INDIKA ENERGY

ANNUAL REPORT 2013

# FORGING RESILIENCE

ENERGY ◆ SYNERGY



PT INDIKA ENERGY Tbk

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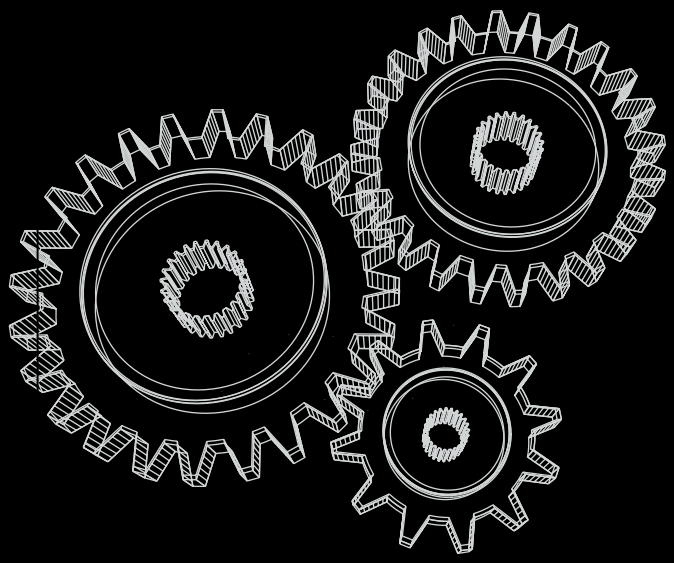
## ENERGY · SYNERGY

In 2013, as global coal prices experienced a prolonged deterioration which impacted all coal businesses worldwide, Indika Energy focused its efforts on strengthening resilience in the face of adverse effects from this global situation.

Indika Energy prioritised cash preservation and cost optimisation and proactively drew on efficiencies within the Group's operations across the energy platforms. The Company substantially reduced capital expenditure and scaled down exploration activities compared to the previous year. It also managed its liabilities to lower interest costs going forward, and carried out a human capital rationalisation program followed by implementation of stricter internal operating and expense procedures. At the same time, the Company continued to build on its long-term strategy to capture both strategic and opportunistic business potentials and create synergies within the three business pillars of energy resources, services and infrastructure.

As a result of the measures taken in 2013, coupled with the management's commitment to turn the company around, Indika Energy is better prepared to face the challenges of 2014 and beyond.

# THEMES



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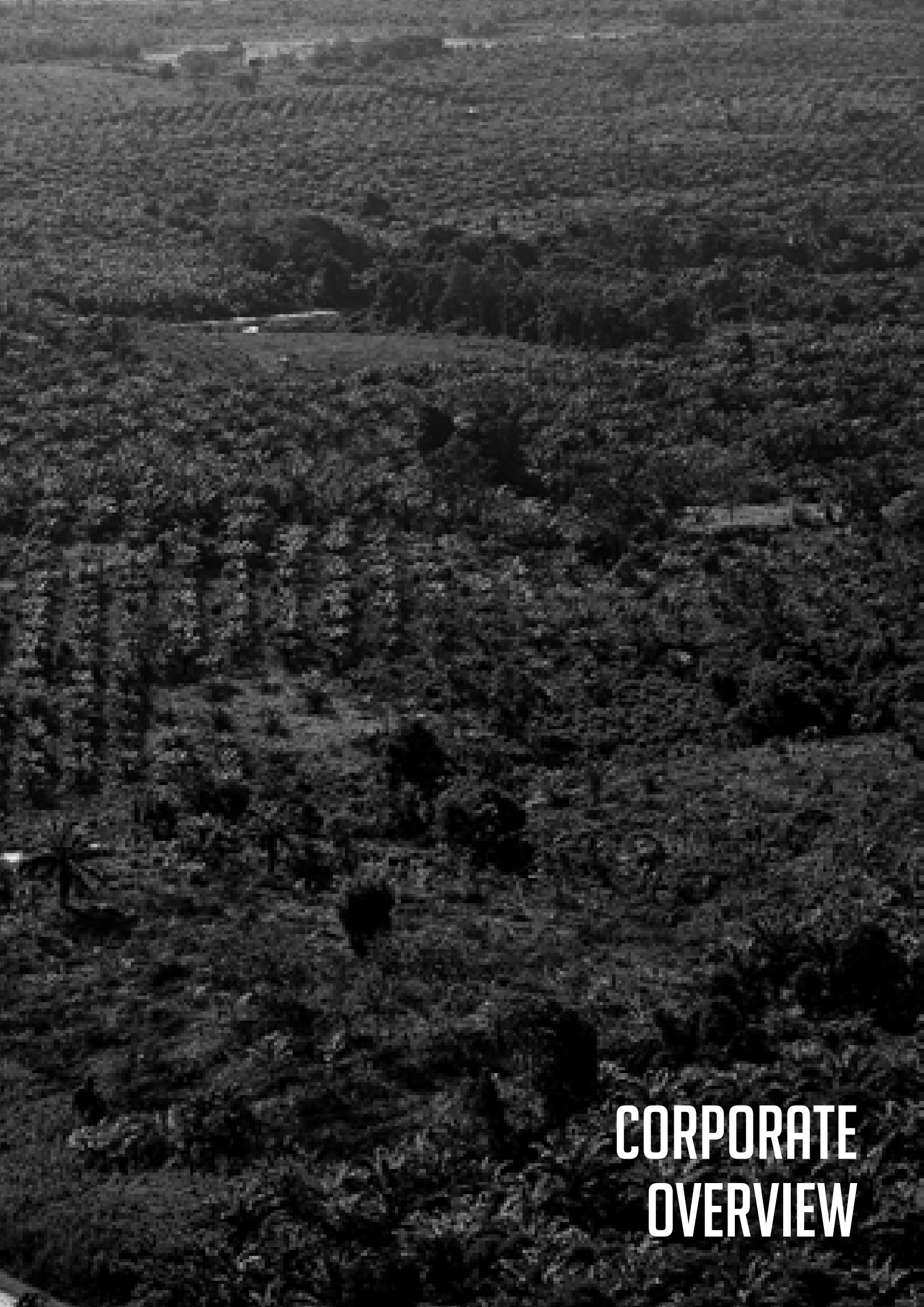
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# CORPORATE OVERVIEW

# MILESTONES

## INDIKA ENERGY'S JOURNEY

**2000**

- The establishment of Indika Energy.

**2004**

- Indika Energy acquired a 41% stake in Kideco

  *Kideco was established in 1982, engages in open-cut coal mining in East Kalimantan. Kideco holds CCoW first generation Mining Rights until 2023.*

**2006**

- Indika Energy increased its stake in Kideco by 5% to 46%.

**2007**

- Indika Energy completed mergers with Tripatra Company and Ganesha Intra Development Company.

  *Tripatra Company was established in 1973, engages in engineering, procurement and construction (EPC), operation & maintenance (O&M) in the energy sector*.
- The establishment of Cirebon Electric Power, a 660MW coal-fired steam power generation plant. Indika Energy owns 20% stake in CEP.
- Tripatra acquired a 45% stake in Cotrans Asia, a coal logistics company established in 2004.

**2008**

- Indika Energy held its Initial Public Offering (IPO) on the Indonesia Stock Exchange, offering 937,284,000 shares or 20% ownership.
- The establishment of Sea Bridge Shipping, a transhipment service company, in which Tripatra owns a 46% stake.
- Kuala Pelabuhan Indonesia became a wholly owned subsidiary of Tripatra through the acquisition of an additional 50.1% stake.
- The establishment of Intan Resource Indonesia.
- Indika Energy acquired a 100% stake in Indika Capital Pte. Ltd. (previously Westlake Capital Pte. Ltd.) and Citra Indah Prima.

- Indika Energy acquired 98.55% stake in Petrosea.
  *Petrosea was established in 1972, and engages in engineering & construction (E&C) and coal mining contractor.*

- The establishment of Indika Logistic & Support Services (ILSS).
- Indika Energy entered into an Option Agreement to acquire 51% stake in MBSS.
  *MBSS was established in 1994, engages in sea transportation and logistics services.*

- Indika Energy acquired a 51% stake in MBSS.

- Indika Energy divested 28.75% of its shares in Petrosea.
- Indika Energy acquired 60% stake in Mitra Energi Agung (MEA)
  *MEA was established in 2008 as a greenfield coal asset which owns an IUP concession area of 5,000 Ha in East Kalimantan.*
- Indika Energy acquired 85% stake in Multi Tambangjaya Utama.
  *MTU was established in 1989 as a bituminous thermal and coking coal mine holding a third generation CCoW in Central Kalimantan, with a concession area of 24,970 Ha.*
- Cirebon Electric Power, a 660MW coal-fired steam power generation plant, reached its Commercial Operation Date (COD) and was fully operational.

2009 2010 2011 2012

# SIGNIFICANT DEVELOPMENTS IN 2013

## JANUARY

- Issuance of US$500 million 10-year 6.375% Senior Notes due 2023.

## FEBRUARY

- Signed an agreement with Total E&P Indonesie West Papua to acquire a 10% participating interest in the Total Southwest Bird's Head Production Sharing Contract (PSC).

## APRIL

- Internal restructuring : ILSS acquired 95% interest in KPI from TPEC.

## OCTOBER

- Signed a Principal Agreement with China Railway Group Limited to jointly develop mining and transportation infrastructure projects in Papua and Central Kalimantan.

## NOVEMBER

- Early redemption of US$230 million 7-year 9.75% Senior Notes due 2023.

# AWARDS




**The Best Foreign Exchange Reporting on Foreign Debt**

Bank Indonesia Reporting Award

Bank Indonesia recognized PT Indika Inti Energi (currently known as PT Indika Energy Tbk.) for the best foreign exchange reporting on foreign debt. This award is given annually to financial institutions and companies that provide complete, accurate and timely reporting.

# VISION, MISSION AND VALUES



## VISION

To be a world-class Indonesian energy company recognized for its integrated competencies in energy resources, services and infrastructure.

## MISSION

1. To capitalise on the abundant energy resources in support of the global economic growth.
2. To create integration and synergies across businesses.
3. To create optimum shareholders value.
4. To continuously develop its human capital.
5. To become a good corporate citizen.



## VALUES

Integrity: Honest with oneself, others and one's work at every moment by upholding prevailing ethical standards and legal norms.

Unity in diversity: Viewing diversity as an asset to the company and accepting, valuing, completing and strengthening one another as a solidly unified entity.

Teamwork: Actively contributing and collaborating based on trust and shared interests rather than personal interests.

Achievement: Achievement as the measure of success and the motivation to do what is best for the company.

Social Responsibility: Highly concerned for the environment and community, and contributing added value as well as contributing to the prosperity of the society.

# INDIKA ENERGY AT A GLANCE

PT Indika Energy Tbk. ("Indika Energy" or "the Company") listed on the Indonesian Stock Exchange (IDX) in 2008.

Established in 2000, Indika Energy has grown to be one of Indonesia's leading integrated energy companies with a portfolio of businesses spanning the energy resources, energy services and energy infrastructure sectors.

Over the years, the Company has grown from strength to strength both organically and through acquisition of synergistic businesses.

We believe our portfolio of businesses enables us to provide complementary products and services to domestic and international customers, thereby positioning us to capture growth opportunities across the Indonesian energy sector.

As of the end of 2013, Indika Energy has grown into a company with operations across the Indonesia archipelago.

## ENERGY RESOURCES

Ownership

**46.0%**

PT Kideco Jaya Agung

Indonesia's third largest coal mining company, located in East Kalimantan

Ownership

**85.0%**

PT Multi Tambangjaya Utama

a thermal bituminous and coking coal asset in Central Kalimantan

Ownership

**100%**

PT Indika Multi Daya Energi

holds participating interest in oil and gas project in Papua

Ownership

**34.9%**

PT Santan Batubara

a coal mining company in East Kalimantan

Ownership

**60.0%**

PT Mitra Energi Agung

a greenfield coal mining project in East Kalimantan

## ENERGY SERVICES

Ownership

**69.8%**

PT Petrosea Tbk.

an engineering & construction (E&C) and coal contract mining company

Ownership

**100%**

PT Tripatra Engineering & PT Tripatra Engineers & Constructors

an engineering, procurement and construction (EPC) oil & gas services company

## ENERGY INFRASTRUCTURE

Ownership

**51.0%**

PT Mitrabahtera Segara Sejati Tbk.

an integrated sea transportation & logistics services company

Ownership

**20.0%**

PT Cirebon Electric Power

a 660 MW coal-fired steam power generation plant in Cirebon, West Java

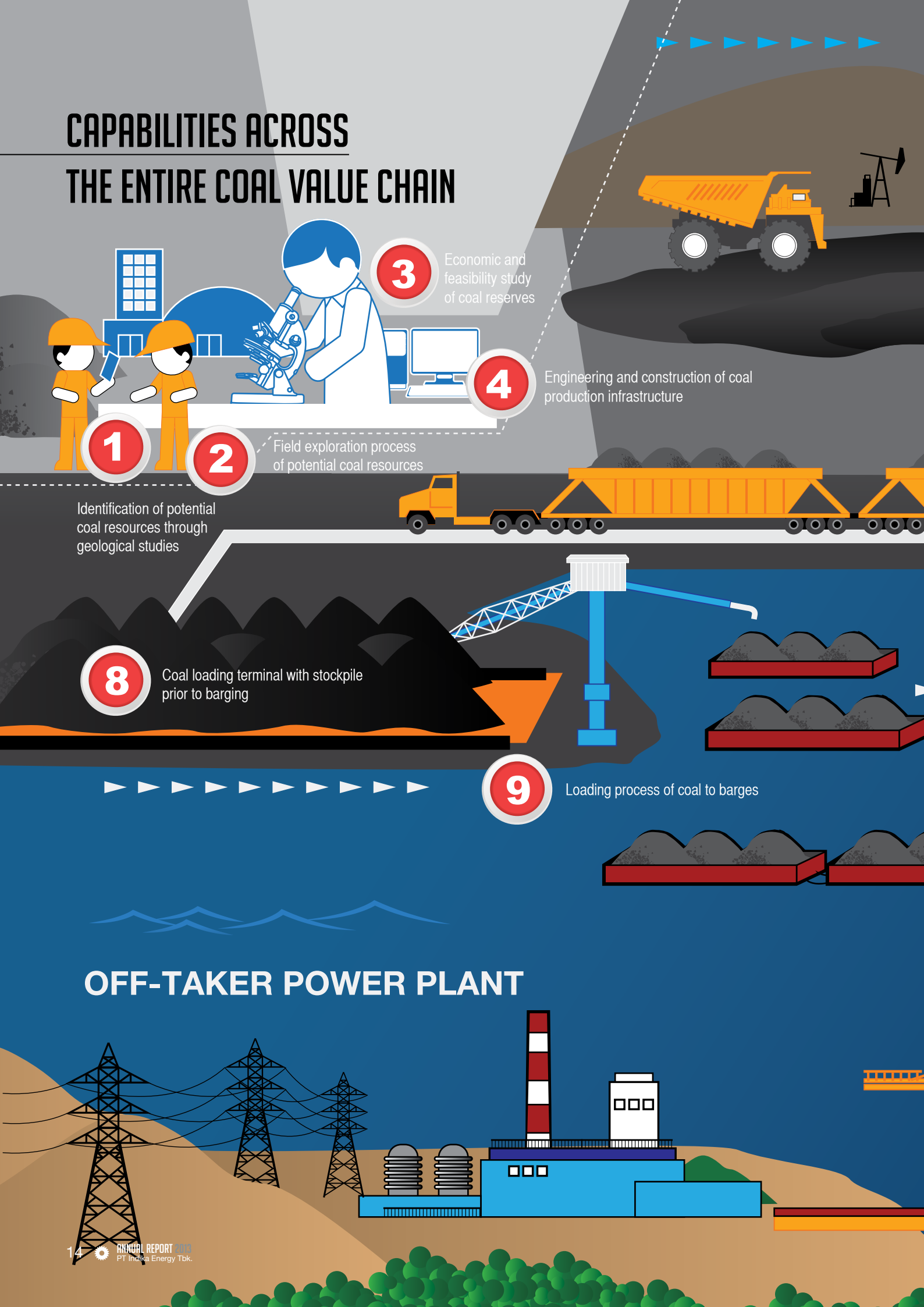
Ownership

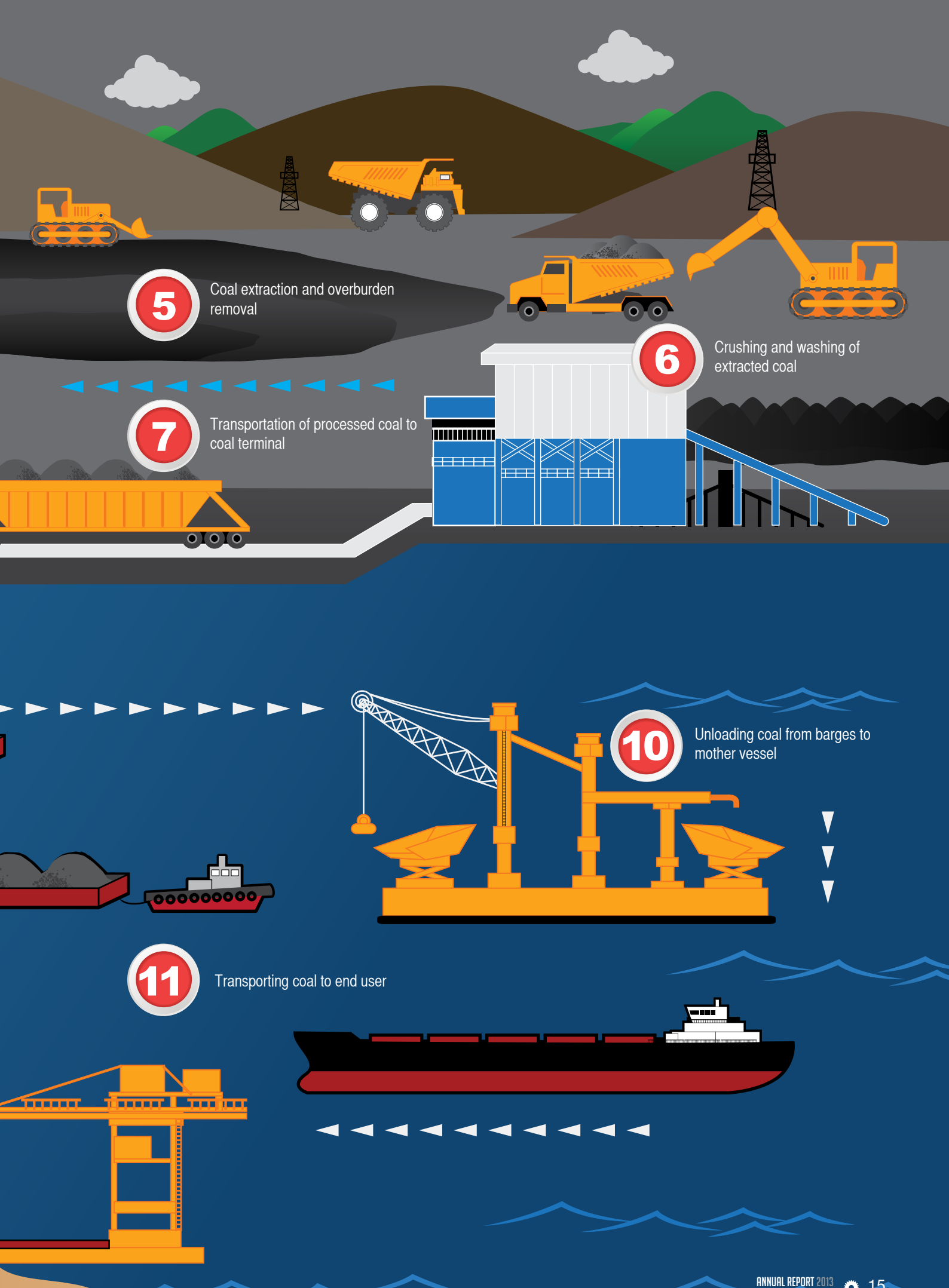
**100%**

PT Kuala Pelabuhan Indonesia

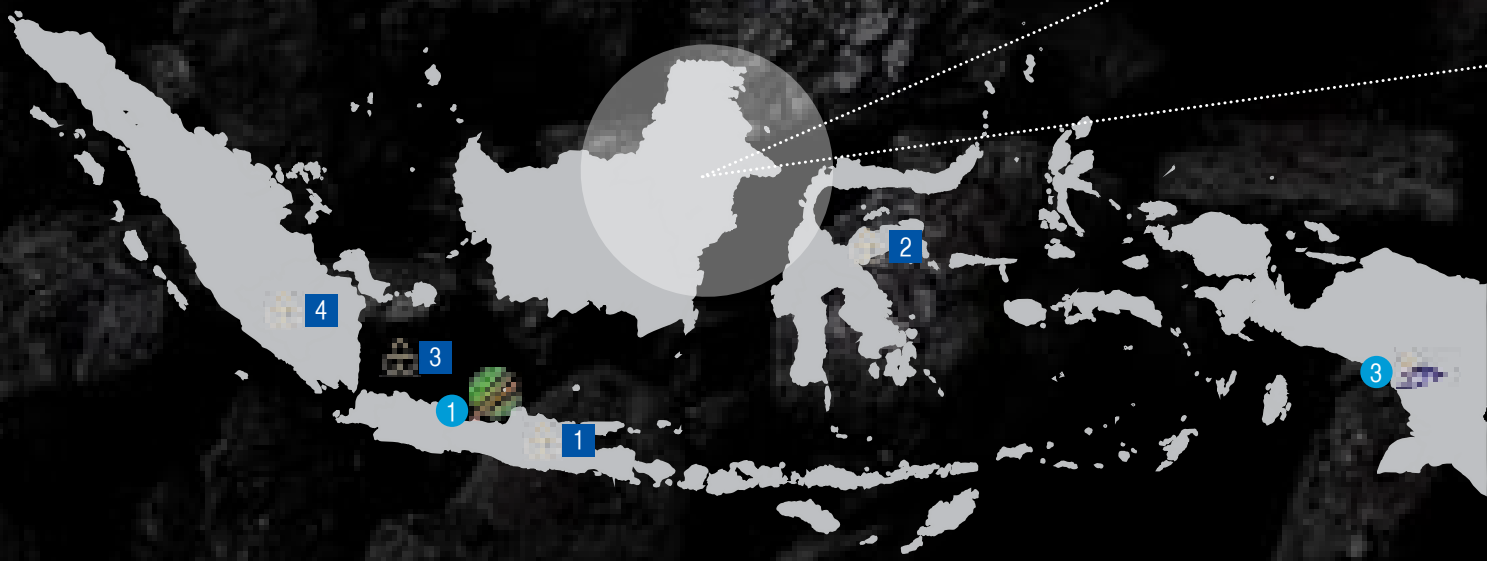
an integrated port management service company in Papua

# CAPABILITIES ACROSS THE ENTIRE COAL VALUE CHAIN




5
Coal extraction and overburden removal
6
Crushing and washing of extracted coal
7
Transportation of processed coal to coal terminal
10
Unloading coal from barges to mother vessel
11
Transporting coal to end user

# OPERATIONS MAP






## ENERGY RESOURCES

1. Multi Tambangjaya Utama
2. Kideco Jaya Agung
3. Santan Batubara
4. Mitra Energi Agung

## ENERGY SERVICES

1. Exxon Mobil Cepu Project
2. JOB Pertamina Medco - Senoro
3. Pertamina HE ONWJ
4. Conoco Phillips - ESC
5. Gunung Bayan Pratama Project
6. Kideco Project
7. Santan Batubara Nusantara Project
8. Adimitra Baratama Nusantara Project

## ENERGY INFRASTRUCTURE

1. Cirebon Electric Power
2. Petrosea Offshore Supply Base
3. Kuala Pelabuhan Indonesia

### Floating crane

1. FC Nicholas
2. FC Rachel
3. FC Ben Glory
4. FC Abby
5. FC Chloe
6. FC Blitz
7. FC Vittoria

# BUSINESS STRATEGY

Indika Energy's five long term business strategies are reflected in its focus on creating synergies within the Company's three business pillars, boosting organic growth and expanding through acquisitions, to generate value to stakeholders.

## 1

TO CAPITALISE ON INDONESIA'S ABUNDANT NATURAL RESOURCES AND GROWTH IN ENERGY DEMAND, INCLUDING IDENTIFYING AND ACQUIRING ATTRACTIVE ENERGY INVESTMENTS.

Indika Energy seeks out investments in the energy sector through a disciplined acquisition approach based on deep comprehension of energy assets. This requires Indika Energy to stay informed of natural resources regulatory developments and to promote Indonesia's economic development through its domestic and international interests.

## 2

TO INTEGRATE DIVERSE ENERGY PLATFORMS AND EXTRACT OPERATIONAL EFFICIENCIES.

Indika Energy's expertise and capabilities now span the entire coal energy operations business chain. Improved operational flexibility and cost management, and the provision of efficient services to clients throughout the value chain, are critical to extracting synergies from this integration.

## 3

TO LEVERAGE EXISTING PARTNERSHIPS AND EXPERTISE IN THE ENERGY SECTOR BY PURSUING INITIATIVES AIMED AT SUPPLYING AND SERVING NEW MARKETS.

Currently, Indika Energy plays a considerably large role in the coal mining industry as well as nationwide energy services including the logistics and energy infrastructure (power plant) businesses. Kideco's international customers include leading power plant companies from 16 countries across Asia and Europe. Its eco-friendly, low calorific, low-ash and low-sulfur coal gives rise to the possibility through blending of creating new products, for new markets.

While in 2013 our fundamental strategies remained unchanged, due to the prolonged coal market downturn, management attention focused on cash preservation and cost optimisation. Specifically, throughout 2013 management conducted a thorough review of capital expenditure and costs across the organisation, initiated a liability management exercise in early 2013 and started a human capital rationalisation program in the second half of 2013 which continues in 2014.

# 4

TO OPTIMISE PRODUCTION OPERATIONAL EFFICIENCIES BY LEVERAGING EXISTING ASSETS FOR PRODUCTIVITY AND EFFICIENCY IN THE MINING OPERATIONS

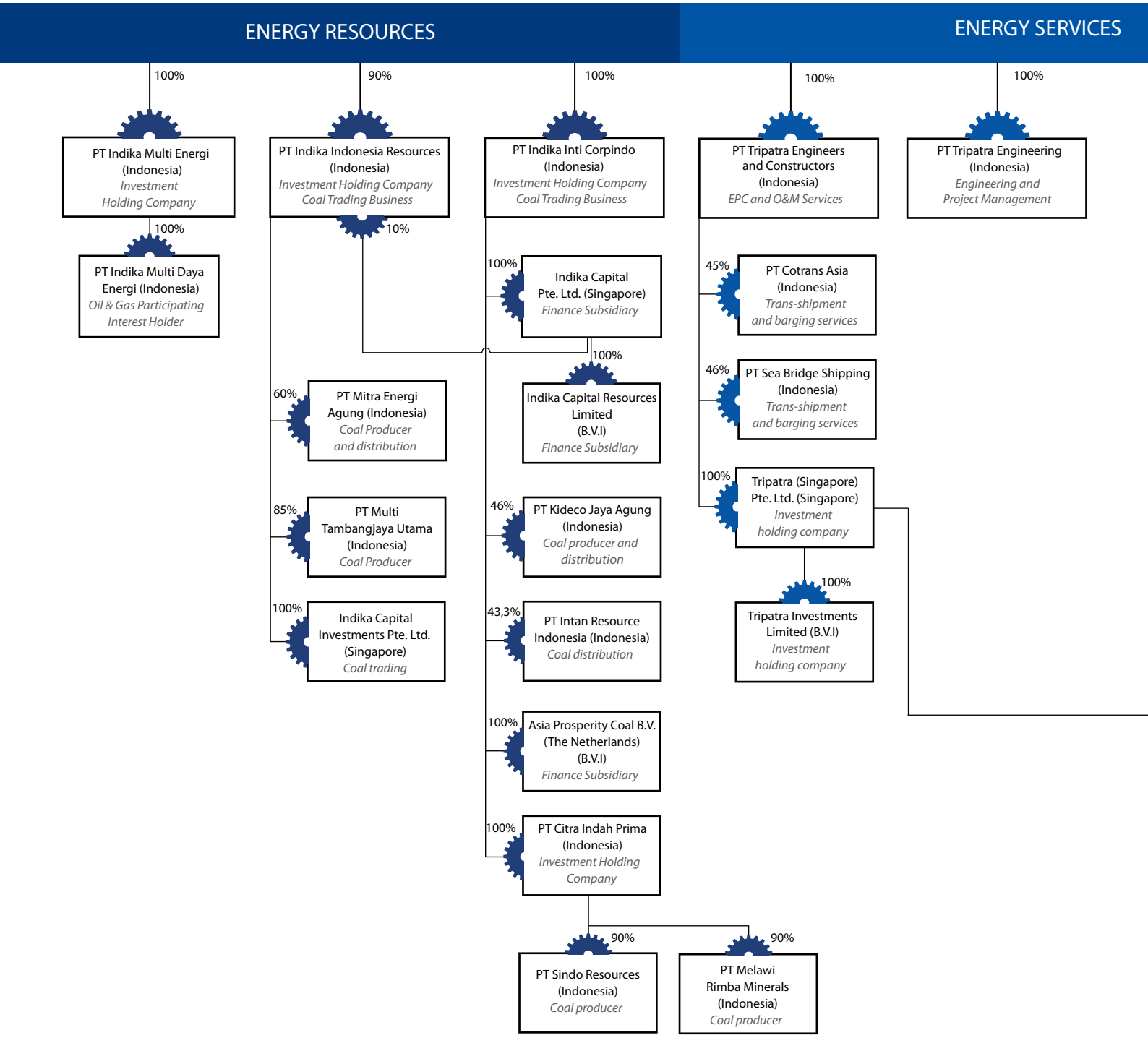
Through structural planning and corporate work plans, Indika Energy's advanced Information and Communication Technology (ICT) system has been harnessed to support business decision-making processes and objectives across all business units to achieve optimal efficiencies in the use of resources, cost management, fleet management and operational flexibility.

# 5

TO CONTINUE TO DIVERSIFY EARNINGS SOURCES AND STABILISE CASH FLOWS.

Indika Energy's business includes integrating attractive investments to diversify and grow earnings while maintaining financial prudence to ensure value protection.

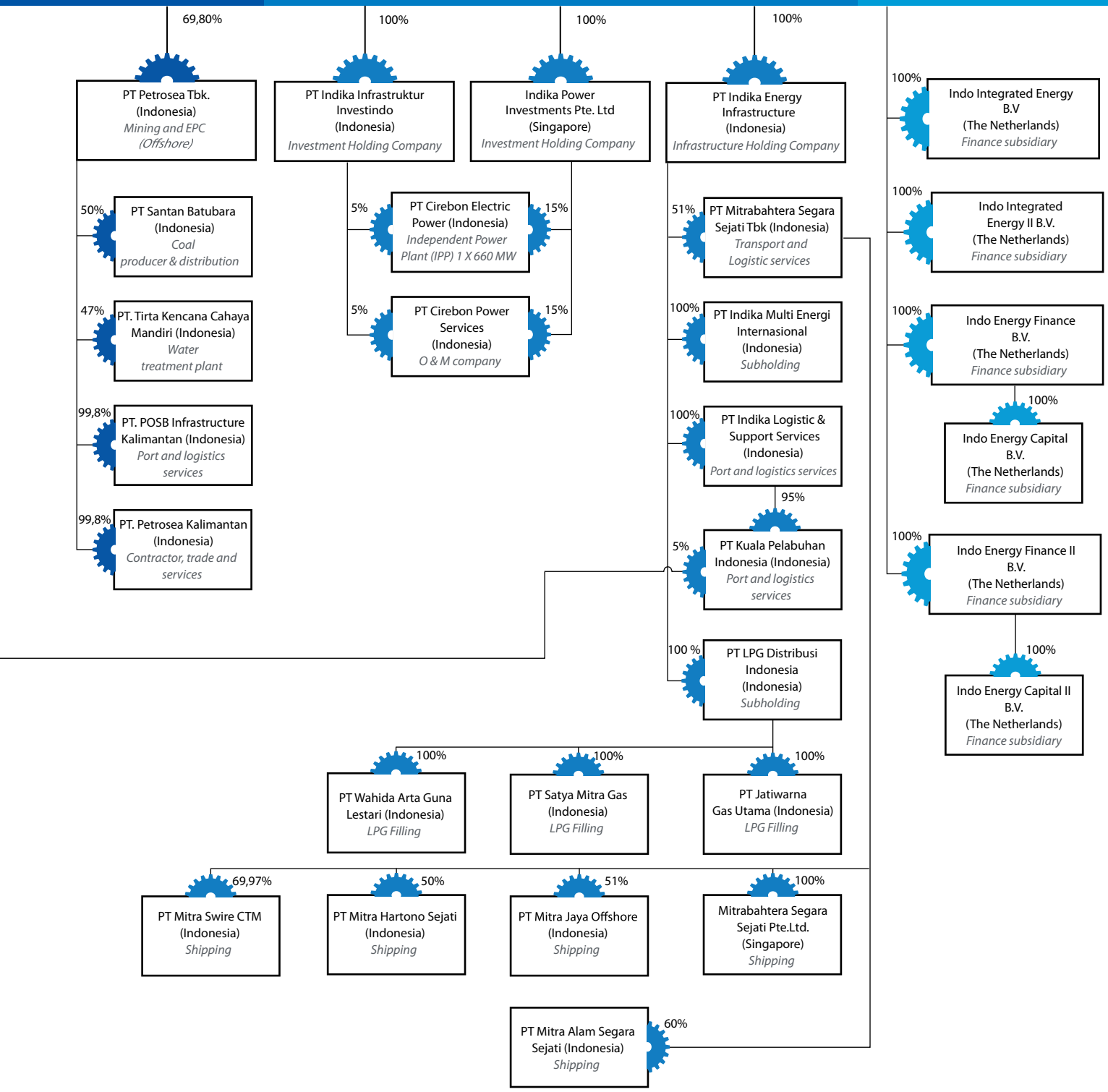
# CORPORATE STRUCTURE



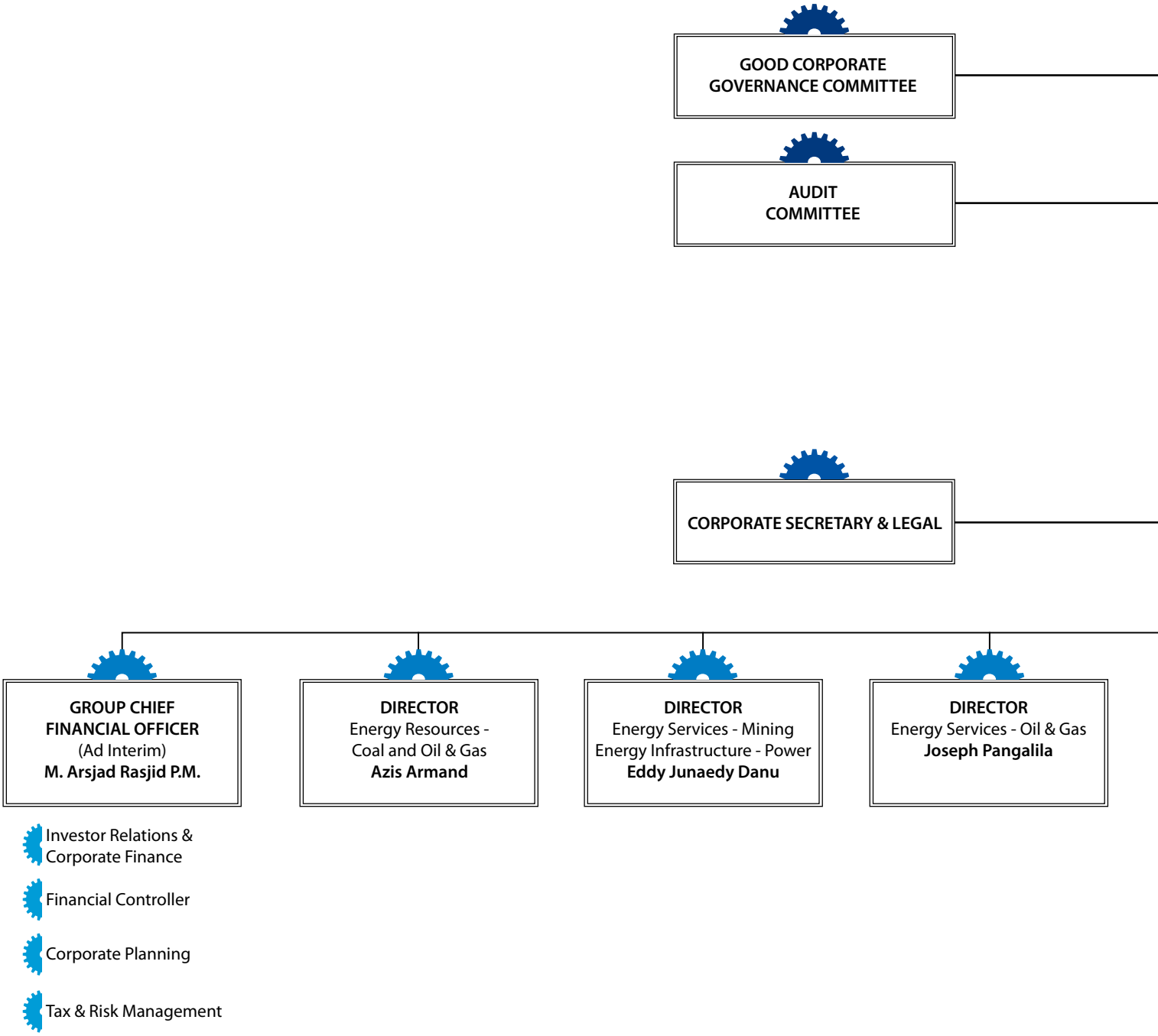

*Note :*

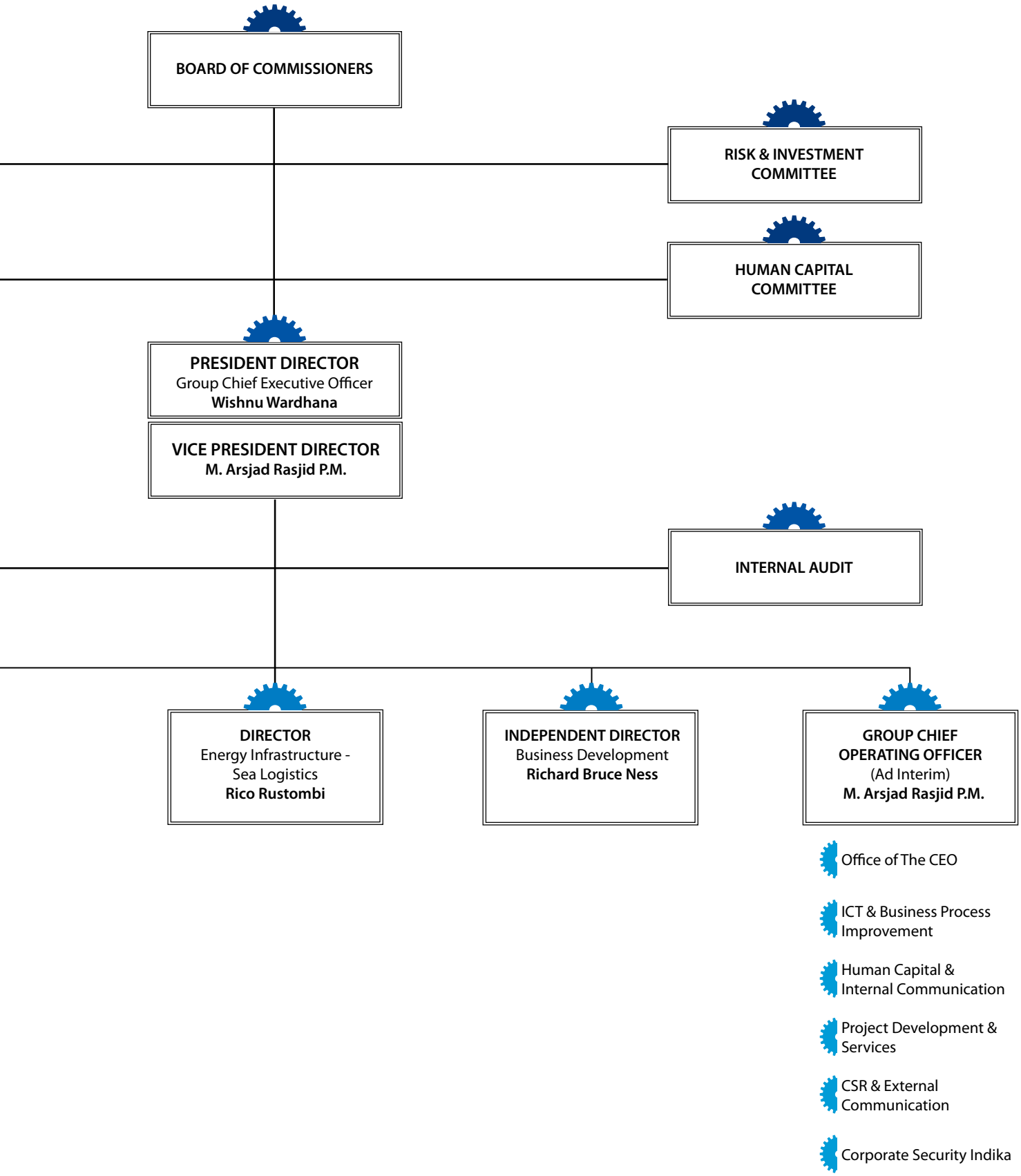
*100% shareownership in Indika Energy Group companies represents ownership by PT Indika Energy Tbk together with one or more subsidiaries.*

