2013: US$8,921)	228,976	258,079
US$160,000 Facility Agreement, net of unamortised financing cost of US$2,745 (2013: US$3,365)	121,255	141,635
Syndicated Loan, net of unamortised financing cost of US$218 (2013: US$503)	87,282	186,997
US$40,000 Facility Agreement, net of unamortised financing cost of US$708 (2013: US$nil)	39,292	-
US$750,000 Facility Agreement, net of unamortised financing cost of US$nil (2013: US$13,916)	-	407,084
PT Bank OCBC NISP Tbk, net of unamortised financing cost of US$nil (2013: US$nil)	-	4,999
	1,773,959	1,351,118
Less:		
Current portion	**(160,522)**	**(155,577)**
Non-current portion	**1,613,437**	**1,195,541**

The interest rates on the long-term bank loans are as follows:

	2014	2013
US Dollars	1.8% - 4.5%	1.8% - 4.6%

a. US$1,000,000 Facility Agreement

On 25 August 2014, Adaro entered into an US$1,000,000 Facility Agreement with several banks consisting of Australia and New Zealand Banking Group Limited, CIMB Bank Berhad (Singapore branch), Citigroup Global Markets Singapore Pte. Ltd., CTBC Bank Co., Ltd., Singapore, DBS Bank Ltd., Ing Bank N.V., (Singapore branch), Malayan Banking Berhad, (Singapore branch), Mizuho Bank, Ltd., Oversea-Chinese Banking Corporation Limited, Standard Chartered Bank, Sumitomo Mitsui Banking Corporation, The Bank of Tokyo-Mitsubishi UFJ Ltd. (Singapore and Jakarta branch), The Hongkong and Shanghai Banking Corporation Limited and United Overseas Bank Limited as Mandated Lead Arrangers, for which Australia and New Zealand Banking Group Limited acts as the facility agent. The Company acts as the guarantor of this loan facility.

This loan facility was used for the purpose of refinancing the US$750,000 Facility Agreement dated 4 July 2011 (refer to Note 23g) and the US$800,000 Senior Notes dated 22 October 2009 (refer to Note 24).

This facility has a final maturity date of 25 August 2021 and is payable on a quarterly basis. This facility bears interest at LIBOR plus a certain percentage.

23. LONG-TERM BANK LOANS (continued)

a. US$1,000,000 Facility Agreement (continued)

In September 2014, Adaro made full drawdowns of the facility amounting to US$1,000,000. As at 31 December 2014, the outstanding balance of the facility was US$1,000,000 (31 December 2013: US$nil) and is repayable according to the following schedule:

Payment schedule (year)	Payment amount
2015	US$44,000
2016	US$64,000
2017	US$80,000
2018	US$116,000
2019	US$140,000
2020	US$144,000
2021	US$412,000
	US$1,000,000

In accordance with the loan agreement, Adaro is required to maintain certain financial ratios, with which Adaro was in compliance as at 31 December 2014. 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.

b. 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 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 2014, the outstanding balance of the facility was US$327,000 (31 December 2013: US$362,000) and is repayable according to the following schedule:

Payment schedule (year)	Payment amount
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$327,000

In accordance with the loan agreement, Adaro is required to maintain certain financial ratios, with which Adaro was in compliance as at 31 December 2014. 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.

23. LONG-TERM BANK LOANS (continued)

c. Syndicated Bank Loan

On 18 February 2011, SIS, as Borrower, entered into a Facility Agreement of US$400,000 with a syndicate of banks consisting of The Hongkong and Shanghai Banking Corporation Limited, Oversea-Chinese Banking Corporation Limited Singapore, United Overseas Bank Ltd. Co Singapore, 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 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. This facility consists 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.

In 2014, SIS drewdown US$96,000 and made repayment of US$67,250 on the revolving loan facility. As at 31 December 2014, the outstanding balance of this facility was US$28,750 (2013: US$nil). This facility has a final maturity date of 18 February 2018.

In 2014, SIS made repayment of US$60,000 of the term loan facility, therefore, at 31 December 2014, the outstanding balance of this facility was US$207,000 (31 December 2013: US$267,000), and is repayable according to the following schedule:

Payment schedule (year)	**Payment amount**
2016	US$42,000
2017	US$71,250
2018	US$93,750
	US$207,000

In accordance with the loan agreement, SIS is required to maintain certain financial ratios, with which SIS was in compliance as at 31 December 2014. SIS is also required to comply with certain terms and conditions relating to its Articles of Association, the nature of the business, corporate actions, financing activities and others. SIS is in compliance with the related terms and conditions.

d. US$160,000 Facility 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. The facility consists 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. The facility was 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.

In April 2014, MBP paid the outstanding revolving loan facility amounting to US$5,000 and re-drawdown the revolving loan facility amounting to US$20,000 in September 2014. As at 31 December 2014, the outstanding balance of the revolving loan facility was US$20,000 (31 December 2013: US$5,000). Initial repayment and re-drawdown are allowed during the availability period.

23. LONG-TERM BANK LOANS (continued)

d. US$160,000 Facility Agreement (continued)

In November 2014, MBP also paid the installments of the term loan facility amounting to US$36,000. As at 31 December 2014, the outstanding balance of the term loan facility was US$104,000 (31 December 2013: US$140,000), and is repayable according to the following schedule:

Payment schedule (year)	Payment amount
2017	US$28,000
2018	US$36,000
2019	US$40,000
	US$104,000

In accordance with the loan agreement, MBP is required to maintain certain financial ratios, with which MBP was in compliance as at 31 December 2014. 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.

e. 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 LIBOR plus a certain percentage. These facilities were used to refinance certain existing loans of Adaro. Based on the amended agreement dated 25 March 2010, the Company, IBT and the Borrowers (collectively hereinafter referred to as the "Guarantors"), act as the guarantors of this syndicated loan.

On 30 September 2010, the Borrowers, the Guarantors and DBS Bank Ltd., as the facility agent, entered into an amendment agreement to amend the maturity date of the term loan facility to 7 December 2015 and all amounts outstanding under the revolving loan facility shall be deemed to be amounts outstanding under the term loan facility. The margin of interest was increased by a certain percentage. The effective date of this amendment agreement is 7 October 2010.

The payment schedule for the outstanding term loan as at 31 December 2014, is as follows:

Year	Adaro	Coaltrade	Total
2015	US$65,865	US$21,635	US$87,500

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 2014. 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.

f. 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.

23. LONG-TERM BANK LOANS (continued)

f. US$40,000 Facility Agreement (continued)

As at 31 December 2014, the outstanding balance of the revolving loan facility was US$40,000 (31 December 2013: US$nil). This loan has a maturity date on 29 May 2019. Initial repayment and re-drawdown are allowed during the availability period.

In accordance with the loan agreement, MBP is required to maintain certain financial ratios, with which MBP was in compliance as at 31 December 2014. MBP is also required to comply with certain terms and conditions relating to its Articles of Association, the nature of the business, dividends, corporate actions, financing activities and other matters. MBP is in compliance with the related terms and conditions.

g. US$750,000 Facility Agreement

On 4 July 2011, Adaro, as the Borrower, entered into a syndicated loan facility agreement with several banks 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.

As at 31 December 2013, the outstanding balance of this loan was US$421,000. In September 2014, the outstanding loan was fully paid through refinancing using the US$1,000,000 Facility Agreement (refer to Note 23a).

h. 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-year after first withdrawal and is payable on a semester basis. The loan bears interest at the three-month LIBOR plus a certain percentage and is payable on a quarterly basis.

As at 31 December 2013, the outstanding balance of this facility was US$4,999. In September 2014, SDM had fully paid its outstanding loan balance under this facility.