# ENERGY INFRASTRUCTURE

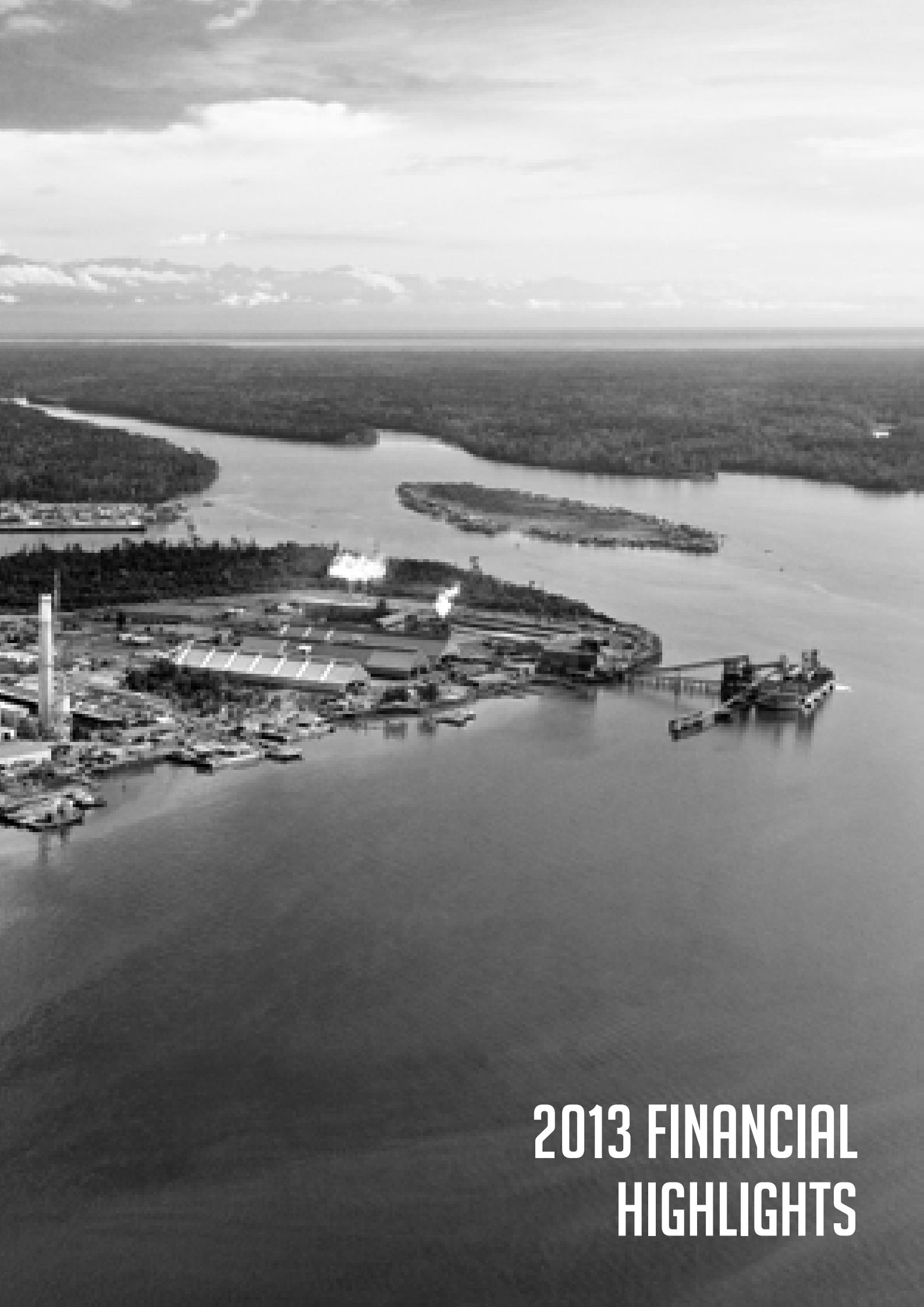


# ORGANISATION STRUCTURE




BOARD OF COMMISSIONERS
RISK & INVESTMENT COMMITTEE
HUMAN CAPITAL COMMITTEE
PRESIDENT DIRECTOR
Group Chief Executive Officer
Wishnu Wardhana
VICE PRESIDENT DIRECTOR
M. Arsjad Rasjid P.M.
INTERNAL AUDIT
DIRECTOR
Energy Infrastructure - Sea Logistics
Rico Rustombi
INDEPENDENT DIRECTOR
Business Development
Richard Bruce Ness
GROUP CHIEF OPERATING OFFICER
(Ad Interim)
M. Arsjad Rasjid P.M.
Office of The CEO
ICT & Business Process Improvement
Human Capital & Internal Communication
Project Development & Services
CSR & External Communication
Corporate Security Indika





# 2013 FINANCIAL HIGHLIGHTS

# INDIKA ENERGY FINANCIAL HIGHLIGHTS

Expressed in US$, unless otherwise stated

| CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME | 2013 | 2012 | 2011 |
|---|---|---|---|
| Revenues | **863,394,192** | 749,705,785 | 593,398,921 |
| Cost of Contracts and Goods Sold | **670,295,971** | 556,462,501 | 462,615,208 |
| Gross Profit | **193,098,221** | 193,243,284 | 130,783,713 |
| General and Administrative Expenses | **152,450,752** | 158,569,000 | 109,705,618 |
| Operating Profit | **40,647,469** | 34,674,284 | 21,078,095 |
| (Loss) Profit for The Year | **(53,798,103)** | 87,207,432 | 138,267,202 |
| Total Comprehensive (Loss) Income for The Year | **(49,329,010)** | 84,832,965 | 138,365,399 |
| (Loss) Profit Attributable to: | | | |
| Owners of The Company | **(62,487,116)** | 68,680,536 | 127,868,804 |
| Non-Controlling Interests | **8,689,013** | 18,526,896 | 10,398,398 |
| Total Comprehensive (Loss) Income Attributable to: | | | |
| Owners of the Company | **(58,018,023)** | 66,306,069 | 127,967,001 |
| Non-Controlling Interests | **8,689,013** | 18,526,896 | 10,398,398 |
| Equity in net profit of Associates and Jointly Controlled Entities | **102,511,466** | 178,983,576 | 222,267,857 |
| Outstanding Shares | **5,210,192,000** | 5,210,192,000 | 5,210,192,000 |
| Earnings per share | **(0.0120)** | 0.0132 | 0.0245 |
| **CONSOLIDATED STATEMENTS OF FINANCIAL POSITION** | | | |
| Investments in associates | **286,550,051** | 288,079,887 | 330,330,452 |
| Investment in jointly-controlled entities | **21,102,394** | 25,528,684 | 22,892,000 |
| Investment in portfolio - Third party | **54,896,489** | 40,026,825 | 10,245,048 |
| Investments in bonds - Third party | **-** | - | 65,249,669 |
| Total Current Assets | **759,345,558** | 698,911,436 | 702,194,125 |
| Total Non-Current Assets | **1,556,977,758** | 1,660,820,522 | 1,312,828,194 |
| Total Assets | **2,316,323,316** | 2,359,731,958 | 2,015,022,319 |
| Total Current Liabilities | **347,398,333** | 542,284,297 | 492,108,268 |
| Total Non-Current Liabilities | **1,019,053,345** | 794,927,594 | 668,136,394 |
| Total Liabilities | **1,366,451,678** | 1,337,211,891 | 1,160,244,662 |
| Total Equity | **949,871,638** | 1,022,520,067 | 854,777,657 |
| Total Liabilities & Equity | **2,316,323,316** | 2,359,731,958 | 2,015,022,319 |
| **GROWTH RATIO** | | | |
| Revenues | **15.2%** | 26.3% | 43.2% |
| Cost of Contracts and Goods Sold | **20.5%** | 20.3% | 33.7% |
| Gross Profit | **-0.1%** | 47.8% | 91.2% |
| General and Administrative Expenses | **-3.9%** | 44.5% | 45.8% |
| Operating Profit | **17.2%** | 64.5% | 408.8% |
| (Loss) Profit Attributable to Owners of the Company | **-191.0%** | -46.3% | 23.6% |
| Total Assets | **-1.8%** | 17.1% | 59.9% |
| Total Liabilities | **2.2%** | 15.3% | 73.9% |
| Total Equity | **-7.1%** | 19.6% | 44.0% |
| **PROFIT OPERATING RATIO** | | | |
| Operating Profit / Revenues (%) | **4.71** | 4.63 | 3.55 |
| (Loss) Profit Attributable to Owners of the Company / Revenues (%) | **-7.24** | 9.16 | 21.55 |
| Operating Profit / Total Equity (x) | **0.04** | 0.03 | 0.02 |
| (Loss) Profit Attributable to Owners of the Company / Total Equity (x) | **-0.07** | 0.07 | 0.15 |
| Operating Profit / Total Assets (x) | **0.02** | 0.01 | 0.01 |
| (Loss) Profit Attributable to Owners of the Company / Total Assets (x) | **-0.03** | 0.03 | 0.06 |
| **PROFIT FINANCIAL RATIO** | | | |
| Total Current Assets / Total Current Liabilities (x) | **2.19** | 1.29 | 1.43 |
| Total Liabilities / Total Equity (x) | **1.44** | 1.31 | 1.36 |
| Total Liabilities / Total Assets (x) | **0.59** | 0.57 | 0.58 |

### Revenues

+15.2%

in US$

| | |
|---|---|
| 2013 | 863,394,192 |
| 2012 | 749,705,785 |

### Gross Profit

-0.1%

in US$

| | |
|---|---|
| 2013 | 193,098,221 |
| 2012 | 193,243,284 |

### Operating Profit

+17.2%

in US$

| | |
|---|---|
| 2013 | 40,647,469 |
| 2012 | 34,674,284 |

### Equity in net profit of Associates and Jointly Controlled Entities

-42.7%

in US$

| | |
|---|---|
| 2013 | 102,511,466 |
| 2012 | 178,983,576 |

### (Loss) Profit Attributable to Owners of the Company

-191.0%

in US$

| | |
|---|---|
| 2013 | (62,487,116) |
| 2012 | 68,680,536 |

### Adjusted EBITDA*

-21.5%

in US$

| | |
|---|---|
| 2013 | 260,553,462 |
| 2012 | 332,076,126 |

** Including dividends received from associates and jointly controlled company*

## REVENUE BREAKDOWN 2013

**US$863.4 Million**



Tripatra (35.2%)

Petrosea (41.8%)

MBSS (17.6%)

Other (5.4%)

# STOCKS HIGHLIGHTS

## SHARE PRICE

(in Rp)

| 2013 | Open | Highest | Lowest | Close | 2012 | Open | Highest | Lowest | Close |
|---|---|---|---|---|---|---|---|---|---|
| 1st Quarter | 1,240 | 1,680 | 1,210 | 1,220 | 1st Quarter | 2,125 | 2,725 | 2,125 | 2,525 |
| 2nd Quarter | 770 | 1,260 | 7,20 | 770 | 2nd Quarter | 2,575 | 2,575 | 2,560 | 1,860 |
| 3rd Quarter | 750 | 860 | 500 | 740 | 3rd Quarter | 1,910 | 2,050 | 1,510 | 1,620 |
| 4th Quarter | 600 | 830 | 590 | 590 | 4th Quarter | 1,600 | 1,600 | 1,290 | 1,420 |

## STOCK TRADING VOLUME AND VALUE

| 2013 | Q1 | Q2 | Q3 | Q4 | 2012 | Q1 | Q2 | Q3 | Q4 |
|---|---|---|---|---|---|---|---|---|---|
| Average/day-Volume (thousand) | 2,317 | 1,483 | 4,056 | 1,938 | Average/day-Volume (thousand) | 16.361 | 9.461 | 6.730 | 5.089 |
| Average/day-Value (Rp billion) | 17.2 | 7.7 | 14.0 | 7.6 | Average/day-Value (Rp billion) | 41.0 | 19.6 | 11.7 | 7.5 |

## SHARE LISTING CHRONOLOGICAL

| Description | Shares Offered | Total Number of Shares | Date of Effective Statement from Bapepam-LK/Shareholders Meeting Approval | Listing Date IDX |
|---|---|---|---|---|
| Initial Public Offering | 937,284,000 | 5,207,142,000 | 2 June 2008 | 11 June 2008 |
| Employee and Management Stock Options | 3,050,000 | 5,210,192,000 | 8 May 2008 | 11 August 2011 |

## BOND INFORMATION

| Description | Value | Stock Listing | Interest Rate | Effective Date | Maturity Date | Rating |
|---|---|---|---|---|---|---|
| Notes 2018 | US$300 Million | Singapore Stock Exchange | 7% | 5 May 2011 | May 2018 | "B1" with stable outlook by Moody's and "B+" with stable outlook by Fitch. |
| Notes 2023 | US$500 Million | Singapore Stock Exchange | 6.375% | 24 January 2013 | January 2023 | "B1" with stable outlook by Moody's and "B+" with stable outlook by Fitch. |

## DIVIDEND POLICY

| | Dividend Amount (in billion Rp) | Dividend per Share (Rp) | Dividend Payout Ratio | Dividend Payment Date |
|---|---|---|---|---|
| 2008 | 437.40 | 84.00 | 40.32% of 2008 Net Income | 3 July 2009 |
| 2009 | 362.83 | 69.68 | 50.00% of 2009 Net Income | 25 June 2010 |
| 2010 | 249.94 | (Dividend Interim) 48.00 | - | 30 November 2010 |
| | 135.39 | (Final Dividend) 26.00 | - | 29 July 2011 |
| **Total** | **385.30** | **74.00** | 50.00% of 2010 Net Income | |
| 2011 | 312.61 | 60.00 | 25.79% of 2011 Net Income | 26 July 2012 |
| 2012 | US$19,000,000.00 | US$0.003647 | 21.79% of 2012 Net Income | 31 July 2013 |

## SHAREHOLDING STRUCTURE AS OF 31 DECEMBER 2013



PT Indika Mitra Energi (63.47%)

Public (30.11%)

Board of Commissioners & Board of Directors (6.42%)

## SHARE OWNERSHIP BY BOARD OF COMMISSIONERS & BOARD OF DIRECTORS AS OF 31 DECEMBER 2013

| No | Name | Position | Shares Amount | Shares (%) |
|---|---|---|---|---|
| 1 | Wiwoho Basuki Tjokronegoro | President Commissioner | 5,264,500 | 0.10 |
| 2 | Agus Lasmono | Vice President Commissioner | 10,156,000 | 0.19 |
| 3 | Indracahya Basuki | Commissioner | 1,403,500 | 0.03 |
| 4 | Pandri Prabono-Moelyo | Commissioner | 231,100,200 | 4.44 |
| 5 | Anton Wahjosoedibjo | Independent Commissioner | - | - |
| 6 | Dedi Aditya Sumanagara | Independent Commissioner | - | - |
| 7 | Wishnu Wardhana | President Director | 1,208,500 | 0.02 |
| 8 | M. Arsjad Rasjid P.M. | Vice President Director | 1,208,000 | 0.02 |
| 9 | Azis Armand | Director | 1,208,000 | 0.02 |
| 10 | Eddy Junaedy Danu | Director | 81,880,500 | 1.57 |
| 11 | Rico Rustombi | Director | - | - |
| 12 | Joseph Pangalila | Director | 165,000 | 0.00 |
| 13 | Richard Bruce Ness | Independent Director | 810,000 | 0.02 |
| | **Total** | | **334,404,200** | **6.42** |

## CAPITAL STRUCTURE AS OF 31 DECEMBER 2013

| Authorized Capital | Issued & Paid-Up Capital |
|---|---|
| Rp1,700,000,000,000 (Divided into 17,000,000,000 Shares, Each Share With a Par Value of Rp100) | Rp521,019,200,000 (US$56,892,154) (Divided into 5,210,192,000 Shares) |

## CONTROLLING SHAREHOLDERS AS OF 31 DECEMBER 2013

| Ownership Status | Number of Shares | Ownership (%) |
|---|---|---|
| PT Indika Mitra Energi* | 3,307,097,790 | 63.47 |
| Public (under 5%) | 1,903,094,210 | 36.53 |

*) Controlled by Wiwoho Basuki Tjokronegoro & family with 40.5% ownership and Agus Lasmono with 59.5% ownership.

## SHARE OWNERSHIP COMPOSITION AS OF 31 DECEMBER 2013

| Ownership Status | Number of Shares | Ownership (%) |
|---|---|---|
| Limited Liability Companies | 3,329,433,941 | 63.90 |
| Individual – Foreign | 918,208,631 | 17.62 |
| Institutions – Foreign | 571,567,928 | 10.97 |
| Insurance | 239,954,000 | 4.62 |
| Pension Funds | 65,187,000 | 1.25 |
| Employees | 35,579,500 | 0.68 |
| Mutual Funds | 35,041,000 | 0.67 |
| Cooperatives | 6,460,500 | 0.12 |
| Foundations | 4,866,500 | 0.09 |
| Individuals – Domestic | 3,893,000 | 0.08 |
| **Total** | **5,210,192,000** | **100.00** |

## ASSOCIATE COMPANY - KIDECO

Expressed in million US$, unless otherwise stated

| COMPREHENSIVE STATEMENTS OF INCOME | 2013 | 2012 | 2011 |
|---|---|---|---|
| Sales | **2,120.6** | 2,357.3 | 2,266.6 |
| Cost of Sales | **1,654.9** | 1,623.9 | 1,401.9 |
| Gross Profit | **465.7** | 733.4 | 864.7 |
| Operating Expenses | **31.6** | 40.4 | 40.8 |
| Operating Income | **434.1** | 692.9 | 823.9 |
| Net Income | **212.2** | 380.0 | 456.1 |
| **STATEMENT OF FINANCIAL POSITION** | | | |
| Total Current Assets | **457.6** | 523.7 | 604.0 |
| Total Non-Current Assets | **229.0** | 221.4 | 213.7 |
| Total Assets | **686.6** | 745.1 | 817.7 |
| Total Current Liabilities | **272.0** | 312.1 | 316.5 |
| Total Non-Current Liabilities | **51.4** | 46.9 | 45.3 |
| Total Liabilities | **323.4** | 359.1 | 361.8 |
| Total Equity | **363.3** | 386.0 | 456.0 |
| Total Liabilities & Equity | **686.6** | 745.1 | 817.7 |
| **GROWTH (%)** | | | |
| Sales | **-10.0** | 4.0 | 41.2 |
| Cost of Sales | **1.9** | 15.8 | 36.8 |
| Gross Profit | **-36.5** | -15.2 | 49.0 |
| Operating Expenses | **-21.9** | -0.8 | 65.6 |
| Operating Income | **-37.4** | -15.9 | 48.2 |
| Net Income | **-44.2** | -16.7 | 44.2 |
| Total Assets | **-7.8** | -8.9 | 22.8 |
| Total Liabilities | **-9.9** | -0.7 | 12.6 |
| Total Equity | **-5.9** | -15.3 | 32.2 |
| **OPERATING RATIOS** | | | |
| Operating Income / Sales (%) | **20.47** | 29.40 | 36.35 |
| Net Income / Sales (%) | **10.01** | 16.12 | 20.12 |
| Operating Income / Total Equity (x) | **1.20** | 1.80 | 1.81 |
| Net Income / Total Equity (x) | **0.58** | 0.98 | 1.00 |
| Operating Income / Total Assets (x) | **0.63** | 0.93 | 1.01 |
| Net Income / Total Assets (x) | **0.31** | 0.51 | 0.56 |
| **FINANCIAL RATIOS** | | | |
| Total Current Assets / Total Current Liabilities (x) | **1.68** | 1.68 | 1.91 |
| Total Liabilities / Total Equity (x) | **0.89** | 0.93 | 0.79 |
| Total Liabilities / Total Assets (x) | **0.47** | 0.48 | 0.44 |

## PT Kideco Jaya Agung

### Revenues

-10.0%

in million US$

| | |
|---|---|
| **2013** | **2,120.6** |
| 2012 | 2,357.3 |

### Gross Profit

-36.5%

in million US$

| | |
|---|---|
| **2013** | **465.7** |
| 2012 | 733.4 |

### Operating Income

-37.4%

in million US$

| | |
|---|---|
| **2013** | **434.1** |
| 2012 | 692.9 |

### Net Income

-44.2%

in million US$

| | |
|---|---|
| **2013** | **212.2** |
| 2012 | 380.0 |

### EBITDA

-35.5%

in million US$

| | |
|---|---|
| **2013** | **463.7** |
| 2012 | 719.4 |

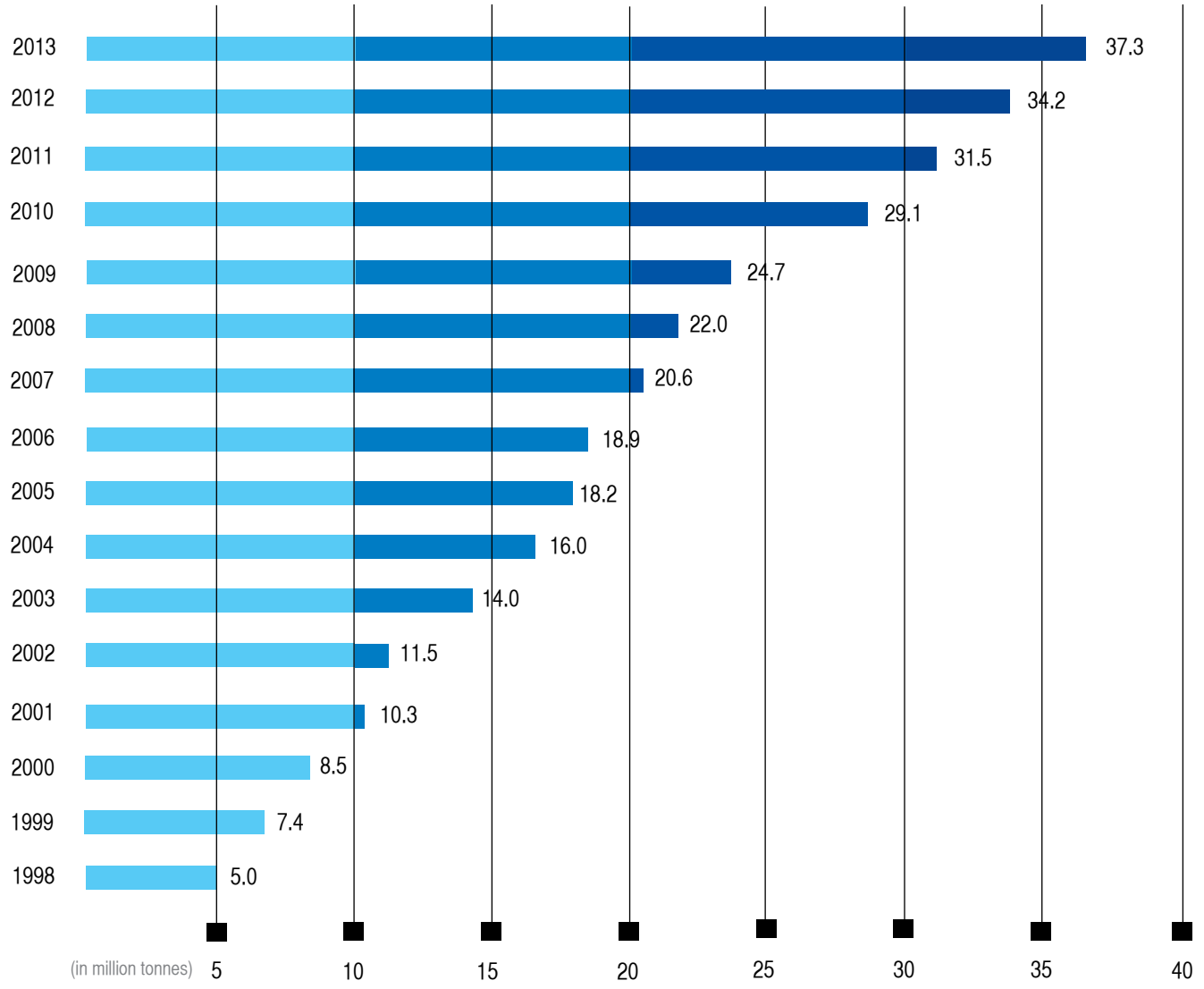
### Sales Volume

+8.4%

in million tonnes

| | |
|---|---|
| **2013** | **37.1** |
| 2012 | 34.2 |

## Kideco's Coal Production




**Coal Reserves by Pit**

in million tonnes

| Area | Calorific Value (kcal) | Proved | Probable | **Total** |
|---|---|---|---|---|
| Roto South | 4,870 | 91 | 66 | 157 |
| Roto North | 5,470 | - | 18 | 18 |
| Roto Middle | 4,730 | 22 | 17 | 39 |
| Susubang | 5,120 | - | 16 | 16 |
| Samarangau | 4,430 | 79 | 342 | 421 |
| **Total** | | **192** | **459** | **651** |

Based on JORC Report dated April 2011

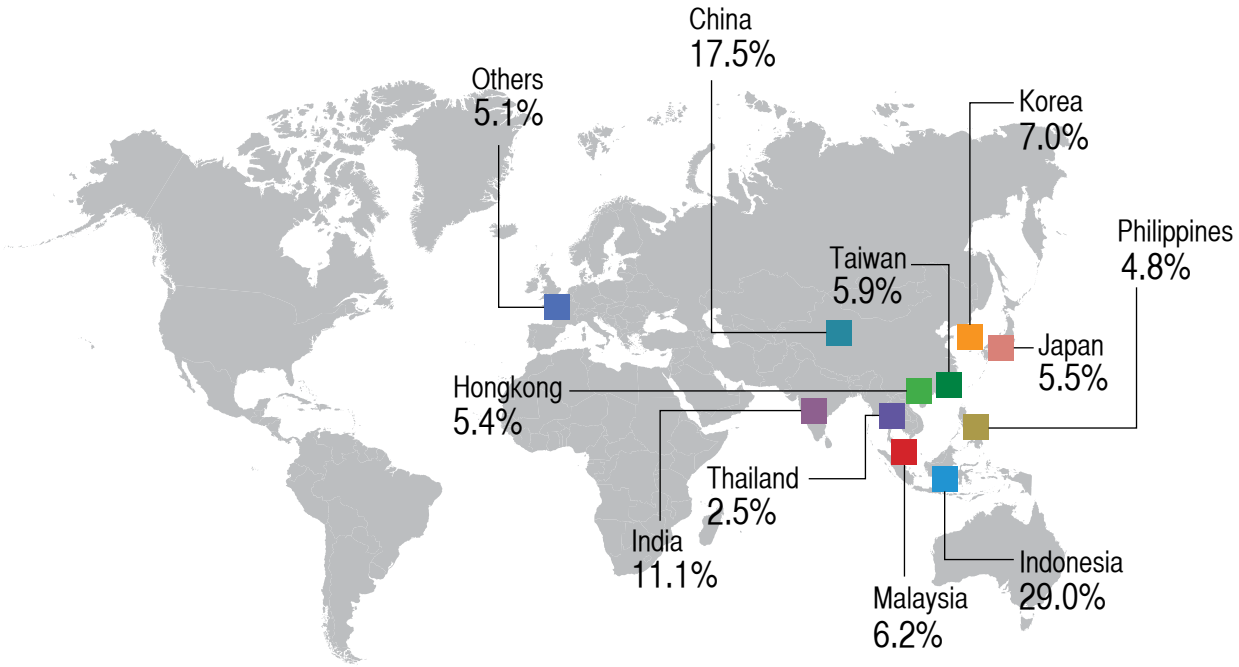
**Coal Resources by Pit**

in million tonnes

| Area | Measured | Indicated | Inferred | Total |
|---|---|---|---|---|
| Roto South | 106 | 114 | 44 | 264 |
| Roto North | - | 22 | 57 | 79 |
| Roto Middle | 27 | 33 | 62 | 122 |
| Susubang | - | 21 | 7 | 28 |
| Samarangau | 88 | 570 | 225 | 883 |
| **Total** | **221** | **760** | **395** | **1,376** |

Based on JORC Report dated April 2011

## Sales by Destination 2013




## Operation by Pit 2013

| Description | Roto North | Roto South | Roto Middle | Samarangau | Susubang | Total |
|---|---|---|---|---|---|---|
| Overburden (million bcm) | 21.4 | 114.8 | 32.5 | 66.5 | 5.9 | **241.1** |
| Production (million tonnes) | 3.4 | 15.8 | 3.8 | 13.8 | 0.5 | **37.3** |
| Stripping Ratio (x) | 6.4 | 7.3 | 8.5 | 4.8 | 11.3 | **6.5** |





# PRESIDENT COMMISSIONER'S & PRESIDENT DIRECTOR'S MESSAGES

# PRESIDENT COMMISSIONER'S MESSAGE



*" THE ACTIONS TAKEN BY THE MANAGEMENT IN ADDRESSING THE DIFFICULT BUSINESS CONDITIONS IN 2013 WILL MAKE THE COMPANY MORE RESILIENT IN MEETING FUTURE CHALLENGES."*

**WIWOHO BASUKI TJOKRONEGORO**
President Commissioner



Dear Valued Shareholders,

The adverse conditions of the coal market in 2013 made a deep impact on the operating performance of coal mining companies worldwide. The prolonged decline in coal prices throughout the year was notably below the industry expectation.

In Asia, this was primarily attributed to the continuing economic slowdown in China and India, both of which represent the major coal export markets for Indonesia. Meanwhile, the presence of excess coal production capacity coming from recent expansion in coal mining put additional downward pressure on coal price in 2013.

Indika Energy, which holds large investment stakes in coal mining companies and operates various coal related service businesses, was vulnerable to a downturn of the coal market. As a result, Indika Energy suffered a substantial decline in dividend income and registered a lower operating profit margin from its coal related operations.

In response to the prolonged coal business downturn, Indika Energy's management took necessary actions to strengthen the Company's position to address the difficult business conditions. These actions included an in-depth review of Indika Energy's financial exposures and subsequent implementation of a liability management initiative, which extended the Company's Notes maturity to 2023 and will reduce future annual interest cost by US$7.8 million.

Taking into account charges related to the liability management initiative, as well as non-cash impairment of intangible assets and goodwill, and other one-off charges, there was a total of one-off exceptional charges of US$63.3 million of which US$27.8 million was in non-cash charges. Consequently, Indika Energy registered a US$62.5 million Loss Attributable to Owners of the Company despite the 15.2% increase in revenue to US$863.4 million, derived largely from oil and gas engineering, procurement and construction operations.

Parallel to the above actions, the management continued to focus on achieving greater operations efficiency and cost reductions across all Company's functions. We are fully confident the actions taken by the management in addressing the difficult business conditions in 2013 will make the company more resilient in meeting future challenges. Emerging as a stronger company, Indika Energy will be well positioned to benefit from the future recovery of the coal market, as coal continues to remain a competitive source of energy for power generation critically needed to support, the world's economic development.

On behalf of the Board of Commissioners, I wish to take this opportunity to express our continued confidence in the management of Indika Energy to lead the Company successfully through future challenges.

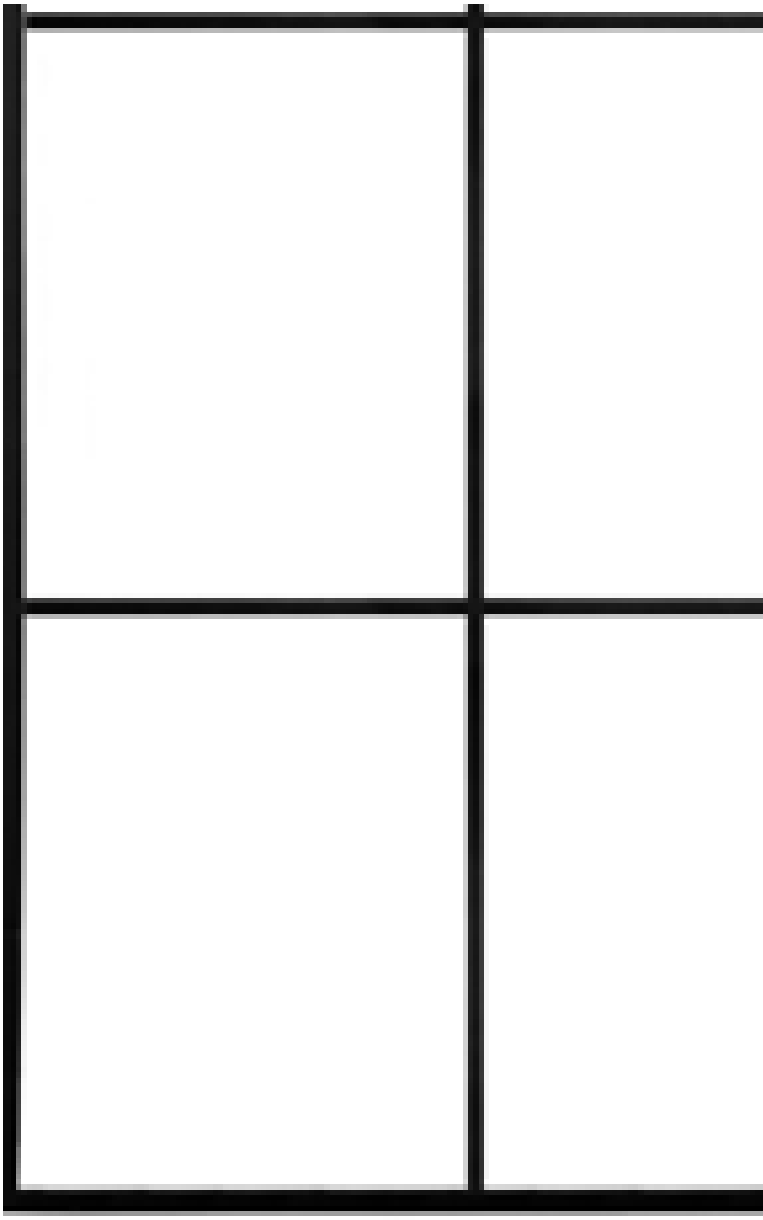
I also would like to extend a special appreciation to Bapak M. Arsjad Rasjid P.M., for his past leadership, and his continued contribution in service to the Company.

Lastly, the Board of Commissioners expresses appreciation to all shareholders for their continued patience, support and steadfast confidence in the management through the difficult past year.



**WIWOHO BASUKI TJOKRONEGORO**
President Commissioner

# PRESIDENT DIRECTOR'S MESSAGE



*"THE MANAGEMENT IS COMMITTED TO TURN THE COMPANY AROUND, MAINTAIN A PRUDENT FINANCIAL STANCE TO PROTECT VALUE, AND BUILD ON ITS RESILIENCE TO ADDRESS THE ADVERSE MARKET CONDITIONS"*

**WISHNU WARDHANA**
President Director & Group CEO



Dear Valued Shareholders,

2013 was a challenging year for the global coal market and Indika Energy was inevitably impacted. The decline in thermal coal prices, with the Newcastle 6,300 benchmark dropping from an average of US$98.2 per tonne in 2012 to US$82.9 per tonne in 2013, and the higher oil price which rose above US$90.0 per barrel, were among the two most pressing challenges. Among the Group companies, coal producers Kideco Jaya Agung and Santan Batubara were the most directly affected. Petrosea's contract mining business was also impacted as coal producing clients revised their overburden targets downwards.

Multi Tambangjaya Utama (MTU) experienced extended delays in obtaining the complete set of required permits to resume its operations. In addition, Indika Energy's investment in the 10% participating interest of Southwest Bird's Head Production Sharing Contract (PSC), with Total E&P Indonesie West Papua controlling the remaining 90% interest, proved to be a dry well case. These two factors further impacted the Company's results.

However, despite the significant challenges on the field, Tripatra recognised its full-year work on the major projects of Mobil Cepu Ltd.'s Banyu Urip Project in Cepu Block, Bojonegoro and Pertamina Medco Tomori Sulawesi's Gas Production Facilities Project in Toili Block, Senoro. During the year, MBSS managed to achieve improved performance in both its barging and transhipment businesses with the increased volume of coal transported. Petrosea Offshore Supply Base (POSB) also increased its contribution on the back of demand growth in offshore oil and gas activities in theBalikpapan region.

Indika Energy's Total Revenues grew by 15.2% in 2013 to US$863.4 million, driven mainly by the improvement in contribution from Tripatra's engineering, procurement and construction (EPC) projects. Equity in Net Profit of Associates and Jointly-Controlled Entities declined by US$76.5 million to US$102.5 million in 2013 due to lower contribution from Kideco Jaya Agung and Santan Batubara. Taking into account the recognition of one-off exceptional charges of US$63.3 million (of which US$27.8 million are non-cash charges), Indika Energy reported Loss Attributable to Owners of the Company of US$62.5 million, despite the growth in revenue.

The largest one-off exceptional charges recognised in 2013 include:

- Recognition of additional interest charges and call premium of US$25.0 million related to early redemption of 2016 Notes;
- Full expensing of finance charges related to the early redemption of the 2016 Notes and a short-term loan amounting to US$12.2 million;
- Impairment of intangible assets related to the West Kalimantan Project and goodwill amounting to US$14.6 million;
- Recognition of exploration expenses related to the investment in the Southwest Bird's Head PSC amounting to US$5.6 million.

Responding to this prolonged coal business downturn, Indika Energy took several measures to strengthen the Company's resilience in the years ahead. The main initiatives included cash preservation, a liability management exercise and a human capital rationalisation program.

The management executed efforts to preserve cash through stringent capital expenditure allocation. Non-critical projects were either deferred or cancelled. Capital was mainly allocated to support and stabilise existing operations. Consequently, capital expenditure realisation (excluding sale and leaseback) for the year 2013 dropped to US$74.5 million from US$242.2 million in 2012.

**Realised Capital Expenditures in 2013**



In early 2013, the Company undertook a liability management exercise to reduce financing costs, by issuing US$500 million 6.375% Senior Notes due 2023 with net proceeds used to repay a US$250 million short-term loan as well as to prefund US$230 million of the 2016 Notes which were called in November 2013 at 104.875%. These refinancing measures extended the Company's debt maturity profile and will reduce future annual interest expense by about US$7.8 million.

In the second half of 2013, Indika Energy undertook a human capital rationalisation program which is still ongoing and is expected to save US$5.7 million annually.

We believe that coal prices will stabilise in the longer run as coal remains the lowest cost source of energy and will continue to play a significant role in Southeast Asia, India and China. However, there are improvement areas which the Group should address to capture maximum business potential. Overall productivity and utilisation of existing fleets must be optimised by applying operational best practices, implementing rigorous asset management and maintenance, developing personnel competencies and adopting even more efficient mine plans. Group-wide standing direction has also been given to further reduce expenses.

While strictly controlling costs, Indika Energy will continue to build on its long-term strategy. The Company will keep its focus on creating synergies within the three business pillars of energy resources, services and infrastructure. The completed business platforms across the value chain are positioned to generate operational efficiencies and build cross-leverage in terms of operational capacity and capabilities. For example, the ongoing implementation of a Group-wide shared Information and Communication Technology (ICT) platform of Enterprise Resource Planning (ERP) is expected to positively impact internal business process effectiveness and efficiency very soon.

The Company will continue to examine and optimise the use of resources as well as focus management's attention on enhancing the Group's business portfolio, to ensure further diversification of earnings sources.

In assuming the position of President Director and Group Chief Executive Officer (CEO) in 2013, I would like to express my admiration and thanks to Bapak M. Arsjad Rasjid P.M. who held the reins in good stead through Indika Energy's transformative and consolidation phases from its initial public offering in 2008 to the previous year. The decisions to take the actions reflected in this report were made under my leadership with full support of Bapak Arsjad and the other Board members, and the numerous Indika Energy people across all business units whose dedication and intelligence has sustained the Company in both good and challenging times.

Looking ahead, the management is committed to turn the Company around, maintain a prudent financial stance to protect value and build on its resilience to adverse market conditions. The Company will also continue to leverage its strengths in the Indonesian energy sector with new insights and knowledge gained from its domestic operations.

This does not leave us without ongoing challenges in the dynamic global and domestic market. However, being more resilient, the Company can look at the year ahead with fresh optimism and continue to strengthen its reputation as an energy partner of choice.

On behalf of the Board of Directors, I would like to express our gratitude to the Board of Commissioners for their counsel in this challenging period which has helped the Company to navigate through these changes with steadfastness. We also thank all our stakeholders, with whom we share common goals of progress, development and value creation, and look forward to another year of support to achieve the best.



**WISHNU WARDHANA**
President Director & Group CEO


INDIKA
RAPAT UMUM PEMEGANG SAHAM T
&
PAPARAN PUBLIK
PT INDIKA ENERGY Tbk.
Hotel The Ritz Carlton - Jaka
15 Mei 2013




# BOARD OF COMMISSIONERS & BOARD OF DIRECTORS PROFILES

# THE BOARD OF COMMISSIONERS



INDRACAHYA BASUKI
Commissioner

DEDI ADITYA SUMANAGARA
Independent Commissioner

WIWOHO BASUKI TJOKRONEGORO
President Commissioner



PANDRI PRABONO-MOELYO
Commissioner

AGUS LASMONO
Vice President Commissioner

ANTON WAHJOSOEDIBJO
Independent Commissioner

# BOARD OF COMMISSIONERS PROFILES



WIWOHO BASUKI TJOKRONEGORO
President Commissioner

Age 74, appointed as President Commissioner of Indika Energy in 2007 as stated in Deed Number 24 dated 15 February 2007. Wiwoho Basuki Tjokronegoro also holds positions as President Commissioner of PT Indika Mitra Energi (since 2005), PT Teladan Resources (since 2005), PT Indoturbine (since 2005) and PT Teladan Utama (since 2008). Previously he was President Director of PT Teladan Resources (1998-2005), President Commissioner of PT Tripatra Engineers & Constructors (1988-2012) and PT Tripatra Engineering (1992-2012). He graduated Magna Cum Laude from the University of Kansas, USA, with a Bachelor of Science in Petroleum Engineering in 1964 and a Master of Science in Petroleum Engineering in 1965. Wiwoho Basuki Tjokronegoro also enrolled in post-graduate Earth Science studies at Stanford University, USA from 1968 to 1969.



AGUS LASMONO

Vice President Commissioner

Age 42, appointed as Vice President Commissioner of Indika Energy since 2007 as stated in Deed Number 24 dated 15 February 2007. Agus Lasmono concurrently holds positions as President Commissioner of PT Net Mediatama Indonesia (since 2012), PT Indika Inti Corpindo (since 2004), Commissioner of PT Indika Inti Mandiri (since 1999), Commissioner of PT Kideco Jaya Agung (since 2004), President Director of PT Indika Mitra Energi (since 2010) and President Director of PT Indika Multi Media (since 2002). Previously he was President Commissioner of PT Indika Inti Mandiri (1996-1997), President Director of PT Indika Inti Mandiri (1997-1999), Independent Commissioner of PT Surya Citra Media Tbk. (2005-2013) and Independent Commissioner of PT Surya Citra Televisi (2005-2013). He earned his Bachelor of Arts in Economics from Pepperdine University, Malibu, California, USA in 1993 and a Master degree in International Business from West Coast University, Los Angeles, California, USA in 1995.



## INDRACAHYA BASUKI
Commissioner

Age 40, appointed as Commissioner of Indika Energy since 2007 as stated in Deed Number 24 dated 15 February 2007. Indracahya Basuki is concurrently Director of PT Teladan Resources (since 1998) and PT Indika Mitra Energi (since 2005). Previously he also served as Commissioner of PT Tripatra Engineers & Constructors and PT Tripatra Engineering (2007-2012). He earned a Bachelor of Science in Mechanical Engineering from Columbia University, New York, USA in 1996 and a Master of Business Administration from Rice University, Houston, Texas, USA in 2002.

## PANDRI PRABONO-MOELYO
Commissioner

Age 65, appointed as Commissioner of Indika Energy in 2013 as stated in Deed Number 15 dated 15 May 2013. Pandri Prabono-Moelyo joined Indika Energy as a Director in 2007 as stated in Deed Number 24 dated 15 February 2007. Pandri Prabono-Moelyo has more than 35 years of experience with PT Tripatra Engineers & Constructors and PT Tripatra Engineering. Currently he also holds the positions as President Commissioner of PT Tripatra Engineers & Constructors and PT Tripatra Engineering (since 2012), Commissioner of PT Petrosea Tbk. (since 2011), and Director of Tripatra (Singapore) Pte. Ltd. (since 2005). He previously held positions as President Commissioner of PT Petrosea Tbk. (2009–2010), Director of Indika Energy (2007-2013), President Director of PT Tripatra Engineers & Constructors (1988-2010) and PT Tripatra Engineering (1992-2010). He has extensive experience dealing with large scale international construction contracts and construction industries practices in Indonesia. He earned his Bachelor degree in Mechanical Engineering from the Bandung Institute of Technology in 1974 and a Master of Business Administration from Central Institute of Management in 1989.





## ANTON WAHJOSOEDIBJO
Independent Commissioner

Age 74, appointed as Independent Commissioner of Indika Energy since 2008, as stated in Deed Number 65 dated 13 March 2008. Anton Wahjosoedibjo concurrently serves as President Director of PT Pranata Energi Nusantara (since 2004). Previously, he served as Executive Advisor at Amoseas Indonesia Inc. and Senior Vice President and Deputy Managing Director of PT Caltex Pacific Indonesia (Chevron). He earned a Bachelor degree in Electrical Engineering from the Bandung Institute of Technology, Indonesia (1962), attended post-graduate studies in Electrical Engineering at the University of Pennsylvania, USA (1966) and earned a Petroleum Professional Diploma from the International Petroleum Institute, Tulsa, Oklahoma, USA (1976). He also attended various executive programs at Stanford University, Palo Alto, California and National University of Singapore (1983), The Southern Methodist University of Dallas, Texas (1988) and Princeton University, New Jersey, USA.