24. SENIOR NOTES

	2014	**2013**
Face value	-	800,000
Discount and issuance cost	-	(15,161)
Amortisation of discount and issuance cost	-	5,031
Total	**-**	**789,870**

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.

On 22 October 2014, Adaro redeemed the entire outstanding Senior Notes balance amounting to US$800,000 at redemption price of 103.813% of the principal amount of the Senior Notes, plus accrued and unpaid interest to the redemption date.

25. RETIREMENT BENEFITS OBLIGATION

Provision for employee benefits as at 31 December 2014 and 2013 was calculated by Padma Radya Aktuaria, independent actuaries, in various actuarial reports issued in 2015 and 2014.

The principal assumptions used in determining the Group's provision for employee benefits are as follows:

	2014	2013
Discount rate	8% - 8.75% (Rp) 2% (US$)	8.8% - 9% (Rp) 2.4% (US$)
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

Provision for employee benefits recognised in the consolidated statements of financial position is computed as follows:

	2014	2013
Present value of funded obligations	16,618	11,731
Fair value of plan assets	(1,283)	(1,225)
Deficit of funded plans	15,335	10,506
Present value of unfunded obligations	35,677	27,135
Total	51,012	37,641
Unrecognised actuarial loss	2,166	5,457
Unrecognised past service cost	(25)	(30)
Net liability	**53,153**	**43,068**

The movement in the Group's fair value of plan assets during the year is as follows:

	2014	2013
At the beginning of the year	1,225	1,482
Contribution	1	-
Expected return on plan assets	70	79
Actuarial gain/(loss)	14	(26)
Foreign exchange difference	(27)	(310)
At end of the year	1,283	1,225

The movement in the Group's present value of obligation is as follows:

	2014	2013
At the beginning of the year	38,866	41,838
Current service cost	10,070	13,574
Interest cost	3,098	2,724
Actuarial loss/(gain)	3,022	(13,971)
Past service cost	405	960
Benefits paid	(1,049)	(842)
Curtailment and settlement	(809)	-
Foreign exchange difference	(1,308)	(5,417)
At end of the year	52,295	38,866

25. RETIREMENT BENEFITS OBLIGATION (continued)

The amount recognised in profit or loss is as follows:

	2014	**2013**
Current service cost	10,070	13,574
Interest cost	3,098	2,724
Expected return on plan assets	(70)	(79)
Net actuarial gain recognised in current year	(7)	(460)
Curtailment and settlement	(809)	-
Foreign exchange difference	(1,305)	(5,107)
Past service cost	405	960
Total	11,382	11,612

The actual return on plan assets as at 31 December 2014 was US$85 (2013: US$53).

As at 31 December 2014 and 2013, the plan assets were fully invested in the money market.

Expected returns on the money market are based on expected future fair value as at the reporting date.

Expected contributions to post employment benefit plans for the next year are US$1.

	2014	**2013**	**2012**
Experience adjustment on plan liabilities	(442)	(3,656)	1,538
Experience adjustment on plan assets	14	(26)	(37)

26. PROVISION FOR MINE RECLAMATION AND CLOSURE

	2014	**2013**
Beginning balance	40,355	16,211
Addition (Note 33)	27,910	27,166
Realisation	(4,826)	(3,341)
Accretion	1,792	401
Foreign exchange difference	(93)	(82)
Ending balance	**65,138**	**40,355**

27. 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 2014 and 2013 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 2014			
PT Adaro Strategic Investments	14,045,425,500	43.91	150,589
Garibaldi Thohir (President Director)	1,976,632,654	6.18	21,193
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)	8,413,500	0.03	90
Public	13,103,493,050	40.97	140,490
Total	**31,985,962,000**	**100.00**	**342,940**
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
Total	**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.

28. ADDITIONAL PAID-IN CAPITAL, NET

	2014	2013
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 IPO in 2008.

29. RETAINED EARNINGS

	Unappropriated	Appropriated	Total
Balance as at 1 January 2013 before restatement	1,023,426	43,235	1,066,661
Impact on adoption of IFAS No. 29 (refer to Note 3)	(23,544)	-	(23,544)
Balance as at 1 January 2013*	999,882	43,235	1,043,117
Profit for the year*	233,965	-	233,965
Appropriation of retained earnings	(3,853)	3,853	-
Payment of dividend	(80,285)	-	(80,285)
Balance as at 31 December 2013*	**1,149,709**	**47,088**	**1,196,797**
Profit for the year	178,162	-	178,162
Appropriation of retained earnings	(2,312)	2,312	-
Dividend	(65,252)	-	(65,252)
Balance as at 31 December 2014	**1,260,307**	**49,400**	**1,309,707**

As restated (refer to Note 3) *

The 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.

30. DIVIDENDS

At the Company's Board of Commissioners and Directors Meeting held on 21 November 2012, a cash dividend for 2012 of US$35,185 (US$0.0011/share - full amount) was approved. The cash dividend was paid on 15 January 2013.

At the Company's Annual General Meeting of Shareholders ("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 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, a cash dividend for 2013 of US$39,983 (US$0.00125/share - full amount) was approved. The cash dividend was paid on 16 January 2014.

At the Company's AGMS held on 25 April 2014, a total cash dividend for 2013 of US$75,168 (US$0.00235/share - full amount) was approved. This included cash dividend for 2013 of US$39,983, which was paid on 16 January 2014. The remaining US$35,185, final cash dividend for 2013, was paid on 12 June 2014.

At the Company's Boards of Commissioners and Directors Meeting held on 2 December 2014, a cash dividend for 2014 of US$30,067 (US$0.00094/share - full amount) was approved. The cash dividend was paid on 16 January 2015.

31. NON-CONTROLLING INTERESTS

	31 December 2014					
	Beginning balance	Adjustment, addition and deduction	Share in net income/ (loss)	Dividend	Other comprehensive income	Ending balance
PT Bhakti Energi Persada and subsidiaries	424,184	-	592	-	(2,539)	422,237
Others (each below US$50,000)	66,034	(284)	4,786	(1,032)	(27)	69,477
Total	490,218	(284)	5,378	(1,032)	(2,566)	491,714

31. NON-CONTROLLING INTERESTS (continued)

	31 December 2013						
	Beginning balance	Acquisition	Addition and 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
Total	436,084	56,073	(545)	(1,968)	(705)	1,279	90,218

32. REVENUE

	2014	2013
Sales of coal		
Export	2,448,130	2,452,832
Domestic	653,996	616,471
	3,102,126	3,069,303
Mining services		
Domestic	139,076	147,748
Others		
Export	600	600
Domestic	83,642	67,491
	84,242	68,091
Total	3,325,444	3,285,142

All of the consolidated revenue was generated from third party transactions.

For the years ended 31 December 2014 and 2013, there were no customers with which revenue transactions exceeded 10% of the total consolidated revenue.

33. COST OF REVENUE

	2014	2013*
Sales of coal		
Mining	1,390,479	1,286,438
Coal processing	116,658	126,201
Total production costs	1,507,137	1,412,639
Royalties to Government	354,148	348,014
Freight and handling costs	240,022	268,794
Depreciation (Note 12)	182,703	165,256
Amortisation of mining properties (Note 14)	95,689	78,991
Purchase of coal	24,267	74,949
Mine closure and reclamation costs (Note 26)	27,910	27,166
Coal inventory:		
Beginning balance	44,298	32,251
Ending balance	(44,011)	(44,298)
Decrease/(increase) in coal inventory	287	(12,047)
Total cost of revenue - sales of coal	2,432,163	2,363,762

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33. COST OF REVENUE (continued)

	2014	2013*
Mining services		
Repair and maintenance	34,827	37,074
Consumables	34,416	29,787
Depreciation (Note 12)	23,345	31,726
Employee costs	15,533	18,957
Subcontractors	5,340	6,976
Other costs	10,445	10,165
Total cost of revenue - mining services	123,906	134,685
Others		
Consumables	10,345	10,918
Depreciation (Note 12)	11,208	8,490
Other costs	27,822	23,129
Total cost of revenue - others	49,375	42,537
Total	2,605,444	2,540,984

* As restated (refer to Note 3)

Details of suppliers with transactions that represent more than 10% of the consolidated revenue are as follows:

	2014	2013
Third parties:		
PT Shell Indonesia	514,834	469,864
PT Pamapersada Nusantara	482,901	422,709
Total	997,735	892,573

Refer to Note 37 for details of related party balances and transactions.

34. OPERATING EXPENSES

	2014	2013
Selling and marketing		
Sales commission	44,372	41,330
Others	773	937
Subtotal	45,145	42,267
General and administrative		
Employee costs	52,892	51,793
Others	61,697	79,029
Subtotal	114,589	130,822
Total	159,734	173,089

35. OTHER EXPENSES, NET

	2014	2013
Gain from sales of investment in an associate (Note 13)	11,436	-
Foreign exchange loss, net	(13,304)	(53,198)
Loss on mining properties impairment (Note 14)	(40,705)	-
Loss on goodwill impairment (Note 15)	(16,743)	(101,877)
Negative goodwill from business acquisition (Note 5)	-	145,578
Others	(7,397)	(22,315)
Total, net	**(66,713)**	**(31,812)**

36. TAXATION

a. Prepaid taxes

	2014	2013
Corporate income tax	75,734	144,229
VAT	52,191	42,487
Total	127,925	186,716
Less current portion	**(80,452)**	**(186,716)**
Non-current portion	**47,473**	**-**

b. Recoverable taxes

	2014	2013
Sales Tax	24,633	-
Vehicle fuel tax receivables	19,334	9,694
Overpayment of Government's royalty	571	-
Deposit to Government	17	12,301
Others	1,224	1,181
	45,779	23,176
Less current portion	**(45,779)**	**(10,875)**
Non-current portion	**-**	**12,301**

According to the CCA, Adaro is subject to sales tax on services rendered in Indonesia, pursuant to prevailing laws and regulations governing sales tax. With the enactment of Law No. 8 of 1983 which introduced VAT, sales tax was repealed. Adaro is of the opinion that VAT is different from sales tax in both form and substance, and therefore VAT is considered to be a new tax. According to the provisions of the CCA, the Government will pay and assume and hold Adaro harmless from all Indonesian taxes, duties, rentals and royalties levied by the Government imposed after the date of the CCA. Accordingly, Adaro had offset claims for recoverable VAT against royalties payable.

For the year ended 31 December 2014, Adaro had offset claim for recoverable VAT amounting to US$510 (31 December 2013: US$44,466). From 1 January 2001 up to 31 December 2014, Adaro had offset a cumulative amount of US$752,776.

In May 2006, the MoEMR, on behalf of the Government, alleged that Adaro had underpaid royalties due from coal sales for the years from 2001 and demanded payment thereof. Adaro strongly rejected the allegation because it had discharged its obligation to pay such royalties by way of set off described above. Adaro accordingly filed an objection at the Jakarta Administrative Court against the MoEMR. 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 judgment is made.

36. TAXATION (continued)

b. Recoverable taxes (continued)

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, on cassation, the Supreme Court concurred with the decision of the Jakarta Administrative High Court. The decision of the Supreme Court is final and binding.

Separately in June 2006, the MoEMR granted authority to the Committee for State Claim Affairs (the “Committee”) to pursue the alleged underpayment of royalties on its behalf. In July 2007, the Committee issued a demand for payment to Adaro. As this is an industry-wide problem, similar demands were made by the Committee to other first-generation coal companies. In September 2007, Adaro filed an objection with the Jakarta Administrative Court against the Committee. 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 judgment is made. On 15 February 2008, the Jakarta Administrative Court issued a decision in favour of Adaro. The Jakarta Administrative High Court concurred with the Jakarta Administrative Court on 1 July 2008. On 22 July 2009, on cassation, the Supreme Court concurred with the decision of the Jakarta Administrative High Court. On 29 January 2010, the Committee filed a civil review (Peninjauan Kembali) against the decision of the Supreme Court. On 31 January 2011, the Jakarta Administrative Court informed Adaro that the civil review (Peninjauan Kembali) had passed judgement, where the Supreme Court by its decision No.47/PK/TUN/2010 dated 20 July 2010 had rejected the request for civil review (Peninjauan Kembali) by the Committee. The Supreme Court decision is therefore final and binding.

In 2008, the Government through the Financial and Development Supervisory Board (“BPKP”), commenced an audit to resolve the dispute on the offset of claims for recoverable VAT paid against royalties payable for the fiscal years 2001 to 2007. In September 2008, in good faith, Adaro placed a deposit amounting to Rp150 billion (equivalent to US$12,301 as at 31 December 2013) with the Government to signify its willingness to pay any duly determined unpaid amounts in relation to the dispute (the “Deposit”).

In August 2009, BPKP continued its audit in relation to VAT paid and the amount offset against royalties payable and sales tax for the fiscal years prior to 2001, as well as fiscal years 2008 to 2012. As at the date of these consolidated financial statements, the audit is still ongoing. Management is of the opinion that the audit result will not have a material impact on the Group’s financial position and cash flow.

On 6 December 2012, the Minister of Finance issued Regulation No. 194/PMK.03/2012 (”PMK 194”) that governs procedures of collection, remittance and reporting of sales tax and treatment of VAT and/or Luxury Goods Sales Tax on the first generation CCA contractors, including Adaro. PMK 194 became effective on 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 the regulation. PMK 194 also stipulates that VAT and/or Luxury Goods sales tax are not collected on the delivery of VAT-able goods and/or services by a VAT-able Entrepreneur to the contractors, including Adaro. Management is of the opinion that the law (“Undang-Undang”) to impose sales tax had been repealed and there is no prevailing law that serves as valid legal basis for the Government to impose sales tax on Adaro, despite the fact that the Government had issued PMK 194. For this reason, management believes that sales tax cannot currently be legally imposed on Adaro.

On 17 December 2014, the DGT, on behalf of the Government, and Adaro agreed to a settlement of the dispute on the offset of claims for recoverable VAT against royalties payable for the fiscal years 2001 to 2007 (the "Settlement"). The Government, agreed in the Settlement, to acknowledge the offset of claims for recoverable VAT against royalties payable.

On 22 December 2014, in furtherance of the Settlement, Adaro received a letter from the DGT which informed the results of the recalculation of rights and obligations of the Government and Adaro performed by BPKP for the fiscal years 2001 to 2007. The result shows an overpayment of royalties amounting to Rp7.1 billion, equivalent to US$571, (inclusive of interest of Rp2.3 billion, equivalent to US$185) and underpayment of sales tax amounting to Rp109.1 billion (equivalent to US$8,770) for the years 2001 to 2007 and administrative fees of Rp402.3 million (equivalent to US$32).

36. TAXATION (continued)

b. Recoverable taxes (continued)

In a further settlement dated 29 December 2014, Adaro had, in good faith, permitted the Government to, at its sole discretion, make use of the aforesaid Deposit to apply to allegedly unpaid sales tax amounting to Rp109.1 billion (equivalent to US$8,770) for the fiscal years 2001 to 2007 and Rp59.3 billion (equivalent to US$4,770) for the fiscal year 2008. Management, however, does not agree with the assessment with regards to the underpayment of sales tax determined by BPKP since the law ("Undang-Undang") to impose sales tax had been repealed in 1983 and there is no prevailing law that serves as a valid legal basis for the Government to impose sales tax on Adaro, despite the fact that the Government had issued PMK 194. Because of this reason, management believes that sales tax cannot currently be legally imposed on Adaro. Adaro intends to recover the sales tax in accordance with the applicable law. The consolidated financial statements do not include any adjustments that might ultimately result from a settlement or resolution of this matter.