## DEDI ADITYA SUMANAGARA
Independent Commissioner

Age 66, appointed as Independent Commissioner of Indika Energy in 2010 as stated in Deed Number 131 dated 19 May 2010. Dedi Aditya Sumanagara previously held positions as President Commissioner of PT Semen Gresik (Persero) Tbk. (2008-2013), President Director of PT Aneka Tambang (Persero) Tbk. (1997-2008), Commissioner of PT Indonesia Chemical Alumina (2008-2012) and Director of Development of PT Aneka Tambang (Persero) Tbk. (1994-1997). Currently he also a member of the Board of Councillors of the Indonesian Chamber of Commerce and Industry (KADIN) (2009-2014) and Chairman of the Board of Councillors of the Association of Indonesian Mining Professionals (Perhimpunan Ahli Pertambangan Indonesia) (2012-2015). He has more than 35 years of experience in the mining industry. He earned his degree in Geological Engineering in 1974 from the Bandung Institute of Technology, Indonesia.

# THE BOARD OF DIRECTORS



AZIS ARMAND
Director

WISHNU WARDHANA
President Director

RICHARD BRUCE NESS
Independent Director



EDDY
JUNAEDY DANU
Director

M. ARSJAD
RASJID P.M.
Vice President Director

JOSEPH
PANGALILA
Director

RICO
RUSTOMBI
Director

# BOARD OF DIRECTORS PROFILES



## WISHNU WARDHANA
President Director

Age 43, appointed as President Director of Indika Energy in May 2013, where he previously served as Vice President Director from May 2009 to May 2013. Wishnu Wardhana joined Indika Energy as a Director in 2007 with reference to Deed Number 24 dated 15 February 2007. Currently he also serves as President Commissioner of PT Indika Infrastruktur Investindo (since 2008), Vice President Commissioner of Petrosea Tbk. (since 2013), PT Tripatra Engineers & Constructors and PT Tripatra Engineering (since 2012), Commissioner of PT Mitrabahtera Segara Sejati Tbk. (since 2013), PT Indika Mitra Energi (since 2005), PT Indoturbine (since 2005), PT Kideco Jaya Agung (since 2005), and PT Indika Energy Infrastructure (since 2010), President Director of PT Teladan Resources (since 2004) and PT Indika Inti Corpindo (since 2008). He also served as the Asia-Pacific Economic Cooperation (APEC) Business Advisory Council (ABAC) Indonesia Chair and APEC CEO Summit 2013 Chair based on the Decree of President of Republic of Indonesia No.79M Year 2012. He earned his Bachelor of Arts in Economics from Pepperdine University, USA in 1993.



## M. ARSJAD RASJID P.M.

Vice President Director (Operations & Finance)

Age 43, appointed as Vice President Director of Indika Energy in May 2013. Previously he was President Director of Indika Energy from November 2005 to May 2013. Arsjad Rasjid joined as President Commissioner of Indika Energy in 2000 with reference to Deed Number 31 dated 19 October 2000. Presently he also holds positions as Director of PT Kideco Jaya Agung (since 2005), Commissioner of PT Tripatra Engineers & Constructors and PT Tripatra Engineering (since 2007), Commissioner of PT Indika Mitra Energi (since 2010), President Commissioner of PT Mitrabahtera Segara Sejati Tbk. (since 2010) and Director of PT Indika Energy Infrastructure (since 2010). Arsjad Rasjid studied at the University of Southern California in Computer Engineering in 1990 and earned his Bachelor of Science in Business Administration in 1993 from Pepperdine University, California, USA. In 2012, he completed the Executive Education on Global Leadership and Public Policy for the 21st Century program at the Harvard Kennedy School, USA.



## AZIS ARMAND

Director (Director of Resources: Coal and Oil & Gas)

Age 46, appointed as Director of Indika Energy since February 2007, where from March 2008 to May 2013, he served as an Unaffiliated Director. Azis Armand joined Indika Energy as a Director in 2007 with reference to Deed Number 24 dated 15 February 2007. He also holds positions as Commissioner of PT Indika Inti Corpindo (since 2008), Commissioner of PT Indika Infrastruktur Investindo (since 2008), and President Director of PT Indika Indonesia Resources (since 2013). Previously he also served as Commissioner of PT Petrosea Tbk. (2009-2013). He has more than 10 years of experience in Corporate Finance and Investment, previously working as a Rating Manager at PT Pemeringkatan Efek Indonesia (1995-1997) and an Associate at JP Morgan Chase (1997-2004). He earned a Bachelor degree in Economics from the University of Indonesia in 1991 and a Master in Urban Planning from the University of Illinois, Urbana-Champaign, USA in 1995.



## EDDY JUNAEDY DANU

**Director (Director of Energy Services: Mining and Director of Energy Infrastructure: Power Plant)**

Age 63, appointed as Director of Indika Energy since May 2009. Eddy Junaedy Danu joined Indika Energy as a Director in 2009 with reference to Deed Number 123 dated 28 May 2009. He concurrently serves as President Director of Petrosea (since 2013), Vice President Commissioner of PT Indika Infrastruktur Investindo and PT Cirebon Electric Power (since 2013). Previously he had been with Tripatra for more than 35 years, where he held positions such as Commissioner of PT Tripatra Engineers & Constructors and Executive Director for Marketing and Operational. He has over 36 years of experience in engineering and project management and has served as Project Engineer and Project Manager for various large-scale oil and gas EPC projects. He graduated with a Bachelor degree in Electrical Engineering from Bandung Institute of Technology in 1973 and a Master in International Business from Prasetya Mulya Business School in 1998.



## RICHARD BRUCE NESS

**Unaffiliated Director (Director of Business Development)**

Age 64, appointed as Unaffiliated Director of Indika Energy in May 2013, whereas he previously served as a Director of Indika Energy since May 2009. Richard Bruce Ness initially joined Indika Energy as a Director in 2009 with reference to Deed Number 123 dated 28 May 2009. Currently he also holds serves as the President Commissioner of PT Petrosea Tbk. (since 2010). He has been actively involved in the energy, resources and mining sectors for more than 30 years. Previously he also served as Commissioner of PT Mitrabahtera Segara Sejati Tbk. (2010–2011), President Director of various affiliates and subsidiaries of Newmont, mining consultant at PT Clinton Indonesia and Vice President of PT Freeport Indonesia. He also holds the position of Chairman of Mining for the American Chamber of Commerce, Indonesia. He earned a Bachelor degree in Mechanics from Moorhead Technical Institute, Minnesota, USA in 1969 and attended Moorhead State University, Minnesota, USA for additional studies in post-secondary education until 1979. Richard Bruce Ness also completed a Professional Management program at Harvard Business School, USA in 1992.



## RICO RUSTOMBI

Director (Director of Energy Infrastructure: Sea Logistics)

Age 45, appointed as Director of Indika Energy in 2013 with reference to Deed Number 15 dated 15 May 2013. He also holds other positions as the President Director of PT Mitrabahtera Segara Sejati Tbk. (since 2012) and Director of PT Cotrans Asia (since 2006). Previously he served as as Vice President Director of PT Mitrabahtera Segara Sejati Tbk. (2010-2012) and Commissioner of PT Petrosea Tbk. (2010-2013). Rico Rustombi joined Indika Energy in 2006 and was appointed as Group Chief Corporate Affairs (2011-2013). Presently he also serves as Finance Director of PT Abadi Agung Utama, President Director of PT Wahana Artha Mulya (since 2005) and President Director PT Quantum Sarana Nusantara since 2004. He earned a bachelor's degree in Economics from the Indonesian School of Economics and Business Management (STEKPI) majoring in Finance and a master's degree in Finance from the University of Gadjah Mada, Yogyakarta.



## JOSEPH PANGALILA

Director (Director of Energy Services: Oil & Gas)

Age 50, appointed as a Director of Indika Energy in 2013 with reference to Deed Number 15 dated 15 May 2013. He is concurrently President Director of PT Tripatra Engineers & Constructors and PT Tripatra Engineering (since 2012), where he previously served as a Director (2007–2012). Joseph Pangalila started his career in 1988 in Tripatra and he also lectured at the Department of Mechanical Engineering at the Bandung Institute of Technology. He earned a Bachelor degree in Mechanical Engineering from the Bandung Institute of Technology in 1987 and a Master degree in Business Administration from University of Indonesia in 1991.





# MANAGEMENT REPORT

## MANAGEMENT DISCUSSION AND ANALYSIS OF THE COMPANY'S

# PERFORMANCE



## ECONOMY & INDUSTRY OVERVIEW

### ECONOMIC REVIEW

In 2013 the International Monetary Fund (IMF) revised 2013 real GDP projections for Asia to 5.2% and Indonesia's to 5.3%, with the expectation that emerging market economies (EME) will soften further given tighter external financing conditions and slower growth. In particular, the Indonesian economy was impacted by the ongoing correction in commodity prices as well as the Rupiah depreciation and rising inflation among other factors.

Domestically however, Indonesia's long term prospects remain sound. Supported by sound monetary policies and structural reforms to boost export and foreign investment, the Indonesian economy should continue to grow strongly, including in the mining and energy industry sector. Demand for energy in particular will continue to grow in line with urbanisation and infrastructure development. Within this framework, Indika Energy's market prospects going forward are good.

### COAL ENERGY INDUSTRY REVIEW

The global coal market downturn, which began in 2012, extended throughout 2013. Coal prices continued to experience significant downward pressure, with the average price of the Newcastle 6,300 benchmark declining from US$98.2 per tonne in 2012 to US$82.9 per tonne in 2013.

On the back of the sustained high oil prices, with oil products such as diesel, fuel oil and lubricants being a major cost component, coal producers saw margins fall. Related service companies also felt the squeeze on margins as mine owners sought to reduce their operations costs, reduced stripping ratios and renegotiated prices for support services such as contract mining and coal transportation.

Fundamentally, the weak prices reflected a global oversupply situation in the seaborne markets, with coal production and exports expanding, despite a growing segment of producers operating at negative margin (particularly in Australia, where infrastructure take-or-pay schemes and a declining currency helped drive volumes further). Indonesian exports also grew strongly to 349 million tonnes in 2013, as reported by the Ministry of Energy & Mineral Resources. Further, demand for coal imports from China grew at a slower pace than in previous years as domestic coal was generally more price competitive than imported products. Even though the Indian market absorbed some of the slack, particularly in lower rank coal, supply continued to outrun demand pushing coal prices lower globally.

Expectations for the near-term are not positive, though we believe the market is close to the bottom. With the prolonged coal market downturn, it is expected that the majority of coal miners will continue to operate at a loss as selling prices fall below production costs. Therefore it is likely that the oversupply situation will slowly improve as producers will cut back or shut down their production. Taking a slightly longer term view, we believe that there is scope for a moderate price recovery as the market slowly reverts to long-term equilibrium.

# OPERATIONAL REVIEW



**Calibrating For Resilience**

Recognising at the start of 2013 that market conditions for coal related businesses were challenging, Indika Energy maintained its overall business strategies and adjusted its short-term priorities to deal with the prolonged coal market downturn and its impact on the Company's performance. The management focused on cash preservation and cost optimisation as important business objectives.

In implementing these objectives in 2013, the management selectively reduced capital expenditure and costs across the organisation, initiated a liability management exercise in early 2013 and rolled out a human capital rationalisation program in the second half of 2013 which continues in 2014.





Throughout the year, the management recalibrated the course of the Company with the aim of maintaining its competitive position and strengthening its advantages where possible, thus strengthening corporate resilience in the current bear coal market.

In line with this corporate resilience strategy, a number of initiatives were implemented with the overall aim of upholding operational excellence while supporting growth and increasing cost structure efficiency.

- Human capital development was a priority across the board. Capacity and capability building programs were implemented to boost productivity. Efforts to enhance performance management and employee engagement were conducted to nurture talents and maximise retention, especially that of key employees.

- Operating costs were further reduced by making the internal business processes more streamlined, and adjusting the organisational structure to be leaner.

- Programs were implemented to ensure adoption of, and high compliance with, Health, Safety and the Environment (HSE) standards across the organisation, which were completed on time.

- In January 2013, the Company issued US$500 million in Senior Notes with a 6.375% coupon and a 10-year term. The cost structure was made more efficient by refinancing debt at better rates. Further, the Company's average debt maturity was materially extended. This was a landmark transaction in Asia, being the first Southeast Asian US$ High Yield New Issue seen in 2013, the first Indonesian US$ High Yield New Issue seen in 2013, and only the third Indonesian Corporate ever to issue US Notes with a 10-year tenor. In addition, these Notes bear the lowest coupon rate ever achieved for a 10-year Asian High Yield issue.

- Information and communications technology (ICT) improvements supported business integration with real-time business data and decision making processes. This included the on-time launch and implementation of the ERP project with subsequent phases set to deploy in the following year as planned.

# ENERGY RESOURCES



The Energy Resources business pillar focuses on the exploration, production and processing of coal. The Company has engaged in coal mining operations since 2004, through a 41.0% acquisition of interest in PT Kideco Jaya Agung ("Kideco"), which was later increased to 46.0% in 2006. Expanding the Company's coal reserves remains a key strategy for sustainability in the long term. In 2009, PT Santan Batubara ("Santan") was added to the energy resources portfolio, through the acquisition of PT Petrosea Tbk. In 2012, PT Mitra Energi Agung (MEA) and PT Multi Tambangjaya Utama (MTU) were added, and are presently under development. Presently the Company owns shares in four coal mining companies, of which only Kideco and Santan are in production.

### Coal Resources Assets

Indika Energy's coal resources assets are shown here with the breakdown of ownership, concession size and the estimated volume of reserves:

**COAL RESOURCES ASSETS**

| | Indika Energy's Ownership | Coal Reserves (in million Tonnes) | Coal Resources (in million Tonnes) | Concession Area (Hectares) |
|---|---|---|---|---|
| Kideco | 46.0% | 651.0[1] | 1,376.0[1] | 50,921[1] |
| Santan | 34.9% | 17.3[2] | 16.5[2] | 24,930[2] |
| MEA | 60.0% | ~40[3] | ~100[3] | 5,000[3] |
| MTU | 85.0% | 40.6[4] | 75.2[4] | 24,970[4] |

(1) Source: Based on a JORC-compliant report prepared by PT Runge Indonesia as of 31 April, 2011.

(2) Source: Based on a JORC-compliant report prepared by PT Runge Indonesia as of 1 January, 2011 in respect of the Separi block.

(3) Source: In-house geologist estimate.

(4) Source: Based on a USGS-compliant January 2011 report prepared by PT LAPI ITB and based on management estimates.



**PT KIDECO JAYA AGUNG**

Kideco was established in 1982 and engages in surface open-cut coal mining at its 50,921 hectare concession area in East Kalimantan, Indonesia, where it holds coal mining rights until 2023 under a first-generation Coal Contract of Work (CCoW). As Indonesia's third-largest coal mining company measured by production, Kideco represents the Company's core asset in the energy resource pillar, with total production reaching 37.3 million tonnes in 2013, an increase of 9.1% from 34.2 million tonnes reported in 2012.

Located in Paser Regency, East Kalimantan, Kideco operates five mine concession sites using open pit mining methods in Roto North, Roto South, Roto Middle, Susubang and Samarangau, with aggregate probable and proven coal reserves estimates of 651 million tonnes and total estimated coal resources of 1,376 million tonnes based on JORC (Australian Joint Ore Reserves Committee) dated April 2011. Kideco has identified potential additional coal resources at its Samu and Pinang Jatus concession areas, where detailed exploration work has yet to commence.

Kideco produces a range of sub-bituminous coal containing very low levels of sulphur (0.1%) and ash (average 2.5%). In addition, Kideco's coal produces relatively low levels of nitrogen during combustion, making it environmentally friendly for use in coal-fired power plants.

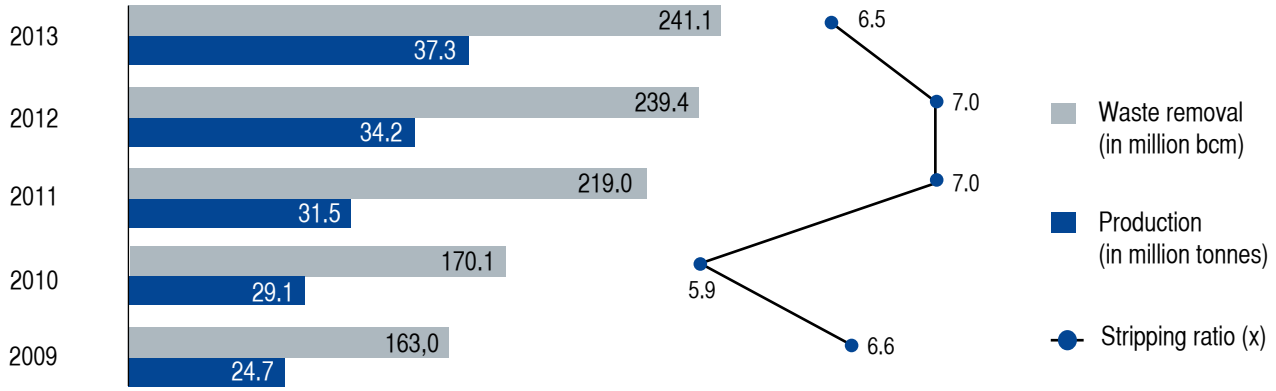
By outsourcing most of its mining, transportation and barging operations as well as working closely with key mining contractors under multi-year contracts, Kideco minimises its capital expenditures and working capital requirements, keeping the focus on exploration, mine planning, supervision, sales and marketing. Maintaining an effective and well-developed operational infrastructure has provided Kideco with operational efficiency and financial flexibility.

Supported by a well-developed infrastructure located in favourable geographical terrain with a well-planned coal mine, Kideco maintained a low strip ratio of 6.5x during a very challenging coal market in 2013, and was able to hold its position as one of the lowest cost coal producers in the world.

Based on its proven track record in meeting contractual coal delivery obligations, Kideco has earned a reputation for being one of the most reliable coal suppliers in Indonesia. Kideco's geographically well-diversified customer base includes highly-rated power companies in South Korea, Taiwan, Malaysia and Indonesia, with long standing relationships.

To secure its cash flows, Kideco has entered into long term supply contracts with high-quality local and regional independent power producers, and limited its short-term coal price volatility by entering into commitments for more than 85% of its annual coal volumes for the next year at a minimum fixed price.

**OPERATION PERFORMANCE**



In 2013, Kideco recorded revenue of US$2,120.6 million, declining by 10.0% from US$2,357.3 million in 2012, due to lower realised average selling price (ASP) of US$57.2 per tonne in 2013 compared with US$68.9 per tonne in 2012. The sales volumes however increased by 8.4% from 34.2 million tonnes in 2012 to 37.1 million tonnes in 2013. With lower stripping ratio reported at 6.5x vs. 7.0x in 2012 and reduced mining cost rates, the cash cost per tonne excluding royalty decreased 4.2% from US$38.5 per tonne in 2012 to US$36.9 per tonne in 2013. In summary, the major factor impacting Kideco's results is the decline in ASP.

As a result, Kideco's net profit fell 44.2% from US$380.0 million in 2012 to US$212.2 million in 2013. Based on 2012 earnings, Kideco declared a dividend of US$335.0 million, a 88.1% payout ratio, of which Indika Energy received US$154.1 million in 2013. In 2013, Kideco completed its expansion program and brought its annual installed capacity up to 55 million tonnes. Total capital expenditure for the year was US$21.6 million, down from US$48.8 million in 2012.

## Operational Highlights

### Production Volume

+9.1%

| in million tonnes | |
|---|---|
| 2013 | 37.3 |
| 2012 | 34.2 |

### Sales Volume

+8.4%

| in million tonnes | |
|---|---|
| 2013 | 37.1 |
| 2012 | 34.2 |

### Stripping Ratio

-7.7%

| (x) | |
|---|---|
| 2013 | 6.5 |
| 2012 | 7.0 |

### Average Selling Price

-17.0%

| US$/tonnes | |
|---|---|
| 2013 | 57.2 |
| 2012 | 68.9 |



## PT SANTAN BATUBARA

Established in 1998, Santan Batubara is a 50/50 joint-venture between Indika Energy's 69.8% owned Petrosea and PT Harum Energy Tbk. that engages in surface open-cut coal mining at its 24,930 hectare concession area in Kutai Kartanegara Regency and Kutai Timur Regency, East Kalimantan. It holds coal mining rights until 2028 under a third-generation CCoW.

Based on January 2011 estimates, coal resources stood at 61.5 million tonnes with reserves of 17.3 million tonnes, whereas non-JORC exploration in the same month estimated the amount of coal resources at 222.2 million tonnes with reserves of 30.6 million tonnes. In 2013, Santan produced 1.8 million tonnes, a decline of 32.1% from 2.6 million tonnes in 2012.

Like many other coal companies, Santan operated at a loss impacted by the fall in the ASP of coal, which decreased from US$87.6 per tonne in 2012 to US$73.7 per tonne. This ASP was lower than Santan's cash cost (including royalty) of US$77.4 per tonne.

In light of the current situation, Santan is carefully studying ways to sustain its operations going forward.



## OTHER COAL CONCESSIONS UNDER DEVELOPMENT

### MITRA ENERGI AGUNG (MEA)

In March 2012, Indika Energy acquired an indirect 60.0% stake in MEA, a greenfield coal asset located in East Kalimantan with an IUP concession area covering 5,000 hectares. To date, more than 90.0% of the MEA concession has been explored and several promising coal seams identified. Efforts to develop MEA has moved to the securing of all critical licenses required with the intention to commence production once the coal price is economical for production.

### MULTI TAMBANGJAYA UTAMA (MTU)

In May 2012, Indika Energy acquired an indirect 85.0% equity interest in MTU, a high-rank bituminous thermal and coking coal holding a third-generation CCoW based in Central Kalimantan, with a concession area of 24,970 hectares.

Located approximately 30 km northeast of Ampah city and approximately 250 km north of Banjarmasin, MTU has developed coal hauling roads with a capacity of 3.0 million tonnes per year and a barge port with a capacity of 5.0 million tonnes per year, and continues to upgrade and expand its infrastructure to support future mining operations. MTU has obtained an environmental permit to extract up to 1.2 million tonnes of coal per year. MTU is currently in the process of resolving a dispute related to overlapping area issues on certain sections of the hauling road from the mine to the port.



**HIGHLIGHTS OF EXPLORATION ACTIVITIES IN 2013**

**MTU**

| Exploration Activities | Target | Actual |
|---|---|---|
| Drillhole | 204 holes | 217 holes |
| Openhole | 23,200 m | 14,656 m |
| Coring | 2,320 m | 1,529 m |
| **Total Drilling** | **25,520 m** | **16,186 m** |
| Mapping (Near mine) | 1,300 Ha | 1,300 Ha |
| Mapping AOI | 5,844 Ha | - Ha |
| **Total Mapping** | **7,144 Ha** | **1,300 Ha** |

**MEA**

| Exploration Activities | Target | Actual |
|---|---|---|
| Confirmation Drilling | 9,000 m | 11,469 m |
| Mapping (Near mine) | - Ha | - Ha |




**SOUTHWEST BIRD'S HEAD BLOCK, WEST PAPUA**

In early 2013, Indika Energy acquired a 10% participating interest from Total E&P Indonesia West Papua in the Southwest Bird's Head Production Sharing Contract (PSC), located in West Papua in an area of about 7,176 sq km in between two intensively explored basins, namely the Salawati basin to the west and the Bintumi basin to the east. The project was a modest entry to explore the upstream oil and gas sector as part of the Company's strategy to diversify energy resource investments and gain from the opportunity to learn from Total's vast experience and technical expertise in oil and gas exploration and development.

In June 2013, an exploration well was drilled but did not indicate the presence of hydrocarbons. No further large-scale exploration program is planned for the asset.

# ENERGY SERVICES



The Energy Services business pillar consists of Tripatra and Petrosea. Tripatra is a provider of engineering, procurement and construction (EPC), operations and maintenance (O&M) and logistics services in this energy sector. Petrosea offers contract mining, engineering and construction (E&C) services, with complete pit-to-port and life-of-mine services.

The Energy Services sector contributed US$663.4 million of revenue in 2013, an 11.5% increase from US$594.8 million in 2012. Petrosea contributed US$360.1 million and the remaining US$303.3 million contributed from Tripatra.

## TRIPATRA

Tripatra has one of the longest service histories among engineering, procurement and construction (EPC) companies in Indonesia since its establishment in 1973. Tripatra's strong engineering capabilities and skilled project management are the key drivers of its success in implementing world class projects. Through Tripatra, the Company's equity interest in associate companies in the energy service sector includes:

### PT Sea Bridge Shipping Indonesia (SBS)

an associate company with coal shipping services including providing tug boats, barges and gearless floating cranes and transhipment services. SBS reported net profit of US$8.8 million (-31.1% YoY) on revenue of US$28.2 million (volume of coal handled dropped 15.0% YoY from 16.4 million tonnes in 2012 to 13.9 million tonnes in 2013); and

### PT Cotrans Asia Indonesia (Cotrans)

an associate company providing coal transportation and transhipment services. Cotrans reported net profit of US$10.7 million (+124.8% YoY) on revenue of US$78.9 million (coal volume handled was up 7.0% YoY from 28.7 million tonnes in 2012 to 30.7 million tonnes in 2013).



In 2013, Tripatra's revenues increased by 44.4% Year-on-Year to US$303.4 million in 2013 from US$210.1 million in 2012. The following projects accounted primarily for these earnings results: EPC Project – Mobil, Cepu Ltd. contributed US$192.3 million; and EPC Project – Pertamina-Medco E&P Tomori Sulawesi contributed US$73.4 million in 2013 compared with only US$1.0 million in 2012 (the project started in September 2012).

As of December 2013, Tripatra's contracted backlog stood at US$364.1 million. In December 2013, PT Tripatra Engineers & Constructors (TPEC) and Consortium partners PT Saipem Indonesia, PT Chiyoda International Indonesia and Hyundai Heavy Industries Co.Ltd. secured the new US$1.1 billion EPC-1 project contract for a new built floating production unit (FPU) for ENI Muara Bakau BV's offshore Jangkrik Complex in the Muara Bakau Permit area, Makassar Strait, offshore Kalimantan, which is scheduled to be signed in February 2014.



**TRIPATRA'S CONTRACT VALUE IN 2013**

**BACKLOG IN 2013**

in million US$

| Description of Project | Remaining Contract per 31 December 2013 |
|---|---|
| Exxon Mobil – Banyu Urip EPC 1 | 109.0 |
| JOB Pertamina Medco – Senoro Gas Development Project | 212.4 |
| Pertamina HE ONWJ – TSC for PECMS | 18.3 |
| Foster Wheeler – Cilacap RFCC Project | 2.5 |
| ConocoPhillips – ESC | 11.9 |
| Chevron – FEED AIP | 5.5 |
| Premier Oil | 0.5 |
| ENI Jangkrik | 3.9 |
| Total | **364.1** |

Tripatra's backlog represents the revenue Tripatra expects to realise in the future as a result of performing work under contracts with a term of over one year. Tripatra's contracts can be categorised as either fixed-price, which may be also referred to as lump-sum, or time and material reimbursable, although some contracts involve both fixed price and time and material reimbursable elements.

Despite revenue recognized in 2013, Tripatra may face challenges in completing the JOB Pertamina – Medco Senoro project on time and on budget. This risk is related to a delayed project start and unexpected complications linked to site conditions, both of which were beyond Tripatra's control.

**Logistics Services**

For 2013, PT Sea Bridge Shipping reported net profit of US$8.8 million (a decrease of 31.0% YoY) on revenue of US$28.2 million, attributable to the drop in coal volume shipped of 15.0% YoY from 16.4 million tonnes in 2012 to 13.9 million tonnes in 2013.

PT Cotrans reported net profit of US$10.7 million, an increase of 124.8% YoY on revenue of US$78.9 million with coal volume handled up 7.0% YoY from 28.7 million tonnes in 2012 to 30.7 million tonnes in 2013.



## PETROSEA

With more than 40 years of experience in contract mining, engineering and construction (E&C) and logistics services, Petrosea currently operates four mining sites in Kalimantan, the Gunung Bayan Pratama coal mine project, the Santan Batubara coal mine project, the Adimitra Baratama Nusantara coal mine project and the Kideco coal mine project. Petrosea also operates a deepwater offshore supply base (POSB) located at Tanjung Batu, in West Balikpapan, Indonesia, which provides services to major oil and gas clients, including Chevron, Halliburton, ExxonMobil, ENI Bukat, MI Swaco, Statoil, Niko Resources, Anadarko and Total (POSB is further discussed in the Energy Infrastructure section).

The provision of mining services and services for E&C projects is highly competitive with substantial international and domestic competitors. Petrosea competes primarily on pricing, performance and quality of services, including technology, safety and skilled personnel, leveraging synergies from within the Indika Energy group.

Petrosea has two jointly controlled companies, one of them being Santan Batubara, a coal mining joint venture with PT Harum Energy Tbk. in which each party holds 50% of the shares. The other is a water treatment company, PT Tirta Kencana Cahaya Mandiri (TKCM), in which Petrosea has a 47% equity interest. Based on a conditional sale and purchase agreement dated 29 November 2013, Petrosea has agreed to divest its TKCM shares to PT Tanah Alam Makmur.

In 2013, Petrosea was negatively affected by the coal market downturn as coal producers reduced stripping ratios and delayed volume increases. As a result, overburden removal (OB) volumes went down by 10.0% YoY from 156.7 million BCM in 2012 to 141.1 million BCM in 2013.

Petrosea's revenues decreased by 6.6% YoY to US$360.1 million due to lower contribution from contract mining (which decreased by 12.5% YoY from US$356.8 million in 2012 to US$312.2 million in 2013).



However, E&C services revenue rose 550.6% YoY from US$2.3 million in 2012 to US$14.7 million in 2013, and POSB revenues also rose 25.1% YoY from US$26.5 million in 2012 to US$33.1 million in 2013. Petrosea operated 38 vessels in 2013 with annual capacity of 176 million BCM and its contracted backlog stood at US$1.5 billion as of December 2013.

Petrosea has high utilisation rates for the new, technologically advanced equipment which is fully deployed at all of its four operational sites. To fulfill customer requests for increased production, Petrosea occasionally outsources or rents additional machinery for short periods.

Petrosea has adopted a computerised database maintenance program which will manage the equipment throughout its life cycle; and computerised fleet management systems that will enable separate teams at Petrosea to work together to improve the utilisation rate of machinery.

Next year, Petrosea will continue to focus on enhancing efficiency through improved productivity and equipment utilisation. Further, given the difficulties that Santan Batubara experienced in 2013, Petrosea is currently reviewing its contract mining operations at Santan's sites.

**PETROSEA'S CONTRACT VALUE IN 2013**

| **BACKLOG IN 2013** | in million US$ |
|---|---|
| Description of Project | Remaining Contracts per 31 December 2013 |
| Contract Mining | 1,412.7 |
| Oil & Gas Services | 111.4 |
| Engineering & Construction | 14.0 |
| **Total** | **1,538.1** |

# ENERGY INFRASTRUCTURE



Indika Energy has four core assets within the Energy Infrastructure business pillar as follows:

**MITRABAHTERA SEGARA SEJATI (MBSS)**

Incorporated in 1994, MBSS is a fully integrated one-stop coal transportation and logistics company, which provides coal handling management services from port, barging, river and sea based transportation to offshore vessels using its floating crane systems. Leveraging its in-depth industry knowledge accumulated over 19 years of operations, MBSS has built a customer portfolio which includes major coal producers such as PT Kideco Jaya Agung, PT Adaro Indonesia, PT Berau Coal, PT Kaltim Prima Coal as well as coal end users such as PT Holcim Indonesia Tbk. and PT Indocement Tunggal Prakarsa Tbk.

MBSS successfully recorded revenue growth of 6.8% to reach US$151.1 million in 2013 on the back of higher contribution from both the barging and transshipment businesses. Barging revenues increased by 3.0% to reach US$109.7 million in 2013, while transshipment revenues increased 18.6% to US$ 41.4 million. The volume of coal barged over the same period rose by 31.1% from 29.3 million tonnes to 38.4 million tonnes, while the volume of coal transhipped grew 19.4% from 17.5 million tonnes to 20.9 million tonnes.

MBSS operated 75 barges, 82 tug boats, 7 floating cranes, 1 cement vessel and 1 support vessel in 2013 and the contracted backlog stood at US$281.6 million of the end of 2013.

MBSS continued to focus on providing premier integrated sea logistic and transshipment services, becoming the preferred choice of leading Indonesian coal producers. In addition, MBSS began diversifying into logistic and transshipment services for non-coal bulk materials.

The provision of coal transport and logistics services is increasingly competitive in Indonesia, based on price, location and quality of services. MBSS should improve its productivity in anticipation of future pressure on margins.



**MBSS CONTRACT VALUE IN 2013**

**BACKLOG IN 2013**

in million US$

| Description of Project | Remaining Contracts per 31 December 2013 |
|---|---|
| Barging | 138.9 |
| Floating Crane | 143.1 |
| **Total Backlog** | **281.6** |



## CIREBON ELECTRIC POWER (CEP)

In April 2007, Indika Energy through its wholly owned subsidiaries, Indika Power Investments Pte. Ltd. and PT Indika Infrastruktur Investindo established Cirebon Electric Power (CEP) with Marubeni Corporation, Samtan Co. Ltd. and Komipo Global Pte. Ltd., resulting in a 19.99% indirect equity interest in CEP, a 660 MW coal-fired power generation plant (CFPP) in West Java.

The company entered into a Power Purchase Agreement (PPA) with PLN for 30 years from the date of commencement of operation of the plant, which was achieved on 27 July 2012. With total estimated annual coal consumption of 2.85 million tonnes, CEP also entered into agreements with another Indika subsidiary, Kideco, for coal supply of 1.85 million tonnes.



The commencement of operations of the CFPP in Cirebon, West Java completed the Company's establishment of a full presence along the coal value chain from resources ownership to electricity generation. Since the commencement of operations, the CEP net dependency capacity (NDC) tests have consistently met PPA requirements.

In 2013, CEP proved capable of meeting dispatcher demand at all loads, with availability factor (AF) reaching 86.6%, exceeding the contracted AF of 80%. The 660 MW CFPP adopts supercritical technology for high efficiency, consuming less coal and producing fewer emissions. The power plant continues to operate above expectations in terms of availability factor and performance, including completely recycling remnant ash, and gas emission records that are significantly below the government and industry environmental limits.



**PETROSEA OFFSHORE SUPPLY BASE (POSB)**

Petrosea Offshore Supply Base is a provider of offshore supply logistics services for international and national oil and gas exploration and extraction companies operating in the Makassar Straits. POSB is a fully integrated, multi-functional supply base to support customer operations at Kariangau, Tanjung Batu, West Balikpapan in East Kalimantan. POSB's extensive capabilities consists of a 200-metre jetty, three outer berths with minimum water depths of eight metres and two inner berths with minimum water depths of six metres. Extensive craneage and materials handling capability enables the facility to receive large shipments as well as large volume bulk materials deliveries.The site includes covered and open storage facilities, a cargo marshalling area, an incinerator, a chemical drum containment area, tubular inspection shops and emergency training facilities. Through these services, POSB offers cost-effective services to clients in the oil, gas and coal industries, and provides Petrosea with key support for its operations in East Kalimantan, connecting heavy machinery servicing with warehousing of spare parts and tires for its contract mining services. Demand for POSB services has increased significantly, driven by the growth in offshore oil and gas activity in the region. As a result, POSB has embarked on a three-year expansion programme to increase capacity to meet the needs of global and local customers, including Chevron, Halliburton, Exxon-Mobil, ENI Bukat and MI-Swaco.



POSB capitalised on the sound growth in exploration and development drilling in Indonesia's oil and gas sector during 2013. POSB maintained its solid track record, contributing with strong revenue growth up 25.1% totalling US$33.1 million (which also includes engineering design and water treatment services, alongside POSB supply base facilities).

To support POSB's expansion programme, in September 2013 Petrosea entered into a cooperation agreement with Indika Logistic and Support Services (ILSS). POSB will explore opportunities with ILSS to expand offshore base operations. Further, in December POSB initiated a detailed due diligence expansion study.

This project comprises soil investigation, land preparation and a hydro-oceanography study to develop conceptual designs for marine facilities. This work is scheduled for delivery in the first half 2014.

**KUALA PELABUHAN INDONESIA (KPI)**

KPI is a subsidiary with integrated operations, management, logistics, maintenance and portside services. In April 2013, Tripatra sold 95% of its shares in KPI to Indika Energy subsidiary, ILSS.

# FINANCIAL REVIEW

**2013 Financial Highlights:**

- Revenue of US$863.4 million,fa 15.2% increase over US$749.7 million reported in 2012.
- Gross profit of US$193.1 million, a 0.1% decrease from US$193.2 million reported in 2012.
- Equity in net profit of associates and jointly-controlled entities declined by US$76.5 million to US$102.5 million in 2013 attributable mainly to lower contribution from Kideco and Santan as a result of the global decline in coal prices.
- Lower ASP per tonne realized by Kideco (2013 US$57.2 vs. 2012 US$68.9). Santan operated at a loss because realised ASP of US$73.7 per tonne was lower than cash cost (including royalty) of US$77.4 per tonne and sales volume also declined 26.3% Year on Year (YoY) to 1.9 million tonnes in 2013.
- Loss attributable to the Owners of the Company of US$62.5 million, a 191.0% decline from US$68.7 million profit reported in 2012.

**Revenue**

The Company's revenue increased 15.2% to US$863.4 million compared with US$749.7 million reported in 2012 due mainly to:

a) Petrosea's revenue decreased by 6.6% to US$360.1 million in 2013 primarily due to lower contract mining which decreased by US$44.5 million, with volume down from 156.7 million bcm (bank cubic metre) to 141.1 million bcm.

   Contrary to contract mining, E&C (Engineering & Construction) services and POSB booked increases in revenues of US$12.5 million and US$6.7 million respectively, mainly on the back of two new customers for E&C and increased customer activity for POSB. New E&C customers contributed US$11.6 million to revenues in 2013.

b) Tripatra's revenues were up 44.4% to US$303.4 million, driven primarily by 1) the EPC Project – Exxon Mobil, Cepu valued at US$192.3 million in 2013 vs US$89.5 million in 2012 and 2) the Pertamina-Medco E&P Tomori Sulawesi project valued at US$73.4 million, a new project started in September 2012.The above increase was partially offset by a decrease in revenues from 1) PT Freeport Indonesia following the transfer of KPI from TPEC to ILSS and 2) a decrease in revenues from projects closed in year 2012 and 2013, mainly from PT Perta Samtan Gas and Chevron Pacific Indonesia.

c) MBSS' revenue was up 6.8% to US$151.1 million due to:
   - Higher coal volume transported by floating cranes, with volume increasing by 19.4% to 20.9 million tonnes on the back of two additional floating cranes that were fully operational in 2013.
   - Higher barging volume up 31.1% to 38.4 million tonnes in 2013.

**Cost of Contracts and Goods Sold**

Total cost of contracts and goods sold rose to US$670.3 million from US$556.5 million in 2012 largely due to increases in: 1) transportation costs of US$8.4 million, 2) professional fees of US$5.0 million, 3) materials cost of US$162.2 million, 4) rental, repairs and utilities of US$15.2 million, and 5) salaries, wages & employee benefits of US$143.5 million. Tripatra's Mobil Cepu Ltd. EPC Project – & Pertamina-Medco E&P Tomori Sulawesi Project accounted for the majority of the increase. However, operational heavy equipment cost of US$119.1 million decreased 12.7% YoY from US$136.4 million in 2012 in line with the lower overburden volume at Petrosea in 2013.

Consequently, gross profit of the Company decreased slightly by 0.1% to US$193.1 million from US$193.2 million in 2012.

**General and Administrative Expenses**

General and administrative expenses decreased 3.9% from US$158.6 million to US$152.5 million in 2013 as a result of:

1) Losses attributable to temporary suspension of production at MTU of US$2.9 million (-77.4% YoY from US$12.9 million in 2012)

2) Professional fees of US$7.6 million (-29.8%),
3) Repairs & maintenance of US$2.4 million (-17.4%),
4) Travel and transportation of US$4.5 million (-9.3%).

However, salaries, wages and employee benefits increased by 6.4% YoY (US$80.1 million in 2012 to US$85.3 million in 2013) due to:

a. Accrual for post-employee benefits of US$2.5 million at Tripatra (due to increase in number of employees to 1,798 in 2013 vs. 1,080 in 2012), in line with the expansion of the business,
b. Full 12-month inclusion of salaries, wages and employee benefits from the development of coal assets acquired by MTU,
c. Human capital rationalisation which resulted in US$3 million one-off charges due to workforce lay-offs in 2013.

**Equity in Net Profit of Associates & Jointly Controlled Entities**

Equity in net profit of associates & jointly controlled entities declined by US$76.5 million from US$179.0 million in 2012 to US$102.5 million in 2013, mainly as a result of lower income derived from both Kideco and Santan due to the global decline in coal prices.

Kideco reported profit of US$212.2 million on revenue of US$2,120.6 million. Profit decreased 44.2% from US$380.0 million in 2012 due to lower ASP realized by Kideco (2013 US$57.2 vs. 2012 US$68.9). Cash cost including royalty decreased by 6.7% from US$46.7 in 2012 to US$43.6 in 2013.

Santan reported net loss of US$8.6 million on revenue of US$139.7 million in 2013, a decline from US$4.9 million net profit reported in 2012. Santan operated at a loss because the realised ASP of US$73.7 per tonne was lower than cash cost (including royalty) of US$77.4 per tonne and production volume also declined 32.1% YoY to 1.8 million tonnes in 2013.

Sea Bridge Shipping reported net profit of US$8.8 million (-31.1% YoY) on revenue of US$28.2 million (coal volume handled dropped 15.0% YoY from 16.4 million tonnes in 2012 to 13.9 million tonnes in 2013).

Cotrans reported net profit of US$10.7 million (+124.8% YoY) on revenue of US$78.9 million (volume of coal handled rose 7.0% YoY from 28.7 million tonnes in 2012 to 30.7 million tonnes in 2013).

**Finance Cost**

Finance costs increased by US$39.1 million from US$74.9 million in 2012 to US$114.0 million (+52.1% YoY) due largely to the increase in the Company's average debt balance as a result of a liability management exercise, in which US$500.0 million 10-year 6.375% Senior Notes due 2023 were raised in January 2013 to prefund the redemption of a 2016 - US$230 million notes. The Company called the 2016 Notes in November 2013 with a redemption price of 104.875% or US$241.2 million in total. The higher finance cost was the result of:

1) Additional interest (one-off transaction) of US$13.8 million;
2) Premium charged on the early redemption of 2016 Senior Notes in November 2013 (one-off transaction), amounting to US$11.2 million; and
3) One-off finance charges on the 2016 remaining Notes issuance and short term loans amounting to US$12.2 million.

**Amortisation and impairment of Intangible Assets**

Amortisation and impairment of Intangible Assets increased by 60.1% to US$54.5 million from US$34.1 million in 2012 due to 1) amortisation of intangible assets of US$40.4 million (+18.7% YoY from US$34.1 million in 2012), including full year amortisation of intangible assets resulting from the acquisition of MTU (May 2012) and MEA (March 2012). Intangible assets are amortised on a straight-line basis based on their estimated "useful lives" - 27 years for MTU and seven years for MEA, and 2) impairment of intangible assets of US$14.1 million pertaining to full impairment of intangible assets on West Kalimantan Project, where current exploration results have concluded that there is no future economic benefit in the respective area of interest.

**Others - net**

Others - net increased by 129.5% to US$26.1 million due to 1) exploration expense of US$5.6 million in 2013 related to our participation in the Southwest Bird's Head PSC. We expect minimal further exploration costs related to this project, 2) increase in loss on sale of property and equipment of US$1.6 million, and 3) occurrence of loss on derivative transactions at Tripatra in 2013 of US$1.3 million.

**Income (Loss) before Tax**

As a result of the above factors, income before tax decreased by 140.4% to US$42.5 million loss in 2013 from US$105.4 million profit in 2012.

**Profit (Loss) for the Year**

The Company's profit for the year decreased by 161.7% from US$87.2 million profit in 2012 to US$53.8 million loss in 2013.

**Profit (Loss) Attributable to the Owners of the Company**

Profit Attributable to the Owners of the Company decreased by 191.0% from US$68.7 million profit in 2012 to loss of US$62.5 million in 2013.