On 5 January 2015, Adaro received a letter from the Head of State Asset and Auction Office Jakarta V ("KPKNL") informing Adaro that the remaining balance of the Deposit stands at Rp214.6 million (equivalent to US$17) as at 31 December 2014.

The vehicle fuel tax (Pajak Bahan Bakar Kendaraan Bermotor/"PBBKB") receivable represents the balance of PBBKB that Adaro believes is reimbursable by the Government, since PBBKB is a new tax according to the provisions of the CCA. For the year ended 31 December 2014, Adaro had offset the reimbursement claims for vehicle fuel tax against royalties payable to the Government amounting to US$30,376 (31 December 2013: US$80,264). Until 31 December 2014, Adaro had offset a cumulative amount of US$157,937. The consolidated financial statements do not include any adjustments that might ultimately result from a settlement or resolution of this matter.

c. Taxes payable

	2014	2013
Corporate income tax	36,433	27,712
Other taxes:		
- Income tax Articles 23 and 26	8,385	5,600
- Income tax Article 21	1,629	2,442
- VAT	831	628
- Land and building tax	-	921
- Others	466	165
Total	47,744	37,468

d. Income tax expense

	2014	2013*
Current income tax	158,568	212,155
Deferred income tax	(29,305)	(20,364)
Income tax expense from tax audit adjustment	12,557	468
Total consolidated income tax expense	141,820	192,259

* As restated (refer to Note 3)

36. TAXATION (continued)

d. Income tax expense (continued)

The tax on consolidated profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated subsidiaries as follows:

	2014	2013*
Consolidated profit before income tax	325,360	424,256
Tax calculated at applicable tax rates	171,058	184,341
Income subject to final tax	(54,539)	(39,933)
Non-deductible expenses	63,196	56,273
Tax allowance	(15,186)	(15,907)
Tax audit assesment	12,557	468
Others	(35,266)	7,017
Consolidated income tax expense	**141,820**	**192,259**

* As restated (refer to Note 3)

The reconciliation between the consolidated profit before income tax and estimated consolidated taxable income is as follows:

	2014	2013*
Consolidated profit before income tax	325,360	424,256
Profit before income tax - subsidiaries	(351,601)	(470,610)
Adjusted for consolidation elimination	4,047	32,560
Loss before income tax - the Company	(22,194)	(13,794)
Fiscal correction:		
Income subject to final tax	(566)	(417)
Non-deductible expenses	33,844	30,193
	33,278	29,776
Utilisation of tax losses	-	(714)
Taxable income -the Company	11,084	15,268
Current income tax - the Company	2,771	3,817
Current income tax - subsidiaries	155,797	208,338
Consolidated current income tax	158,568	212,155

* As restated (refer to Note 3)

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:

	2014			2013		
	Before tax	Tax (charge)/ credit	After tax	Before tax	Tax (charge)/ credit	After tax
Cash flow hedges	(52,044)	23,419	(28,625)	4,066	(1,509)	2,557

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36. TAXATION (continued)

e. Deferred tax assets/liabilities

	31 December 2014					
	Beginning balance*	**Charged to profit or loss**	**Transfer to/from deferred tax assets liabilities**	**Acquisition of subsidiary**	**Credited to equity**	**Ending balance**
Deferred tax assets						
Tax losses carried forward	6,400	(4,164)	(2,113)	-	-	123
Difference between the commercial and tax net book values of fixed assets	-	355	2,006	-	-	2,361
Differences in fixed assets under finance leases and lease installments	-	725	(4,800)	-	-	(4,075)
Retirement benefits obligation	2,294	1,523	2,313	-	-	6,130
Deferred tax assets at the end of the year	**8,694**	**(1,561)**	**(2,594)**	**-**	**-**	**4,539**
Deferred tax liabilities						
Capitalised borrowing cost	20,427	(252)	-	-	-	20,175
Retirement benefits obligation	(3,065)	(1,735)	2,313	-	-	(2,487)
Mining properties	513,698	(29,567)	-	-	-	484,131
Gain due to changes in the fair values of derivative financial instruments	576	-	-	-	(23,419)	(22,843)
Deferred stripping assets	(17,026)	3,270	-	-	-	(13,756)
Differences between the commercial and tax net book values of fixed assets	115,453	(1,267)	2,006	-	-	116,192
Provision for impairment of trade receivables	(9,000)	(2,937)	-	-	-	(11,937)
Differences in fixed assets under finance leases and lease installments	4,800	-	(4,800)	-	-	-
Tax losses carried forward	-	861	(2,113)	-	-	(1,252)
Provision for mine Closure		(703)	-	-	-	(703)
Income from subsidiaries	5,871	1,464	-	-	-	7,335
Deferred tax liabilities at the end of the year	**631,734**	**(30,866)**	**(2,594)**	**-**	**(23,419)**	**574,855**

* As restated (refer to Note 3)

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36. TAXATION (continued)

e. Deferred tax assets/liabilities (continued)

	31 December 2013*					
	Beginning balance*	Charged to profit or loss	Transfer to /from deferred tax assets/ liabilities	Acquisition of subsidiary	Credited to equity	Ending balance*
Deferred tax assets						
Tax losses carried forward	6,396	4	-	-	-	6,400
Retirement benefits obligation	2,412	412	(530)	-	-	2,294
Difference between the commercial and tax fixed assets net book values of	(468)	-	468	-	-	-
Deferred tax assets at - the end of the year	**8,340**	**416**	**(62)**	**-**	**-**	**8,694**
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
Deferred stripping asset	(19,264)	2,238	-	-	-	(17,026)
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	**581,825**	**(19,948)**	**(62)**	**68,410**	**1,509**	**631,734**

* As restated (refer to Note 3)

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 and retirement benefit obligation have 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:

	2014	**2013***
Deferred tax liabilities to be settled within 12 months	36,190	22,628
Deferred tax liabilities to be settled after 12 months	538,665	609,106
	574,855	631,734

* As restated (refer to Note 3)

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 DGT may assess or amend taxes within five years of the time the tax becomes due.

36. TAXATION (continued)

g. Tax assessment letters

On 22 September 2010, SIS had received an Advance Refund for corporate income tax-fiscal year 2009 amounting to Rp65,217 million (equivalent to US$5,997) from a total overpayment of Rp95,878 million (equivalent to US$8,782). On 11 December 2013, the DGT issued a Tax Assessment Letter for the relevant corporate income tax. Based on such letter, SIS's overpayment had been adjusted by US$101, resulting in a revised total overpayment amounting to US$8,681. The difference between the adjusted total overpayment and the Advance Refund had been fully refunded in January 2014; and at the same time, SIS filed an objection regarding the adjustment. Based on the DGT's decision No. KEP-158/WPJ.19/2015 dated 23 January 2015, SIS objection has been approved and the remaining tax overpayment amounting to US$101 has been fully received on 23 February 2015.

On 26 April 2013, the DGT issued a Tax Assessment Letter for the corporate income tax-fiscal year 2011. Based on such letter, the DGT had agreed to SIS's overpayment amounting to Rp80,720 million (equivalent to US$8,311) and reduced US$10,476 from SIS's carried forward fiscal loss for the relevant fiscal year. The overpayment had been fully refunded by the DGT in May 2013. SIS had filed an objection to the DGT's adjustment on the carried forward fiscal loss which had been rejected by the DGT on 25 July 2014. SIS had filed an appeal with the Tax Court regarding this adjustment on 17 September 2014. Until the issuance of these consolidated financial statements, there had been no decision made on the appeal.