**Current Assets**

Current assets increased by 8.6% to US$759.3 million from US$698.9 million in 2012 due to increase in 1) trade accounts-receivables, unbilled receivables and estimated earnings in excess of billings on contracts of US$66.3 million as a result of the increase in current year revenue, and 2) other current assets of US$14.3 million, mainly representing advance payment to vendors for projects and coal purchases. This increase was offset by net decrease in cash and cash equivalents and other financial assets of US$15.5 million. Movement of cash and cash equivalents and other financial assets primarily comprised funds inflows from 1) issuance of 2023 Senior Notes of US$500 million and 2) dividends received from Kideco and other associates in the amount of US$113.5 million. The funds were primarily used to finance 1) redemption of 2016 Senior Notes of US$230 million 2) 2023 Notes issuance costs of US$15.5 million 3) repayment of bank loans related to the MTU acquisition and working capital loans totalling US$250 million, and 4) distribution of dividends to shareholders.

**Claim for Tax Refund**

The Company's Claim for Tax Refund increased 97.3% to US$13.5 million from US$6.8 million in 2012, following the issuance of tax assessment letters by the tax office on 1) the Company's 2011 value added tax of US$2.3 million, and 2) Petrosea's tax assessment letters for US$5.5 million.

**Property, Plant and Equipment (PPE)**

The Company's PPE decreased by US$55.9 million to US$696.8 million in 2013 mainly due to 1) depreciation expense of US$97.5 million and 2) deduction of PPE with a net book value of US$16.8 million, primarily by Petrosea including a US$8.1 million drop in its sale and lease back transactions; and offset by additional PPE, mainly 1) purchases of heavy equipment, vehicles and vessels by Petrosea and MBSS and 2) on-going construction of an office building by the Group, in total amounting to US$58.7 million.

**Intangible Assets**

The Company's Intangible Assets decreased 13.9% to US$320.0 million from US$371.8 million in 2012, due to 1) full impairment amounting to US$14.1 million of intangible assets on the West Kalimantan Project as current exploration results concluded that there is no future economic benefit in the area of interest and 2) amortisation expenses charged in 2013 of US$40.4 million. The intangible assets were amortised on a straight-line basis, based on their estimated "useful lives".

**Deferred expenditure**

Deferred expenditures increased by US$15.4 million, mainly for exploration and evaluation assets associated with the development of newly acquired coal assets (MEA and MTU) and a project in Baliem.

**Investment in Associates and Jointly Controlled Entities**

Investment in Associates and Jointly Controlled Entities decreased by US$6.0 million, mainly due to 1) higher final dividend of US$235 million declared by Kideco based on 2012 performance against its net income of US$212.2 million reported in 2013 and 2) equity loss from Santan of US$4.3 million in 2013.

**Advances and other non-current assets**

Advances and other non-current assets decreased by US$7.7 million, mainly due to 1) realisation of advances for purchases of PPE in the amount of US$7.1 million and 2) reclassification of notes issuance cost after netting off the respective notes obligation, following the completion of 2023 Senior Notes transaction in January 2013.

**Current liabilities**

Current liabilities decreased by 35.9% to US$347.4 million from US$542.3 million in 2012 due to settlement of bank loans related to MTU totalling to US$250 million, payment of long-term loans and lease liabilities. Such increase was offset by an increase in accrued expenses, mainly for Tripatra's contractors and subcontractor costs and purchase of material and spare parts totalling US$92.3 million outstanding as of 31 December 2013 and increases in billing recognised from Tripatra's on-going projects in excess of estimated earnings.

### Non-current liabilities

Non-current liabilities increased by 28.2% to US$1,019.1 million from US$794.9 million in 2012 due to issuance of 2023 Senior Notes of US$500 million in January 2013, netted off against the early redemption of 2016 Senior Notes of US$230 million in November 2013. The increase was offset by 1) payment of lease liabilities and, 2) a decrease in deferred tax liabilities resulting from amortisation of intangible assets in the current year.

### Equity

Equity decreased by 7.1% to US$949.9 million from US$1,022.5 million in 2012 due to a US$19 million dividend distributed to shareholders and net loss for the year of US$62.5 million.

### Net Cash Provided by Operating Activities

In 2013, net cash generated by operating activities amounted to US$95.3 million, primarily consisting of cash generated from operations in the amount of US$202.7 million, which was netted off by payments for finance cost and taxes amounting to US$74.5 million and US$44.0 million, respectively.

Cash generated from operations in the amount of US$202.7 million consisted mainly of cash receipts from customers in the amount of US$797.1 million which then used to pay suppliers amounting to US$373.0 million, and salaries paid to directors, commissioners and employees of US$221.4 million.

### Net Cash Provided by Investing Activities

In 2013, net cash generated from investing activities amounted to US$40.2 million, primarily consisting of dividends received from associates and jointly controlled entities in the amount of US$113.5 million. Netted off against such dividends received, the Company made payments primarily for acquisitions of property and equipment (US$49.1 million) and deferred expenditures mainly related to exploration and evaluation in the resources segment (US$21.1 million).

### Net Cash Used in Financing Activities

In 2013, net cash used in financing activities amounted to US$151.4 million, primarily for the repayment of bank loans, long-term loans and lease liabilities of US$467.3 million, against drawdowns of bank loans of US$90.4 million. In 2013, liability management exercised by the Company resulted in the issuance of 2023 Senior Notes with net proceeds of US$484.5 million, which was partly used for early redemption of the $230 million 2016 Senior Notes plus premium of US$11.2 million.

In 2013, cash dividends paid by the Company amounted to US$25.8 million.

# BUSINESS PROSPECTS & KEY RISK FACTORS

## THERMAL COAL INDUSTRIAL REVIEW

The short and midterm global outlook for thermal coal points to sustained low coal prices ahead, with structural changes in emerging markets and China leading to slower demand and lowered intensity of growth as changes take effect. The long term demand for coal resources continues to remain attractive, but the cyclical price structure and demand curve of coal as a commodity makes the outlook challenging for those in this energy sector.

Asian economies continue to dominate the import of thermal seaborne coal with China remaining the largest importer, followed by Japan and India. Indonesia currently accounts for almost 40% of global coal exports with forecasts expected to reach 568 million tonnes by 2025, from 349 million tonnes in 2013. Low rank and sub-bituminous coal are expected to increase in market share with China, India, Taiwan, South Korea, Malaysia and Philippines being the Pacific's major importers.

The slowdown in demand will affect new coal resources supply projects and eventually tighten the market in the years ahead. In the short term however, despite the rebound in emerging market economies, the forecast for coal is expected to weaken. As a result, coal companies had to contend with tapering coal sales margins. The effect was pronounced among coal contract mining companies and coal transportation companies as producers sought to renegotiate rates with service providers.

Currently, in Indonesia, the domestic utilisation of low rank coal has become more relevant for coal producers such as Kideco. In 2009, the Indonesian government introduced a "domestic market obligation" (DMO) which requires certain appointed companies to sell a designated portion of their production to local customers. The DMO in 2013 was targeted at 20.3% while exports will continue to account for the rest of production.

As time goes on, the addition of coal-fired power plants will contribute directly to the utilisation of local coal and positively reduce Indonesia's cost of electrical production, helping to fuel economic growth. Indonesia is forecasted to require an additional 59,515 MW of capacity until 2022 with 25,552 MW coming from the private sector, and coal is expected to continue to account for about 30% of the country's total energy mix by 2030. Long term prospects for coal in Indonesia are therefore good.

## RISK FACTORS RELATED TO ENERGY RESOURCES

As has already been witnessed, the global coal markets are sensitive to changes in coal mining capacity and production output levels, and can adversely affect the businesses of Kideco and Indika. The coal consumption of emerging markets where coal is a principal fuel is affected by the demand for their products, local environmental and other governmental regulations, technological developments and the price and availability of competing coal and alternative fuel supplies. The global economic crisis of 2011 has led to a sustained economic slowdown and decreased global demand for coal, which resulted in depressed coal prices.

Over the past decades, coal demand on the world market has spurred the development of new mines and expansion of existing mines, increasing global production capacity. Slower global demand growth for coal in recent years has resulted in an oversupply, affecting the prices in coal supply agreements and consequently reducing the amount of dividend payments from Kideco to Indika Energy.

The framework governing Indonesian energy resources is subject to extensive regulation. The New Mining Law requires local extraction of coal mined in Indonesia, and Indonesian coal producers are restricted from engaging their subsidiaries or affiliates to provide mining services on their own concessions without first obtaining ministerial approval, with a priority towards domestic contractors, labour, products and services.

Kideco, MTU and Santan Batubara depend on independent contractors to conduct their mining operations, and any significant failure to deliver their obligations will have a negative effect on dividend payments to Indika. In the same way, if the amount Kideco, MTU or Santan Batubara has to pay for services

exceeding the amount estimated in bidding for fixed price work, they will incur losses on the performance of these contracts. These delays and additional costs may be substantial, and Kideco, MTU or Santan Batubara may not be able to recover these costs from their customers or may be contractually required to compensate their customers for these delays.

Kideco maintains a focused end-user customer base for a large portion of its total coal sales and depends on the renewal and extension of these supply agreements with its customers to purchase coal on favourable terms. Kideco has also entered into an exclusive international marketing agreement with Santan Batubara which can adversely affect its ability to pursue other opportunities to expand its export market sales. Kideco and Santan Batubara have significant reserves of bituminous and sub-bituminous coal which are an important fuel supply for emerging markets like China, India, Africa and Southeast Asia. However, the demand from these markets has declined since 2011, and further decline in demand from these countries may affect dividend payments to Indika Energy.

Growing environmental compliance costs, if materially increased by new issuance laws and regulations, as well as the ongoing mine reclamation and rehabilitation obligations can also adversely affect Kideco, MTU and Santan Batubara's businesses.

Some of the coal reserves of Kideco, MTU or Santan Batubara may be determined as being, or become, unprofitable or uneconomical to develop if there are unfavourable long-term market price fluctuations for coal, or significant increases in operating costs.

## RISK FACTORS RELATED TO ENERGY SERVICES

Tripatra and Petrosea provide energy services which are primarily dependent on capital spending by large coal, mineral, infrastructure, and oil and gas companies, including national and international companies, all of which may be directly affected by trends in global and regional coal, mineral, oil and natural gas prices. Historically, the markets for coal and oil and gas have been volatile and volatility is likely to continue in the future.

The award of new contracts to Tripatra and Petrosea depends on successful bidding processes which are subject to financing and other contingencies. A significant portion of energy services projects are fixed-price contracts, which can expose the energy services businesses to risks associated with cost over-runs, penalties, operating cost inflation and costs associated with fluctuations in commodity prices and foreign exchange rates, changes in pricing fundamentals and cost estimates made between the time of submission of a bid and the time that the bid is accepted by the customer, including labour availability and productivity, as well as favourable supplier and third-party contractor pricing and performance.

Petrosea's mining operations are also subject to environmental and other regulations which can incur significant costs or liabilities which can adversely impact the results of operations.

## RISK FACTORS RELATED TO ENERGY INFRASTRUCTURE

MBSS service contracts contain commercial agreements with set price and minimum tonnage requirements that can be terminated following a force majeure event or a default by the customer or MBSS. Fuel cost is also a major component and any increase in fuel prices or other primary operating costs can adversely affect the results of operations.

Indonesia's lack of consistent energy infrastructure spending in the energy sector has led to a power crisis. There is increased demand for coal-fired plants but state-owned and other independent power producers may not complete their scheduled new coal power plant generation projects on time, and this may lead to supply shortages.

## OTHER RISKS RELATED TO INDIKA ENERGY

Domestic, regional and global economic changes can constrain Indika Energy's working capital and borrowing abilities, as well as stringent controls on lending and investments caused by illiquid credit markets and general tightening of credit in the financial markets.

Indika Energy's acquisition strategy to expand operations by complementing existing businesses depends on the successful integration of acquired companies, businesses and properties, and the creation of synergies, further growth opportunities and other benefits from such acquisitions. Difficulties in integration and project delays have a material adverse effect on the Company's liquidity and capital resources.

## RISKS RELATED TO INDONESIA

Being incorporated in Indonesia with substantially all of its assets and operations located in Indonesia, Indika Energy can be adversely affected by future political, economic, legal and social conditions in Indonesia, as well as policies and actions adopted by the government which can affect the results of operations and prospects.

# INFORMATION & COMMUNICATIONS TECHNOLOGY

## ICT ROLE

Indika Energy's Information and Communication Technology (ICT) division is focused on improving business information processes for decision-making as well as increasing efficiency. The role of ICT in harnessing technology across the value chain is to produce synergies in applications and infrastructure, towards excellence in business performance whenever policy initiatives are implemented by the management team.

In ensuring policy compliance, the ICT role covers among others the formulation of core principles, policies, and standards as well as the implementation, evaluation and monitoring of approved actions throughout Indika Energy Group.

As an internal service provider, ICT provides a range of services which includes analysis, design, preparation, operation, support and maintenance as required in accordance with agreed upon Service Level Agreements (SLA), as well as conducting regular reviews of ICT service efficiency and effectiveness.

The ICT framework is illustrated clearly by the "ICT House", in which efforts throughout 2013 greatly emphasised the development of the architectural "roof" component, which represents a corporate-wide initiative of portals and dashboards comprising the Enterprise Resources Planning (ERP) and Human Resources Management System (HRMS).

Based on the ERP and Road Map strategy formulated in 2012, the Company embarked on the implementation of a new ERP system in 2013 for Indika Energy Group. This program, called the "Integrated Strategic Platform for Infrastructure, Resources and Energy Services" (INSPIRE), aimed to improve efficiency and decision-making processes through a more integrated and robust ERP system covering finance and accounting, procurement, project management, asset management, consolidation and management reporting.

The INSPIRE program is divided into four stages or releases, depending on implementation schedule for each specific business unit. Each release comprises the project implementation stages of planning, analysis and design, testing, deployment and support. INSPIRE's first release was successfully implemented on schedule in October 2013, addressing the Company at the holding level as well as the Resources business units. Overall, Release One focused on Indika Energy and the first phase of Indika Indonesia Resources (IIR), while Release Two will focus on Tripatra, Release Three on Petrosea, MBSS and the second phase of IIR, while Release Four will focus on consolidation and dashboard deployment, which is expected to go live in the third quarter of 2014.

Throughout the project, the INSPIRE Project Management Office (PMO) managed the progress and issues related to business processes and design, data conversion, technical infrastructure, change management and realisation of benefits.

The Three Pillars of the "ICT House" reflect application systems specific to each business unit. The ICT team continues to maintain and enhance the Engineering Document Management System, Material Tracking system, Operations Database (OpsDB) and others. In 2013, the integration between business unit legacy systems such as the Material Tracking System (MTS) with ERP was further strengthened.

The foundation of the "ICT House" represents ICT infrastructure, which facilitates a standardised and secure infrastructure environment for the Company's overall business applications. During 2013, ICT team continued to develop, maintain and support shared ICT infrastructure covering the Data centre facility, system software, hardware and network/data communication systems.

The infrastructure environment at the Data centre was built using virtualisation technology that enables usage of shared computing resources based on demand. As an example, the ERP system runs on this facility, enabling increases in the transaction volume as required.

To improve connectivity between offices of the Company and its business units including remote site offices, ICT uses bandwidth

management tools to ensure optimum usage based on service categories. In 2013, to improve performance, ICT upgraded the hardware infrastructure at site offices.

## SHARED SERVICES ORGANISATION

To ensure corporate resilience in terms of systems and information infrastructure, the Company strengthened ICT's supporting role as a Shared Services Organisation (SSO) to ensure optimum usage of ICT resources by the Company and its business units, as one of its strategic deliverables in the past year.

In 2013, ICT established Service Level Agreements (SLA) as a mechanism to ensure service quality and benchmarking with industry standards. The SLA covers five Service Portfolios consisting of the Data centre, Network and Communications, Application Development, Application Support and End User Management. Every month, ICT provides a report for each business unit detailing the progress and performance targets for all service portfolios. This report helps ICT and business units to ensure service improvements by identifying and understanding issues, and developing resolutions which can be executed by the business unit or by ICT. management. In November 2013, an ICT Customer Satisfaction Survey was conducted by an independent consultant to document areas of user satisfaction and dissatisfaction.

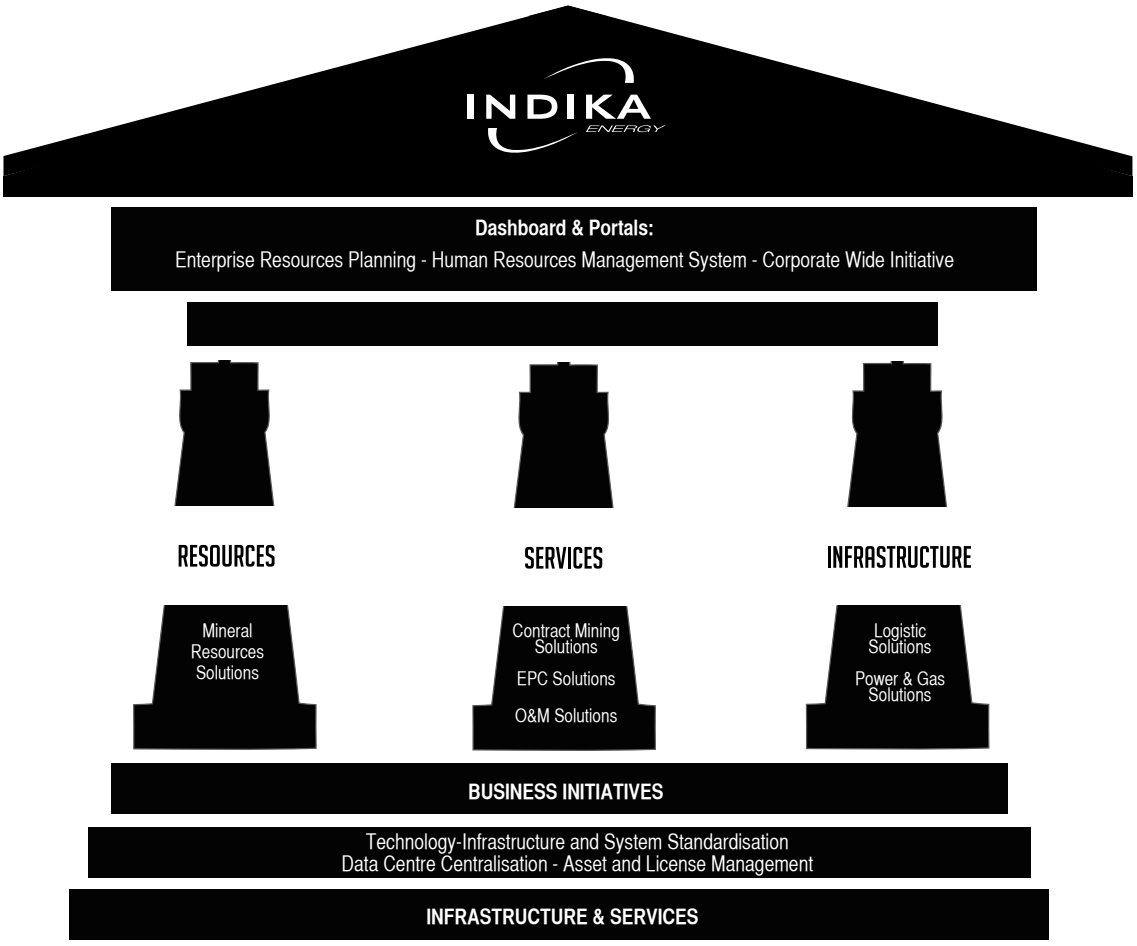
More than 50% of total ICT users across the Company's various locations in Indonesia participated in this survey, which aimed to find out what improvements were important to users. The questionnaire covered the ICT Service Desk, ICT Common Services, Applications and Business Relationship.

The lessons learned by ICT showed the importance of establishing ownership and accountability to internal stakeholders, and keeping the approach to solutions simple, towards building a sound technical foundation and infrastructure.

## GOVERNANCE

The ICT Steering Committee provides high-level direction, leadership and approved strategies, and oversees the efficiency and effectiveness of ICT as a Shared Service Organisation (SSO) as well as policy compliance related to the Company's goals and objectives.

The ICT Steering Committee has authority over the creation and execution of strategy, the establishment of principles, and the approval of ICT policies, priorities, and project investment within the group, towards ensuring compliance with Indika Energy ICT Group principles, policies and operating models.



# CORPORATE GOVERNANCE



## OVERVIEW

The Company is committed to consistently applying good corporate governance to ensure the implementation of the principles of transparency, accountability, responsibility, independency as well as fairness and equality in conducting activities ethically in line with the Company's values and Code of Business Conduct, while taking into consideration the interests of other stakeholders.Our quality of corporate governance is reflected by the legitimation and clear regulation of elements of the Company such as the Board of Commissioners, Board of Directors and other units at management level. Existing regulations related to the duties and responsibilities, independency, and tenure of committees under the Board of Commissioners such as the Audit Committee, Good Corporate Covernance (GCG) Committee, Human Capital Committee, and the Risk and Investment Committee are part of our commitment to implementing solid good corporate governance.

Good corporate governance ensures proper compliance with prevailing regulations in every aspect of our operations, the avoidance of conflict of interests, clarity in scope for internal reporting and the role of the elements in the Company (such as the General Meeting of Shareholders, Board of Commissioners, Audit Committee, GCG Committee, Risk and Investment Committee, Human Capital Committee, Board of Directors and Corporate Secretary), and proper implementation of corporate social responsibility.

## PRINCIPLES

### Transparency

To maintain objectivity in conducting its business, the Company must provide all the necessary material and relevant information to the shareholders and stakeholders by facilitating easy access of accurate and timely information, in a meaningful and easily comprehensible manner.This is not limited to information as required by prevailing laws and regulatory bodies, but includes all necessary information required by the shareholders to make informed decisions. Information which is deemed by prevailing laws and regulations to be proprietary and confidential shall not be disclosed, in accordance with the designated position of the person and the privileges assigned thereto.

### Accountability

The Company is managed properly through quantifiable methods in line with the interests of the Company with due respect to the interests of the shareholders and stakeholders. The Company strives to be accountable for its performance in a transparent and fair manner, in order to achieve and maintain improved performance.



**Responsibility**

In its activities, the Company always adheres to the principles of prudence and ensures compliance with prevailing laws and regulations, Articles of Association, and prevailing corporate practices, as well fulfilling its corporate social responsibility towards the community and environment at large in order to maintain the long term sustainability of its business.

**Independency**

The Company is managed independently in order to avoid domination and intervention by certain parties.

The Company organs, namely the General Meeting of Shareholders, Board of Commissioners and Board of Directors are permitted to perform their functions and duties in accordance with the Articles of Association and applicable laws and regulations, free from domination and conflicts of interest or the intervention and influence of third parties, thus ultimately enabling objective and accurate decision-making.

**Fairness and Equality**

The Company is committed to prioritising the interests of the shareholders and other stakeholders based on the principles of fairness and equality.

## COMPANY ORGANS

### GENERAL MEETING OF SHAREHOLDERS (GMS)

In accordance with the Company's Articles of Association and the prevailing laws and regulations, the Company held its Annual GMS in Jakarta on 15 May 2013. The Annual GMS was attended by the shareholders or their authorized representatives.

The Annual GMS approved, among others, the following matters:

1. Acceptance of the Annual Report, the Board of Directors Statement of Responsibility and the Board of Commissioners' Supervisory Report related to the management of the Company and related financial matters for the year ended 31 December 2012.

2. Approval of the Company's Financial Statements, including the Balance Sheet and Income Statement for the year ended 31 December 2012, thus granting full release and discharge (*acquit et de charge*) to the Board of Directors in regards to the Directors' management and to the Board of Commissioners in regard to their supervision throughout 2012 to the extent that their actions are reflected in the 2012 Financial Statement and Annual Report.

3. Approval of the utilization of Net Profit for the year ending on 31 December 2012, as follows:

   (i) The amount of Rp10 billion shall be held in reserve to fulfill the requirement of Article 70, paragraph 1, of Law No. 40 of 2007 concerning the Limited Liability Companies.

   (ii) a. The amount of US$19 million or US$0.003647 per share to be distributed to shareholders as final cash dividends using Bank Indonesia middle rate on the Recording Date.

   b. Provide power and authority to the Board of Directors of the Company with the right of substitution, to implement the cash dividends distribution, to determine the procedures for the distribution and the date for the payment of final cash dividends, including to meet with official(s) of the Stock Exchange or other related bodies, and also to present and request for approval of the payment of final cash dividends.

   (iii) Provide the authority to the Board of Commissioners to determine the specific benefit to the Board of Commissioners and the Board of Directors. In doing so, the Board of Commissioners shall take into consideration the recommendations from the Company's Human Capital Committee.

   (iv) Recording the remaining Net Profit 2012 as retained earnings to strengthen the capitalisation of the Company.

4. Approval of the granting of authority to the Company's Board of Commissioners to appoint a Public Accountant to examine the books of the Company for the Fiscal Year ending on 31 December 2013, while providing power and authority to the Company's Board of Directors to determine remuneration and other requirements in connection with the appointment of the Public Accountant.

5. (i) Approve and accept resignation of Wadyono Suliantoro and Pandri Prabono-Moelyo, respectively as Director of the Company.

   (ii) Agree to appoint Rico Rustombi and Joseph Pangalila, respectively as Director of the Company and to appoint Pandri Prabono-Moelyo as Commissioner of the Company.

   (iii) Agree to amend the composition of the Board of Commisioners and the Board of Directors for a period of two years effective from the closing date of the meeting until the closing date of the Annual GMS in 2015.

   (iv) Appointment of Wadyono Suliantoro as the Company's Advisor.

6. Acceptance and ratification of the renewed provision of power and authority to the Board of Commissioners of the Company in connection with the implementation of the Employee and Management Stock Option Plan (EMSOP).

All the actions approved in the Annual GMS have been

implemented by the Company. Dividend distribution was completed on 31 July 2013.

## BOARD OF COMMISSIONERS

As of 31 December 2013, the Board of Commissioners comprised six members, of which two are Independent Commissioners. As such the Company has fulfilled the required number of Independent Commissioners.

### Structure and Membership

Members of the Board of Commissioners are appointed by the GMS until the closing of the second Annual GMS after their appointment, without prejudice to the right of the GMS to dismiss them at any time.

Prior to the Annual GMS in 2013, the Board of Commissioners consisted of:

| | |
|---|---|
| President Commissioner | : Wiwoho Basuki Tjokronegoro |
| Vice President Commissioner | : Agus Lasmono |
| Commissioner | : Indracahya Basuki |
| Independent Commissioner | : Anton Wahjosoedibjo |
| Independent Commissioner | : Dedi Aditya Sumanagara |

As decided in the Annual GMS dated 15 May 2013, the composition of the Board of Commissioners became as follows:

| | |
|---|---|
| President Commissioner | **: Wiwoho Basuki Tjokronegoro** |
| Vice President Commissioner | **: Agus Lasmono** |
| Commissioner | : **Indracahya Basuki** |
| Commissioner | : **Pandri Prabono-Moelyo** |
| Independent Commissioner | : **Anton Wahjosoedibjo** |
| Independent Commissioner | : **Dedi Aditya Sumanagara** |

Each with a tenure period of two years, effective since the closing of the Annual GMS until the closing of the Annual GMS in 2015.

### Duties and Responsibilities

The Board of Commissioners in performing its supervisory duties is guided by GCG principles and is expected to continuously implement GCG within the Company. In implementing the principles of GCG, the Board of Commissioner ensures that the policies and management of the Board of Directors have complied with prevailing laws and regulations and the Company's Articles of Association, and have obtained the necessary approvals as may be required from time to time. The Board of Commissioners shall provide advice and input to the Board of Directors, among others in the implementation of policies and management, and shall report to the GMS on its duties in supervising the management of the Company.

In conducting its supervisory duties, the Board of Commissioners' duties includes, among others, the following:

1. To ensure that the Company stays aligned with its set and approved vision, mission, as well as the destination statement;

2. To provide feedback and advice on work plans and the annual budget prepared by the Board of Directors and to ratify them based on the Company's Articles of Association;

3. To monitor the Company's development activities;

4. To supervise the implementation of the Company's business strategy and investments, as well as assessing risk management of the investments that will be or have been conducted by the Board of Directors;

5. To review, analyse and sign the annual report prepared by the Board of Directors; and

6. To ensure the implementation of GCG practices based on the recommendations from the GCG Committee.

Every member of the Board of Commissioners shall be well intentioned, prudent, responsibly implement its supervisory duties and provide advice to every member of Board of Directors in the interests of the Company and in accordance with the Company's purposes and objectives.

### Meeting Frequency and Attendance

Board of Commissioners meetings may be held at any time as deemed necessary by one or more members of the Board of Commissioners, or upon written request from one or more members, or upon the written request of one or more of the shareholders who jointly represent one tenth or more of the total shares with voting rights. Board of Commissioners meetings are deemed legitimate and entitled to make legally binding decisions only if more than half of the Board of Commissioners members are either present or represented in the meeting.

Resolutions of the Board of Commissioners meetings must be passed in consensus. Failing to achieve such consensus, the resolution shall be passed by voting based on affirmative votes with at least more than half of the total votes cast at the meeting

including the votes of the President Commissioner and Vice President Commissioner, provided that the resolutions of this Board of Commissioners meeting must be signed by the President Commissioner and Vice President Commissioner.

The Board of Commissioners may also pass valid resolutions without convening a Board of Commissioners meeting, provided that all members of the Board of Commissioners have been notified in writing and all members of the Board of Commissioners have granted their approval for the written proposals as evidenced by their signed consent. The resolutions passed in such a manner shall have the same legal force as the resolutions lawfully passed at the Board of Commissioners meetings.

### Meetings of the Board of Commissioners

The Board of Commissioners held four meetings in 2013 on the dates listed and attendance as shown in the accompanying table below:

1. 13 May
2. 26 July
3. 30 October
4. 5 December

**Attendance Record**

| Name | Meeting Frequency | Attendance | Absent | % Attendance |
|---|---|---|---|---|
| Wiwoho Basuki Tjokronegoro | 4 | 4 | 0 | 100 |
| Agus Lasmono | 4 | 3 | 1 | 75 |
| Indracahya Basuki | 4 | 4 | 0 | 100 |
| Pandri Prabono-Moelyo *) | 3 | 3 | 0 | 100 |
| Anton Wahjosoedibjo | 4 | 4 | 0 | 100 |
| Dedi Aditya Sumanagara | 4 | 4 | 0 | 100 |

*) Effective as of 15 May 2013

### Remuneration of the Board of Commissioners

The remuneration of the Board of Commissioners for 2013 amounted to US$1.4 million.

## COMMITTEES ACCOUNTABLE TO THE BOARD OF COMMISSIONERS

To ensure that the Board of Commissioners performs its supervisory duties effectively, it is supported by four committees, namely the Audit Committee, GCG Committee, Risk and Investment Committee and Human Capital Committee.

## AUDIT COMMITTEE

The Board of Commissioners has established and appointed the Audit Committee in compliance with prevailing laws and regulations, towards enhancing the implementation of GCG practices within the Company's operations as well as expansion activities specifically to promote openness and objectivity in addressing issues related to the internal control system, financial statements and external auditors. The Audit Committee is governed by the Audit Committee Charter which is available on the Company's website.

### Structure, Membership and Profiles

During 2013, the Audit Committee was chaired by an Independent Commissioner, Anton Wahjosedibjo, with two independent professional members who have appropriate qualifications and extensive financial experience, namely Maringan Purba Sibarani and Deddy Harijanto Sudarijanto. The profiles of the members of the Audit Committee are as follows:

**Chairman: Anton Wahjosoedibjo**
For the profile of Bapak Anton Wahjosoedibjo, please refer to the profiles of Board Commissioners & Board of Directors (page 59).

**Member: Maringan P. Sibarani**
Age 70, formerly Director of PT Indofood Sukses Makmur Tbk for 9 years and a Senior Partner of Arthur Andersen for 16 years. Graduated from the Faculty of Economics at the University of Indonesia, major in Accounting. He is the Head of the Accounting Department at the Faculty of Economics, Trisakti University, and a Lecturer for the Professional Education for Accountant Program at the Trisakti University and Parahyangan University.

**Member: Deddy Harijanto Sudarijanto**
Age 41, currently a Vice President Director of PT Net Mediatama Indonesia, President Director of PT Polypet Karyapersada (since 2004) and PT Rekamitrayasa Komunikatama (since 2003), and Director of PT Indika Multimedia (since 2001). Previously he also held positions as Commissioner of MBSS (2010–2013) and CEO of PT Petrokimia Nusantara Interindo. He graduated from Northeastern University with a BSc. in Industrial Engineering in 1993 and an MSc. in Industrial Management from Stanford University in 1994.

### Primary Responsibilities

As the independent advisor of the Board of Commissioners, the primary responsibility of the Audit Committee is to ensure that the appropriate processes are in place to support the Board of Commissioners in fulfilling its responsibilities to exercise due care,

diligence and skill specifically in relation to:

- The adequacy of internal control: The Audit Committee oversees the effectiveness of the internal control system established by the management. In fulfilling this responsibility, the Audit Committee is assisted by the Internal Audit of the Company;
- Reliability of the Company's financial information;
- Regulatory compliance: The Audit Committee ensures that the Company complies with applicable laws and regulations pertaining to the capital market and other prevailing laws related to the Company's operations;
- Reviewing the performance of the external auditor: The Audit Committee reviews the financial results of the Company to ensure the reliability of the financial information. In conducting its duties, the Audit Committee has the authority to review whether the quarterly financial statements correctly represents real business results and significant fluctuations, if any, consistent with the overall industrial or economic conditions;
- Effectiveness of the internal auditor: The Audit Committee approves the internal auditor's work program and the outcomes of internal audits conducted to ensure that the recommendations of the internal auditor on significant internal control shortcomings are addressed.

**Activities**

The followings are the activities carried out in 2013:

1. Meetings with Public Accountant Firm Osman Bing Satrio & Eny (KAP Deloitte) to discuss the audit results for the Company's Consolidated Statement for the year ended 31 December 2012;

2. Quarterly meetings to discuss the quarterly financial results of the Company;

3. Meetings with Internal Audit to discuss, among others,significant findings and cases, standard operating procedures and work plans.

**Meeting Frequency and Attendance**

In 2013, the Audit Committee of the Company held seven meetings, namely on:

1. 4 March
2. 15 April
3. 26 April
4. 26 July
5. 30 September
6. 28 October
7. 18 December

with attendance as shown in the table below:

**Meetings Frequency and Attendance**

| Name | Meeting Frequency | Attendance | Absent | % Attendance |
|---|---|---|---|---|
| Anton Wahjosoedibjo | 7 | 7 | 0 | 100 |
| M. P. Sibarani | 7 | 7 | 0 | 100 |
| Deddy H. Sudarijanto | 7 | 6 | 1 | 85,7 |

**GCG COMMITTEE**

The GCG Committee has been established to assist the Board of Commissioners with oversight of management actions performed by the Board of Directors in accordance with the Articles of Association and prevailing laws and regulations, particularly with regard to implementation of GCG principles within the Company.

**Structure, Membership and Profiles**

The GCG Committee currently consists of one chairman and two members. The members of the GCG Committee in 2013 were as follows:

**Chairman: Arief T. Surowidjojo**

Age 60, is one of the founding partners of Lubis Ganie & Surowidjojo Law Firm. He has been practicing law for the last 37 years and represented and has advised the Indonesian government, national and multi-national companies in various complex corporate legal issues and transactions and commercial litigation cases. His expertise focuses on corporate finance, project finance, corporate restructuring, assets recovery, merger and acquisition, governance and commercial litigation. He has been a Senior Lecturer in business contract drafting at the Faculty of Law University of Indonesia since 1990. He earned a Bachelor of Law Degree from the University of Indonesia in 1977, and a Master Degree in Law from the University of Washington, Seattle, USA in 1984.

**Member: Anton Wahjosoedibjo**

For the profile of Anton Wahjosoedibjo, please refer to the profiles of Board Commissioners & Board of Directors (page 53).

**Member: Pandri Prabono-Moelyo**
For the profile of Pandri Prabono-Moelyo, please refer to the profiles of Board Commissioners & Board of Directors (page 52).

**Duties and Responsibilities**

The GCG Committee is responsible for the development of internal systems within the Company to ensure implementation of GCG principles, including principles of transparency, accountability, responsibility, independence, and fairness and equality in the management and supervision of business units within the Company. The implementation of GCG principles in a firm, consistent and sustainable way will improve the performance of the Company, the investment value of its shareholders, the role of the Company in national economic development, and the welfare of the Company's employees and stakeholders, including communities in locations where the Company carries out its business activities.

The GCG Committee shall ensure that the Company consistently implements a culture of good business ethics and good working environment in line with the vision, mission and values, action plans, programmes, and good behaviour; that can be a model for all organs within the Company in achieving the main objectives in a measured, efficient, effective and sustainable manner.

In implementing its duties and responsibilities, the GCG Committee shall ensure that the Company has a clear reference that can be implemented in its efforts to comply with any and all legal and administrative obligations that must be fulfilled by all companies in Indika Energy Group, pursuant to prevailing laws and regulations.

The GCG Committee is also responsible for the presence, existence and development of the Company which brings benefits to all stakeholders of the Company through its corporate social responsibility and environmental programmes as required by prevailing laws and regulations, as well as through programmes that are proactively carried out by the Company on its own. In addition, the GCG Committee has an obligation to conduct regular reviews and provide input on corporate social responsibility plans, programmes, and implementation.

To carry out its abovementioned responsibilities, the GCG Committee is required to formulate a number of related guidance documents for the Board of Commissioners and the Board of Directors of the Company, and update the documents from time to time.

**Activities**

GCG Committee has met with the relevant parties within the Group to ensure that Indika Energy and its subsidiaries have effectively implemented GCG, and to discuss risk matters within the Group, throughout 2013. The discussions focused on the implementation of the ASEAN Corporate Governance Scorecard, whistleblowing policy, and issues and progress within the Company related to governance.

**Meeting Frequency and Attendance**

During 2013, the GCG Committee held three meetings on:
1. 10 January
2. 8 May
3. 16 December

with an attendance rate of 100%.

**RISK AND INVESTMENT COMMITTEE**

The Risk and Investment Committee is responsible for assisting the Board of Commissioners in performing their supervisory duties and functions. The Risk and Investment Committee shall monitor and advise on matters related to the business strategy, investments made by the Company, and all aspects of risk incurred due to these investments as well as the possibility of risk mitigation action.

**Structure, Membership and Profiles**

The Risk and Investment Committee currently consists of one chairman and three members. The members of the Risk and Investment Committee in 2013 were as follows:

Chairman **: Wiwoho Basuki Tjokronegoro**
Member **: Agus Lasmono**
Member **: Indracahya Basuki**
Member **: Dedi Aditya Sumanagara**

For the profiles of the Chairman and Members of the Risk and Investment Committee, please refer to the profiles of Board Commissioners & Board of Directors (page 50-53).

**Main Responsibilities**

The Risk and Investment Committee's main responsibilities and duties are to assist the Board of Commissioners in its supervisory duties related to the Company's business strategy, investments and risk management of investments that will be or have been conducted by the Board of Directors.

In implementing its main responsibilities, the Risk and Investment Committee shall review the business strategy as well as any investments and the risks thereof.

While the primary responsibility for implementing the business strategy rests with the Board of Directors, the responsibility of the Risk and Investment Committee is to provide recommendations on the business strategy to be taken by the Board of Directors and to review the implementation thereof, and to advise the Board of Commissioners on matters related to the strategic business plan and annual business plan and/or business policy of the Company.

In addition, the Risk and Investment Committee reviews, identifies and analyses risk and return from proposed investments, material projects and/or corporate actions, and reviews the implementation thereof.

In carrying out its duties and responsibilities, the Risk and Investment Committee shall report to the Board of Commissioners with reference to the principle of confidentiality and will only disclose information to members of the Risk and Investment Committee and the Board of Commissioners.

## HUMAN CAPITAL COMMITTEE

The Human Capital Committee was formed by the Board of Commissioners to assist with its tasks, authority and responsibilities in overseeing management actions taken by the Board of Directors in accordance with the Articles of Associations and prevailing laws and regulations. The Human Capital Committee shall support decision-making processes related to human capital management ito ensure that the Company stays aligned with the set and approved vision, mission, destination statement and strategy.

### Structure, Membership and Profiles

The Human Capital Committee consists of one chairman and two members. The members of the Human Capital Committee in 2013 were as follows:

Chairman **: Agus Lasmono**
Member **: Wiwoho Basuki Tjokronegoro**
Member **: Indracahya Basuki**

For the profiles of the Chairman and Members of the Human Capital Committee, please refer to the profiles of Board Commissioners & Board of Directors (page 50-53).

### Main Responsibilities

The Human Capital Committee has overall responsibility for approving and evaluating the appointment, performance targets, compensation and plans for Senior Executives and Company Executives, as well as the Company's plans related to performance targets, succession plans for Senior Executives and Executives, workforce management, as well as human resources governance, policies and programs of the Company that affect Senior Executives, Executives, officers and other employees of the Company. The Human Capital Committee shall also ensure that the Company complies with prevailing laws and regulations related to human capital.

In implementing its responsibilities, the Human Capital Committee has the authority to establish general Company policy related to human capital in consultation with the Senior Executive as well as to nominate and recommend the replacement, reappointment or dismissal of Senior Executives and Executives to the Board of Commissioners.

With regard to compensation benefits in the Company, the Human Capital Committee, in consultation with the Senior Executive, establishes the Company's general compensation philosophy, principles and practices, and oversees the development and implementation of compensation, benefits and perquisite programs.

In addition, the Human Capital Committee also has the authority to oversee the Company's long term, short term, annual or other periodic performance goals in relation to the performance target of the Senior Executive and Executives and oversees the Company's Senior Executive succession plans and practices. One of the key roles of the Human Capital Committee is to oversee employee engagement levels in the Company, as employees are a crucial asset in our Company.

## BOARD OF DIRECTORS

As of 31 December 2013, the Board of Directors comprised seven members, one of whom is an Unaffiliated Director (now Independent Director). This has fulfilled the required number of Unaffiliated Directors (now Independent Director).

The Board of Directors is responsible for the operational and management activities of the Company and shall work in the best interests of the shareholders and stakeholders of the Company. Members of the Board of Directors are appointed by the GMS for a two-year term without prejudice to the right of the GMS to dismiss them at any time.

The President Director is entitled and authorised to act for and on behalf of the Board of Directors and represent the Company. In the case that the President Director is absent or unable to be present for any reason whatsoever, of which impediment no evidence to any third party shall be required, the Vice President Director jointly with one Director or two other members of the Board of Directors shall be entitled and competent to act for and on behalf of the Board of Directors and represent the Company.

**Structure and Membership**

Prior to 15 May 2013 Annual GMS, the Board of Directors consisted of the following:

| | | |
|---|---|---|
| President Director | : | M. Arsjad Rasjid P.M. |
| Vice President Director | : | Wishnu Wardhana |
| Director (Unafilliated) | : | Azis Armand |
| Director | : | Wadyono Suliantoro Wirjomihardjo |
| Director | : | Pandri Prabono-Moelyo |
| Director | : | Richard Bruce Ness |
| Director | : | Eddy Junaedy Danu |

As decided in the Annual GMS dated 15 May 2013, the composition of the Board of Directors became as follows:

| | | |
|---|---|---|
| President Director | : | **Wishnu Wardhana** |
| Vice PresidentDirector | : | **M. Arsjad Rasjid P.M.** |
| Director | : | **Azis Armand** |
| Director | : | **Rico Rustombi** |
| Director | : | **Joseph Pangalila** |
| Director | : | **Eddy Junaedy Danu** |

Unafiliated Director (now Independent Director)**: Richard Bruce Ness**

**Duties and Responsbilities**

In executing its responsibility to manage the Company, the Board of Directors shall ensure that in carrying out day-to-day business activities, the implementation of policies, principles, values, strategies, aims and targets are in compliance with prevailing laws and regulations as well as the Company's Articles of Association, and has obtained necessary approvals as may be required from time to time. The Board of Directors shall perform its fiduciary duties whilst supervised and advised by the Board of Commissioners and the Committees accountable to the Board of Commissioners, and shall report to the GMS on the duties entrusted to it of managing the Company.

**Meeting Frequency and Attendance**

Board of Directors meetings may be held at any time deemed necessary by one or more members of the Board of Directors, or upon written request from one or more members of the Board of Commissioners, or upon the written request of one or more shareholders who jointly represent one tenth or more of the total shares with voting rights. Board of Directors meetings are deemed legitimate and entitled to make legally binding decisions only if more than one half of the Board of Directors members are either present or represented in the meeting.Resolutions of the Board of Directors meetings must be based on consensus. Failing to achieve consensus, the resolution shall be passed by voting based on affirmative votes of at least more than half of the total votes cast at the meeting.The Board of Directors may also pass valid resolutions without convening a Board of Directors meeting, provided that all members of the Board of Directors have been notified in writing and all members of the Board of Directors have granted their approval in writing as evidenced by their signed consent. The resolutions passed in such a manner shall have the same legal force as the resolutions lawfully passed at a Board of Directors meeting.

In 2013, the Board of Directors conducted meetings which, among others, aimed to discuss current market conditions, the performance of the Company and other aspects relating to the Company's operations and business, as well as to approve the corporate actions of the Company.

**Meetings Record of the Board of Directors**

In 2013, the Board of Directors of the Company held five meetings on:

1. 13 May
2. 25 July
3. 18 September
4. 29 October
5. 27 November

The attendance record is as follows:

**Meeting Frequency and Attendance**

| Name | Meeting Frequency | Attendance | Absence | % Attendance |
|---|---|---|---|---|
| Wishnu Wardhana | 5 | 5 | 0 | 100 |
| M. Arsjad Rasjid P.M | 5 | 5 | 0 | 100 |
| Azis Armand | 5 | 5 | 0 | 100 |
| Eddy Junaedy Danu | 5 | 4 | 1 | 80 |
| Rico Rustombi *) | 4 | 4 | 0 | 100 |
| Joseph Pangalila *) | 4 | 4 | 0 | 100 |
| Richard Bruce Ness | 5 | 5 | 0 | 100 |

* Effective as of 15 May 2013.

### Remuneration of the Board of Directors

The Board of Directors received remuneration for their services in 2013 in the amount of US$2.6 million.

## ASSESSMENT OF BOARD OF DIRECTORS

As part of implementing good corporate governance and to improve the performance of the Company from year to year, the Company has adopted an assessment system that is periodically applied to the members of the Board of Directors who are tasked with managing the Company.

- As a benchmark for performance, the Board of Directors of the Company submits the following reports to the Audit Committee: Interim Consolidated Financial Statements every 1st and 3rd quarter; and
- Semi-Annual Consolidated Financial Statement and Annual Consolidated Financial Statement.

## CORPORATE SECRETARY

The Corporate Secretary works with related divisions, including Legal, Investor Relations and Corporate Communication to communicate Company information for the public and ensure that this information is distributed accurately, clearly, efficiently, and comprehensively in accordance with prevailing laws and regulations. In performing its function, the Corporate Secretary adheres to the principles of GCG, particularly those of accountability and transparency, so as to maintain and enhance the Company's integrity and trustworthiness in the capital market with its shareholders and stakeholders.Pursuant to the Circular Resolution of the Board of Directors Number 040/IE-BOD/VIII/2013 dated 22 July 2013, Dian Paramita has been appointed as Corporate Secretary of the Company. Before her appointment, Dedy Happy Hardi was the Corporate Secretary of the Company.

### Duties and Responsibilities

The Corporate Secretary functions as the contact person of the Company with regard to external parties, in particular the government, capital market authorities, media and related stakeholders. The Corporate Secretary facilitates effective and transparent communication with regulators, authorities, and capital market participants, and ensures the availability of information on material transactions and corporate actions.

The Corporate Secretary is also responsible for ensuring compliance with prevailing laws and regulations, specifically in the capital market sector. In addition, the Corporate Secretary also ensures that the Company complies with mandatory reporting requirements, such as information disclosure on the Company's actions, Financial Statements, Annual Report, the shareholders registry monthly report and the monthly report of the Company's foreign currency liabilities.

### Activities

In 2013, the Company submitted the required reports in a timely manner to regulators, including but not limited to the Indonesian Financial Services Authority (OJK) and the Indonesia Stock Exchange (IDX). The Corporate Secretary also completed and submitted the Company's 2012 Annual Report on 30 April and organized and convened the Annual GMS and Public Expose on 15 May.

### Profile

Dian Paramita, age 39, was appointed as the Corporate Secretary of PT Indika Energy Tbk. in 2013. Currently she also serves as Head of Legal of the Company. Prior to joining Indika Energy, she held positions as Head of Legal of PT Bentoel Internasional Investama Tbk (2011–2013) and Partner at Soewito Suhardiman Eddymurthy Kardono Law Firm (1997–2011). She graduated from the Faculty of Law at the University of Indonesia in 1997 and earned her Master of Law from Washington College of Law American University, USA in 2001.

## INTERNAL AUDITOR

In accordance with Bapepam-LK Regulation No. IX.I.7 wherein the Formation and Guidelines of the Internal Audit Charter are specified, Indika Energy's Head of Internal Audit is appointed by the Board of Directors. Internal auditing is an independent and objective assurance and consultation activity designed to add value to and improve the operations of the Company, through a systematic approach by evaluating and improving the effectiveness

of risk management, control and corporate governance processes. Pursuant to the Board of Directors Decision Letter dated 30 October 2013, **Rajiv Krishna** has been appointed as the Head of Internal Audit of the Company, replacing the former Head of Internal Audit, namely Kasturin.

**Mission**

As an independent and objective assurance function, Internal Audit has a mission to evaluate the effectiveness of internal control, risk management and corporate governance processes, and also examine and assess the efficiency and effectiveness of the Company's activities in finance, operations, human resources, information technology and other activities. In order to remain independent, the internal audit department staff reports to the Head of Internal Audit, who reports administratively to the President Director and Vice President Director, and functionally to the Audit Committee.

**Scope and Duties**

The internal auditors endeavour to improve management control, profitability and the corporate image during the conduct of an audit. They aim to determine whether the risk management, internal controls, and the governance processes that have been designed and implemented are adequate and functioning properly. Any findings are communicated to the relevant management for action.

**Accountability and Responsibility**

Internal Audit is responsible for the Audit Plan for the following year, implementing the Audit Plan including ad-hoc audits as required, examining and reviewing the adequacy and effectiveness of internal controls, the reliability and integrity of information on financial and operational activities, reviewing the tools securing the Company's assets and making specific summary reports.

During 2013, Internal Audit conducted audits in accordance with the Audit plan formulated at the beginning of the year in consultation with the Audit Committee. The scope of the engagementcovered the Company's operations and the adequacy of internal controls in financial and operational areas, as well as the integrity of financial information.

During 2013, Internal Audit conducted audit engagements in accordance with the Audit Plan formulated in consultation with the Audit Committee at the beginning of the year. The scope of the engagement covered the Company's operations and the adequacy of internal controls in financial and operational areas, as well as the integrity of financial information.

Findings and recommendations, including any remedial steps to be taken, are communicated to the relevant senior management at the end of each internal audit engagement. The final audit reports are sent to the Audit Committee. During the year in review, the internal auditors meet with the Audit Committee to discuss completed assignments, the findings, recommendations and remedial actions to be taken, as well as the status of the audit plan.

Internal Audit is accountable and reports to the Board of Directors and the Audit Committee. During 2013, Internal Audit had four meetings with Audit Committee which took place on:

1. 15 April
2. 26 July
3. 30 September
4. 18 December

**Authority and Code of Ethics**

Internal Audit has unrestricted access to the Board of Commissioners, Board of Directors and Audit Committee at all times. In carrying out their function, internal auditors have full access to all records, property, functions and employees of the Company, as well as to the Board of Directors and Board of Commissioners in the course of their work. The Head of Internal Audit also has full and direct access to the Chairman of the Audit Committee. However, to preserve the independence of Internal Audit, auditors are not permitted to be involved in operational duties such as the conduct and approval of accounting transactions outside the scope of Internal Audit.

**Profile**

**Rajiv Krishna,** age 55, was appointed as Head of Internal Audit of PT Indika Energy Tbk in 2013. Prior to this he was a Director of Pyramid Glass Company, Alexandria, Egypt, a unit of Kedaung Group, Indonesia, where he concurrently held the position of Group Head of Internal Audit for 13 years. His previous professional experience includes Financial Controller at Mayapada Group and also Group Financial Controller at Kasogi International (Ganda Wangsa Utama) in Surabaya. He completed his bachelor's degree in Commerce from St. Xavier's College, Calcutta University and is an Associate Member of the Institute of Chartered Accountants of India since 1986.

**EXTERNAL AUDITOR**

The Company has appointed Public Accounting Firm Osman Bing Satrio & Eny as the independent auditor to audit the Company's Consolidated Financial Statements for the 2013 fiscal year.

The appointed Public Accountant has carried out an audit based on the Auditing Standards established by the Indonesian Institute of Certified Public Accountants and based on the scope of work that has been determined and agreed upon.Total remuneration for the abovementioned audit service totalled approximately US$77,000.

## CODE OF BUSINESS CONDUCT

1. **Equality of Opportunity**
   The Company will provide equal employment opportunity for all employees, regardless of ethnicity, religion, race,customs, gender, age and or physical obstacles. The Company makes an exception to this policy only when hiring employees for positions that require specific physical abilities in performing the primary functions of the job.

2. **Respect for Ethics**
   Indika Energy upholds a commitment to maintain a working environment that is mutually respectful of all employees, free from any intimidation, hostility, insults or other unpleasant behavior in any form whatsoever, which may cause feelings of hurt, ostracization, belittlement or insult.

3. **Health, Safety and Environment**
   Company understands that the health and safety of its employees is of foremost importance. In conducting its activities, the Company prioritizes Health, Safety and Environment principles, as stipulated in the Employee Handbook – Safety. All employees must comply with and shall supervise each other in following all procedures in the Employee Handbook – Safety.

4. **Conflicts of Interest**
   Conflict of interest occurs if there is an opportunity for any employee of the Company, or any person with the opportunity to become involve in a conflict of interest, to obtain personal benefit or interest, or to prioritize his/her personal interest beyond his/her obligation and responsibility as the employee of the Company. An employee are deemed to ignore the Company's interests if the relevant employee takes advantage of his/her working relationship with the Company by purposely setting up and/or facilitating matters for his/her own individual interest.

5. **Illegal Business Practices**
   None of the Company's employees may, either directly or through intermediaries, offer, promise or give gifts, payment or any benefits in any form whatsoever to employees, officers or government officials. **Gifts**
   Indika Energy's employees are prohibited from giving, receiving or requesting presents and gifts in any form whatsoever.

7. **Donations**
   Indika Energy Group is prohibited from providing donations or sponsoring political parties or private individuals so that the donations will not be used to obtain improper profit or influence.
   Donations that may be given pursuant to the provisions of the Company and prevailing laws and regulations subject to specific scrutiny are:

   a. Contributions to government agencies for public use. This donation shall NOT include donations for government official nomination processes or for political party member election processes (*Pilkada*).
   b. Contributions to professional associations or educational, socio religious, and sports institutions, provided that the professional associations or institutions will not influence legislation or participate in campaigning for public office, and none of the contributions will benefit any private or individual stakeholders.

   Donations should be estimated or planned in the Annual Budget at the time that the Business Plan is formulated.

   **Personal Donations**

   An employee may provide personal political donations so long as the employee clearly mentions that he/she is acting on his/her own behalf and not as a representative of the Company. To avoid the possibility of abuse, all contributions/donations in any form should be recorded in a legal document that can be accounted for.

   Some of the documents that must be prepared related to the provision of donations are:

   - *Receipt*
     A receipt must be registered for all donations.
   - *Bookkeeping*
     Records or bookkeeping are a benchmark of compliance with guiding principles, orderliness, organisation and discipline. The Company's books should be stored properly so that they accurately reflect transactions. No company employee is permitted to falsify records in any way.
   - *Implementation Report.*

**8. Confidential Data and Information**

Each of the Company's employees, without exception is required to be aware of the need and obligation to keep and protect data and information as part of the Company's assets. Every Company employees is required to comply with regulations not to disclose the Company's confidential information to any party or use it for the employee's own benefit. None of the Company's employees or ex-employees are permitted to reveal the Company's secrets or other confidential data and information. The confidential information in question includes financial statements, business information, data, financial models, projections, reports, concepts, knowledge, technicals, processes, procedures, bid submissions work in progress for equipment, products/services, and manpower, marketing strategies, financing plans, agreements with suppliers, planned acquisitions, divestment or changes in organisation, data and information on the Company's products and technology, unless such data and information have been widely publicized.

**9. Security of Data and Information**

Each employee is responsible for protecting the security of the Company's data and information wherever they are, whether in the office or outside the office. Company employees must comply with prevailing Indonesian laws and the laws of the country where employees are assigned, both domestically and overseas.

**10. Intellectual Property Rights**

Employees must protect the Company's as well as third party intellectual property and are not allowed to violate such intellectual property rights.

**11. Accurate Bookkeeping**

The Company's books should be stored properly so as to accurately reflect the transactions. No employee of the Company is permitted to falsify records in any way.

The Company's books and records must be kept in such a way that they completely:

- Reflect matters related to the Company's transactions such as receipts, expenditures, assets and liabilities.
- Record all transactions in accordance with prevailing laws and regulations.
- Comply with health, safety and environment (HSE) policies, employment policies and accounting and financial reporting standards, as well as other policies.

**12. Record Keeping**

The Company's assets are deemed to be valuable, whether financial, physical or intellectual property assets, and may only be used for the Company's business purposes. Assets must be guaranteed and secured.

**13. Control**

Operational units and divisions are responsible for implementing control procedure to ensure the following:

- Transactions are conducted in compliance with management authority.
- Transactions are recorded in a way so to enable the preparation of accurate financial statements in accordance with prevailing regulations and Standards of Accounting.
- Transactions between the Company and its subsidiaries or management must be accounted for in a good and orderly manner.

## EMPLOYEE AND MANAGEMENT STOCK OPTION PROGRAM

In February 2008, the shareholders approved the Employee and Management Stock Option Program (EMSOP). Issuance and distribution of options related to the EMSOP were implemented in three stages. The Board of Directors established the participants eligible for EMSOP. Total options amounting to 104,142,000 options were allocated in three stages: 31,242,500 in each of the first and second stages and 41,657,000 in the third stage. The options are nontransferable and non-tradeable. Each of the options distributed in each stage is valid for five years as of the date of its issuance. The options are subject to a one-year vesting period, during which the participant may not exercise the option.

The exercise price for the option is determined based on Listing Rule No. 1-A, as attached to the Decree of the Board of Directors of the Indonesia Stock Exchange (IDX) No. KEP-305/BEJ/07-2004 dated 19 July 2004. There are a maximum of two exercise periods a year. Based on the Board of Directors Decision Letter No. 234/IE-BOD/VIII/2009 dated 11 August 2009 to the Board of Directors of the Indonesia Stock Exchange, the Board of Directors of the Company have agreed on an excercise price of Rp2,138.

There were 101,092,000 outstanding options as of 31 December 2013. In 2013, there were no compensation expenses related to employee and management stock options.

## THE CONTROLLING SHAREHOLDERS

The controlling shareholder of the Company is PT Indika Mitra Energi, which is indirectly controlled by Wiwoho Basuki Tjokronegoro and Agus Lasmono.

## WHISTLEBLOWING SYSTEM

During 2013, the Company developed a Whistleblowing mechanism to enable all individuals to report suspcions of illegal or unethical behavior in the Company as articulated in the Code of Conduct.

## LITIGATION

Relating to the final decision of the Indonesian Supreme Court in favour of the Company with regard to the use of historical net book value in accounting for the merger of the Company, PT Tripatra Company (TPC) and PT Ganesha Intra Development Company (GID) ("Final Decision"), as of the issuance of this Annual Report, the Company has not yet received the original copy of the Final Decision. The Final Decision, however, has already been uploaded to and can be read on the official website of the Indonesian Supreme Court, and is valid and binding.

# HUMAN CAPITAL



In line with the Company's adjustments in business strategy response to the slowdown of global economic growth and the persistent slump in coal prices during 2013, Indika Energy took further initiatives to generate savings through cost reductions. As a result, the Human Capital Division carried out reductions and decreases in corporate costs, as well as the following actions:

- Made organisational adjustments to become leaner and more flexible, with richer functionality;
- Appropriately placing employees in structural and functional/ non-structural positions in accordance with availability and the needs of the unit/ work group with regard to employee competence and quality, as well as the number of employees;
- Comprehensive and integrated competency and performance-based strengthening of employees with a long-term focus, by launching the Leadership Competencies and Values at the 2013 Leadership Summit;
- Implementing Key Performance Indicator (KPI) system leaders to guide effective performance measurement of employees towards achieving the targets set by the Company;
- Achieving zero growth with no employees added to the human capital headcount, except as required for business needs and to replace employees who resigned or retired;
- Reformulating the criteria and allocations for employee business travel expenses.
- Deferring implementation of the Leadership Development Program in order to first adjust to the strategies and composition of the Company, and the Leadership Competencies which will be put into action.




**Efforts to Uphold the Code of Ethics**

In line with the Company's commitment to implement good corporate governance and nurture a corporate culture that fosters integrity, the Human Capital Division collaborated with the Corporate Secretary, Legal Division and Internal Audit to review the prevailing Ethical Business Conduct Guidelines. One notable result of this Business Ethics Review was that the Company issued a Whistleblowing policy and system in 2013 that was implemented throughout the Group.

**Efforts to Reinforce the Corporate Culture**

Faced with intense business demands in a challenging market situation, the Human Capital Division introduced an updated version of the Five Corporate Values aimed at strengthening the internal culture and people development process. These important values provide clear employee guidelines for professional attitude and conduct. The revised Company Values introduced at the Leadership Summit 2013 were:

- Integrity: Honest with oneself, others and one's work at every moment by upholding prevailing ethical standards and legal norms.



- Unity in diversity: Viewing diversity as an asset to the company and accepting, valuing, completing and strength ening one another as a solidly unified entity.
- Teamwork: Actively contributing and collaborating based on trust and shared interests rather than personal interests.
- Achievement: Success to be measured by achievement, as the motivation to do the best for the company.
- Social Responsibility: Highly concerned for the environment and community, and contributing added value as well as contributing to the prosperity of society.



**SAP Implementation (The INSPIRE Project)**

The implementation of the SAP project across the operating units and at holding level in the Group was strongly supported by the Human Capital Division, who actively collaborated with the Change Management Team to ensure that all Company employees at all levels understood and accepted the changes associated with the implementation of the new system.

The Human Capital Division also implemented change management in 2013 with a focus on functions related to Communication, Organisational Alignment, and Training and Performance Support which were intended to reinforce the core of the Company, which is its human capital.

# CORPORATE
# SOCIAL RESPONSIBILITY



**Building and Caring for Communities around Us**

In line with our strategy to maximize benefit through cost efficiency, we implement strategic CSR programs that focus more on society engagement. We are aware that in delivering cost effective benefits for society we must strike a balance between supporting equal opportunity for those in communities around us and taking responsible approach to the impact of our operations on the environment.

We believe that our commitment and strong focus on communities are among the key factors behind our growth. CSR provides us with an opportunity to promote the entrepreneurial spirit, gain support from our stakeholders and improve our responsibility and transparency.

Our CSR programs focus extensively on national and local education, health and economic empowerment. Our environmental activities are a work in progress with successes in mangrove rehabilitation and clean coal technologies.

**EDUCATION ENHANCEMENT**

We firmly believe that investment in education creates stronger communities and we support several programs toward this end, such as those to improve teacher quality and library revitalisation, scholarships, student health unit and English training.

The library revitalisation aimed to increase reading habits at elementary school SD Dinamika - Bantar Gebang, Bekasi. The programme begins with School Library Management training organised for teachers. The expected result of the training is an increase in teachers' knowledge and skills in managing the school's library. We also donated books to the school's library collection.



Working together with Karya Salemba Empat Foundation (KSE), we granted scholarships enabling university students to complete their bachelor degrees. More than 125 public university students in Indonesia have benefited from these scholarships, which include support for community service programs and soft skills training. Scholarship awardees also receive support for involvement in community service programmes, namely Rumah Belajar, libraries, and Bina Desa programmes.

Our subsidiary Tripatra in cooperation with the Society Education Centre (SEC) held an English course for SMP junior high and MT students in Bojonegoro, where Tripatra operates. The course materials included basic conversation, basic grammar, vocabulary, and basic writing. Petrosea also facilitated a training program to increase clean and healthy behavior and the number of Student Health Units, as well as providing the Student Health Units with basic equipment at the Gunung Bayan Project, ABN Project and POSB.

## HEALTH IMPROVEMENT

Our health improvement programs begin with the simple premise that health standards are strongly connected to local welfare. Since 2010, our affiliate company Cirebon Electric Power (CEP) has offered 6 free health check-ups and treatment per year at the medical clinic for local communities in Cirebon. Starting last year, CEP has taken a step further to finance and build a medical centre with supporting medical facilities in each of the following villages: Citemu, Waruduwur, Kanci Kulon and Kanci Wetan. Further, CEP has been working and will continue to work closely with the District Government Health Service and Sub District Health Clinic (*Puskesmas Kecamatan*) and Swadaya Gunung Jati University (Unswagati) to optimise use, efficiency and quality of health care in each of the village medical centres and also to sponsor, where necessary, free medical treatment to needy patients.

## ECONOMIC EMPOWERMENT

Key to the sustainability of mine area communities is development of the local economy. Toward this end, through our subsidiaries we supported the Kariangau Livelihood Program in Kalimantan, a sewing course in Kelanis Kalimantan, diesel mechanic training for small boats in Kalimantan and the Cimisbon project in Cirebon.

Petrosea monitored six community joint venture groups (KUBE) in Kariangau District Balikpapan. Each KUBE organised and provide savings and loan services to their members in order to strengthen their small business ventures. Currently each KUBE has shown significant progress. For instance, The Sumber Bahagia fishermen's group was recognised by the Balikpapan Department of Fisheries for the best financial administration in managing the revolving fund. Petrosea also supported the "Jaya Murni" tempeh home productions to improve their soybean production to meet high demand.

Meanwhile, MBSS trained, and supported the marketing of work uniforms made by, housewives in Rangga Ilung, Kelanis, Kalimantan. The housewives are expected to be able to improve their family income with their entrepreneurial skill. MBSS also supported skills improvement for local youths through the diesel engine mechanic training in Kalimantan.

Cimisbon is an acronym for Kanci Kemis Rebon, a small village business cooperative managed by a Women's Empowerment Group (PKK) consisting of women from the Kanci Kulon village who produce their traditional heritage recipes of delicious shrimp paste (*terasi*). Cirebon Electric Power (CEP) worked in close collaboration with Kanci Kulon Village Officials & PKK, the District Government Fisheries Service, the District Government Agricultural Service and other district government service institutions to support and facilitate the development of the PKK group through capacity building of organisational and administration skills, production improvement, expanded distribution and marketing to broaden product awareness outside of Cirebon for increased market potential. The objective of the Cimisbon project is to empower local women's economic capacity through the development and promotion of this potential alternative livelihood.

## ENVIRONMENT

Since operations began, we have striven to implement the good mining practices. We strive to maintain the highest standards of environmental compliance in order to minimize the impact of operational activities on the surrounding environment. In collaboration with village officials, local NGOs and the community, CEP planted mangroves in various locations in Waruduwur, Kanci River, Citemu and Gebang. The objective of this project is to improve the shoreline living habitat where fish, crabs and small shrimps live so that locals can reap the benefits by being able to fishing in those areas without needing to go too far out to sea. This project is conducted every year and includes replanting and maintenance of the mangroves.



# SUBSEQUENT EVENTS



**2014 Updates**

1. **Tripatra Awarded US$1.1 Billion Contract with ENI Muara Bakau B.V.**

   Tripatra and its consortium partners (PT Saipem Indonesia, PT Chiyoda International Indonesia and Hyundai Heavy Industries Co.Ltd) signed an agreement with ENI Muara Bakau BV., for the provision and installation of New Built Barge Floating Production Units (Hull, Topside and Mooring System) for Jangkrik and Jangkrik North East on 28 February 2014 with contract value amount to US$1.1 billion.

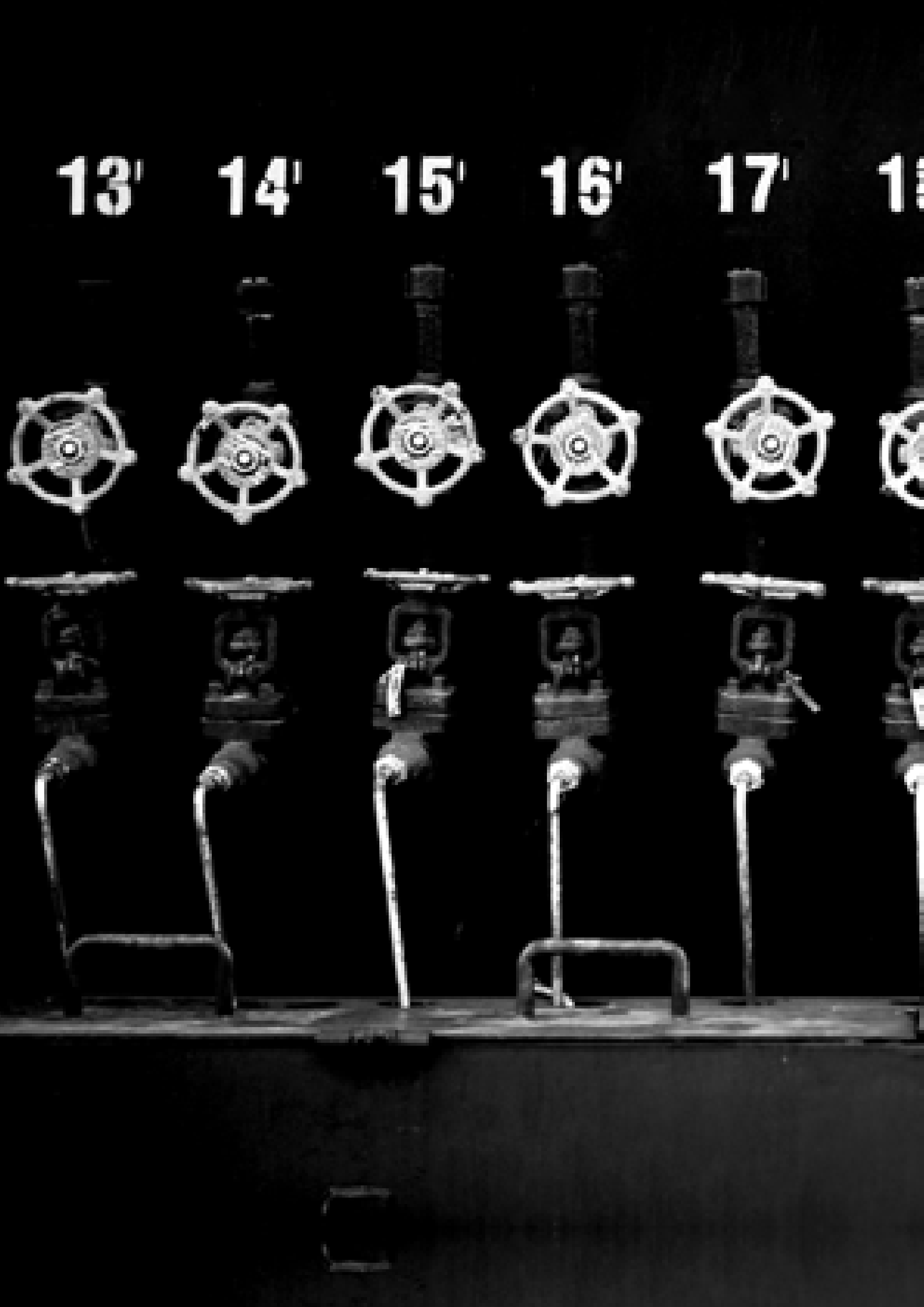
2. **Kideco Dividend**

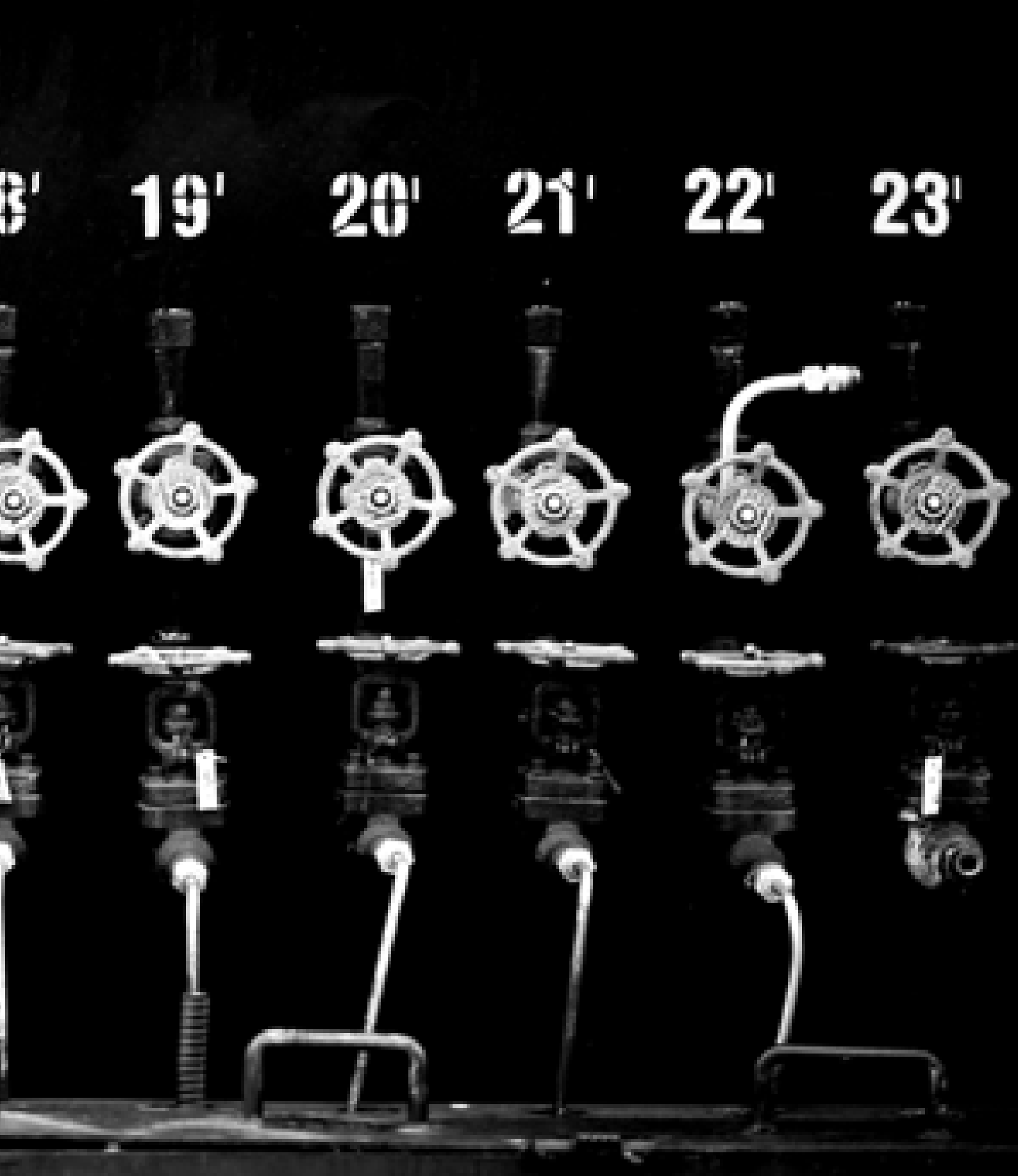
   In April 2014, Kideco declared a final dividend of US$212.2 million, of which Indika Energy's share amounted to US$87.9 million.

3. **Petrosea Sold All Shares in TKCM**

   Petrosea sold all of its shares in PT Tirta Kencana Cahaya Mandiri to PT Tanah Alam Makmur with the execution of a Sale and Purchase Deed dated 24 March 2014.




13'
14'
15'
16'
17'




# FINANCIAL STATEMENTS

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# *PT. INDIKA ENERGY Tbk AND ITS SUBSIDIARIES*

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

AND INDEPENDENT AUDITORS' REPORT

PT. INDIKA ENERGY Tbk AND ITS SUBSIDIARIES
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**PT. INDIKA ENERGY Tbk AND ITS SUBSIDIARIES**
DIRECTORS' STATEMENT LETTER RELATING TO THE RESPONSIBILITY ON THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2013, AND 2012 AND FOR THE YEARS THEN ENDED

We, the undersigned:

| | | |
|---|---|---|
| 1. | Name | : Wishnu Wardhana |
| | Office address | : Mitra Building, 7th Floor, Jl. Jend. Gatot Subroto Kav. 21, Jakarta. |
| | Domicile as stated in ID Card | : Bangka XI No 32-33, Mampang Prapatan Jakarta Selatan |
| | Phone Number | : +622125579888 |
| | Position | : President Director |
| 2. | Name | : M. Arsjad Rasjid P.M. |
| | Office address | : Mitra Building, 7th Floor, Jl. Jend. Gatot Subroto Kav. 21, Jakarta. |
| | Domicile as stated in ID Card | : Apartemen The Capital Residence SCBD, Kebayoran Baru Jakarta Selatan |
| | Phone Number | : +622125579888 |
| | Position | : Vice President Director – Operational & Finance |

State that:

1. We are responsible for the preparation and presentation of the consolidated financial statements;
2. The consolidated financial statements have been prepared and presented in accordance with Indonesian Financial Accounting Standard;
3. a. All information contained in the consolidated financial statements is complete and correct;
   b. The consolidated financial statements do not contain misleading material information or facts, and do not omit material information and facts;
4. We are responsible for the Company's internal control system.

This statement letter is made truthfully.

Jakarta, March 10, 2014

| President Director | Vice President Director – Operational & Finance |
|---|---|
| Wishnu Wardhana | M. Arsjad Rasjid P.M. |

Deloitte.

Osman Bing Satrio & Eny
Registered Public Accountants
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www.deloitte.com

# Independent Auditors' Report

No. GA114 0114 IE OS

The Stockholders, Boards of Commissioners and Directors
PT. Indika Energy Tbk and its subsidiaries

We have audited the accompanying consolidated financial statements of PT. Indika Energy Tbk and its subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated 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.

## Auditors' Responsibility

Our responsibility is to express an opinion on such 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 auditors' 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 auditors consider 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 accompanying consolidated financial statements present fairly, in all material respects, the financial position of PT. Indika Energy Tbk and its subsidiaries as of December 31, 2013, and their financial performance and cash flows for the year then ended in accordance with Indonesian Financial Accounting Standards.



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Member of Deloitte Touche Tohmatsu Limited

**Other Matters**

The consolidated financial statements do not include the effect on the investment, in PT Kideco Jaya Agung (KJA), which is accounted for using the equity method, of any adjustment that might ultimately result from an adverse regulatory decision concerning KJA's offsetting of value added tax input totaling US$297,001,757 and fuel tax of US$11,654,444 as of December 31, 2013 against royalty payment due, which offsetting has been rejected by the Government.

Our audits of the accompanying consolidated financial statements of the Company and its subsidiaries as of December 31, 2013 and for the year ended, were performed for the purpose of forming an opinion on such consolidated financial statements taken as a whole. The accompanying financial information of the Company (parent entity), which comprises the statement of financial position as of December 31, 2013, and the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year ended (collectively referred to as "Parent Entity Financial Information"), which is presented as a supplementary information to the accompanying consolidated financial statements, is presented for the purposes of additional analysis and is not required part of the accompanying consolidated financial statements under Indonesian Financial Accounting Standards. The Parent Entity Financial Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the accompanying consolidated financial statements. The Parent Entity Financial Information has been subjected to the auditing procedures applied in the audit of the accompanying consolidated financial statements in accordance with Standards on Auditing established by the Indonesian Institute of Certified Public Accountants. In our opinion, the Parent Entity Financial Information is fairly stated, in all material respects, in relation to the accompanying consolidated financial statements taken as a whole.

OSMAN BING SATRIO & ENY



Drs. Osman Sitorus
Public Accountant License No. AP.0567

March 10, 2014

PT. INDIKA ENERGY Tbk AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012

| | Notes | December 31, 2013 | December 31, 2012 *) |
|---|---|---|---|
| | | US$ | US$ |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 5 | 326,567,443 | 350,375,666 |
| Other financial assets | 6 | 79,117,030 | 70,770,806 |
| Trade accounts receivable | 7 | | |
| Related parties | 47 | 30,095,112 | 33,466,558 |
| Third parties - net of allowance for impairment losses of US$ 2,195,289 as of December 31, 2013 and US$ 2,192,469 as of December 31, 2012 | | 127,413,540 | 109,991,948 |
| Unbilled receivables | 8 | 3,191,556 | 1,229,008 |
| Estimated earnings in excess of billings on contracts | 9 | 75,000,049 | 24,690,036 |
| Current maturities of other accounts receivable | | | |
| Related parties | 47 | 6,888,692 | 6,042,480 |
| Third parties | 10 | 3,766,544 | 16,934,874 |
| Inventories - net of allowance for decline in value of US$ 4,353,991 as of December 31, 2013 and US$ 3,433,967 as of December 31, 2012 | 11 | 17,277,837 | 20,854,037 |
| Prepaid taxes | 12 | 49,539,732 | 38,522,239 |
| Other current assets | 13 | 40,324,256 | 26,033,784 |
| Sub total | | 759,181,791 | 698,911,436 |
| Non-current assets held for sale | 21 | 163,767 | - |
| Total Current Assets | | 759,345,558 | 698,911,436 |
| NON-CURRENT ASSETS | | | |
| Other accounts receivable - net of current maturities | | | |
| Related parties - net of allowance for impairment losses of US$ 2,694,429 as of December 31, 2013 and US$ 2,624,491 as of December 31, 2012 | 47 | 48,184,815 | 53,501,030 |
| Third parties | 10 | 2,046,507 | 967,773 |
| Claim for tax refund | 15 | 13,503,521 | 6,845,411 |
| Deferred expenditures | 16 | 40,502,304 | 25,092,424 |
| Investments in associates | 14 | 286,550,051 | 288,079,887 |
| Investments in jointly-controlled entities | 17 | 21,102,394 | 25,528,684 |
| Advances and other non-current assets | 19 | 6,248,534 | 13,965,838 |
| Investment property | 20 | - | 954,577 |
| Property, plant and equipment - net of accumulated depreciation of US$ 325,885,154 as of December 31, 2013 and US$ 257,077,419 as of December 31, 2012 | 21 | 696,791,991 | 752,660,541 |
| Intangible assets | 22 | 320,036,926 | 371,820,837 |
| Goodwill | 23 | 119,454,101 | 119,943,441 |
| Refundable deposits | | 2,488,046 | 912,049 |
| Deferred tax assets | 41 | 68,568 | 548,030 |
| Total Non-current Assets | | 1,556,977,758 | 1,660,820,522 |
| TOTAL ASSETS | | 2,316,323,316 | 2,359,731,958 |

See accompanying notes to consolidated financial statements
which are an integral part of the consolidated financial statements.

*) As discussed in Note 1

PT. INDIKA ENERGY Tbk AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012 (Continued)

| | Notes | December 31, 2013 | December 31, 2012 *) |
|---|---|---|---|
| | | US$ | US$ |
| LIABILITIES AND EQUITY | | | |
| CURRENT LIABILITIES | | | |
| Bank loans | 24 | 37,735,393 | 276,751,645 |
| Trade accounts payable | 25 | | |
| Related parties | 47 | 248,087 | 3,292,909 |
| Third parties | | 66,080,338 | 89,855,134 |
| Billings in excess of estimated earnings recognized | 9 | 33,297,895 | - |
| Other accounts payable | | | |
| Related parties | 47 | 1,505,453 | - |
| Third parties | | 5,977,793 | 8,206,100 |
| Taxes payable | 26 | 5,558,500 | 15,664,386 |
| Accrued expenses | 27 | 118,780,781 | 51,904,135 |
| Advances from customers | | 11,145 | 199,817 |
| Dividend payable | | 266,149 | 286,466 |
| Current maturities of long-term liabilities | | | |
| Long-term loans | 28 | 12,756,345 | 32,306,078 |
| Lease liabilities | 29 | 48,014,837 | 56,021,299 |
| Bonds payable | 30 | 17,165,617 | 7,796,328 |
| Total Current Liabilities | | 347,398,333 | 542,284,297 |
| NON-CURRENT LIABILITIES | | | |
| Long-term liabilities - net of current maturities | | | |
| Long-term loans | 28 | 87,933,439 | 88,391,992 |
| Lease liabilities | 29 | 51,794,506 | 89,789,367 |
| Bonds payable - net | 30 | 761,974,054 | 493,663,485 |
| Other long-term liability - third party | | 194,779 | 1,284,737 |
| Deferred tax liabilities | 41 | 93,474,531 | 98,698,573 |
| Advances | | | |
| Related party | 47 | 1,729,954 | 1,729,954 |
| Third party | | 91,199 | 91,199 |
| Employment benefits | 31 | 21,860,883 | 21,278,287 |
| Total Non-current Liabilities | | 1,019,053,345 | 794,927,594 |
| Total Liabilities | | 1,366,451,678 | 1,337,211,891 |
| EQUITY | | | |
| Capital stock - Rp 100 par value per share | | | |
| Authorized - 17,000 million shares | | | |
| Subscribed and paid-up - 5,210,192,000 shares in 2013 and 2012 | 32 | 56,892,154 | 56,892,154 |
| Additional paid-in capital | 33 | 250,847,921 | 239,985,258 |
| Other components of equity | 1b,14 | 57,507,366 | 53,038,273 |
| Difference in value of restructuring transaction | | | |
| between entities under common control | 33 | - | 10,862,663 |
| Retained earnings | | | |
| Appropriated | 46 | 5,312,496 | 4,283,901 |
| Unappropriated | | 349,360,285 | 431,875,996 |
| Total equity attributable to owners | | 719,920,222 | 796,938,245 |
| Non-controlling interest | 34 | 229,951,416 | 225,581,822 |
| Total Equity | | 949,871,638 | 1,022,520,067 |
| TOTAL LIABILITIES AND EQUITY | | 2,316,323,316 | 2,359,731,958 |

See accompanying notes to consolidated financial statements
which are an integral part of the consolidated financial statements.