On 29 April 2014, the DGT issued a Tax Assessment Letter for the corporate income tax-fiscal year 2012. Based on such letter, the DGT had agreed to SIS's overpayment amounting to Rp152,378 million (equivalent to US$13,333) and reduced US$4,910 from SIS's carried forward fiscal loss for the relevant fiscal year. The overpayment was fully refunded by the DGT in May 2014. SIS had filed an objection to the DGT's adjustment on the carried forward fiscal loss in July 2014. Up to the issuance date of these consolidated financial statements, there had been no decision made on the objection.

As at the date of these consolidated financial statements, Adaro was being audited by Directorate General of Customs and Excise for customs for fiscal years 2010-2013 and the DGT for all taxes for the fiscal year 2013. DJP is also auditing SIS for corporate income tax for the fiscal year 2013, PBMM for VAT for fiscal year 2013, Biscayne for VAT for fiscal years 2010-2013, IBT for VAT for fiscal year 2013, AP, AEI, ATA, DSM, JPI, PBMM, MSW and IBT for corporate income tax for the fiscal year 2013. Adaro, SIS, Biscayne, AP, AEI, ATA, DSM, JPI, PBMM, MSW 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 statements.

37. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a. Nature of relationships

Related parties	Nature of relationship
PT Servo Meda Sejahtera*	Associate
PT Pulau Seroja Jaya	Affiliate
PT Rahman Abdijaya	Affiliate

* In February 2014, SMS has been sold (Note 13)

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.

37. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)

b. Transaction details (continued)

Loan to a related party

	2014	2013
PT Servo Meda Sejahtera	-	40,233
Persentase terhadap total aset	-	0.60%

In February 2014, ATA has received full repayment of all outstanding loan receivables from SMS.

Trade payables

	2014	2013
Mining services:		
PT Rahman Abdijaya	14,371	4,222
Coal barging services:		
PT Pulau Seroja Jaya	2,849	6,003
Total	17,220	10,225
As a percentage of total liabilites	0.55%	0.29%

Cost of revenue

	2014	2013*
Mining services:		
PT Rahman Abdijaya	77,106	74,197
Coal barging services:		
PT Pulau Seroja Jaya	36,405	38,350
Total	113,511	112,547
As a percentage of cost of revenue	4.36%	4.43%

* As restated (refer to Note 3)

The Group's pricing policy related to transactions with related parties is set based on contracted prices.

c. Key management compensation

The Boards of Commissioners and Directors of the Group are considered key management personnel.

Remuneration for the Boards of Commissioners and Directors of the Group for the years ended 31 December 2014 and 2013, was as follows:

	2014	2013
Remuneration	20,139	19,145
Post employment benefits	1,746	1,246
Total	**21,885**	**20,391**

The Boards of Commissioners and Directors do not receive any other benefits such as management stock options.

38. EARNINGS PER SHARE

	2014	2013*
Consolidated profit for the year attributable to the owners of the parent	178,162	233,965
Weighted average number of ordinary shares outstanding (in thousands of shares)	31,985,962	31,985,962
Basic earnings per share attributable to the owners of the parent (full amount)	**0.00557**	**0.00731**
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 (Note 42u)	2,381,730	2,381,730
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share (in thousands of shares)	34,367,692	34,367,692
Diluted earnings per share attributable to the owners of the parent (full amount)	**0.00518**	**0.00681**

* As restated (refer to Note 3)

39. NET MONETARY ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

As at 31 December 2014 and 2013, the Group had monetary assets and liabilities denominated in currencies other than US Dollars as follows:

		31 December 2014	
		Foreign currency (full amount)	Equivalent US$
Monetary assets			
Cash and cash equivalents	Rp	2,071,844,394,483	166,547
	S$	736,627	558
	€	502,962	612
Trade receivables	Rp	1,292,785,096,092	103,922
Prepaid taxes	Rp	649,373,972,847	52,200
Total monetary assets			323,839
Monetary liabilities			
Trade payables	Rp	805,405,066,156	64,743
	S$	153,164	116
	€	331,465	403
	¥	1,494,241	13
	A$	719,676	591
Accrued expenses	Rp	60,290,480,242	4,847
	€	4,655,717	5,664
	A$	13,335	11
Taxes payable	Rp	140,704,327,150	11,311
Retirement benefits obligation	Rp	597,184,032,227	48,005
Provision for mine reclamation	Rp	58,340,871,535	4,690
Total monetary liabilities			140,394
Net foreign currency monetary assets			**183,445**

39. NET MONETARY ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES (continued)

		31 December 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	440,126,248,849	35,380
Provision for mine reclamation	Rp	52,417,631,672	4,300
			105,725
Total monetary liabilities			
Net foreign currency monetary assets			**164,122**

Monetary assets and liabilities mentioned above are translated using the Bank Indonesia closing rate as at 31 December 2014 and 2013.

If assets and liabilities in currencies other than US Dollars as at 31 December 2014 are translated using the exchange rate as at the date of the consolidated statement of financial position, the total net monetary assets will decrease by approximately US$5,828.

40. NON-CASH TRANSACTIONS

	2014	2013
Non-cash activities:		
Acquisition of assets under finance leases	66,465	20,345
Addition of fixed assets through capitalisation of depreciation expenses	1,090	435
Addition of mining properties through capitalisation of depreciation expenses	142	355
Addition of investment in associates through conversion of advance for investments	-	5,413

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2014 AND 2013
(Expressed in thousands of US Dollars, unless otherwise stated)

41. 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 coal mining and trading, mining services, logistics and others (power plant, asset management, etc.).

The segment information provided to the Board of Directors for the reportable segments for the years ended 31 December 2014 and 2013, is as follows:

	For the year ended 31 December 2014					
	Coal mining and trading	Mining services	Logistics	Others	Eliminations	Consolidated
External revenue	3,102,126	139,076	38,565	45,677	-	3,325,444
Inter-segment revenue	10,687	347,962	157,159	58,064	(573,872)	-
Revenue	3,112,813	487,038	195,724	103,741	(573,872)	3,325,444
Cost of revenue	(2,519,263)	(434,494)	(107,940)	(40,795)	497,048	(2,605,444)
Selling and marketing expense	(45,144)	-	-	(1)	-	(45,145)
General and administrative expense	(44,005)	(20,449)	(12,104)	(42,054)	4,023	(114,589)
Finance costs	(168,995)	(15,942)	(6,665)	(28,660)	30,545	(189,717)
Finance income	44,584	3,389	3,558	8,014	(34,285)	25,260
Income tax expense	(151,772)	(2,723)	(5,652)	(13,459)	31,786	(141,820)
Profit for the year	200,152	24,378	63,824	14,170	(118,984)	183,540
Depreciation and amortisation	(115,909)	(82,840)	(20,958)	(8,864)	(87,807)	(316,378)
31 December 2014						
Segment assets	2,865,760	828,522	447,258	924,722	1,347,386	6,413,648
Segment liabilities	2,279,465	415,141	183,988	1,311,613	(1,034,707)	3,155,500

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2014 AND 2013
(Expressed in thousands of US Dollars, unless otherwise stated)

41. OPERATING SEGMENTS (continued)

	For the year ended 31 December 2013*					
	Coal mining and trading	Mining services	Logistics	Others	Eliminations	Consolidated
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	(2,421,026)	(361,331)	(93,550)	(32,458)	367,381	(2,540,984)
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 benefit/(expense)	(196,931)	4,884	(5,115)	(8,230)	13,133	(192,259)
Profit/(loss) for the year	249,000	(17,029)	47,217	(25,267)	(21,924)	231,997
Depreciation and amortisation	(105,267)	(85,918)	(16,347)	(6,354)	(74,205)	(288,091)
31 December 2013						
Segment assets	3,135,442	794,379	384,178	500,023	1,881,929	6,695,951
Segment liabilities	2,572,422	408,511	183,904	1,426,002	(1,069,081)	3,521,758

* As restated (refer to Note 3)

Sales by destination is as follows:

	2014	2013
Domestic	876,714	831,710
Export		
- India	478,742	519,657
- Japan	351,352	384,682
- Korea	300,790	350,078
- China	304,696	278,025
- Others	1,013,150	920,990
Total	3,325,444	3,285,142

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.

42. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES

a. Coal mining, hauling, 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 rental fee and service fee, calculated on a monthly basis, based on a formula which includes the amount of raw coal transported and overburden mined and transported. The contractors will provide the equipment, machinery, appliances and other supplies necessary and also in some instances may use Adaro's own equipment for performing the 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 and to provide floating crane services from the contractors' barge to customer vessels. 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	31 March 2015
PT Pamapersada Nusantara	Coal transportation	7 September 2009	31 March 2015
PT Bukit Makmur Mandiri Utama	Stripping of overburden and mining of coal	1 January 2009	31 March 2015
PT Rahman Abdijaya	Stripping of overburden and mining of coal	1 January 2009	31 March 2015
PT Rahman Abdijaya	Coal transportation	1 January 2009	31 March 2015
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 2015
PT Rahman Abdijaya	Rental heavy equipment	1 October 2012	31 March 2015
PT Pamapersada Nusantara	Rental heavy equipment	28 September 2012	31 March 2015

42. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

a. Coal mining, hauling, barging, transhipment and other related agreements (continued)

Under the agreements made by SIS and coal producers, SIS provides equipment through a rental mechanism, and provides mining services for overburden removal and hauling, and also coal hauling/transportation. SIS is required to meet a 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.

Coal producer	Agreement date	Contract period or production level (metric tonnes/MT)
PT Berau Coal (Binungan Blok 1-4)	1 March 2007 - 21 September 2012	30 September 2012 - 31 December 2015
PT Berau Coal (Sambarata Blok B-1)	21 September 2012	30 September 2012 - 31 December 2015
PT Borneo Indobara (Kusan)	23 February 2012	1 January 2012 - 31 December 2016 or certain production level

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, Tabalong Regency, South Kalimantan. Under this land-use cooperation agreement, MSW received land rights (Hak Guna Bangunan) over the Certificate of Management Rights owned by the Government of Tabalong Regency.

On 27 February 2014, MSW and the Government of Tabalong Regency amended the land-use cooperation agreement and changed the term of the agreement to 50 years, revised the land area based on needs, and provided fixed contribution and profit sharing to the Government of Tabalong Regency.

c. Banking facility

On 5 September 2007, Adaro entered into a banking facility agreement with HSBC to issue a bank guarantee. 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. This agreement has been amended several times with the last amendment to extend the maturity date of this agreement to 31 July 2014. Adaro is in the process of extending this agreement.

On 30 October 2014, 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 facility is not bound by any collateral and the maturity date of this agreement is 15 July 2015.

On 11 November 2011, Adaro entered into a banking facility agreement with PT Bank ANZ Indonesia 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. This agreement has been amended several times with the last amendment extending the maturity date of this agreement to 11 November 2014. Adaro is in the process of extending this agreement.

On 28 April 2014, Adaro entered into a banking facility agreement with PT Bank Mandiri (Persero) Tbk to issue a bank guarantee with a total limit amounting to US$30,000 in the form of a bid and performance bonds. This facility can also be used by SIS, MSW, JPI, MBP, HBI, SDM and IBT. This facility is not bound by any collateral. The agreement was amended to extend the maturity date to 27 April 2015.

As at 31 December 2014, the total bank facilities used by Adaro which were obtained from HSBC, PT Bank DBS Indonesia and PT Bank Mandiri (Persero) Tbk and from other financial institutions in various currencies, aggregated to US$16,084 (31 December 2013: US$14,268). 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 7).

42. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

d. Sales commitments

As at 31 December 2014, Adaro had various commitments to deliver approximately 149.7 million metric tonnes of coal to various buyers, subject to price agreements. The coal will be delivered periodically from 2015 until 2022.

e. Capital expenditure

As at 31 December 2014, the Group had purchase orders for mining equipment and vessel construction amounting to US$19,646.

f. Forestry fee

Based on Government Regulation No. 33 dated 16 May 2014 which replaces 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 with tariff ranging from Rp1,600,000 (full amount) to Rp4,000,000 (full amount) per hectare using a certain formula. This fee is effective from August 2014. The Group has recognised this fee on an accrual basis.

g. 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.

h. 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 metric 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. At the end of the agreement period, Shell will transfer the ownership of the fuel storage facility, additional jetty and flow meters together with the transfer of operation to IBT. Under the amendment of this agreement, IBT agreed to amend the handling fee for the use of the shared facilities.

i. Ministerial Regulation No. 18/2009

In August 2009, the MoEMR issued Ministerial Regulation No. 18/2009 on the procedure of the amendment of investment in order to implement the Coal Cooperation Agreement and Coal Contract of Work, which regulates that if Adaro amends the investing plan, Adaro should obtain the approval of the Director General on behalf of the MoEMR.

j. Mining Law No. 4/2009

On 16 December 2008, the Indonesian Parliament passed a new Law on Mineral and Coal Mining (the "Law"), which received the assent of the President on 12 January 2009, becoming Law No. 4/2009. The CCA system under which Adaro, one of the Group's subsidiaries, operates, will no longer be available to investors. However, the Law indicates that existing CCAs, such as that held by Adaro, will be honoured. There are a number of issues which existing CCA holders, including Adaro, are currently analysing. Among others, these include:

- the Law notes that existing CCAs will be honoured until their expiration. However, it also states that existing CCAs must be amended within one year to conform to the provisions of the Law (other than terms relating to State revenue - which is not defined, but presumably includes royalties and taxes); and

- the requirement for CCA holders which have already commenced some form of activity to, within one year of enactment of the Law, submit a mining activity plan for the entire contract area. If this plan is not fulfilled, the contract area may be reduced to that allowed for mining business licences ("IUP") under the Law.

42. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

j. Mining Law No. 4/2009 (continued)

In February 2010, the Government 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 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.

The Government of Indonesia Indonesia further amended GR No. 23 by issuing, among others, Government Regulation No. 24/2012 on 21 February 2012 ("GR No. 24") and later by issuing Government Regulation No. 1/2014 dated 11 January 2014 ("GR No. 1") and Government Regulation No. 77/2014 dated 14 October 2014 ("GR No. 77"), which regulates the transfer of IUP's, 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.

k. Ministerial Regulation No. 28/2009

In September 2009, the MoEMR 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, the MoEMR's Ministerial Regulation No. 28/2009 was partially amended with the MoEMR's 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 the MoEMR's Ministerial Regulation No. 28/2009 that requires Adaro to carry out coal extraction activities itself as well as the MoEMR's Ministerial Regulation No. 24/2012 regarding equipment leases. Neither regulation inflicts any impact or substantial change upon the structure of Adaro's operations.

l. Ministerial Regulation No. 34/2009

In December 2009, the MoEMR 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 23 June 2014, the Director General of Mineral and Coal issued a letter No. 1118/36/DJB/2014 regarding the implementation of DMO for year 2014 ("the Letter"), which stated that the Ministerial Regulation No. 34/2009 is under revision. Adaro is closely monitoring the progress of the revision.

42. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

m. Ministerial Regulation No. 17/2010

In September 2010, the MoEMR 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 MoEMR 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 Plants.