*) As discussed in Note 1

PT. INDIKA ENERGY Tbk AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED
DECEMBER 31, 2013 AND 2012

| | Notes | 2013 | 2012 |
|---|---|---|---|
| | | US$ | US$ |
| REVENUES | 35,47 | | |
| Contracts and service revenues | | 860,780,903 | 738,069,683 |
| Sales of coal | | 2,613,289 | 11,636,102 |
| Total Revenues | | 863,394,192 | 749,705,785 |
| COST OF CONTRACTS AND GOODS SOLD | 36,47 | | |
| Cost of contracts and services | | 667,632,805 | 545,300,745 |
| Cost of coals sold | | 2,663,166 | 11,161,756 |
| Total Cost of Contracts and Goods Sold | | 670,295,971 | 556,462,501 |
| GROSS PROFIT | | 193,098,221 | 193,243,284 |
| Equity in net profit of associates and jointly-controlled entities | 14,17 | 102,511,466 | 178,983,576 |
| Investment income | 38,47 | 8,892,755 | 9,428,630 |
| Gain recognized from acquisition of a subsidiary | 1g | - | 2,671,578 |
| General and administrative expenses | 37 | (152,450,752) | (158,569,000) |
| Finance cost | 39 | (113,997,399) | (74,944,802) |
| Amortization and impairment of intangible assets | 22 | (54,530,597) | (34,050,551) |
| Others - net | 40 | (26,065,448) | (11,357,138) |
| (LOSS) INCOME BEFORE TAX | | (42,541,754) | 105,405,577 |
| TAX EXPENSE | 41 | (11,256,349) | (18,198,145) |
| (LOSS) PROFIT FOR THE YEAR | | (53,798,103) | 87,207,432 |
| OTHER COMPREHENSIVE (LOSS) INCOME: | | | |
| Translation adjustments | | (616,827) | 3,631,476 |
| Unrealized gain (loss) on derivative financial instrument (hedging reserve) | 14 | 5,085,920 | (6,005,943) |
| Other comprehensive (loss) income - net | | 4,469,093 | (2,374,467) |
| TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR | | (49,329,010) | 84,832,965 |
| (LOSS) PROFIT ATTRIBUTABLE TO: | | | |
| Owners of the Company | | (62,487,116) | 68,680,536 |
| Non-controlling interest | 34 | 8,689,013 | 18,526,896 |
| Total | | (53,798,103) | 87,207,432 |
| TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO: | | | |
| Owners of the Company | | (58,018,023) | 66,306,069 |
| Non-controlling interests | | 8,689,013 | 18,526,896 |
| Total | | (49,329,010) | 84,832,965 |
| EARNINGS PER SHARE | 43 | | |
| Basic | | (0.0120) | 0.0132 |
| Diluted | | (0.0120) | 0.0131 |

See accompanying notes to consolidated financial statements
which are an integral part of the consolidated financial statements.

PT. INDIKA ENERGY Tbk AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED
DECEMBER 31, 2013 AND 2012

| | Notes | Capital stock | Additional paid-in capital | Other Components of Equity: Unrealized gain (loss) on derivative financial instrument (hedging reserve) | Other Components of Equity: Other capital - employee stock option | Other Components of Equity: Cumulative translation adjustments | Other Components of Equity: Other equity | Difference in value of restructuring transaction between entities under common control | Retained earnings: Appropriated | Retained earnings: Unappropriated | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | US$ | US$ | US$ | US$ | US$ | US$ | US$ | US$ | US$ | US$ | US$ |
| Balance as of January 1, 2012 | 1b | 56,892,154 | 239,985,258 | (5,956,440) | 7,816,296 | (3,631,476) | - | 10,862,663 | 3,227,712 | 397,227,548 | 148,353,942 | 854,777,657 |
| Other equity | | - | - | - | - | - | 57,184,360 | - | - | - | 60,901,202 | 118,085,562 |
| Cash dividend | 46 | - | - | - | - | - | - | - | - | (32,975,899) | - | (32,975,899) |
| Appropriated earnings | 46 | - | - | - | - | - | - | - | 1,056,189 | (1,056,189) | - | - |
| Total comprehensive income | | - | - | (6,005,943) | - | 3,631,476 | - | - | - | 68,680,536 | 18,526,896 | 84,832,965 |
| Balance as of December 31, 2012 | | 56,892,154 | 239,985,258 | (11,962,383) | 7,816,296 | - | 57,184,360 | 10,862,663 | 4,283,901 | 431,875,996 | 227,782,040 | 1,024,720,285 |
| Effect of the first adoption of PSAK 38 (revised 2012) | | - | 10,862,663 | - | - | - | - | (10,862,663) | - | - | - | - |
| Effect of final settlement of MTU acquisition | 1 | - | - | - | - | - | - | - | - | - | (2,200,218) | (2,200,218) |
| Balance as of January 1, 2013 | | 56,892,154 | 250,847,921 | (11,962,383) | 7,816,296 | - | 57,184,360 | - | 4,283,901 | 431,875,996 | 225,581,822 | 1,022,520,067 |
| Effect of final settlement of MTU acquisition | 1 | - | - | - | - | - | - | - | - | - | 2,200,218 | 2,200,218 |
| Cash dividend | 46 | - | - | - | - | - | - | - | - | (19,000,000) | - | (19,000,000) |
| Appropriated earnings | 46 | - | - | - | - | - | - | - | 1,028,595 | (1,028,595) | - | - |
| Dividend from subsidiaries | | - | - | - | - | - | - | - | - | - | (6,519,637) | (6,519,637) |
| Total comprehensive income | | - | - | 5,085,920 | - | (616,827) | - | - | - | (62,487,116) | 8,689,013 | (49,329,010) |
| Balance as of December 31, 2013 | | 56,892,154 | 250,847,921 | (6,876,463) | 7,816,296 | (616,827) | 57,184,360 | - | 5,312,496 | 349,360,285 | 229,951,416 | 949,871,638 |

See accompanying notes to consolidated financial statements
which are an integral part of the consolidated financial statements.

PT. INDIKA ENERGY Tbk AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED
DECEMBER 31, 2013 AND 2012

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash receipts from customers | 797,071,485 | 734,653,205 |
| Cash paid to suppliers | (372,986,670) | (412,085,899) |
| Cash paid to directors, commissioners and employees | (221,434,416) | (202,510,004) |
| Cash generated from operations | 202,650,399 | 120,057,302 |
| Interest received | 6,447,494 | 6,581,832 |
| Receipt of claim for tax refund | 4,819,020 | 10,830,593 |
| Finance cost paid | (74,536,798) | (70,756,746) |
| Taxes paid | (44,044,933) | (44,960,834) |
| Net Cash Provided by Operating Activities | 95,335,182 | 21,752,147 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Dividends received | 113,532,968 | 212,591,514 |
| Withdrawal of other financial assets | 109,860,957 | 359,459,126 |
| Proceeds from (payment for) acquisitions of associates and subsidiaries | 4,443,904 | (134,766,996) |
| Proceeds from sale of property and non-current assets held for sale | 2,372,746 | 4,606,993 |
| Payment of advances and other non-current assets | 117,003 | (33,361,745) |
| Placement of other financial assets | (109,178,460) | (238,079,366) |
| Acquisition of property and equipment | (49,128,910) | (236,984,469) |
| Payment for deferred expenditures | (21,077,978) | - |
| Investment in jointly controlled entities | (4,736,933) | - |
| Proceeds of advances and other non-current assets | (3,303,024) | 3,152,181 |
| Acquisition of intangible assets | (2,746,686) | (11,987,835) |
| Proceeds from shares re-floating | - | 115,988,000 |
| Disbursements for shares re-floating cost | - | (9,325,573) |
| Net Cash Provided by Investing Activities | 40,155,587 | 31,291,830 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from bonds issuance | 500,000,000 | - |
| Proceeds from bank loans | 90,432,755 | 340,948,364 |
| Proceeds from sale and leaseback transaction | 8,082,059 | 81,000,000 |
| Payments of bank loans, long-term loans and lease liabilities | (467,346,424) | (369,917,709) |
| Payments of bonds payable and premium | (241,212,500) | (65,000,000) |
| Payments of dividend | (25,806,103) | (43,307,773) |
| Payments of bonds issuance costs | (15,499,379) | - |
| Payment of other accounts payable | (53,049) | (25,610,106) |
| Proceeds of additional paid-in capital | - | 2,040,000 |
| Net Cash Used in Financing Activities | (151,402,641) | (79,847,224) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (15,911,872) | (26,803,247) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 350,375,666 | 378,655,161 |
| Effects of foreign exchange rate changes | (7,896,351) | (1,476,248) |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 326,567,443 | 350,375,666 |

See accompanying notes to consolidated financial statements
which are an integral part of the consolidated financial statements.

## 1. GENERAL

### a. Establishment and General Information

PT. Indika Energy Tbk (the "Company") was established based on notarial deed No. 31 dated October 19, 2000 of Hasanal Yani Ali Amin, SH, public notary in Jakarta. The deed of establishment was approved by the Minister of Justice and Human Rights of the Republic of Indonesia in his decision letter No. C-13115 HT.01.01.TH.2001 dated October 18, 2001, and was published in State Gazette No. 53, Supplement No. 6412 dated July 2, 2002. The Company's articles of association have been amended several times, most recently by (i) notarial deed No. 232 dated June 26, 2009 of Sutjipto, SH, notary in Jakarta, to conform with Bapepam-LK's Rule No. IX.J.1 pertaining to the Main Articles of Association of Entity that undertakes Public Offering of Equity Securities and Public Entity. Such change was reported to the Minister of Law and Human Rights of the Republic of Indonesia in September 2009, (ii) notarial deed No. 11 dated June 14, 2012 of Andalia Farida, SH, MH, notary in Jakarta, regarding the implementation of Employee and Management Stock Option Program (EMSOP) for Company's shares by issuing new shares amounting to 2 percent (%) from total paid-up capital and to grant authority to the Board of Commisioners to exercise the increase in the Company's paid-up capital so that the paid-up capital increase from Rp 520,714,200,000 (equivalent to US$ 56,856,461) to Rp 521,019,200,000 (equivalent toUS$ 56,892,154). Such change were reported to the Minister of Law and Human Rights of the Republic of Indonesia with letter No. AHU-0062213.AH.01.09 dated July 9, 2012, (iii) notarial deed No. 14 dated June 14, 2012 of Andalia Farida, SH, MH, notary in Jakarta, pertaining to changes to articles 14 and 17 concerning the terms of service of the Directors and Board of Commissioners and changes in the Board of Commissioners. The changes were received and recorded in the Department of Law and Human Rights of the Republic of Indonesia through letter No. AHU-0100824.AH.01.09 dated November 22, 2012.

In accordance with article 3 of the Company's articles of association, the scope of its activities are mainly to engage in trading, construction, mining, transportation and services. The Company started its commercial operations in 2004. As of December 31, 2013 and 2012, the Company and its subsidiaries had 8,259 and 7,091 employees, respectively (unaudited).

The Company is domiciled in Jakarta, and its head office is located at Mitra Building, 7th Floor, Jl. Jenderal Gatot Subroto Kav. 21, Jakarta.

At December 31, 2013 and 2012, the Company's management consisted of the following:

| | | December 31, 2013 |
|---|---|---|
| President Commissioner | : | Wiwoho Basuki Tjokronegoro |
| Vice President Commissioner | : | Agus Lasmono |
| Commissioner | : | Indracahya Basuki |
| | : | Ir. Pandri Prabono-Moelyo |
| Independent Commissioners | : | Anton Wahjo Soedibjo |
| | | Dedi Aditya Sumanagara |
| President Director | : | Wishnu Wardhana |
| Vice President Director (Operation and Finance) | : | M. Arsjad Rasjid P.M. |
| Director of Energy Resources (Coal, Oil and Gas) | : | Azis Armand |
| Director of Energy Services (Mining) and Energy Infrastructure (Power Plant) | : | Eddy Junaedy Danu |
| Director of Energy Infrastructure (Sea Logistics) | : | Rico Rustombi |
| Director of Energy Services (Oil and Gas) | : | Joseph Pangalila |
| Director of Business Development (Unafilliated) | : | Richard Bruce Ness |

| | | December 31, 2012 |
|---|---|---|
| President Commissioner | : | Wiwoho Basuki Tjokronegoro |
| Vice President Commissioner | : | Agus Lasmono |
| Commissioner | : | Indracahya Basuki |
| Independent Commissioners | : | Anton Wahjo Soedibjo<br>Muhammad Chatib Basri<br>Dedi Aditya Sumanagara |
| President Director | : | M. Arsjad Rasjid P.M. |
| Vice President Director | : | Wishnu Wardhana |
| Director of Energy Resources Operation | : | Richard Bruce Ness |
| Director of Energy Services Operation | : | Ir. Wadyono Suliantoro Wirjomihardjo |
| Director of Energy Infrastructure Operation | : | Eddy Junaedy Danu |
| Director of Business Development | : | Ir. Pandri Prabono-Moelyo |
| Director of Finance and Accounting (Unaffiliated) | : | Azis Armand |

The chairman and members of the audit committee at December 31, 2013 and 2012 are as follows:

| | December 31, 2013 and 2012 |
|---|---|
| Chairman | : Anton Wahjo Soedibjo |
| Members | : Deddy Hariyanto<br>Maringan Purba Sibarani |

At December 31, 2013 and 2012, the Company's Corporate Secretary are Dian Paramita and Deddy Happy Hardi, respectively.

At December 31, 2013 and 2012, the Company's Head of Internal Audit are Rajiv Krishna and Kasturin, respectively.

## b. Subsidiaries

The Company has ownership interest of more than 50%, directly or indirectly, in the following subsidiaries:

| Subsidiary | Domicile | Nature of Business | Start of Commercial Operations | Percentage of Ownership | | Total Assets Before Elimination | | Total Net Income (Loss) Before Elimination | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | December 31, 2013 | December 31, 2012 | December 31, 2013 | December 31, 2012 | December 31, 2013 | December 31, 2012 |
| | | | | | | US$ | US$ | US$ | US$ |
| PT Indika Inti Corpindo (IIC) and subsidiaries | Jakarta | Investment and general trading | 1998 | 99.99% | 99.99% | 425,396,158 | 532,076,764 | 46,251,044 | 122,656,321 |
| Asia Prosperity Coal B.V. (APC) *) | Netherlands | Financing | 2004 | 99.99% | 99.99% | 346,685 | 345,096 | (82,835) | (52,428) |
| PT Citra Indah Prima (CIP) and subsidiaries *) | Jakarta | Investment | Development stage | 99.92% | 99.92% | 2,426,988 | 2,470,637 | (73,420) | (77,656) |
| PT Sindo Resources (SR) *) | Jakarta | Mining | Development stage | 89.93% | 89.93% | 692 | 822 | 22,800 | 7,250 |
| PT Melawi Rimba Minerals (MRM) *) | Jakarta | Mining | Development stage | 89.93% | 89.93% | 21 | 184 | 24,381 | 7,521 |
| Indika Capital Pte. Ltd. (ICPL) and subsidiary *) | Singapore | Marketing and investment | 2009 | 99.99% | 99.99% | 86,503,845 | 77,818,594 | (19,659,879) | (14,052,116) |
| Indika Capital Resources Limited (ICRL) *) | British Virgin Islands | Financing | 2009 | 99.99% | 99.99% | 60,499,491 | 59,792,155 | (17,092,258) | (11,922,219) |
| PT Indika Indonesia Resources (IIR) and subsidiaries | Jakarta | Mining and trading | Development stage | 100% | 100% | 394,094,831 | 383,668,828 | (41,703,998) | (33,399,500) |
| PT. Mitra Energi Agung (MEA) *) | East Kalimantan | Coal Mining | Development stage | 60% | 60% | 6,517,976 | 4,442,140 | (574,436) | (288,143) |
| Indika Capital Investments Pte. Ltd (ICI) *) | Singapore | Coal and mineral trading and general trading activities | Development stage | 100% | 100% | 106,411,661 | 102,260,705 | 889,251 | (1,029,420) |
| PT Multi Tambangjaya Utama (MTU) *) | Central Kalimantan | Coal Mining | 2012 | 85% | 85% | 74,357,872 | 60,489,462 | (24,224,786) | (19,863,559) |
| PT Indika Multi Energi (IME) and subsidiary | Jakarta | Trading, development, industrial, agriculture, printing, workshop, transportation and services | Development stage | 100% | 100% | 1,816,274 | 25,853 | (5,794,693) | - |
| PT Indika Multi Daya Energi (IMDE) *) | Jakarta | Trading, development, services, workshop, industrial, shipping, printing and agriculture | Development stage | 100% | 100% | 1,440,487 | 25,853 | (5,788,362) | - |

| Subsidiary | Domicile | Nature of Business | Start of Commercial Operations | Percentage of Ownership | | Total Assets Before Elimination | | Total Net Income (Loss) Before Elimination | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | December 31, 2013 | December 31, 2012 | December 31, 2013 | December 31, 2012 | December 31, 2013 | December 31, 2012 |
| | | | | | | US$ | US$ | US$ | US$ |
| PT Tripatra Engineers and Constructors (TPEC) and subsidiary | Jakarta | Provision of consultancy services, construction business and trading | 1989 | 100% | 100% | 290,857,972 | 185,268,718 | 16,399,004 | 10,846,781 |
| Tripatra (Singapore) Pte. Ltd (TS) *) and subsidiary | Singapore | Investment | 2006 | 100% | 100% | 32,048,953 | 33,317,358 | (64,907) | (1,441,430) |
| Tripatra Investment Limited (TRIL) *) | British Virgin Islands | Investment | 2007 | 100% | 100% | 4,811,341 | 4,834,924 | 58,778 | 6,597 |
| PT Tripatra Engineering (TPE) | Jakarta | Consultation services for construction, industry and infrastructure | 1971 | 100% | 100% | 13,821,162 | 11,305,371 | 932,193 | 356,686 |
| PT Petrosea Tbk (Petrosea) and subsidiaries | Jakarta | Engineering, construction, mining and other services | 1972 | 69.80% | 69.80% | 509,242,846 | 529,742,777 | 17,308,213 | 49,123,445 |
| PTP Investments Pte. Ltd. (PTPI) *) | Singapore | Investment | Dormant | 69.80% | 69.80% | 1,014,653 | 1,246,000 | (95,930) | (3,502) |
| PT Petrosea Kalimantan (PTPK) *) | Balikpapan | Trading and contracting services | Dormant | 69.80% | 69.80% | 42,614 | 53,000 | - | (2,836) |
| PT POSB Infrastructure Kalimantan (PTPIK) *) | Balikpapan | Special port management | Dormant | 69.80% | 69.80% | 152,543 | 53,000 | - | (2,836) |
| PT Indika Power Investments Pte. Ltd., Singapore (IPI) | Singapore | Investment | 2006 | 100% | 100% | 45,133,374 | 34,567,659 | 6,772,011 | 1,671,601 |
| PT Indika Infrastruktur Investindo (III) | Jakarta | Investment | 2007 | 100% | 100% | 15,041,541 | 11,498,360 | 3,285,078 | 1,403,151 |
| PT Indika Energy Infrastructure (IEI) and subsidiaries | Jakarta | Trading, development and services | 2010 | 100% | 100% | 499,515,023 | 501,285,708 | 11,529,885 | 10,102,709 |
| PT LPG Distribusi Indonesia (LDI) and subsidiaries *) | Jakarta | Trading, industry, mining and services | 2010 | 100% | 100% | 2,154,927 | 5,155,033 | (421,423) | (6,312) |
| PT Wahida Arta Guna Lestari (WAGL) *) | Tasikmalaya | Operations of Station for Gas Filling and Delivery (SPPBE) | 2010 | 100% | 100% | 1,058,929 | 1,476,717 | 107,318 | 110,621 |
| PT Satya Mitra Gas (SMG) *) | Semarang | Operations of Station for Gas Filling and Delivery (SPPBE) | 2010 | 100% | 100% | 870,339 | 1,163,292 | (35,138) | (87,859) |

| Subsidiary | Domicile | Nature of Business | Start of Commercial Operations | Percentage of Ownership | | Total Assets Before Elimination | | Total Net Income (Loss) Before Elimination | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | December 31, 2013 | December 31, 2012 | December 31, 2013 | December 31, 2012 | December 31, 2013 | December 31, 2012 |
| | | | | | | US$ | US$ | US$ | US$ |
| PT Jati Warna Gas Utama (JGU) *) | Jakarta | Operations of station for Gas Filling and Delivery (SPPBE) | Development stage | 100% | 100% | 26,371 | 26,371 | - | - |
| PT Indika Logistic & Support Services (ILSS) and subsidiary *) | Jakarta | Port operation | 2011 | 100% | 100% | 21,650,635 | 9,612,468 | 1,206,056 | (410,503) |
| PT Kuala Pelabuhan Indonesia (KPI) *) | Timika, Irian Jaya | Port operation | 1995 | 98.55% | 98.55% | 11,614,904 | 9,389,555 | 3,455,839 | 1,900,401 |
| PT Indika Multi Energi Internasional (IMEI) *) | Jakarta | Trading, development, industrial, agriculture, printing,workshop, shipping and services | Development stage | 100% | 100% | 20,510 | 25,853 | (240,295) | - |
| PT Mitrabahtera Segara Sejati Tbk (MBSS) and subsidiaries *) | Jakarta | Sea logistics and transhipment | 1994 | 51% | 51% | 352,782,219 | 345,350,845 | 38,286,866 | 36,509,409 |
| PT Mitra Hartono Sejati **) | Jakarta | Shipping | Not yet operational | 25.50% | 25.50% | 2,192,258 | 2,383,194 | (13,514) | (355,112) |
| PT Mitra Swire CTM **) | Jakarta | Shipping | 2008 | 35.68% | 50.46% | 28,621,987 | 30,403,994 | 2,203,763 | 3,257,237 |
| Mitra Bahtera Segarasejati Pte. Ltd. **) | Singapore | Shipping | Not yet operational | 51% | 51% | 934,019 | 1,116,459 | (147,954) | (178,962) |
| Mitra Jaya Offshore **) | Jakarta | Shipping | Not yet operational | 26.01% | 26.01% | 984,494 | 1,240,951 | (256,221) | (82,309) |
| PT Mitra Alam Segara Sejati **) | Jakarta | Shipping | 2012 | 31% | 31% | 19,120,530 | 18,118,451 | 2,652,310 | 362,675 |
| Indo Integrated Energy B.V. (IIE BV) | Netherlands | Financing | 1984 | 100% | 100% | 4,826,644 | 4,671,177 | 178,729 | 140,267 |
| Indo Integrated Energy II BV (IIE II BV) | Netherlands | Financing | 2009 | 100% | 100% | 3,676,500 | 236,915,915 | 237,608 | 203,398 |
| Indo Energy Finance BV (IEFBV) and subsidiary | Netherlands | Financing | 2011 | 100% | 100% | 304,147,316 | 545,410,403 | 186,640 | (386,922) |
| Indo Energy Capital BV *) | Netherlands | Financing | 2011 | 100% | 100% | 304,171,072 | 303,820,153 | 21,317,801 | 21,184,562 |
| Indo Energy Finance II BV (IEFBV II) and subsidiary | Netherlands | Financing | 2012 | 100% | 100% | 520,303,585 | - | 2,713,890 | - |
| Indo Energy Capital II BV (IECBV II) *) | Netherlands | Financing | 2012 | 100% | 100% | 517,477,073 | - | 33,342,642 | - |

*) Indirect ownership
**) Indirectly acquired through MBSS

Year 2013

On August 30, 2013, MBSS and Swire CTM Bulk Logistics Limited ("Swire") convert their receivable from MSC amounting to Rp 26,667,281,000 (equivalent to US$ 2,893,340) and Rp 11,835,977,000 (equivalent to US$ 1,280,860), respectively into 26,667,281 and 11,835,977 shares, thereby decreasing MBSS percentage of ownership in MSC into 69.97%.

The changes were recorded in notarial deed No. 217 of notary Lakshmi Anggraeni, S.H., M.Kn. that was approved by Minister of Law and Human Rights of the Republic of Indonesia in his decision letter No. AHU-45747.AH.01.02.Tahun 2013 dated August 30, 2013.

Year 2012

a. On December 14, 2012, IME and IEI established IMDE, which will be engaged in activities covering trading, development, services, workshop, industrial, shipping, printing and agriculture.

b. On December 10, 2012, the Company established IEFBV II. On the same date, the Company, through IEFBV II, established IECBV II, a wholly owned subsidiary of IEFBV II. IEFBV II and IECBV II are domiciled in the Netherlands and were established in relation to the issuance of Senior Notes with face value of US$ 500 million in January 2013 (Note 30).

c. On October 29, 2012, the Company and IEI established IME, which will be engaged in activities covering trading, development, industrial, agriculture, printing, workshop, transportation and services.

d. On September 17, 2012, IIC and IEI established IMEI, which will be engaged in activities covering trading, development, industrial agriculture, printing, workshop, transportation and services.

e. On May 25, 2012, IIR has effectively purchased and owned 85% ownership in MTU from Asia Thai Mining Company Limited (ATM) and Christien Kurniawan. MTU is engaged in mining activities under the Coal Contract of Work (CCoW) located in Barito, Central Kalimantan. Such acquisition is as part of the group's strategy to develop its business in energy resources segment. The Sale and Purchase Agreement (SPA) between IIR and ATM required both parties to set up escrow account of US$ 15 million to be applied against all claims made by IIR to ATM within 12 months after the completion of all conditions precedent under the SPA.

   Simultaneous with the purchase of the above MTU's shares, the Company through ICPL also entered into Distribution Rights and Obligations Sale and Purchase Agreement with International Coal Trading Limited (ICTL), whereby ICPL agreed to acquire ICTL's rights under a distribution agreement previously entered between ICTL and MTU for the sale and purchase of coal from MTU's mine in Central Kalimantan. Based on the above Distribution Rights and Obligations Sale and Purchase Agreement, both parties agreed that there will be post-completion payment of US$ 8 million, payable by ICPL to ICTL following the sale and delivery of the first 500,000 metric tons in aggregate of coal produced from the working area under the CCoW or on November 30, 2013, whichever is earlier. Such post-completion payment is subject to certain purchase price adjustments, to be further agreed between ICPL and ICTL, amongst them are adjustments on the net assets of MTU, availability of certain mine equipment and some other possible purchase price adjustments.

   Costs related to acquisition of MTU amounting to US$ 1,594,586 were recognized as expenses in the 2012 consolidated statements of comprehensive income.

   The non-controlling interest (15%) recognized at acquisition date was measured at the non-controlling interest's proportionate share of the fair value of the acquiree's identifiable net assets.

   This acquisition was accounted for using the purchase method based on the fair value of the net assets of MTU. Valuation of property, plant and equipment, identifiable intangible assets and some other non-current assets were determined by Kantor Jasa Penilai Publik (KJPP) Stefanus Tonny Hardi & Rekan, an independent appraiser, based on its report dated October 24, 2012.

e.1. As of December 31, 2012, the initial accounting for the above business combination is incomplete hence IIR reported provisional amount for the assets acquired and liabilities assumed. Subsequent to December 31, 2012, IIR obtained further information about facts and circumstances that existed as of the acquisition date and has completed the final accounting for the acquisition; and thus, retrospectively adjusted the provisional amounts recognized at the acquisition date as follows:

| | Before final accounting for business combination | After final accounting for business combination |
|---|---|---|
| | US$ | US$ |
| Current maturities of other accounts receivable - Third parties | 8,716,972 | 16,934,874 |
| Goodwill | 115,693,441 | 119,943,441 |
| Taxes payable | 5,996,266 | 15,664,386 |
| Accrued expenses | 55,091,293 | 51,904,135 |
| Non-controlling interest | 227,782,040 | 225,581,822 |

e.2. The fair value of the net assets of MTU acquired before and after the final and complete accounting for business combination, are as follows:

| | Before final accounting for business combination | After final accounting for business combination |
|---|---|---|
| | US$ | US$ |
| Current assets | 2,539,315 | 2,539,315 |
| Property, plant and equipment | 23,805,477 | 23,805,477 |
| Intangible assets | 186,692,970 | 186,692,970 |
| Other non-current assets | 8,463,668 | 8,463,668 |
| Deferred tax liabilities | (46,841,085) | (46,841,085) |
| Current liabilities | (25,813,622) | (40,481,741) |
| Non-current liabilities | (78,060,038) | (78,060,038) |
| Net assets | 70,786,685 | 56,118,566 |

Current assets include trade accounts receivable of nil as of acquisition date.

e.3. Goodwill from the acquisition of MTU is determined as follows:

| | Before final accounting for business combination | After final accounting for business combination |
|---|---|---|
| | US$ | US$ |
| Consideration paid in cash | 112,664,114 | 104,446,212 |
| Non-controlling interest on the fair value of net asset acquired | 10,618,002 | 8,417,785 |
| Total | 123,282,116 | 112,863,997 |
| Fair value of the net assets acquired | (70,786,685) | (56,118,566) |
| Goodwill | 52,495,431 | 56,745,431 |

e.4. Net cash out flow on the acquisition amounted to:

| | Before final accounting for business combination | After final accounting for business combination |
|---|---|---|
| | US$ | US$ |
| Consideration paid in cash through bank loans | 108,890,116 | 108,890,116 |
| Settlement (refund) through escrow account | 3,773,997 | (4,443,904) |
| Total consideration paid | 112,664,113 | 104,446,212 |

| | Before final accounting for business combination | After final accounting for business combination |
|---|---|---|
| | US$ | US$ |
| Net cash outflow of the acquisitions | 108,890,116 | 104,446,212 |
| Cash and cash equivalents acquired | (27,750) | (27,750) |
| Net cash outflow | 108,862,366 | 104,418,462 |

Goodwill arose in the business combination because of the control premium and certain future benefits and intangible assets that do not meet the recognition criteria for identifiable intangible assets.

The acquisition of MTU contributed revenue of nil and net loss of US$ 16,884,025 to the consolidated financial statements for the period from May 25, 2012 to December 31, 2012.

f. On May 8, 2012, IIR established Indika Capital Investments Pte. Ltd., (ICI) which will be engaged in coal and mineral trading and general trading activities.

g. On March 21, 2012, IIR has signed share sales and purchase agreement and closing memorandum with Pacific Emperor Holdings Limited ("Pacific") wherein IIR has effectively purchased and owned 60% ownership in PT Mitra Energi Agung (MEA). MEA is engaged in coal mining under a Mining Exploration Permit located in East Kutai - East Kalimantan. This acquisition is part of the group's strategy to develop its business in energy resources segment.

This acquisition was accounted for using the purchase method based on the fair value of the net assets of MEA. Valuation of property, plant and equipment and identifiable intangible assets and some other non-current assets were determined by Kantor Jasa Penilai Publik (KJPP) Stefanus Tonny Hardi & Rekan, an independent appraiser, based on its report dated January 31, 2012.

g.1. The fair value of the net assets of MEA acquired are as follows:

| | US$ |
|---|---|
| Current assets | 1,438,002 |
| Property, plant and equipment | 239,287 |
| Intangible assets | 65,071,555 |
| Other non-current assets | 2,109,105 |
| Deferred tax liability | (16,267,889) |
| Current liabilities | (1,702,588) |
| Non-current liabilities | (1,434,843) |
| Net Assets | 49,452,629 |

Current assets include trade accounts receivable of nil as of acquisition date.

g.2. Goodwill from the acquisition of MEA is determined as follows:

| | US$ |
|---|---|
| Consideration paid in cash | 27,000,000 |
| Non-controlling interest on the fair value of net assets acquired | 19,781,051 |
| Total | 46,781,051 |
| Fair value of net assets acquired | (49,452,629) |
| Negative goodwill | (2,671,578) |

IIR recognized negative goodwill of US$ 2,671,578 as bargain purchase gain directly in the 2012 consolidated statements of comprehensive income. Management believes that such bargain purchase gain was mainly due to the lower acquisition cost paid as compared to the expected future economic benefit from the mining license owned by MEA, while future investments and capital expenditures are still required to develop MEA which was acquired as brownfield.

g.3. Net cash out flow on the acquisition amounted to:

| | US$ |
|---|---|
| Settlement of acquisition cost | 27,000,000 |

| | US$ |
|---|---|
| Net cash out flow of the acquisition | 27,000,000 |
| Cash and cash equivalents acquired | (1,095,370) |
| Net cash out flow | 25,904,630 |

The acquisition of MEA contributed revenue of nil and net loss of US$ 172,886 on the consolidated financial statements for the period from March 21, 2012 to December 31, 2012.

Acquisition-related costs amounting to US$ 111,675 were recognized as expenses in the 2012 consolidated statements of comprehensive income.

The non-controlling interest (40%) recognized at acquisition date was measured at the non-controlling interest's proportionate shares of the fair value of the acquiree's identifiable net assets.

h. To comply with the BAPEPAM-LK's regulations regarding Public Company Take-Over, the Company has refloated to the public 25,125,000 shares representing 25% of Petrosea's issued shares. The Letter also stated that Citigroup Global Markets Limited and Macquarie Capital (Singapore) Pte. Limited, as initial purchasers, have an option to buy additional shares of Petrosea with a maximum of 3,782,000 shares. The option was exercised on February 24, 2012.

| | US$ |
|---|---|
| Proceeds from shares re-floating - net | 106,662,427 |
| Carrying amount of investment | (49,478,067) |
| Other equity | 57,184,360 |

i. On January 27, 2012, MBSS acquired 600 shares (60% share ownership) of PT Usama Adhi Sejahtera (UAS) for a total price of US$ 23,385 (equivalent to Rp 210,000,000). In March 2012, UAS changed its name to become PT Mitra Alam Segara Sejati and commenced its commercial operations.

The Company's ownership in IIC, TPE, TPEC, TS, IEC BV., IEF B.V., IEC II B.V., IEF II B.V., and IIE II B.V. were used as security for the bonds payable on first priority basis (Note 30). IIC's indirect ownership in SR and MRM through CIP were pledged to PT Intan Resource Indonesia (IRI) as a result of the Assignment Agreement for Coal Marketing Right Agreement entered between IRI and CIP (Note 49).

The Company's ownership in IPI was used as collateral in relation to a related party's loan facility (Note 47).

**c. Public Offering of Shares of the Company and its Subsidiaries**

On June 2, 2008, the Company obtained the notice of effectivity from the Chairman of the Capital Market and Financial Institution Supervisory Agency in his letter No. S-3398/BL/2008 for its public offering of 937,284,000 shares. On June 11, 2008, these shares were listed on the Indonesia Stock Exchange.

As of December 31, 2013 and 2012, respectively, all of the Company's outstanding shares, 5,210,192 thousand, were listed on the Indonesia Stock Exchange.

**d. Coal Contract of Work ("CCoW")**

MTU acquired various required permits and obtained CCoW in the Province of Central Kalimantan of approximately 24,970 hectares (ha) and has signed the CCoW in 1997 with the Government of the Republic of Indonesia.

In accordance with the CCoW, MTU shall pay royalties to the Government on the exploitation of coal mineral at 13.5% of the coal produced, in cash amount at FOB (Free on Board) or at the price of the contractor's final load out at sale point.

CCoW license covers the locations of Kananai, Swalang-Mea, Malintut Utara, Kananai Dua, Kananai Timur, Siung Malopot, Malintut Selatan, Tawo Karau, Lumuh dan Sungai Muntok which were obtained on May 4, 2009 and will mature on May 3, 2039.

**e. Production Operation Mining Business Permit**

Based on the Decree of the Regent of Kutai Timur No. 540.1/K.641/ITK/VII/2012 dated June 6, 2012, MEA was granted a Production Operation Mining Business Permit for 20 years for 3,650 hectares, located in the Kutai Timur Regency, East Kalimantan Province. However, as of the issuance date of the consolidated financial statements, MEA is still under exploration stage to determine its coal reserve.

## 2. ADOPTION OF NEW AND REVISED STATEMENTS OF FINANCIAL ACCOUNTING STANDARDS (PSAK) AND INTERPRETATION OF PSAK (ISAK)

**a. Standards effective in the current period**

In the current year, the Company and its subsidiaries have adopted all of the new and revised standards issued by the Financial Accounting Standard Board of the Indonesian Institute of Accountants that are relevant to their operations and effective for accounting periods beginning on January 1, 2013. The adoption of these new and revised standards has resulted in changes of the Company and its subsidiaries' accounting policies in the following areas, and affected the consolidated financial statements and disclosures for the current year.

- PSAK 38 (revised 2012), Business Combination of Entities Under Common Control

  This revised standard provides a narrower scope as it only covers business combination transactions between entities under common control, whereas the previous standard covered certain transactions between entities under common control that are not necessarily business combinations. The revised standard refers to PSAK 22, Business Combination, in determining what constitutes a business.

  The new standard retains the application of the pooling of interest method where assets and liabilities acquired in the business combination are recorded by the acquirer at their book values. The difference between the transfer price and the book value of the business combination which was previously recorded under equity as Difference in the Value of Restructuring Transactions of Entities Under Common Control (SINTRES) is now presented as Additional Paid-in Capital.

The previous standard requires the recycling of the SINTRES to profit and loss where the relevant entities are no longer under common control or when the corresponding assets, liabilities, shares, or other ownership instruments are transferred to an entity which is not under common control. The difference between the transfer price and the net assets acquired will always remain as part of the acquirer's Additional Paid-in Capital, and should not be recycled to profit and loss.

The revised standard is applied prospectively on or after January 1, 2013. Upon initial application, the balance of the SINTRES is presented as Additional Paid-in Capital.

- Amendment to PSAK 60, Financial Instruments: Disclosure

  Among other things, the standard requires the disclosures of the description of collateral held as security and of other credit enhancements, and their financial effect (e.g., quantification of the extent to which collateral and other credit enhancements mitigate credit risk) in respect of the amount that best represents the maximum exposure to credit risk.

**b. Standard and interpretation in issue not yet effective**

i. Effective for periods beginning on or after January 1, 2014:
   - ISAK 27, Transfers of Assets from Customers
   - ISAK 28, Extinguishing Financial Liabilities with Equity Instruments
   - ISAK 29, Stripping Cost in the Production Phase of a Surface Mine
   - PPSAK 12, Withdrawal of PSAK 33, Stripping Cost Acitivity and Environmental Management in the Public Mining

Preliminary evaluation indicated that these standards do not have an impact on the carrying amount of assets and liabilities as of December 31, 2013 and 2012 but may impact the accounting and disclosure for future transactions and arrangements.

ii. Effective for periods beginning on or after January 1, 2015:
   - PSAK 1 (revised 2013), Presentation of Financial Statements
   - PSAK 4 (revised 2013), Separate Financial Statements
   - PSAK 15 (revised 2013), Investments in Associates and Joint Ventures
   - PSAK 24 (revised 2013), Employee Benefits
   - PSAK 65, Consolidated Financial Statements
   - PSAK 66, Joint Arrangements
   - PSAK 67, Disclosures of Interests in Other Entities
   - PSAK 68, Fair Value Measurements

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**a. Statement of Compliance**

The consolidated financial statements have been prepared in accordance with Indonesian Financial Accounting Standards. These financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and reporting practices generally accepted in other countries and jurisdictions.

**b. Basis of Preparation**

The consolidated financial statements, except for the consolidated statements of cash flows, are prepared under the accrual basis of accounting. The presentation currency used in the preparation of the consolidated financial statements is the United States Dollar (US$), while the measurement basis is the historical cost, except for certain accounts which are measured on the bases described in the related accounting policies.

The consolidated statements of cash flows are prepared using the direct method with classifications of cash flows into operating, investing and financing activities.

**c. Basis of Consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments were made to the financial statements of the subsidiaries to bring their accounting policies used in line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately and presented within equity. The interest of non-controlling shareholders maybe initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net asset. The choice of measurement is made on acquisition by acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus non-controlling interests' share of subsequent changes in equity. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having deficit balance.

Changes in the Company and its subsidiaries interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Company and its subsidiaries' interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Company and its subsidiaries lose control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. When assets of the subsidiary are carried at revalued amount or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Company and its subsidiaries had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable accounting standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under PSAK 55 (revised 2011), Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

**d. Business Combinations**

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company and its subsidiaries, liabilities incurred by the Company and its subsidiaries, to the former owners of the acquiree, and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value except for certain assets and liabilities that are measured in accordance with the relevant standards.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under PSAK 22 (revised 2010), Business Combination, are recognized at fair value, except for certain assets and liabilities that are measured using the relevant standards.

Non-controlling interests are measured either at fair value or at the non-controlling interests' proportionate share of the acquire's identifiable net assets.

When the consideration transferred by the Company and its subsidiaries in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured subsequent to reporting dates in accordance with the relevant accounting standards, as appropriate, with the corresponding gain or loss being recognized in profit or loss or in other comprehensive income.

When a business combination is achieved in stages, the Company and its subsidiaries' previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interests were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amount recognized as of that date.

**e. Foreign Currency Transactions and Translation**

The books of accounts of the Company and its subsidiaries and associates, except for certain subsidiaries and associates detailed below, are maintained in United States Dollar (US$). Transactions during the period involving foreign currencies are recorded at the rates of exchange prevailing at the time the transactions are made. At reporting dates, monetary assets and liabilities denominated in foreign currencies are adjusted to reflect the rates of exchange prevailing at that date. The resulting gains or losses are credited or charged to profit or loss.

The books of accounts of the following subsidiaries and associates are maintained in their functional currency, which is the Indonesian Rupiah (Rp):

- PT LPG Distribusi Indonesia (LDI)
- PT Satya Mitra Gas (SMG)
- PT Wahida Arta Guna Lestari (WAGL)
- PT Jatiwarna Gas Utama (JGU)
- PT Cotrans Asia (CA)

For consolidation purposes, assets and liabilities of the above subsidiaries and associates at the reporting date are translated into United States Dollar (US$) using the exchange rates at reporting date, while revenues and expenses are translated at the average rates of exchange for the year. The resulting translation adjustments are presented as part of other comprehensive income.

**f. Transactions with Related Parties**

A related party is a person or entity that is related to the Company and its subsidiaries (the reporting entity):

a. A person or a close member of that person's family is related to a reporting entity if that person:
   i. has control or joint control over the reporting entity;

   ii. has significant influence over the reporting entity; or

   iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b. An entity is related to the reporting entity if any of the following conditions applies:

   i. The entity, and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

   ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

   iii. Both entities are joint ventures of the same third party.

   iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

   v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity, or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

   vi. The entity is controlled or jointly controlled by a person identified in (a).

   vii. A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or a parent of the entity).

All transactions with related parties, whether or not made at similar terms and conditions as those done with third parties, are disclosed in the consolidated financial statements.

**g. Financial Assets**

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

The Company and its subsidiaries' financial assets are classified as follows:

- Fair Value Through Profit Or Loss (FVTPL)
- Available-for-Sale (AFS)
- Loans and Receivable

Fair Value Through Profit Or Loss (FVTPL)

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is part of an identified portfolio of financial instruments that the entity manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Group is provided internally on that basis to the entity's key management personnel (as defined in PSAK 7: Related Party Disclosures), for example the entity's board of directors and chief executive officer.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 45.

Available-for-sale (AFS)

Investments classified as AFS are measured at fair value.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in equity as AFS Investment Revaluation, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in AFS Investment Revaluation is reclassified to profit or loss.

Investments in unlisted equity instruments that are not quoted in an active market and whose fair value cannot be reliably measured are also classified as AFS, measured at cost less impairment.

Dividends on AFS equity instruments, if any, are recognised in profit or loss when the Company's right to receive the dividends are established.

Loans and receivables

Receivable from customers and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Interest is recognised by applying the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for financial instruments other than those financial instruments at FVTPL.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becomes probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company and its subsidiaries' past experiences of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in equity are reclassified to profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income.

Derecognition of financial assets

The Company and its subsidiaries derecognise a financial asset only when the contractual rights to the cash flows from the asset expire, or when they transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company and its subsidiaries neither transfer nor retain substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company and its subsidiaries recognise their retained interest in the asset and an associated liability for amounts they may have to pay. If the Company and its subsidiaries retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company and its subsidiaries continue to recognise the financial asset and also recognise a collateralised borrowing for the proceeds received.

**h. Financial Liabilities and Equity Instruments**

Classification as debt or equity

Financial liabilities and equity instruments issued by the Company and its subsidiaries are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company and its subsidiaries are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments (treasury shares) is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instrument.

Financial liabilities

Financial liabilities are classified at "amortized cost".

Financial Liabilities at Amortized Cost

Financial liabilities, which include trade and other payables, bonds, bank and other borrowings, initially measured at fair value, net of transaction costs, and subsequently measured at amortized cost using the effective interest method.

Derecognition of financial liabilities

The Company and its subsidiaries derecognize financial liabilities when, and only when, the Company and its subsidiaries' obligations are discharged, cancelled or expired.

**i. Netting of Financial Assets and Financial Liabilities**

The Company and its subsidiaries only offset financial assets and liabilities and present the net amount in the statement of financial position where they:

- currently have a legal enforceable right to set off the recognized amount; and
- intend either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

**j. Cash and Cash Equivalents**

For cash flow presentation purposes, cash and cash equivalents consist of cash on hand and in banks and all unrestricted investments with maturities of three months or less from the date of placement.

**k. Joint Venture**

Jointly-controlled operations

TPEC and IMDE, subsidiaries, are engaged in some contracts through participation in unincorporated joint operations. In respect of their interests in jointly controlled operations, TPEC and IMDE recognise in their financial statements:

a. The assets that they control and the liabilities that they incur; and
b. The expenses that they incur and their share of the income that they earn from the sale of goods or services by the joint venture.