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 for 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 the Adaro has complied with the requirements of the regulations mentioned above.

n. Ministerial Regulation No. 25/2013

In August 2013, the MoEMR issued Ministerial Regulation No. 25/2013 on the supply, the use of and trade procedure of the biofuel as an alternative energy source. This regulation requires coal companies to gradually blend biofuel with diesel fuel. The Group is closely monitoring the adoption of this regulation and its impact to its operations.

o. Ministerial Regulation No. 27/2013

On 13 September 2013, the MoEMR 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. Based on this regulation, the provision which governs the changes in capital investment 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.

This regulation only applies to companies within the Group which have mining business permits.

The Group is closely monitoring the adoption of this regulation and will ensure to comply with the regulation when needed.

p. Contract in relation to the overburden crushing and conveying system

For the support of Adaro increasing coal production capacity, an overburden crushing and conveying system has been developed. On 25 March 2011, Adaro and FLSmidth Spokane, Inc. (subsequently known as FLSmitdth USA Inc.) ("FLS") entered into a contract in relation to the overburden crushing and conveying system equipment supply and offshore services with a total contract amount of US$92,003, which contract was subsequently novated by Adaro to JPI on 10 November 2011, as amended and novated ("FLS Contract").

On 25 March 2011, Adaro and PT Wijaya Karya (Persero) Tbk ("WIKA") entered into a construction contract in relation to the overburden crushing and conveying system with a total contract amount of US$83,870, which contract was subsequently novated by Adaro to JPI on 10 November 2011, as amended and novated ("WIKA Contract").

In relation to the FLS Contract and WIKA Contract, Adaro, FLS and WIKA also signed other documents.

As at 31 December 2014, the physical construction of the OPCC had been completed and currently it is at certain testing procedures as required under the contract.

42. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

q. Long-term Power Purchase Agreement for the Central Java Coal-Fired Independent Power Producer Project ("IPP")

The Group, together with Electric Power Development Co Ltd. ("JPower") and Itochu Corporation ("Itochu"), formed a consortium - the "JPower-Adaro-Itochu" Consortium - to undertake the project. In July 2011 the Consortium established BPI, in which the Group, through its subsidiary, AP, 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 2x1,000 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, guaranteed PLN's payment obligations for BPI under the PPA.

Due to the acquisition of the remaining plots of land is beyond the reasonable ability and control of BPI and that the acquisition may only be possible with the Government's and PLN's support, on 16 February 2015 BPI and PLN executed Amendment to the Power Purchase Agreement. Under this amendment, PLN will perform - on a best endeavor basis - land acquisition activities for the Project pursuant to Law No. 2 of 2012 regarding Land Procurement for Development in the Public Interests. With this development, management is of the opinion that the investment in BPI is not impaired because management believes that the implementation of Law No. 2 of 2012 by PLN will bring certainty to the eventual completion of the land acquisition and thus allowing the Project to continue.

The scope of PLN's land acquisition is limited to Project land that are not yet acquired by BPI (remaining land). A separate land lease agreement will be entered into prior to financial close to provide lease to BPI for purposes of implementing the Project.

r. Long-term Power Purchase Agreement for the South Kalimantan Coal-Fired Independent Power Producer Project ("IPP")

The Group, together with Korea East-West Power Co, Ltd., formed a consortium with participation interests of 65% and 35%, respectively. On 12 August 2013, the Consortium established PT Tanjung Power Indonesia ("TPI") to build, own, operate and transfer a coal-fired power plant.

On 15 October 2014, TPI 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 2x100 MW in the Province of South Kalimantan (South Kalimantan Power Plant/"SKPP") and a 25-year supply of electricity to PLN. Upon the expiration of the PPA term, the SKPP project will be transferred to PLN. This project is included in the Fast Track Program Project phase 2 (FTP-2), with the BOOT (Build, Own, Operate and Transfer) scheme, and benefits from a Government guarantee in the form of a Business Viability Guarantee Letter ("SJKU"). The project is currently at the initial implementation stage.

s. US$270,000 Guaranteed Bridge Facility Agreement

On 3 August 2012, BPI, a joint venture, entered into a US$270,000 Guaranteed Bridge Facility Agreement with various financial institutions. The US$270,000 Guaranteed Bridge Facility was to expire 364 days after the date of this agreement. This agreement has been amended to extend the maturity of this agreement to 4 November 2015. 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 2014, BPI had made drawdown totaling US$217,000 from this facility.

t. Overlapping land plots of PT Bhakti Energi Persada and its 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 2014, BEP Group and the Plantation Companies have reached agreements for a portion of the Overlap Area and BEP Group has paid the first installment related to the settlement. The remaining installments will be paid subject to fulfilment of certain conditions. The remaining Overlap Areas are still in the process of discussion.

42. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

u. Convertible loan and shares subscription agreement and option agreement

On 28 May 2012, ATA entered into a Convertible Loan and 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, which has been amended to four 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 its financial policies as well as to control BEP's operations. As a result, the Group has consolidated BEP.

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, which has been amended to four 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.

v. US$15,000 Guaranteed Bridge Facility Agreement

On 27 October 2014, TPI, a joint venture, entered into a US$15,000 Guaranteed Bridge Facility Agreement with The Bank of Tokyo Mitsubishi UFJ, Ltd., Jakarta branch.

The US$15,000 Guaranteed Bridge Facility was to expire 364 days after the date of this agreement. The Company acts as the guarantor for the commitment of US$9,750, which is equal to 65% of the total facility.

As at 31 December 2014, TPI had made drawdown of the total facility or amounting to US$15,000.

w. Arbitration process of MSW-PTPLI and PLPL

MSW has received notification letters which state that on 3 September 2014 requests were submitted by PT Punj Lloyd Indonesia ("PTPLI") and Punj Lloyd Pte. Ltd. ("PLPL") to conduct arbitration proceedings against MSW in accordance with the provisions of Singapore International Arbitration Centre ("SIAC") pursuant to contracts entered into by MSW and PTPLI and/or PLPL in relation to the construction of MSW's coal-fired power plant with the capacity of 2x30 MW located at Tanjung, South Kalimantan, with the total claim amount of €18,790,442 (full amount). Up to the completion date of these consolidated financial statements, the case is still in progress.

43. RECLAMATION GUARANTEE

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.

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 it meets the requirements); 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.

43. RECLAMATION GUARANTEE (continued)

On 28 February 2014, the MoEMR issued Ministerial Regulation No. 07/2014 ("Permen ESDM 07/2014") regarding mine reclamation and post-mining activities in the mineral and coal mining activities. As at the effective date of this regulation, the MoEMR's Ministerial Regulation No. 18/2008 regarding mine reclamation and mine closure was revoked and no longer valid.

Permen ESDM No. 07/2014 states that a company is required to provide mine reclamation and post-mining guarantees which may be in the form of a time deposit, bank guarantee, or accounting reserve, all of which have a duration corresponding to the reclamation schedule.

Based on Decrees 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, No. 467/30/DJB/2013 dated 19 March 2013, No. 629/30/DJB/2013 dated 12 April 2013 and No. 674/30/DJB/2014 dated 25 April 2014, Adaro is required to provide a Reclamation Guarantee in the form of performance bonds. As at 31 December 2014, Adaro had placed reclamation guarantees in the form of performance bonds amounting to Rp58.3 billion (equivalent to US$4,686) (31 December 2013: Rp29.5 billion (equivalent to US$2,422).

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 (equivalent to US$1,879 as at 31 December 2013). Furthermore, on 1 April 2013, Adaro has agreed to place such amount in the form of an accounting reserve for the benefit of DGoMC.