Jointly-controlled entity

Petrosea recognizes its interest in a jointly controlled entity using the equity method of accounting.

**l. Investments in Associates**

An associate is an entity over which the Company and its subsidiaries are in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

The results of operations and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case, it is accounted for in accordance with PSAK 58 (Revised 2009), Non-current Assets Held for Sale and Discontinued Operations. Investments in associates are carried in the consolidated statements of financial position at cost as adjusted by post-acquisition changes in the Company and its subdiaries' share of the net assets of the associate, less any impairment in the value of the individual investments. Losses of the associates in excess of the Company and its subsidiaries' interest in those associates (which includes any long-term interests that, in substance, form part of the Company and its subsidiaries' net investment in the associate) are recognized only to the extent that the Company and its subsidiaries have incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Company and its subsidiaries' share of the net fair value of identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition, is recognized as goodwill. Goodwill is included within the carrying amount of the investment and assessed for impairment as part of that investment. Any excess of the Company and its subsidiaries' share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, are recognised immediately in profit or loss.

When the Company and its subsidiaries transact with an associate, profits and losses are eliminated to the extent of its interest in the relevant associate.

**m. Inventories**

Coal inventories are recognized at the lower of cost and net realizable value. Cost, which includes an appropriate allocation of material costs, labor costs and overhead costs related to mining activities, is determined using the weighted average method. Net realizable value is the estimated sales price in the ordinary course of business, less estimated costs of completion and costs necessary to make the sale.

Spare parts and supplies, diesel fuel and fuel, lubricants and blasting materials are stated at cost or net realizable value, whichever is lower. Cost for spare parts and supplies as well as lubricants are determined using the weighted average method while diesel fuel and fuel are determined using the First-in-First-out (FIFO) method. The provision for obsolete and slow moving inventories is determined on the basis of estimated future usage of individual inventory items. Supplies of maintenance materials are charged to cost of contracts and goods sold and operating expenses in the period in which they are used.

**n. Prepaid Expenses**

Prepaid expenses are amortized over their beneficial periods using the straight-line method.

**o. Non-current Assets Held for Sale**

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

**p. Investment Properties**

Investment properties are properties (land or a building – or part of a building – or both) held to earn rentals or for capital appreciation or both. Investment properties are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed using the straight-line method based on the estimated useful life of 20 years.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

**q. Property, Plant and Equipment**

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes, are stated at cost, less accumulated depreciation and any accumulated impairment losses.

Depreciation is recognized so as to write off the cost of assets less residual values using the straight-line method based on the estimated useful lives of the assets as follows:

| | Years |
|---|---|
| Buildings, leasehold and improvements | 5 - 20 |
| Office furniture, fixture and other equipment | 4 - 5 |
| Motor vehicles and helicopter | 4 - 20 |
| Machinery and equipment | 4 - 5 |
| Vessels: | |
| Speedboat | 4 |
| Landed Craft Tank (LCT) | 8 |
| Tugboat, Barge, Motor vessel and Floating crane | 16 |
| Plant, equipment, heavy equipment and vehicles | 4 - 12 |

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Land is stated at cost and is not depreciated.

The cost of maintenance and repairs is charged to operations as incurred. Other costs incurred subsequently to add to, replace part of, or service an item of property, plant and equipment, are recognized as asset if, and only if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

When assets are retired or otherwise disposed of, their carrying amount is removed from the accounts and any resulting gain or loss is reflected in profit or loss.

Construction in progress is stated at cost which includes borrowing costs during construction on debts incurred to finance the construction. Construction in progress is transferred to the respective property, plant and equipment account when completed and ready for use.

**r. Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

As lessee

Assets held under finance leases are initially recognized as assets of the Company and its subsidiaries at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Contingent rentals are recognized as expense in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Sale and Leaseback

Assets sold under a sale and leaseback transaction are accounted for as follows:

If the sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount of the asset is deferred and amortized over the lease term.

If the sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss is recognized immediately. If the sale price is below fair value, any profit or loss is recognized immediately except that, if the loss is compensated by future lease payments at below market price, it shall be deferred and amortized in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value is deferred and amortized over the period for which the asset is expected to be used.

For operating leases, if the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, a loss equal to the amount of the difference between the carrying amount and fair value is recognized immediately.

For finance leases, no such adjustment is necessary unless there has been an impairment in value, in which case the carrying amount is reduced to recoverable amount.

**s. Intangible Assets**

Intangible assets acquired in a business combination are identified and recognized separately from goodwill when they satisfy the definition of an intangible asset and their fair value can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses.

Intangible assets are amortized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets, comprising of system mining rights, development and computer software, and others include all direct costs related to preparation of the asset for its intended use and is amortized over 3-27 years using the straight-line method.

**t. Goodwill**

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Company and its subsidiaries' interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

For the purpose of impairment testing, goodwill is allocated to each of the Company and the subsidiaries' cash-generating units expected to benefit from the synergies of the combination. A cash-generating units to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of the subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

**u. Intangible Assets - Land rights**

The legal cost of land rights upon acquisition of the land is recognized as part of the cost of land under property, plant and equipment and investment property.

The cost of renewal or extension of legal rights on land is recognized as an intangible asset and amortized over the period of land rights as stated in the contract or economic life of the asset, whichever is shorter.

**v. Impairment of Non-Financial Assets Except Goodwill**

At the end of each reporting period, the Company and its subsidiaries review the carrying amount of non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss or possibility to reverse the impairment that was previously recorded. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company and its subsidiaries estimate the recoverable amount of the cash generating unit to which the asset belongs.

Estimated recoverable amount is the higher of fair value less cost to sell and value in use. If the recoverable amount of the non-financial asset (cash generating unit) is less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount and an impairment loss is recognized immediately against earnings.

Accounting policy for impairment of financial assets is discussed in Note 3g; while impairment for goodwill is discussed in Note 3t.

**w. Exploration and Evaluation Assets**

Exploration and evaluation activity involves the search for mineral resources, determination of the technical feasibility and assessment of the commercial viability of the mineral resource.

Exploration and evaluation expenditures comprise of 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 expenditures related to an area of interest is written off as incurred, unless they are capitalised and carried forward, on an area of interest basis, provided one of the following conditions is met:

(i) the costs are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or

(ii) exploration activities in the area of interest have not yet reached the stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in or in relation to the area of interest are continuing.

Capitalised costs include costs directly related to exploration and evaluation activities in the relevant area of interest. General and administrative costs are allocated to an exploration or evaluation asset only to the extent that those costs can be related directly to operational activities in the relevant area of interest.

Exploration and evaluation assets is recorded at cost less impairment charges. As the asset is not available for use, it is not depreciated.

Exploration and evaluation assets are assessed for impairment if facts and circumstances indicate that impairment may exist. Exploration and evaluation assets are also tested for impairment once commercial reserves are found, before the assets are transferred to development properties.

**x. Development Properties**

Development expenditure incurred by or on behalf of the Company and its subsidiaries is accumulated separately for each area of interest in which economically recoverable resources have been identified. Such expenditure comprises of costs directly attributable to the construction of a mine and the related infrastructure.

Development phase begins after the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

Once a development decision has been taken, the carrying amount of the exploration and evaluation assets relating to the area of interest is aggregated with the development expenditure and classified under non-current assets as “development properties”.

A development property is reclassified as a “mining property” at the end of the commissioning phase, when the mine is capable of operating in the manner intended by management.

No depreciation is recognised for development properties until they are reclassified as “mining properties”.

Development properties are tested for impairment in accordance with the policy in Note 3v.

**y. Mining Properties**

When further development expenditure is incurred on a mining property after the commencement of production, the expenditure is carried forward as part of the mining property when it is probable that additional future economic benefits associated with the expenditure will flow to the Company and its subsidiaries. Otherwise this expenditure is classified as a cost of production.

Mining properties (including exploration, evaluation and development expenditures, and payments to acquire mineral rights and leases) are amortized using the units-of-production method, with separate calculations being made for each area of interest. The units-of-production basis results in an amortization charge proportional to the depletion of the proved and probable reserves.

Mining properties are tested for impairment in accordance with the policy described in Note 3v.

**z. Stripping Costs**

Stripping costs are recognised as production costs based on the annual planned stripping ratio. The annual planned stripping ratio is determined based on current knowledge of the disposition of coal resources and is estimated not to be materially different from the long term planned stripping ratio. If the actual stripping ratio exceeds the planned ratio, the excess stripping costs are recorded in the statements of financial position as deferred stripping costs. If the actual stripping ratio is lower than planned stripping ratio, the difference is adjusted against the amount of deferred stripping costs carried forward from prior periods or is recognised in the statements of financial position as accrued stripping costs. Changes in the planned stripping ratio are considered as changes in estimates and are accounted for on a prospective basis. The beginning balance of accrued or deferred stripping costs is amortised on a straight-line basis over the remaining mine life, or the remaining term of the mining license (*Izin Usaha Pertambangan* or IUP), whichever is shorter.

Deferred stripping costs are included in the cost base of assets when determining a cash generating unit for impairment assessment purposes.

**aa. Transactions among Entities under Common Control**

Entities under common control are entities which directly or indirectly (through one or more intermediaries) control or are controlled by or are under the same control.

Business combination among entities under common control, in form of transfer of business for reorganization of entities within the same group of business, is not a change of the economic substance of the ownership therefore does not result in a gain or loss to the group of companies or to the individual company within the same group.

Business combination among entities under common control does not result in a change of the economic substance of the ownership of the business being exchanged therefore such transaction is recorded using the pooling of interest method.

Prior to January 1, 2013, the difference between the acquisition cost and the net assets acquired among entities under common control was presented as “Difference in Value of Restructuring Transaction between Entities Under Common Control” (SINTRES) under equity.

Starting January 1, 2013, the Company and its subsidiaries adopted PSAK 38 (revised 2012), Business Combination of Entities Under Common Control, which has resulted to reclassification of SINTRES into Additional Paid-In Capital (Note 2).

**bb. Provisions**

Provisions are recognized when the Company and its subsidiaries have a present obligation (legal or constructive) as a result of a past event, it is probable that the Company and its subsidiaries will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**cc. Revenue and Expense Recognition**

Contract Revenue and Cost of Contract

Revenue from construction contract is recognized using the percentage-of-completion method, measured by percentage of work completed to date as estimated by engineers and approved by the project owner. At reporting dates, estimated earnings in excess of billings on construction contracts are presented as current assets, while billings in excess of estimated earnings are presented as current liability.

Where the outcome of a construction contract cannot be reliably estimated, contract revenue is recognized to the extent of contract costs incurred that is probable to be recoverable. Contract costs are recognized as expenses in the period they are incurred.

When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately. Cost of contracts include all direct materials, labor and other indirect costs related to the performance of the contracts.

Sale of Goods

Revenue from sales of goods is recognized when all of the following conditions are satisfied:

- The Company and its subsidiaries have transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Company and its subsidiaries retain neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company and its subsidiaries; and
- The cost incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of Services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognized by reference to the stage of completion of the transaction at the end of the reporting period.

The stage of completion of a transaction may be determined by a variety of methods. An entity uses the method that measures reliably the services performed. Depending on the nature of the transaction, the methods may include:

a. Surveys of work performed;
b. Services performed to date as a percentage of total services to be performed; or
c. The proportion that costs incurred to date bear to the estimated total costs of the transaction. Only costs that reflect services performed to date are included in costs incurred to date. Only costs that reflect services performed or to be performed are included in the estimated total costs of the transaction.

Revenue from services that have been rendered but not yet billed at reporting date are recognized as unbilled receivable.

Interest Revenue

Interest revenue is recognized using the effective interest method.

Expenses

Expenses are recognized when incurred.

**dd. Employment Benefits**

The Company and its subsidiaries provide defined post-employment benefits to their employees in accordance with Labor Law No. 13/2003. No funding has been made to the defined benefit plans.

PSAK 24 (revised 2010), Employee Benefits, also allows the recognition of accumulated actuarial gains and losses as other comprehensive income under equity, however, the Company and its subsidiaries continues to apply the corridor approach as described below.

The cost of providing post-employment benefits is determined using the Projected Unit Credit Method. The accumulated unrecognized actuarial gains and losses that exceed 10% of the greater of the present value of the defined benefit obligations is recognized on the straight-line basis over the expected average remaining working lives of the participating employees (corridor approach). Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

The benefit obligation recognized in the consolidated statements of financial position represents the present value of the defined benefit obligation, as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, and as reduced by the fair value of scheme assets.

When the curtailment or settlement occurs, any resulting gain or loss is charged to statements of comprehensive income.

**ee. Employee and Management Stock Option Program**

Employee and Management Stock Option Program (EMSOP), an equity-settled share based payment arrangement, is measured at the fair value of the equity instrument at grant date. The fair value determined at grant date is expensed on a straight-line basis over the vesting period, based on management estimate of equity instruments that will eventually vest. At reporting dates, management revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimate, if any, is recognized in profit and loss over the remaining vesting period, with a corresponding adjustment in Stock Option account under equity.

**ff. Income Tax**

Non-Final Tax

Current tax expense in the consolidated statements of comprehensive income is determined on the basis of taxable income for the period computed in accordance with the prevailing tax rules and regulations.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for deductible temporary differences and fiscal losses to the extent that it is probable that taxable income will be available in future periods against which the deductible temporary differences and fiscal losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on the tax rates (and tax laws) that have been enacted, or substantively enacted, by the end of the reporting period.

The measurement of deferred tax assets and liabilities reflects the consequences that would follow from the manner in which the Company and its subsidiaries expect, at the end of the reporting period, to recover or settle the carrying amount of their assets and liabilities.

The carrying amount of deferred tax asset is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company and its subsidiaries intend to settle their current tax assets and current tax liabilities on a net basis.

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside of profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside of profit or loss.

Final Tax

Tax expense on revenues subject to final tax is recognized proportionately based on the revenue recognized in the period. The difference between the final tax paid and current tax expense in the consolidated statement of comprehensive income is recognized as prepaid tax or tax payable. Prepaid final tax is presented separately from final tax payable.

Deferred tax is not recognized for the difference between the financial statement carrying amounts of assets and liabilities and their respective tax bases if the related revenue is subject to final tax.

**gg. Derivative Financial Instruments**

TPEC, a subsidiary, uses derivative financial instruments to manage its exposure to foreign exchange rate risk. Further details on the use of derivatives are disclosed in Note 44.

Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently measured to their fair value at each reporting date.

Although entered into as economic hedge of exposure against interest rate and foreign exchange rate risks, these derivatives are not designated and do not qualify as accounting hedge and therefore changes in fair values are recognized immediately in earnings.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognized in earnings.

A derivative is presented as non-current asset or non-current liability if the remaining maturity of the instrument is more than 12 months and is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

**hh. Earnings per Share**

Basic earnings per share is computed by dividing net income attributable to owners of the Company by the weighted average number of shares outstanding during the year.

Diluted earnings per share is computed by dividing net income attributable to owners of the Company by the weighted average number of shares outstanding as adjusted for the effects of all dilutive potential ordinary shares.

**ii. Segment Information**

Operating segments are identified on the basis of internal reports about components of the Company and its subsidiaries that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performances.
An operating segment is a component of an entity:

a) that engages in business activities from which it may earn revenue and incur expenses (including revenue and expenses relating to the transaction with other components of the same entity);

b) whose operating results are reviewed regularly by the entity's chief operating decision maker to make decision about resources to be allocated to the segments and assess its performance; and

c) for which discrete financial information is available.

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of their performance is more specifically focused on the category of each product, which is similar to the business segment information reported in the prior period.

The accounting policies used in preparing segment information are the same as those used in preparing the consolidated financial statements.

## 4. CRITICAL ACCOUNTING JUDGMENT AND ESTIMATES

The preparation of 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 disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**Critical Judgements in Applying Accounting Policies**

In the process of applying the accounting principles described in Note 3, management has not made any critical judgment that has significant impact on the amounts recognized in the consolidated financial statements, apart from those involving estimates which are dealt with below.

**Key Sources of Estimation Uncertainty**

The key assumptions concerning future and other key sources of estimation at the end of the reporting period, that have the significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment Loss on Loans and Receivables

The Company and its subsidiaries make allowance for impairment losses based on an assessment of the recoverability of loans and receivables. Allowances are applied to loans and receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment loss on loans and receivables requires the use of judgment and estimates. Where the expectations are different from the original estimate, such difference will impact the carrying amount of loans and receivable and the related provision for impairment losses in the year in which such estimate has changed. The carrying amounts of loans and receivable are disclosed in Notes 7, 8, 10 and 47 to the consolidated financial statements.

Allowance for Decline in Value

The Company and its subsidiaries make allowance for decline in value based on their estimation that there will be no future usage of such inventories or such inventories will be slow moving in the future. While it is believed that the assumptions used in the estimation of the allowance for decline in value reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of the carrying amount of the inventories and provision for decline in value expense, which ultimately impact the result of the Company and its subsidiaries' operations.

Based on the assessment of the management, currently provided allowance for decline in value of US$ 4,353,991 and US$ 3,433,967 as of December 31, 2013 and 2012, respectively, are adequate. The carrying amounts of inventories are diclosed in Note 11 to the consolidated financial statements.

Estimated Useful Lives of Property, Plant and Equipment and Investment Property

The useful life of each of the item of the Company and its subsidiaries' property, plant and equipment and investment property are estimated based on the period over which the asset is expected to be available for use. Such estimation is based on internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above.

A change in the estimated useful life of any item of property, plant and equipment and investment property would affect the recorded depreciation expense and decrease in the carrying amount of property, plant and equipment and investment property.

There is no change in the estimated useful life of property, plant and equipment and investment property during the year. The aggregate carrying amounts of property, plant and equipment and investment property are disclosed in Notes 21 and 20 to the consolidated financial statements, respectively.

Impairment of Non-Financial Asset

Tangible and intangible assets, other than goodwill, are reviewed for impairment whenever impairment indicators are present. While for goodwill, impairment testing is required to be performed at least annually irrespective of whether or not there are indicators of impairment. Determining the value in use of assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets (cash generating unit) and a suitable discount rate in order to calculate the present value.

While it is believed that the assumptions used in the estimation of the value in use of assets reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse impact on the results of operations.

Based on the assessment of the management, except for intangible assets and goodwill, there is no impairment indication on the Company and its subsidiaries' property, plant and equipment, investment property, investment in associates and jointly-controlled entities. Impairment testing of goodwill does not result in write down for impairment loss. The carrying amount of non-financial assets, on which impairment analysis are applied, were described in Notes 16, 20, 21, 22 and 23, respectively, to the consolidated financial statements.

Employment Benefits Obligation

The determination of post-employment benefits obligation is dependent on selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include among others, discount rate and rate of salary increase. Actual results that differ from the Company and its subsidiaries' assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. While it is believed that the Company and its subsidiaries' assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Company and its subsidiaries' employment benefit obligations.

Employment benefit obligations amounted to US$ 21,860,883 and US$ 21,278,287 as of December 31, 2013 and 2012, respectively (Note 31).

Measuring Construction Contracts in Progress Measured at Percentage-of-Completion

The determination of percentage of completion of construction contracts in progress is dependent on the judgment and estimations of the engineers. While it is believed that the Company and its subsidiaries' assumptions are reasonable and appropriate, significant differences in actual experience or significant change in assumptions may materially affect the Company and its subsidiaries' revenue recognition.

The items in the consolidated financial statements related to construction contracts are disclosed in Notes 9 and 49.

Fair value of acquired identifiable assets and liabilities from business acquisition (Note 1)

The fair values of acquired identifiable assets and liabilities in a business acquisition are determined by using valuation techniques. The Company and its subsidiaries used their judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the acquisition date.

To the extent that the determination of fair value of acquired identifiable assets and liabilities are made based on different assumptions and market conditions, the carrying amount of goodwill, intangible assets and other acquired identifiable assets and liabilities from such business acquisitions may be affected.

Valuation of financial instruments

As described in Note 45, the Company and its subsidiaries use valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments.

Management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

## 5. CASH AND CASH EQUIVALENTS

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| Cash on hand | | |
| Rupiah | 235,106 | 588,835 |
| U.S. Dollar | 138,740 | 92,220 |
| Singapore Dollar | 1,194 | 416 |
| Cash in banks - third parties | | |
| Rupiah | | |
| Standard Chartered Bank | 5,613,434 | 2,517,942 |
| PT Bank Mandiri (Persero) Tbk | 5,336,948 | 5,776,463 |
| Citibank, N.A. | 4,059,152 | 16,498,124 |
| PT Bank Negara Indonesia (Persero) Tbk | 2,364,213 | 1,284,790 |
| PT Bank Artha Graha International Tbk | 1,610,755 | 2,741,479 |
| The Hongkong and Shanghai Banking Corporation Limited | 1,448,956 | 1,397,235 |
| PT Bank ANZ Indonesia | 278,495 | 19,493 |
| PT Bank Central Asia Tbk | 191,706 | 645,638 |
| PT Bank CIMB Niaga Tbk | 170,875 | 999,971 |
| PT Bank Rakyat Indonesia (Persero) Tbk | 106,365 | 124,840 |
| PT Bank International Indonesia Tbk | 66,487 | 231,511 |
| PT Bank KEB Indonesia | 30,421 | 38,036 |
| PT Bank Victoria International Tbk | 30,114 | 35,370 |
| PT Bank Pembangunan Daerah Jawa Barat dan Banten Tbk, Bandung Branch | 18,088 | 22,449 |
| PT Bank Permata Tbk | 7,202 | 665 |
| JP Morgan Chase Bank, N.A., | 3,221 | 4,179 |
| PT Bank Tabungan Negara, (Persero) Tbk, Semarang Branch | 746 | 90 |
| Bank Papua | 321 | 25,150 |
| PT Bank Danamon Indonesia Tbk | 152 | 222 |
| U.S. Dollar | | |
| PT Bank Mandiri (Persero) Tbk | 78,629,901 | 34,817,557 |
| Citibank, N.A. | 39,732,945 | 44,257,878 |
| JP Morgan Chase Bank, N.A., | 16,345,501 | 5,527,233 |
| Standard Chartered Bank, Jakarta Branch | 10,145,165 | 30,523,989 |
| PT Bank Negara Indonesia (Persero) Tbk | 9,256,685 | 1,728,791 |
| UBS AG | 6,262,580 | 661,340 |
| PT Bank Permata Tbk | 3,028,735 | 1,081,915 |
| DBS Bank Ltd. | 2,864,011 | 3,217,469 |
| PT Bank Artha Graha International Tbk | 2,450,475 | 4,011,566 |
| ING Bank, N.V. | 2,320,997 | 2,424,684 |
| The Hongkong and Shanghai Banking Corporation Limited | 2,080,438 | 16,228,578 |
| Bank Oversea - Chinese Banking Corporation Limited | 1,400,138 | 975,621 |
| PT Bank ANZ Indonesia | 1,287,411 | 10,856,773 |
| Korea Exchange Bank | 1,071,231 | 1,033,251 |
| PT Bank International Indonesia Tbk | 1,015,062 | 4,241,901 |
| PT Bank Danamon Indonesia Tbk | 663,260 | 4,179,013 |
| PT Bank CIMB Niaga Tbk | 385,558 | 1,759,637 |
| PT Bank Permata Syariah Tbk | 208,973 | 250,735 |
| PT Indonesia Eximbank | 39,364 | 3,503 |
| PT Bank Central Asia Tbk | 23,250 | 228,862 |
| ANZ Singapore Ltd. | 2,900 | 2,896 |
| Malayan Banking Berhad, Singapore | - | 14,874 |
| Forward | 200,927,271 | 201,073,184 |

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| Forward | 200,927,271 | 201,073,184 |
| Singapore Dollar | | |
| DBS Bank Ltd. | 1,414,502 | 2,035,542 |
| Oversea - Chinese Banking Corporation Limited | 246,470 | 142,551 |
| Malayan Banking Berhad, Singapore | - | 41,983 |
| PT Bank International Indonesia Tbk | 1,248 | 30,827 |
| Australian Dollar | | |
| The Hongkong and Shanghai Banking Corporation Limited | 31,736 | 35,882 |
| Euro | | |
| PT Bank International Indonesia Tbk | 6,451 | 119,104 |
| ING Bank, N.V. | 14,507 | 15,642 |
| The Hongkong and Shanghai Banking Corporation Limited | 8,605 | 8,259 |
| Citibank, NA | 11,296 | 7,533 |
| Korea Exchange Bank | 4,969 | 1,182 |
| Call deposit - U.S. Dollar | | |
| UBS AG - third party | 35,685,492 | 109,386,336 |
| Time deposits - third parties | | |
| Rupiah | | |
| The Hongkong and Shanghai Banking Corporation Limited | 9,185,841 | 707,965 |
| PT Bank Mandiri (Persero) Tbk | 7,261,007 | 51,519 |
| Citibank, NA | 6,563,295 | 12,409,513 |
| PT Bank Artha Graha International Tbk | 1,668,253 | 3,619,442 |
| PT BPR Bina Dana Cakrawala | 1,493,350 | 1,286,817 |
| PT Bank International Indonesia Tbk | 703,826 | 1,044,198 |
| PT Bank Permata Tbk | 246,124 | - |
| PT Bank Negara Indonesia (Persero) Tbk | 210,455 | - |
| PT Bank ICB Bumiputera Indonesia Tbk | 164,082 | - |
| PT Bank ANZ Indonesia | 12,251 | 15,011 |
| U.S. Dollar | | |
| PT Bank Permata Tbk | 22,880,000 | 4,000,000 |
| UBS AG | 16,676,412 | 4,336,321 |
| PT Bank International Indonesia Tbk | 10,500,000 | - |
| PT Bank ANZ Indonesia | 8,000,000 | - |
| The Hongkong and Shanghai Banking Corporation Limited | 1,500,000 | - |
| PT Bank Artha Graha International Tbk | 1,150,000 | 1,150,000 |
| PT Bank CIMB Niaga Tbk | - | 5,131,855 |
| Standard Chartered Bank | - | 3,500,000 |
| JP Morgan Chase Bank, N.A., | - | 225,000 |
| Total | 326,567,443 | 350,375,666 |
| Interest rates per annum on time deposits | | |
| Rupiah | 3.70% - 10.75% | 2.30% - 9.00% |
| U.S. Dollar | 0.001% - 3.00% | 0.001% - 0.50% |
| Interest rate on call deposit | 0.13% | 0.15% |

## 6. OTHER FINANCIAL ASSETS

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| Guarantee deposit for bank loans | | |
| Time deposits - third parties | | |
| U.S. Dollar | | |
| DBS Bank Ltd. | 20,612,357 | 28,589,698 |
| PT Bank Mandiri (Persero) Tbk | 2,150,000 | 2,150,000 |
| PT Bank Permata Tbk | 80,000 | - |
| Restricted cash in banks - third parties | | |
| PT Bank Pembangunan Daerah | | |
| Jawa Barat dan Banten | 68 | 146 |
| Bank guarantee | | |
| Time deposits - third parties | | |
| U.S. Dollar | | |
| PT Bank CIMB Niaga | 3,287 | 4,137 |
| PT Bank ANZ Indonesia | 1,374,829 | - |
| Held-for-trading investments at fair value | | |
| Investments in portfolio - third party | | |
| UBS AG | 54,896,489 | 40,026,825 |
| Total | 79,117,030 | 70,770,806 |
| Interest rates per annum | | |
| Time deposits | | |
| U.S. Dollar | 0.07% - 2.4% | 0.07% - 0.5% |

**Guarantee deposit for bank loans**

Time deposits in DBS Bank Ltd. (DBS) were used as collateral for the short-term loans facilities granted by DBS to IIC (Note 49). These time deposits have terms of three months.

Time deposits in PT Bank Mandiri (Persero) Tbk amounting to US$ 2,150,000 has a term of one month and was used as collateral for credit facilities obtained by TPEC from the same bank (Notes 24 and 49).

**Held-for-trading investments**

UBS AG

Investments in portfolio (bonds and alternative investments) at UBS AG represent the investment owned by:

| Subsidiary | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| ICRL | 54,896,489 | 40,026,825 |

As of December 31, 2013 and 2012, unrealized gain on investment in portfolio amounted to US$ 674,200 and US$ 26,825, respectively.

The fair value measurement of investment in portfolio is presented in Note 45.

## 7. TRADE ACCOUNTS RECEIVABLE

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| a. By debtor: | | |
| Related parties (Note 47) | | |
| PT Santan Batubara | 18,940,148 | 25,302,975 |
| PT Kideco Jaya Agung | 10,034,581 | 6,443,980 |
| PT Cotrans Asia | 913,000 | 1,508,156 |
| PT Petrosea Calibere - Robert & Schaefer JO | - | 190,181 |
| Others (each below US$ 100,000) | 207,383 | 21,266 |
| Total | 30,095,112 | 33,466,558 |
| Third parties | | |
| PT Gunung Bayan Pratama Coal | 25,321,060 | 26,288,800 |
| PT Adimitra Baratama Nusantara | 17,734,545 | 15,486,033 |
| Mobil Cepu Ltd | 17,550,469 | 9,737,747 |
| PT Indomining | 9,015,732 | 156,830 |
| PT Perta-Samtan Gas | 7,239,024 | 14,797,623 |
| PT Kaltim Prima Coal | 6,038,962 | 5,545,042 |
| PT Adaro Indonesia | 5,683,849 | 8,127,231 |
| PT Berau Coal | 3,954,942 | 2,794,695 |
| PT Freeport Indonesia | 3,127,363 | 3,010,116 |
| PT Borneo Indobara | 2,672,047 | 1,671,792 |
| PT Indonesia Pratama | 2,580,591 | - |
| PT Chevron Geothermal | 2,403,683 | 1,400,397 |
| PT M.I. Indonesia | 2,348,776 | 2,070,856 |
| Sebuku Group | 2,299,061 | 2,003,667 |
| PT Indocement Tunggal Prakarsa Tbk | 1,571,953 | 1,658,388 |
| BUT Eni Muara Bakau BV | 1,523,863 | 875,056 |
| PT Singlurus Pratama | 1,362,115 | 1,186,583 |
| PT Holcim Indonesia Tbk | 1,310,072 | 2,003,179 |
| BUT Pearloil Sebuku Limited | 1,105,984 | - |
| BUT Conocco Phillips Indonesia | 1,031,540 | - |
| BUT Niko Resources Limited | 1,003,941 | 756,594 |
| Continental Plant and equipment Inc. | 992,290 | - |
| Total E&P Indonesie | 863,209 | 341,000 |
| PT Halliburton Indonesia | 857,077 | 438,000 |
| Miners LAB Pte Ltd. | 848,722 | - |
| BUT Chevron Indonesia Company | 780,655 | 326,187 |
| PT Global Indonesia Mandiri | 711,691 | - |
| Premier Oil Natuna Sea BV | 645,753 | 586,081 |
| Pertamina Hulu Energy ONWJ | 542,633 | - |
| PT Indonesia Bulk Terminal | 535,000 | - |
| Others (each below US$ 500,000) | 5,952,227 | 10,922,520 |
| Total | 129,608,829 | 112,184,417 |
| Allowance for impairment losses | (2,195,289) | (2,192,469) |
| Net | 127,413,540 | 109,991,948 |
| Total | 157,508,652 | 143,458,506 |

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| b. By age category: | | |
| Current | 116,225,232 | 115,589,954 |
| Overdue | | |
| 1 - 30 days | 31,224,720 | 20,963,848 |
| 31 - 90 days | 8,188,393 | 3,317,448 |
| 91 - 180 days | 2,399,829 | 2,455,296 |
| > 181 days | 1,665,767 | 3,324,429 |
| Total | 159,703,941 | 145,650,975 |
| Allowance for impairment losses | (2,195,289) | (2,192,469) |
| Net | 157,508,652 | 143,458,506 |
| c. Overdue but not impaired | | |
| Overdue | | |
| 1 - 30 days | 31,224,720 | 20,963,848 |
| 31 - 90 days | 8,188,393 | 3,317,448 |
| 91 - 180 days | 1,870,307 | 2,455,296 |
| > 181 days | - | 1,131,960 |
| Total | 41,283,420 | 27,868,552 |
| d. By currency: | | |
| U.S. Dollar | 155,785,176 | 143,791,151 |
| Rupiah | 3,681,850 | 1,581,063 |
| Singapore Dollar | 236,915 | 278,761 |
| Total | 159,703,941 | 145,650,975 |
| Allowance for impairment losses | (2,195,289) | (2,192,469) |
| Net | 157,508,652 | 143,458,506 |
| Movement in the allowance for impairment losses | | |
| Beginning balance | 2,192,469 | 2,582,047 |
| Impairment losses reversed | (73,047) | - |
| Impairment losses recognized on receivables | 75,867 | 1,882 |
| Amounts written off during the year as uncollectible | - | (391,460) |
| Ending balance | 2,195,289 | 2,192,469 |

Trade accounts receivables disclosed above include amounts of retention receivables which were recorded by TPEC and TPE as follows:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| TPEC | | |
| Third parties | | |
| PT Perta - Samtan Gas | 7,239,024 | 13,997,898 |
| BUT Chevron Geothermal Salak Ltd and BUT Chevron Geothermal Indonesia | 459,057 | 285,189 |
| Total | 7,698,081 | 14,283,087 |
| TPE | | |
| Third party | | |
| PT Foster Wheeler C & P | 31,323 | 4,791 |
| Total | 7,729,404 | 14,287,878 |

Management believes that all such retention receivables can be realized.

Trade accounts receivable of TPEC, Petrosea and MBSS, consolidated subsidiaries, with a total carrying amount of US$ 67,328,611 and US$ 106,565,886 as of December 31, 2013 and 2012, respectively, were used as collateral for bank loans, long-term loans and credit facilities (Notes 24, 28 and 49).

The average credit period on revenues from sales of goods and services are 60 days. No interest is charged on trade accounts receivable.

Allowance for impairment losses on trade receivables are recognized based on estimated recoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

Management believes that the allowance for impairment losses from third parties is adequate. There is no allowance for impairment losses was provided on receivables from related parties as of December 31, 2013 and 2012 as management believes that all such receivables are collectible.

## 8. UNBILLED RECEIVABLES

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| Third parties | | |
| PT Chevron Pasific Indonesia | 1,113,292 | - |
| PT Pertamina Hulu Energi ONWJ | 640,100 | - |
| BUT Conoco Phillips Indonesia Inc. Ltd. | 620,896 | 443,955 |
| Others (each below US$ 500,000) | 817,268 | 785,053 |
| Total | 3,191,556 | 1,229,008 |

## 9. ESTIMATED EARNINGS IN EXCESS OF BILLINGS ON CONTRACTS AND BILLINGS IN EXCESS OF ESTIMATED EARNINGS RECOGNIZED

TPEC has various agreements entered into with third parties for the provision of various construction related services, as disclosed in detail in Note 49g.

Following are the details of construction costs and billed invoices related to those contracts:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| Accumulated construction costs | 1,069,677,785 | 827,271,903 |
| Accumulated recognized profit | 83,953,870 | 82,356,173 |
| Accumulated revenue recognized | 1,153,631,655 | 909,628,076 |
| Deduction: | | |
| Progress billings | (1,111,929,501) | (884,938,040) |
| Net | 41,702,154 | 24,690,036 |
| The above consists of: | | |
| Estimated earnings in excess of billings on contracts | 75,000,049 | 24,690,036 |
| Billings in excess of estimated earnings recognized | (33,297,895) | - |
| Net | 41,702,154 | 24,690,036 |

## 10. OTHER ACCOUNTS RECEIVABLE

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| Third parties | | |
| PT Airfast Indonesia | 1,274,544 | 1,753,099 |
| Employee loan | 2,026,622 | 2,499,965 |
| PT Dian Perkasa Shipyard | 482,402 | 608,066 |
| Prime Investment | 366,041 | - |
| Asia Thai Mining Company Limited | - | 8,217,902 |
| PT Intan Cempaka Perkasa (Note 19) | - | 3,004,964 |
| Others (each below US$ 100,000) | 1,663,442 | 1,818,651 |
| Total | 5,813,051 | 17,902,647 |
| Less current maturities | (3,766,544) | (16,934,874) |
| Non-current maturities | 2,046,507 | 967,773 |

Other accounts receivable denominated in currencies other than the respective functional currency of the Company and its subsidiaries are as follows:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| Rupiah | 2,574,006 | 15,541,483 |

No allowance for impairment losses was provided for other accounts receivable as management believes that all such receivables are fully collectible.

Other accounts receivable current portion are unsecured, interest-free and collectible on demand.

## 11. INVENTORIES - NET

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| Coal inventories | 8,196,606 | 9,523,393 |
| Spare parts and supplies | 10,243,953 | 11,692,344 |
| Diesel fuel and fuel | 2,652,810 | 2,909,956 |
| Lubricants | 519,148 | 143,000 |
| Blasting materials | 19,311 | 19,311 |
| Total | 21,631,828 | 24,288,004 |
| Allowance for decline in value | (4,353,991) | (3,433,967) |
| Net | 17,277,837 | 20,854,037 |
| Changes in the allowance for decline in value are as follows: | | |
| Balance at beginning of year | 3,433,967 | 2,525,175 |
| Additions | 920,024 | 908,792 |
| Balance at end of year | 4,353,991 | 3,433,967 |

As of December 31, 2013 and 2012, inventories amounting to US$ 4,744,813 and US$ 7,466,000, respectively, were insured through a consortium led by PT Asuransi Wahana Tata against all risks for US$ 9,149,823 and US$ 12,336,679, respectively. Spareparts and supplies of MBSS as of December 31, 2013 and 2012, amounting to US$ 4,155,374 and US$ 3,559,909, respectively, were included in the vessel's insurance (Note 21).

Management believes that the insurance coverage is adequate to cover possible losses to inventories insured.

As of December 31, 2013 and 2012, the decline in the value of inventories was recognized as deduction to the cost of inventories and charged to the current year's profit and loss.

As of December 31, 2013 and 2012, inventories recognized in expenses and was recorded as cost of contracts and goods sold amounted to US$ 83,710,246 and US$ 97,540,606, respectively.

## 12. PREPAID TAXES

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| Excess payment of corporate income tax (Note 41) - | | |
| Company | | |
| 2013 | 15,254 | - |
| 2012 | 79,632 | 79,632 |
| Subsidiaries | | |
| 2013 | 7,916,074 | - |
| 2012 | 7,863,983 | 7,863,983 |
| Income tax article 23 | 74,237 | 96,733 |
| Value Added Tax - net | 33,590,552 | 30,481,891 |
| Total | 49,539,732 | 38,522,239 |

## 13. OTHER CURRENT ASSETS

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| Prepaid expense | | |
| Insurance | 2,915,707 | 3,577,043 |
| Rent | 1,744,474 | 3,138,901 |
| Others | 758,417 | 2,695,983 |
| Advances | | |
| Projects | 20,403,113 | 6,105,031 |
| Purchase of coal | 10,433,471 | 5,313,766 |
| Vessel maintenance | 1,689,135 | 1,874,036 |
| Others | 2,379,939 | 3,329,024 |
| Total | 40,324,256 | 26,033,784 |

Advance for projects represents advance payments to subcontractors for projects by TPEC and PTRO.

Advance purchase of coal represents advance payments made by IIC.

## 14. INVESTMENTS IN ASSOCIATES

| | Carrying amount | |
|---|---|---|
| | December 31, 2013 | December 31, 2012 |
| | US$ | US$ |
| PT Kideco Jaya Agung | 238,883,677 | 256,298,486 |
| PT Cirebon Electric Power | 23,444,356 | 11,295,343 |
| PT Sea Bridge Shipping | 16,978,327 | 15,250,624 |
| PT Cotrans Asia | 6,291,046 | 4,131,384 |
| PT Intan Resource Indonesia | 834,746 | 836,382 |
| PT Cirebon Power Services | 117,899 | 171,624 |
| Twinstar Shipping Ltd. | - | 96,044 |
| Total | 286,550,051 | 288,079,887 |

Changes in investments in associates are as follows:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| Carrying amount at beginning of year | 288,079,887 | 330,330,452 |
| Equity in profit of associates net of amortization | 106,530,694 | 176,224,448 |
| Dividends | (113,125,906) | (212,469,070) |
| Liquidation of an associate | (20,544) | - |
| Share in other comprehensive income (loss) of associates | 5,085,920 | (6,005,943) |
| Carrying amount at end of year | 286,550,051 | 288,079,887 |

Other comprehensive income of associate represents unrealized loss on derivative financial instruments of CEP (hedging reserve).

The summary of financial information in respect to the Company's associates above is set out below:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| Total assets | 1,745,322,354 | 1,799,594,913 |
| Total liabilities | 1,212,231,717 | 1,310,392,955 |
| Net assets | 533,090,637 | 489,201,958 |
| Total revenue for the year | 2,506,388,999 | 2,612,201,958 |
| Net income for the year | 292,796,255 | 406,901,984 |

PT Kideco Jaya Agung

IIC owns 115,159 shares, representing 46% ownership interest in PT Kideco Jaya Agung (KJA), a company engaged in exploration, development, mining and marketing of coal, under a coal cooperation agreement covering an area located in East Kalimantan, Indonesia. KJA is domiciled in Jakarta and started its commercial operations in 1993. Equity in net profit of KJA includes the amortization of intangible assets resulting from the acquisition of IIC's interest in KJA. The amortization amounted to US$ 6,944,988 each for the years ended December 31, 2013 and 2012.

IIC's investment in KJA was used as collateral on a first priority basis for bonds payable (Note 30).

PT Cirebon Electric Power

In 2007, the Company through its subsidiaries, IPI and III, acquired 19.99% ownership interest in CEP. CEP sells electricity generated by its coal-fired power plant located at Cirebon - West Java, to PT PLN (Persero) and started its commercial operation on July 27, 2012.

The Company's indirect ownership in CEP was used as collateral to a related party's loan facility (Note 49).

PT Sea Bridge Shipping

In October 2008, TPEC established PT Sea Bridge Shipping (SBS), a company engaged in domestic goods shipment. TPEC has 46% ownership interest. SBS is domiciled in Jakarta and started its commercial operations in 2008.

PT Cotrans Asia

In June 2007, TPEC acquired 1,800 shares or 45% ownership in PT Cotrans Asia, a company engaged in coal transportation and transshipment service. PT Cotrans Asia is domiciled in East Kalimantan and started its commercial operations in 2004.

PT Intan Resource Indonesia

IIC owns 866 shares, representing 43.3% of ownership interest in PT Intan Resource Indonesia (IRI), a company engaged in coal trading and mining consultancy. IRI is domiciled in Jakarta and still under development stage.

PT Cirebon Power Services

In February 2010, the Company through its subsidiaries, IPI and III acquired 19.99% of ownership interest in PT Cirebon Power Services (CPS). CPS is engaged in the operation and maintenance of electrical equipment and facilities and started its commercial operations on July 27, 2012. CPS is domiciled in Cirebon - West Java.

The Company's indirect ownership in CPS was used as collateral to a related party's loan facility (Note 49).

Twinstar Shipping Limited

Investment in share of Twinstar Shipping Limited (TSL) represents investment of TRIL, a subsidiary, with 46% ownership interest. Twinstar Shipping Limited is a transshipment company domiciled in Hong Kong and started its commercial operations in 2004.

Investment in TSL has been derecognized in relation to liquidation of TSL on December 18, 2013. The loss incurred amounted to US$ 20,544 was charged to profit and loss.

## 15. CLAIM FOR TAX REFUND

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| Company 2011 fiscal year | 2,334,204 | - |
| IIC 2011 fiscal year | 678,964 | 855,831 |
| IIC 2010 fiscal year | 1,555,350 | 1,960,514 |
| IIC 2006 fiscal year | 2,105,352 | 2,653,788 |
| Petrosea 2011 fiscal year (Note 53c) | 4,153,712 | - |
| Petrosea 2005, 2006 and 2007 fiscal years | 1,300,661 | - |
| KPI 2007, 2008 and 2009 fiscal years | 1,375,278 | 1,375,278 |
| Total | 13,503,521 | 6,845,411 |

Tax Assessment Letters

Company

In January 2013, Directorate General of Taxation (DGT) issued Tax Assessment Letters on the Company's value added tax (VAT) pertaining to the month of December 2011. Based on such assessment letters, the Company's tax overpayment amounted to Rp 12,943 million, compared to Rp 13,898 million being recorded and claimed by the Company.