Based on the Decree of the DGoMC No. 968/37.03/DBT/2014 dated 23 April 2014, due to criteria changes of reclamation guarantee placement in the form of Accounting Reserve, Adaro has changed its reclamation guarantee from Accounting Reserve to performance bonds.

Adaro has submitted its post-mining activities plan which has been approved by DGoMC No. 279/30/DJB/2013 dated 14 February 2013 and Adaro has placed a post-mining activities guarantee amounting to US$559 on 30 January 2014 and US$783 on 30 January 2015, in the form of a time deposit in PT Bank Mandiri (Persero) Tbk for the guarantee period until 2027.

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.540/625/Pertamb/2014	30 June 2014	Regent of Lahat	PT Mustika Indah Permai	2014-2018
2	No.540/351/Distamben-PU/III/2012	14 March 2012	Regent of East Kutai	PT Telen Eco Coal	2014-2018
3	No 540/349/Distamben-PU/III/2012	14 March 2012	Regent of East Kutai	PT Bumi Murau Coal	2014-2018
4	No 540/350/Distamben-PU/III/2012	14 March 2012	Regent of East Kutai	PT Persada Multi Bara	2014-2018
5	No 540/1053/Distamben-PU/VII/2012	26 July 2012	Regent of East Kutai	PT Khazana Bumi Kaliman	2014-2018
6	No 540/1054/Distamben-PU/VII/2012	26 July 2012	Regent of East Kutai	PT Bumi Kaliman Sejahtera	2014-2018
7	No 540/492/Distamben-PU/IV/2013	22 April 2013	Regent of East Kutai	PT Birawa Pandu Selaras	2015-2019
8	No 540/490/Distamben-PU/IV/2013	22 April 2013	Regent of East Kutai	PT Tri Panuntun Persada	2015-2019

Up to 31 December 2014, MIP had placed reclamation guarantees in the form of a joint account at a state-owned bank amounting to Rp38 million (full amount) or equivalent to US$3 (31 December 2013: Rp1.8 billion (full amount) or equivalent to US$153).

As at 31 December 2014, BMC and KBK had placed reclamation guarantees in the form of bank guarantees amounting to Rp388 million (full amount) and Rp93 million (full amount), or equivalent to US$31 and US$7, respectively (31 December 2013: Rp nil).

44. FINANCIAL ASSETS AND LIABILITIES

As at 31 December 2014, the Group classified their cash and cash equivalents, trade receivables, other receivables, loans to third parties, loan to a related party, restricted cash in bank and time deposits, other current assets and other non-current assets amounting to US$1,039,352 (31 December 2013: US$1,057,218) as loans and receivables and its derivative financial instruments amounting to US$nil (31 December 2013: US$1,379) as derivative financial instrument - cash flow hedge.

As at 31 December 2014, the Company and its subsidiaries classified its trade payables, dividend payable, accrued expenses, loans from a third party, other liabilities, finance lease payables, long-term bank loans and senior notes amounting to US$2,307,960 (31 December 2013: US$2,652,111) as financial liabilities carried at amortised cost and its derivative financial instruments amounting to US$61,864 (31 December 2013: US$nil) as derivative financial instrument - cash flow hedge.

45. FINANCIAL RISK MANAGEMENT

The Group’s activities are exposed to a variety of financial risks: market risk (including 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.

The Group uses various methods to measure risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and aging analysis for credit risk.

(1) Financial risk factor

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 2014, if the Rupiah 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$3,029 lower or US$3,216 higher (31 December 2013: US$2,103 lower or US$2,233 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, taxes payable, retirement benefits obligation and provision for mine reclamation.

(ii) Price risk

The Group’s financial assets and liabilities are not significantly exposed to market risks related to the price volatility of commodity price which traded in world coal markets because the settlement of financial assets and liabilities are based on prices stipulated in the coal sales and purchase agreements which will be determined at the time of delivery.

The Group entered into oil hedge contract to hedge against the fluctuation in fuel prices on its expected future fuel consumption based on its fixed price coal commitment with maximum tenor of a year.

As at 31 December 2014, other than the derivative financial instruments used for hedging purposes, there were no financial assets or liabilities with carrying amounts directly linked to market commodity prices or commodity derivative contracts.

45. FINANCIAL RISK MANAGEMENT (continued)

(1) Financial risk factor (continued)

a. Market risk (continued)

(iii) Interest rate risk

The Group's interest rate risk arises from long-term borrowings 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.

As at 31 December 2014, if interest rates on long-term borrowings had been ten basis points higher/lower with all other variables held constant, the post-tax profit for the year would have been US$1,206 (31 December 2013: US$961) lower/higher.

b. Credit risk

As at 31 December 2014, the total maximum exposure from credit risk was US$1,039,149 (31 December 2013: US$1,057,023). Credit risk arises from cash in banks, time deposits, trade receivables, other receivables, loans to a 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.

As at 31 December 2014 and 2013, the balances outstanding from trade receivables, other receivables, loan to a third party and a loan to a related party were as follows:

	31 December 2014			
	Neither past due nor impaired	**Past due but not impaired**	**Past due and impaired**	**Total**
Trade receivables	256,065	29,495	26,528	312,088
Other receivables	1,606	-	7,000	8,606
Total	**257,671**	**29,495**	**33,528**	**320,694**

	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**

As at 31 December 2014 and 2013, the Group had fully provided the allowance for the balance of trade receivables and other receivables which have been past due and impaired.

The entire receivable balance from trade receivables, other receivables, loan to a third party and loan to a related party are mostly derived from customers/third parties/related parties 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.

45. FINANCIAL RISK MANAGEMENT (continued)

(1) Financial risk factor (continued)

b. Credit risk (continued)

The Group's general policies for coal sales and rendering services to new and existing customers are as follows:

- selecting customers (mostly blue chip power plant companies) with 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 2014, there was one party which had an outstanding balance of 17.3% from the total receivables and loans.

c. Liquidity risk

Liquidity risk is defined as a risk that arises in situations where the cash inflow from short-term revenue is not enough to cover the cash outflow of short-term expenditure. To manage its liquidity risk, the Group monitors its level of cash and cash equivalents, and maintains these at a level deemed adequate to finance the Group's operational activities and to mitigate the effect of fluctuations in cash flow. The Group's management also regularly monitors projected and actual cash flow, including loan maturity profiles and continuously assesses the financial markets for opportunities to raise funds. In addition, the Group has a stand-by loan facility which can be withdrawn upon request to fund its operations when needed.

The table below analyses the Group's financial liabilities at the reporting date into relevant maturity groupings based on the remaining period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows including estimated interest payments:

	31 December 2014				
	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	351,145	-	-	-	351,145
Dividend payable	30,067	-	-	-	30,067
Accrued expenses	26,887	-	-	-	26,887
Loans from a third party	-	15,541	-	-	15,541
Derivative financial instruments	11,198	50,666	-	-	61,864
Other liabilities	3,790	-	-	-	3,790
Finance lease payables	9,595	26,427	79,068	-	115,090
Bank loans	56,024	154,166	1,035,227	763,560	2,008,977
Total	488,706	246,800	1,114,295	763,560	2,613,361

	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 payable	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	480,526	238,779	1,106,271	1,398,254	3,223,830

45. FINANCIAL RISK MANAGEMENT (continued)

(2) Fair value estimation

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purpose.

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 2014	
	Carrying amount	**Fair value**
Finance lease payables	106,571	108,825
Long-term bank loans	1,773,959	1,815,138

	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

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. As at 31 December 2014 and 2013, 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.

(3) 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.

46. AUTHORISATION OF CONSOLIDATED 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 27 February 2015.

Statement of Management Responsibility

April 1, 2015

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 2014 of PT Adaro Energy Tbk.

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

Siswanto Prawiroatmodjo
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 2014 we delivered 56 million tonnes of coal, 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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