In February 2013, DGT issued Tax Assessment Letters on the Company's VAT on offshore services and VAT pertaining to the period from January - November 2011, where the Company was assessed for underpayment of Rp 2,186 million and Rp 26,266 million, both inclusive of interest and penalty, respectively (equivalent to US$ 2,334,204).

On the same time, the Company paid such tax obligations and recorded the amount as part of claim for tax refund. The Company then filed appeal against such assessment letters and believes that this tax matter will be resolved in favor of the Company and accordingly, no provision was made as of reporting date.

IIC

**2010 and 2011 Fiscal Years**

In 2010, Directorate General of Taxation (DGT) issued a Tax Collection Letter (TCL) on IIC's tax obligation for income tax article 26 for the June 2010 fiscal period amounting to Rp 9,103 million (equivalent to US$ 746,842 in 2013 and US$ 941,392 in 2012). On the same time, IIC paid such tax obligations, and recorded the amount as part of claim for tax refund. IIC then filed a request letter for reduction or cancellation of TCL from DGT, which was then objected by DGT. IIC filed an appeal against the TCL to Tax Court.

The process in Tax Court is still on going and management believes that the above tax matter will be resolved in favor of IIC and accordingly, no provision was made as of reporting dates.

The same tax status and process also occurred on IIC's tax obligation for income tax article 26 for the December 2010 and June 2011 fiscal periods, where on these tax obligations, DGT issued TCL amounting to Rp 9,855 million (equivalent to US$ 808,508 in 2013 and US$ 1,019,122 in 2012) and Rp 8,276 million (equivalent to US$ 678,964 in 2013 and US$ 855,831 in 2012), respectively, in December 2011. These amounts were recorded under claim for tax refund.

Management believes that the above tax matters will be resolved in favor of IIC and accordingly, no provision was made as of reporting dates.

**2006 Fiscal Year**

In 2010, DGT conducted an audit of the tax obligations of IIC pertaining to year 2006, which include corporate income tax, income taxes article 21, 23 (fiscal period of April-June 2006 and October 2006), value added tax (VAT) on offshore services (fiscal period May-June 2006 and August-October 2006) and VAT (fiscal period January-December 2006). Based on the tax assessment and collection letters issued by DGT dated November 18, 2010, total tax underpayment and related interest amounted to Rp 58,247 million (equivalent to US$ 6,478,362 in 2010), comprising of underpayment of corporate income tax of Rp 57,850 million (equivalent to US$ 6,436,993 in 2010), VAT on offshore services of Rp 207 million (equivalent to US$ 22,985 in 2010), and withholding tax article 21 of Rp 190 million (equivalent to US$ 21,166 in 2010).

At the same time, IIC paid the whole tax obligations. IIC filed an appeal against the assessment letters on corporate income tax with the Tax Office amounting to Rp 57,850 million (equivalent to US$ 6,436,993 in 2010) and recorded the payment of tax assessment letter and tax collection letter as part of claim for tax refund.

In June 2011, DGT issued a revised tax assessment letter on corporate income tax, reducing the underpayment from Rp 57,850 million (equivalent to US$ 6,379,576 in 2011) into Rp 25,638 million (equivalent to US$ 2,829,951 in 2011). A refund of Rp 32,212 million (equivalent to US$ 3,552,322 in 2011) was received by IIC in July 2011. At the same time, IIC is also claiming interest income on the revised tax amount of Rp 3,865 million (equivalent to US$ 426,279 in 2011).

In June 2012, Tax Court has resolved the interest income claim in favor of IIC, however until the issuance date of the consolidated financial statement, IIC has not yet received such interest payment.

While on the remaining amount of Rp 25,638 million (equivalent to US$ 2,105,352 in 2013 and US$ 2,653,788 in 2012), DGT has rejected the objection. As a response, IIC filed an appeal and such appeal process is still on-going at reporting date.

Management believes that the above tax matter will be resolved in favor of IIC and accordingly, no provision was made as of reporting dates.

PT Petrosea Tbk

In 2013, Petrosea has claimed the overpayment of Value Added Tax for the months of October, November and December year 2011 amounting to Rp 87,338,565,314 (Note 53).

On May 16, 2013, Petrosea received Overpayment Tax Assessment Letter for September 2011 Value Added Tax, amounting to Rp 47,838,413,110 from total of Rp 47,843,562,721 that claimed. The difference between the amount claimed and the amount in Tax Assessment Letter was recorded as expense. Petrosea has received the overpayment of the September 2011 Value Added Tax on June 20, 2013.

| | Joint Operations | Period | | Tax Overpayment (Underpayment) |
|---|---|---|---|---|
| VAT - domestic service | PLO JO | July 2009 | Rp | (4,701,200) |
| VAT - domestic service | PLO JO | December 2010 | Rp | 2,181,012,494 |
| Income tax article 26 | PC JO | Year 2005 | Rp | (12,505,239,916) |
| Income tax article 26 | PC JO | Year 2006 | Rp | (14,226,200,433) |
| Income tax article 26 | PC JO | Year 2007 | Rp | (3,371,062,321) |

On October 21, 2013, PC JO, jointly-controlled entity Petrosea, received Underpayment Tax Assessment Letters for income tax article 26 period 2005-2007. At the same time, PC JO paid the whole tax obligations and filed an appeal against the assessment letter on income tax article 26. PC JO recorded the payment of tax assessment letter as part of claim for tax refund.

PT Kuala Pelabuhan Indonesia (KPI)

KPI's claim for tax refund pertains to tax appeal for various assessments. KPI filed an appeal to the Tax Court as the Directorate General of Tax rejected all of KPI's objection. Until the issuance date of the consolidated financial statements, KPI has not yet received any decision from the Tax Court.

## 16. DEFERRED EXPENDITURES

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| Exploration and evaluation assets | 24,936,693 | 15,321,641 |
| Mining properties | 13,257,221 | 7,462,393 |
| Deferred stripping cost | 2,308,390 | 2,308,390 |
| Total | 40,502,304 | 25,092,424 |

Exploration and evaluation assets

| | December 31, 2013 | | | |
|---|---|---|---|---|
| | Beginning balance | Addition | Write-off | Ending balance |
| | US$ | US$ | US$ | US$ |
| Baliem | 10,492,059 | 5,652,112 | - | 16,144,171 |
| MEA | 2,912,311 | 1,328,101 | - | 4,240,412 |
| Kananai & Malintut | 1,917,271 | 2,634,839 | - | 4,552,110 |
| Southwest Bird's Head | - | 4,608,760 | (4,608,760) | - |
| Total | 15,321,641 | 14,223,812 | (4,608,760) | 24,936,693 |

| | December 31, 2012 | | | | |
|---|---|---|---|---|---|
| | Beginning balance | From Acquisition | Addition | Write-off | Ending balance |
| | US$ | US$ | US$ | US$ | US$ |
| Baliem | 4,995,226 | - | 7,289,771 | (1,792,938) | 10,492,059 |
| MEA | - | 1,891,422 | 1,020,889 | - | 2,912,311 |
| Kananai & Malintut | - | - | 1,917,271 | - | 1,917,271 |
| Total | 4,995,226 | 1,891,422 | 10,227,931 | (1,792,938) | 15,321,641 |

As at December 31, 2013, management of IMDE, has internally reviewed the current existing progress of exploration done in relation to its participation interest in Block Southwest Bird's Head Production Sharing Contract (PSC). The review indicated that the carrying amount of the respective exploration and evaluation asset is unlikely to be recovered from the successful development. At this stage, management of IMDE decided to decrease the economic value of the respective assets, while simultaneously waiting for the final results on the series of ongoing analysis and studies performed by the operator to determine the continuity of the block (Note 40).

Mining properties

This account represents costs transferred from exploration and evaluation assets related to an area of interest, technical feasibility and commercial viability of which are demonstrable, and subsequent costs to develop the mine to the production phase.

| | January 1, 2013 | Additions | December 31, 2013 |
|---|---|---|---|
| | US$ | US$ | US$ |
| Cost | 9,623,322 | 6,854,166 | 16,477,488 |
| Accumulated amortization | (2,160,929) | (1,059,338) | (3,220,267) |
| Net carrying amount | 7,462,393 | | 13,257,221 |

| | January 1, 2012 | Additions due to acquisitions of MEA and MTU at fair value | Additions | December 31, 2012 |
|---|---|---|---|---|
| | US$ | US$ | US$ | US$ |
| Cost | - | 9,623,322 | - | 9,623,322 |
| Accumulated amortization | - | (1,498,037) | (662,892) | (2,160,929) |
| Net carrying amount | - | | | 7,462,393 |

Deferred stripping cost

As of December 31, 2013 and 2012, deferred stripping cost amounted to US$ 2,308,390, respectively.

In 2013, production process in MTU has not started because MTU was still in the process of obtaining the *Izin Pinjam Pakai Kawasan Hutan* for coal production activities and its related infrastructure and mine area, which was obtained only on November 19, 2013.

## 17. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

| | Domicile | Percentage of Ownership | December 31, 2013 | December 31, 2012 |
|---|---|---|---|---|
| | | % | US$ | US$ |
| PT Santan Batubara (SB) | Kalimantan | 50 | | |
| Beginning balance | | | 22,777,148 | 20,327,000 |
| Equity in (loss) profit | | | (4,292,355) | 2,450,148 |
| Ending balance | | | 18,484,793 | 22,777,148 |
| PT Tirta Kencana Cahaya Mandiri (TKCM) | Tangerang | 47 | | |
| Beginning balance | | | 2,751,536 | 2,565,000 |
| Equity in profit | | | 273,127 | 308,980 |
| Dividends received | | | (407,062) | (122,444) |
| Ending balance | | | 2,617,601 | 2,751,536 |
| Total | | | 21,102,394 | 25,528,684 |

In 1998, Petrosea purchased a 50% interest in SB, a company domiciled in Jakarta with project location in Kalimantan, and is engaged in exploring, mining, treating and selling coal, at a cost of US$ 100 thousand. In 2009, SB started its commercial operations.

Since 2004, Petrosea held a 47% interest in TKCM, a company engaged in the water treatment business.

Based on the conditional sale and purchase agreement dated November 29, 2013 between Petrosea and PT Tanah Alam Makmur, Petrosea agreed to sell its investment in TKCM. As of reporting date, such sale and purchase has not been executed yet because of on-going process of approval.

The summary of financial information in respect of the jointly-controlled entities is set out below:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| Total assets | 69,441,959 | 97,650,918 |
| Total liabilities | 38,678,792 | 57,023,149 |
| Net assets | 30,763,167 | 40,627,769 |
| Total revenue for the year | 144,610,309 | 230,679,291 |
| Net (loss) profit for the year | (8,003,588) | 5,556,804 |

## 18. JOINT OPERATIONS

| Joint Venturers | Method of sharing result | Participating interest | Duration |
|---|---|---|---|
| | | Percentage | |
| Total E&P Indonesie West Papua | Profit sharing | 10% | On-going |
| PT Saipem Indonesia and PT Chiyoda International Indonesia | Profit sharing | 38% | On-going |

On February 20, 2013, PT Indika Multi Daya Energi (IMDE), a subsidiary, signed Farmout Agreement with TOTAL E&P Indonesie West Papua (TOTAL), a subsidiary of TOTAL SA, to acquire a 10% participating interest in the Southwest Bird's Head Production Sharing Contract (PSC), while TOTAL as operator will hold the remaining 90% interest.

The exploration block of South West Bird's Head PSC is located in the on-offshore Salawati Basin of the Province of West Papua, covering an area 7,176 square-km.

Given that the conditions precedents in the Farmout Agreement had been fulfilled and the approval from the Government of the Republic of Indonesia, had been obtained represented by the ministry who had the authority in the oil and gas sector regarding the transfer of 10% participating interest of Southwest Bird's Head working area, IMDE and Total completed the transfer of 10 % participating interest of Southwest Bird's Head PSC from Total to IMDE by signing the Deed of Assignment dated 27 May 2013.

In 2013, TPEC entered an unincorporated joint venture agreement with PT Saipem Indonesia and PT Chiyoda International Indonesia known as the STC Joint Operation (or STC JO) in which joint control is exercised. The Company's share is 38%.

STC JO formed a consortium with Hyundai Heavy Industries Co Ltd (HHI), on the purpose of submitting a bid to ENI Muara Bakau B.V. (ENI), to do provision and installation of New Built Barge Floating Production Unit (Hull, Topside and Mooring System) for Jangkrik and Jangkrik North East (known as ENI Jangkrik Project).

In December 2013, ENI has issued a letter awarding the consortium of STC JO and HHI for the ENI Jangkrik project, and a letter to start the early works of the project. The contract signed on February 28, 2014.

Each participant in the above joint operations shall share the rights, benefits, liabilities, obligations, risk, expenses, net profit or net loss in proportion to their respective participating interest, subject to any subsequent changes in the share of profit made pursuant to the joint operation agreements.

The following amounts are included in the Company and its subsidiaries consolidated financial statements before impairment (Note 16):

| | Carrying amount | |
|---|---|---|
| | December 31, 2013 | December 31, 2012 |
| | US$ | US$ |
| Current assets | 1,673,420 | - |
| Non-current assets | 4,796,379 | - |
| Current liabilities | 1,760,061 | - |
| Non-current liabilities | - | - |
| Income | 1,005,903 | - |
| Expenses | 1,108,122 | - |

## 19. ADVANCES AND OTHER NON-CURRENT ASSETS

| | Carrying amount | |
|---|---|---|
| | December 31, 2013 | December 31, 2012 |
| | US$ | US$ |
| Advances for investments | | |
| PT Intan Cempaka Perkasa | 3,664,534 | 4,622,854 |
| Investment in shares of stock | | |
| PT Sarana Riau Ventura | 1,211 | 1,211 |
| Advances for purchases of property and equipment | 7,141 | 7,058,867 |
| Unamortized transaction cost - Notes IV (Note 30) | - | 1,344,036 |
| Restricted fund | | |
| U.S. Dollar | | |
| Standard Chartered Bank | 204,284 | - |
| PT Bank ANZ Indonesia | 204,284 | - |
| PT Bank Internasional Indonesia Tbk | 150,000 | 150,000 |
| Others | 2,017,080 | 788,870 |
| Total | 6,248,534 | 13,965,838 |

PT Intan Cempaka Perkasa

IIC entered into Exploration and Development of Coal Concession Area Agreements with PT Intan Cempaka Perkasa (ICP) dated August 5 and 11, 2008, in which ICP agreed to act on behalf of and for the benefit of IIC to explore, find and/or develop coal concession areas in Indonesia, either as Mining Right (IUP) or Coal Contract of Work (CCoW). Based on the agreements, IIC agreed to provide funding for the exploration or development of coal concession activities up to the maximum amount of Rp 91,209,000 thousand and Rp 137,650,000 thousand, respectively, in which Rp 228,761,000 thousand (equivalent to US$ 24,981,225) was paid in advance by IIC.

The agreements are valid for one year, effective from the signing date of each of the above agreements. IIC has the right to terminate the agreement at any time and for any reasons by giving a 7 days advance notice to ICP. If until the termination date of each agreement, ICP still cannot fulfill its obligation under these agreements or the agreements were early terminated by IIC, then ICP should refund the advance to IIC, net of all expenses paid-out by ICP related to its obligation under the agreements, within certain period as specified in the agreements. In accordance with the agreements, ICP agreed to give its 75 shares currently owned by PT Citra Bayu Permata as well as the other assets owned by ICP, including its mining concession rights, as collaterals.

Following the expiration of the agreements with ICP, the agreements have been amended several times, among others, through agreement dated August 5, 2010, where IIC and ICP agreed to amend certain articles in the previous agreements, among others, as follows:

- IIC will pay ICP Rp 20 billion (equivalent to US$ 2,233,140) to compensate all expenses paid out by ICP related to its obligations under the previous agreements, which management believes relate to its project with CV Tiga Serangkai Binuang. Such amount was recorded as part of intangible assets with estimated useful lives of 2 years and were fully amortized in 2011.

- Rp 73,761,000 thousand (equivalent to US$ 7,627,818 as of December 31, 2012) will be used to locate, explore and/or develop coal concession areas in Indonesia. ICP was given a one-year limitation period for the above activities, or ICP should refund the advance to IIC, net of all expenses paid-out by ICP related to the above obligations.

During the period of the agreement up to December 31, 2013, IIC received several times refunds of advances totaling Rp 184 billion.

The agreement was last amended on January 31, 2013, wherein both IIC and ICP agreed on the following:

- To extend the agreement until August 5, 2014; and

- To refund to IIC the advance of Rp 29,058 million in February 2013 and advance of Rp 44,703 million.

Based on the above agreement, the advance of Rp 29,058,000 thousand (equivalent to US$ 3,004,964) as of December 31, 2012 was reclassified to other accounts receivable from third parties accordingly (Note 10).

On February 11, 2013, IIC received the refund for the advance amounting Rp 29,058 million (equivalent to US$ 3,004,964) from ICP (Note 10).

Advances for purchase of property and equipment

Advances for purchases of property and equipment in 2012 mainly consist of advances made by MBSS, for the purchase of vessels. In 2013, this advances have been fully settled.

## 20. INVESTMENT PROPERTY

| | December 31, 2013 | | | |
|---|---|---|---|---|
| | Beginning balance | Additions | Transfer to property, plant and equipment (Note 21) | Ending balance |
| | US$ | US$ | US$ | US$ |
| Cost of building | 1,610,125 | - | (1,610,125) | - |
| Accumulated depreciation | (655,548) | (47,868) | 703,416 | - |
| Net Book Value | 954,577 | (47,868) | (906,709) | - |

| | December 31, 2012 | | |
|---|---|---|---|
| | Beginning balance | Additions | Ending balance |
| | US$ | US$ | US$ |
| Cost of building | 1,610,125 | - | 1,610,125 |
| Accumulated depreciation | (512,812) | (142,736) | (655,548) |
| Net Book Value | 1,097,313 | (142,736) | 954,577 |

Investment property consists of building of 636.86 sqm owned by MBSS at Graha Irama Building floor 8, Jl. H.R. Rasuna Said, Kuningan, South Jakarta. This investment property is rented to third parties until 2012.

In 2013, investment property is transferred to property, plant and equipment since MBSS has used the building for operational activities.

On December 31, 2012, the building was insured with PT Sompo Japan Insurance Indonesia, a third party, against possible losses with sum insured of US$ 539,590. Management believes that the amount is adequate to cover possible losses on the assets insured.

This investment property was pledged as collateral for bank loans (Note 24). As of December 31, 2012, the loan has been fully repaid and mortgage on the investment property has been released.

## 21. PROPERTY, PLANT AND EQUIPMENT

| | January 1, 2013 | Additions | Deductions | Translation adjustments | Reclassifications | Transfer from investment property (Note 20) | Transfer to non-current assets held for sale | December 31, 2013 |
|---|---|---|---|---|---|---|---|---|
| | US$ | US$ | US$ | US$ | US$ | US$ | US$ | US$ |
| At cost: | | | | | | | | |
| Direct acquisitions | | | | | | | | |
| Land | 38,633,258 | 1,074,626 | - | (167,968) | 20,468,187 | - | - | 60,008,103 |
| Buildings, leasehold and improvements | 86,252,373 | 1,816,234 | - | (176,391) | (19,132,242) | 1,610,125 | - | 70,370,099 |
| Office furniture, fixture and other equipment | 27,774,104 | 1,069,482 | 1,544,970 | (1,372) | 1,957,571 | - | - | 29,254,815 |
| Vessels | 344,762,193 | 4,649,072 | - | - | 3,776,108 | - | (725,000) | 352,462,373 |
| Motor vehicles and helicopter | 24,517,622 | 1,136,527 | 1,177,768 | (86,985) | - | - | - | 24,389,396 |
| Machinery and equipment | 2,596,082 | 830,745 | - | (239,858) | 208,929 | - | - | 3,395,898 |
| Plant, equipment, heavy equipment and vehicles | 168,073,285 | 2,169,175 | 24,378,553 | - | 10,783,967 | - | (192,624) | 156,455,250 |
| Construction in-progress | 16,246,360 | 25,641,361 | 251,770 | - | (20,506,628) | - | - | 21,129,323 |
| Leased assets | | | | | | | | |
| Plant, equipment, heavy equipment and vehicles | 300,146,683 | 8,369,987 | 18,438,808 | - | 13,207,189 | - | - | 303,285,051 |
| Construction in-progress | 736,000 | 11,953,918 | - | - | (10,763,081) | - | - | 1,926,837 |
| Total | 1,009,737,960 | 58,711,127 | 45,791,869 | (672,574) | - | 1,610,125 | (917,624) | 1,022,677,145 |
| Accumulated depreciation: | | | | | | | | |
| Direct acquisitions | | | | | | | | |
| Buildings, leasehold and improvements | 22,827,282 | 8,464,954 | - | (27,752) | - | 703,416 | - | 31,967,900 |
| Office furniture, fixture and other equipment | 14,407,413 | 5,269,550 | 1,300,782 | (3,423) | (61,749) | - | - | 18,311,009 |
| Vessels | 61,279,764 | 23,418,307 | - | - | - | - | (169,922) | 84,528,149 |
| Motor vehicles and helicopter | 7,113,153 | 3,159,655 | 1,050,467 | (43,069) | - | - | - | 9,179,272 |
| Machinery and equipment | 358,452 | 319,438 | - | - | (68,637) | - | - | 609,253 |
| Plant, equipment, heavy equipment and vehicles | 55,836,133 | 19,354,707 | 13,096,769 | (68,184) | 130,386 | - | (148,309) | 62,007,964 |
| Leased assets | | | | | | | | |
| Plant, equipment, heavy equipment and vehicles | 95,255,222 | 37,556,277 | 13,529,892 | - | - | - | - | 119,281,607 |
| Total | 257,077,419 | 97,542,888 | 28,977,910 | (142,428) | - | 703,416 | (318,231) | 325,885,154 |
| Net Book Value | 752,660,541 | | | | | | | 696,791,991 |

| | January 1, 2012 | Additions due to acquisition of MEA and MTU at fair value | Additions | Deduction | Translation adjustments | Reclassifications | Transfer from deferred expenditures | December 31, 2012 |
|---|---|---|---|---|---|---|---|---|
| | US$ | US$ | US$ | US$ | US$ | US$ | US$ | US$ |
| At cost: | | | | | | | | |
| Direct acquisitions | | | | | | | | |
| Land | 37,212,031 | 239,287 | 60,747 | - | (21,969) | 190,477 | 952,685 | 38,633,258 |
| Buildings, leasehold and improvements | 60,260,114 | 19,385,021 | 73,851 | - | (62,308) | 6,595,695 | - | 86,252,373 |
| Office furniture, fixture and other equipment | 22,136,877 | 54,362 | 3,019,185 | - | (1,619) | 2,565,299 | - | 27,774,104 |
| Vessels | 269,227,199 | - | 30,810,470 | - | - | 44,724,524 | - | 344,762,193 |
| Motor vehicles and helicopter | 18,804,438 | 1,824,570 | 7,694,313 | 3,776,763 | (28,936) | - | - | 24,517,622 |
| Machinery and equipment | 98,234 | 2,408,431 | 89,417 | - | - | - | - | 2,596,082 |
| Plant, equipment, heavy equipment and vehicles | 189,232,994 | 128,601 | 62,941,684 | 101,416,974 | (74,224) | 17,261,204 | - | 168,073,285 |
| Leased assets | | | | | | | | |
| Plant, equipment, heavy equipment and vehicles | 167,742,069 | - | 103,823,445 | 10,330,191 | - | 38,911,360 | - | 300,146,683 |
| Construction in-progress | 24,532,524 | 4,492 | 104,590,893 | 468,098 | - | (111,677,451) | - | 16,982,360 |
| Total | 789,246,480 | 24,044,764 | 313,104,005 | 115,992,026 | (189,056) | (1,428,892) | 952,685 | 1,009,737,960 |
| Accumulated depreciation: | | | | | | | | |
| Direct acquisitions | | | | | | | | |
| Buildings, leasehold and improvements | 15,668,512 | - | 7,163,851 | - | (5,081) | - | - | 22,827,282 |
| Office furniture, fixture and other equipment | 9,881,881 | - | 4,526,226 | - | (694) | - | - | 14,407,413 |
| Vessels | 41,201,204 | - | 20,078,560 | - | - | - | - | 61,279,764 |
| Motor vehicles and helicopter | 8,046,376 | - | 2,479,259 | 3,402,460 | (10,022) | - | - | 7,113,153 |
| Machinery and equipment | 83,351 | - | 275,101 | - | - | - | - | 358,452 |
| Plant, equipment, heavy equipment and vehicles | 49,824,127 | - | 21,197,555 | 15,161,000 | (13,048) | (11,501) | - | 55,836,133 |
| Leased assets | | | | | | | | |
| Plant, equipment, heavy equipment and vehicles | 74,351,536 | - | 29,595,742 | 7,274,665 | - | (1,417,391) | - | 95,255,222 |
| Total | 199,056,987 | - | 85,316,294 | 25,838,125 | (28,845) | (1,428,892) | - | 257,077,419 |
| Net Book Value | 590,189,493 | | | | | | | 752,660,541 |

Depreciation expense was allocated to the following:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| Cost of contracts and goods sold (Note 36) | 85,389,565 | 72,703,561 |
| General and administrative expenses (Note 37) | 12,153,323 | 11,816,086 |
| Others (Note 40) | - | 796,647 |
| Total | 97,542,888 | 85,316,294 |

Details of the loss on sale of property, plant and equipment are as follows:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| Net carrying amounts: | | |
| Property, plant and equipment | 8,731,900 | 6,260,901 |
| Non-current assets held for sale | - | 3,150,000 |
| Sale and leaseback assets | 8,082,059 | 83,893,000 |
| Proceeds from disposal of: | | |
| Property, plant and equipment and non-current assets held for sale | 2,372,746 | 4,606,993 |
| Sale and leaseback assets | 8,082,059 | 83,893,000 |
| Loss on disposal of property, plant and equipment and non-current assets held for sale (Note 40) | (6,359,154) | (4,803,908) |

Details of constructions in-progress as of December 31, 2013, are as follows:

| | December 31, 2013 | | |
|---|---|---|---|
| | Percentage of Completion | Accumulated Costs | Estimated Year of Completion |
| | | US$ | |
| Building | 0 - 95% | 8,729,214 | 2014 |
| Office furniture and fixtures | 2 - 50% | 954,565 | 2014 |
| Vessels | 80 - 90% | 3,305,822 | 2014 |
| Plant, equipment, heavy equipment and vehicles | 58 - 70% | 10,066,559 | 2014 |
| Total | | 23,056,160 | |

Management does not foresee any events that may prevent the completion of the constructions in-progress.

MBSS intended to sell its property, plant and equipment with carrying amount of US$ 599,393. As of December 31, 2013, those assets are reclassified to non-current asset held for sale and with impaired loss of US$ 435,626.

Petrosea owns several pieces of land located in West Nusa Tenggara, Kabupaten Paser East Kalimantan and Timika measuring 151,677 square meters with “Building Use Rights” for a period of 20 and 30 years, respectively, until 2028, 2029 and 2030.

TPEC owns several pieces of land located in Jakarta with Building Use Rights (*Hak Guna Bangunan* or HGB) for 20 years until 2029.

TPE owns several pieces of land located in Banyuraden Village, Subdistrict of Gamping, Disctrict of Sleman, Yogyakarta. Until the date of issuance of these financial statements, Building Use Rights (HGB) are still in process.

Following the adoption of ISAK 25 (revised 2011), the deferred charges for land rights amounting to US$ 952,685 was reclassified to cost of land in 2012. Such costs incurred in connection with the legal processing of the land rights.

Management believes that there will be no difficulty in the extension of the land rights since all the land were acquired legally and supported by sufficient evidence of ownership.

**Property, plant and equipment used as collateral**

As of December 31, 2013, certain heavy equipment of Petrosea with a carrying amount of US$ 6,969 thousand and several pieces of land at Timika and Sumbawa with carrying amount of US$ 387 thousand are used as collateral for bank facilities obtained from PT. Bank ANZ Indonesia (Note 24). Based on the Credit Facility Agreement with PT. Bank ANZ Indonesia, the piece of land were valued at an aggregate amount of Rp 20 billion as of the date of the agreement.

Petrosea entered into sale and leaseback agreements for its heavy equipment with a financing company for a period of 4–5 years.

Leased assets are used as collateral for the lease liabilities (Note 29).

On December 31, 2013, MBSS vessels with carrying amount of US$ 149,712,027 are pledged as collateral for bank loans and long-term bank loans.

As of December 31, 2012, MBSS vessels namely: Finacia 52, 53, 61 and 62 with carrying amount of US$ 4,491,295 are used as collateral loan to Entebe Shipping Pte, Ltd. The loan has been fully paid in January 2013 and the mortgage of the related collaterals has been released.

TPEC owns the office unit under strata title of TS, which has legal term of 99 years until February 2088. This property is used to secure banking facilities granted by DBS Bank Ltd., Singapore Branch (Note 28).

The HGB No. 1545 and 1576 are used as collateral for credit facilities obtained by TPEC from PT Bank Mandiri (Persero) Tbk (Notes 24 and 49).

As of December 31, 2013, included in property, plant and equipment of MBSS is vessel FC Princesse Rachel and FC Vittoria wherein PT Kideco Jaya Agung, a related party, has an option to purchase such asset at the 60$^{th}$ month or at the end of the contract period (Note 49).

Property, plant and equipment, except land, are insured with various insurance companies against fire, theft and other possible risk to various insurance companies, as follows:

| Insurance company | Currency | Sum insured December 31, 2013 |
|---|---|---|
| PT Asuransi AXA Indonesia | Rp | 26,818,500,000 |
| PT Zurich Insurance Indonesia | Rp | 29,670,344,000 |
| PT Asuransi Jaya Proteksi | Rp | 13,301,543,250 |
| PT Asuransi Tokio Marine Indonesia | Rp | 1,200,000,000 |
| Asuransi Astra Buana | Rp | 1,023,032,512 |
| PT Asuransi Wahana Tata | US$ | 473,191,000 |
| PT Asuransi Himalaya Pelindung | US$ | 9,806,014 |
| PT Asuransi Raksa Pratikara | Rp | 5,476,700,000 |
| Bina Griya General Insurance | Rp | 6,380,100,000 |
| PT Tri Dharma Proteksi | US$ | 600,856 |
| PT Victoria Insurance | Rp | 656,500,000 |
| Tripa Insurance | Rp | 151,000,000 |
| Asuransi Rama Satria Wibawa | Rp | 7,338,963,124 |
| | US$ | 183,040,500 |
| PT Asuransi ACA | Rp | 2,321,000,000 |
| PT Asuransi MSIG Indonesia | US$ | 645,000 |
| Asuransi Ramayana | Rp | 1,000,000,000 |
| PT Chartis Insurance Indonesia | Rp | 1,300,000,000 |
| Asuransi Mitramaparya | US$ | 51,471,000 |
| PT Sompo Japan Insurance Indonesia | US$ | 539,590 |

Management believes that the insurance coverages are adequate to cover possible losses on the assets insured.

Fair value of property, plant and equipment of the Company and its subsidiaries as of December 31, 2013 amounted to US$ 728,745,337.

As of December 31, 2013, property, plant and equipment includes assets with acquisition cost of US$ 17,581,391, that are already depreciated in full but are still in use.

## 22. INTANGIBLE ASSETS

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| PT Multi Tambangjaya Utama | 184,492,190 | 191,723,591 |
| PT Mitrabahtera Segara Sejati Tbk | 79,553,821 | 98,272,367 |
| PT Mitra Energi Agung | 48,803,667 | 58,099,603 |
| PT Petrosea Tbk | 1,405,622 | 3,173,423 |
| PT Citra Indah Prima and Indika Capital Pte. Ltd., Singapore | - | 15,331,051 |
| System development and computer software | 5,781,626 | 5,220,802 |
| Net book value at end of year | 320,036,926 | 371,820,837 |

Changes in intangible assets are as follows:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| Beginning balance | 371,820,837 | 142,119,028 |
| Addition | 2,746,686 | 2,799,249 |
| Addition due to acquisition of subsidiaries | - | 260,953,111 |
| Impairment on intangible asset | (14,106,461) | - |
| Current year amortization | (40,424,136) | (34,050,551) |
| Ending balance | 320,036,926 | 371,820,837 |

PT Multi Tambangjaya Utama

The intangible assets resulted from the acquisition of MTU, a company engaged in business of mining activities with CCoW area located in the North and South Barito - Central Kalimantan.

Fair value of the intangible assets was based on a valuation report prepared by an independent appraiser. The valuation is based on income approach with Excess Earning method.

The intangible assets include costs amounting to US$ 9.2 million with regard to purchase of Distribution Rights and Obligations to support MTU's sales of coal.

The intangible asset is amortized over the estimated useful life of 27 years.

PT Mitrabahtera Segara Sejati Tbk

The intangible assets resulted from the acquisition of MBSS and its subsidiaries, which mainly pertains to the long-term contracts of MBSS (Note 49).

Fair value of the intangible assets was based on a valuation report prepared by an independent appraiser. The valuation is based on income approach with Excess Earning method.

The intangible asset is amortized over the estimated useful life of 7 years.

In addition to the long-term contracts of MBSS, intangible assets included the computer software of MBSS.

PT Mitra Energi Agung

The intangible assets resulted from the acquisition of MEA, a company engaged in business of mining activities under the Company Mining Coal Exploration Permit located in the East Kutai – East Kalimantan.

Fair value of the intangible assets was based on a valuation report prepared by an independent appraiser. The valuation is based on income approach with Excess Earning method.

The intangible assets is amortized over the estimated useful life of 7 years.

PT Petrosea Tbk

The intangible asset resulted from the acquisition of PT Petrosea Tbk (Petrosea) and its subsidiaries, which pertains to the long-term contracts of Petrosea (Note 49).

Fair value of the intangible asset was based on a valuation report prepared by an independent appraiser. The valuation is based on income approach with Excess Earning method.

The intangible assets is amortized over its estimated useful life of 5 years.

PT Citra Indah Prima and Indika Capital Pte. Ltd., Singapore

The intangible asset resulted from the acquisition of CIP and pertains to the exploration mining licenses (IUP) of coal concession areas located in West Kalimantan owned by SR and MRM, the subsidiaries of CIP.

Fair value of the intangible asset was based on a valuation report prepared by an independent appraiser. The valuation is based on income approach with discounted cash flow method.

The intangible asset is amortized over its estimated useful life of 14 years.

The mining licenses for SR and MRM expired in November 2013. Considering whether to renew such licenses, management reviewed the current results of exploration done in these areas of interest and came to a conclusion that there would be no future economic benefits from such areas. Thus in 2013, the intangible assets related to the acquisitions of such areas were impaired.

System Development and Computer Software

The intangible asset mainly relates to the development of the Company's and its subsidiaries integrated computer system.

The intangible asset is amortized over its estimated useful life of 3-5 years.

## 23. GOODWILL

This account represents the excess of acquisition cost over the Company's interest in the fair value of the net assets of subsidiaries net of accumulated impairment.

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| PT Multi Tambangjaya Utama (Note 1) | 56,745,431 | 56,745,431 |
| PT Petrosea Tbk and its subsidiaries | 28,978,661 | 28,978,661 |
| PT Mitrabahtera Segara Sejati Tbk and its subsidiaries | 33,730,009 | 33,730,009 |
| PT Wahida Arta Guna Lestari | - | 415,997 |
| PT Satya Mitra Gas | - | 73,343 |
| Net carrying amount | 119,454,101 | 119,943,441 |

In 2013, management provided an impairment on its goodwill from WAGL and SMG amounting to US$ 415,997 and US$ 73,343, respectively, on the consideration of the future economic benefits of such businesses (Note 40).

Management believes that impairment of goodwill as of December 31, 2013 and 2012 is adequate.

## 24. BANK LOANS

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| U.S. Dollar | | |
| PT Bank ANZ Indonesia | 12,500,000 | 12,500,000 |
| Syndicated loan | 12,346,478 | - |
| PT Bank Mandiri (Persero) Tbk | 9,000,000 | 53,500,000 |
| Standard Chartered Bank | 2,831,904 | 75,000,000 |
| PT Bank International Indonesia Tbk | 1,000,000 | 7,346,478 |
| UBS AG, Singapore Branch | - | 75,000,000 |
| Citibank, N.A., Indonesia | - | 50,000,000 |
| PT Bank DBS Indonesia | - | 3,000,000 |
| PT Bank Permata Tbk | - | 3,000,000 |
| Total principal loan | 37,678,382 | 279,346,478 |
| Unamortized transaction costs | - | (2,689,444) |
| Accrued interest | 57,011 | 94,611 |
| Total | 37,735,393 | 276,751,645 |
| Interest rates per annum | | |
| U.S. Dollar | 2.75% - 6% | 2.75% - 6% |

### PT. Bank ANZ Indonesia

On April 23, 2010, Petrosea and PT Bank ANZ Indonesia (ANZ) entered into a Credit Facility Agreement whereby Petrosea was granted a bank guarantee facility amounting to US$ 10 million.

On May 13, 2011, Petrosea and ANZ agreed to amend the Credit Facility Agreement. Under the amended agreement, the bank loan facilities have maximum amount of US$ 22.5 million, consisting of bank guarantees of US$ 10 million and working capital loan of US$ 12.5 million, with interest rate of LIBOR plus 2.5% per annum and will mature within one year and extendable upon the agreement of both parties.

Petrosea and ANZ agreed to extend the credit facility until September 30, 2014.

Any overdue principal and interest shall carry interest at 2.5% per annum above the stipulated interest rate.

These loans are collateralized by certain trade accounts receivable and property, plant and equipment of Petrosea and Letter of Awareness from the Company (Notes 7 and 21).

The agreement relating to the above loan facilities contain certain covenants, among other things, Petrosea shall not do the following actions without prior written approval from the bank:

- any change in the shareholders of the parent company; and
- any merger or consolidation with any other company.

In addition, Petrosea shall notify ANZ of the following:

- any change in the ownership of the shareholders of the parent company; and
- dividend payment.

As of December 31, 2013 and 2012, the outstanding balance of this loan amounted to US$ 12,500,000, respectively.

**Syndicated Loan**

On May 23, 2013, MBSS obtained a club deal loan facility from PT Bank ANZ Indonesia (ANZ) and Standard Chartered Bank (SCB) amounting to US$ 59,085,238 which consist of Term Loan Facility amounting to US$ 46,738,760 and Revolving Credit Facility amounting to US$ 12,346,478.

This Revolving Credit facility is obtained to refinance loan in PT Bank Internasional Indonesia Tbk, PT Bank DBS Indonesia and PT Bank Permata Tbk.

This facility is obtained related to MBSS's loan refinancing. This Revolving Credit Facility has an interest rate of 3% above LIBOR. This facility can be extended for the next 12 months period on each anniversary date of the facility.

The facility has the same collateral and covenants as those of the long term syndicated loan facility (Note 28).

As of December 31, 2013 and 2012, the outstanding balance of the syndicated loan amounted to US$ 12,346,478 and nil, respectively.

**PT Bank Mandiri (Persero) Tbk**

In 2010, TPEC obtained a working capital credit facility from PT Bank Mandiri (Persero) Tbk, with maximum amount of US$ 35,000,000. The credit facility was extended until November 5, 2014 with 6% interest rate per annum. Interest and financing cost of this facility amounting to US$ 289,000.

The above facility together with other credit facilities (Note 49j) are secured by certain trade accounts receivable/project claim (Note 7) amounting to Rp 197.22 billion equivalent to (US$ 16,180,162), and US$ 50,000,000, time deposit placed at the same bank amounting to US$ 2,150,000 (Note 6), and certain land and building certificate (SHGB) (Note 21).

On July 18, 2012, the Company obtained a working capital credit facility from PT Bank Mandiri (Persero) Tbk, with maximum amount of US$ 35,000,000, which should be applied towards its working capital and corporate purposes. The credit facility bears interest rate per annum at 4.5% above LIBOR, payable every 3 months. This loan was fully paid in February 2013.

On July 18, 2012, the Company obtained a Revolving Working Capital Credit facility (KMK) from PT Bank Mandiri (Persero) Tbk, with maximum amount of US$ 75,000,000, which should be applied towards its working capital and corporate purposes. The credit facility bears interest rate per annum at 4.24% above LIBOR, payable every 3 months. Final maturity date of this agreement is July 17, 2013 (12 months) and has been extended up to July 17, 2014 (Note 49a).

As of the reporting date, the credit facility from Bank Mandiri remained unused.

As of December 31, 2013 and 2012, the outstanding balance of the loan net of unamortized transaction cost amounted to US$ 9,000,000 and US$ 53,255,000, respectively.

**Standard Chartered Bank**

On May 21, 2012, the Company obtained bank loan facilities from Standard Chartered Bank, Jakarta Branch with maximum credit limit of US$ 75,000,000, due on November 21, 2013. The loan bears interest rate per annum at 3.5% above LIBOR, payable every 3 months.

This loan was used to finance the acquisition of MTU (Note 1b) and was fully paid in February 2013.

In 2013, TPEC obtained bond and guarantee facility and foreign exchange facility from Standard Chartered Bank with maximum amount of US$ 30,000,000 with 3% of interest rate per annum. The facility will mature on February 28, 2014.

As of December 31, 2013 and 2012, total outstanding loan net of unamortized transaction cost amounted to US$ 2,831,904 and US$ 74,083,333, respectively.

**PT Bank International Indonesia Tbk (BII)**

Based on loan agreement dated January 11, 2007, MBSS obtained a revolving demand loan facility with credit limit of up to US$ 7,000,000 with the following sub limit:

- Revolving Demand Loan Facility in Rupiah of up to Rp 30,000,000,000 of principal amount;
- Standby Letter of Credit Facility or Bank Guarantee Facility of US$ 3,000,000 of principal amount; and
- Letter of Credit Facility with maximum principal amount of US$ 3,000,000.

The agreement has been extended several times. Most recently, this facility has been extended up to January 12, 2014. This loan bears interest rate of 5.5% per annum.

The loan is secured among others by:

- Receivable MBSS from PT Bahari Cakrawala Sebuku and PT Kaltim Prima Coal;
- 4 (four) unit tug boats, namely Entebe Star 30, Entebe Emerald 52, and Entebe Emerald 33, and Entebe Emerald 51;
- 4 (four) unit barges, namely Finacia 35, Finacia 38, Finacia 36, and Finacia 50; and
- 1 (one) unit floating crane named Ben Glory.

This loan is fully repaid in June 2013 through loan refinancing and the mortgage of the related collaterals have been released.

On February 24, 2011, MSC has signed a Credit Agreement with PT Bank Internasional Indonesia Tbk for the financing of Floating Crane Princesse Chloe. The facilities included term loan amounting to US$ 19,200,000, which will be due in 60 months up to February 24, 2016 and demand loan of US$ 1,000,000. Both facilities bear annual interest rate at 5.5% per annum. The demand loan facility has been extended up to February 24, 2015.

The loan's collaterals and negative covenants are same as its long-term loans (Note 28).

As of December 31, 2013 and 2012, the outstanding balance of the loan amounted to US$ 1,000,000 and US$ 7,346,478, respectively.

**UBS AG, Singapore Branch**

On May 21, 2012, the Company obtained new bank loan facilities with maximum credit limit of US$ 75,000,000, due on November 21, 2013. The loan consists of: Offshore (US$ 45,000,000) bearing interest rate at 3.35% above LIBOR per annum and Onshore (US$ 30,000,000) bearing interest rate at 3.50% above LIBOR per annum, payable every 3 months respectively.

This loan was used to finance the acquisition of MTU (Note 1b) and was fully paid in February 2013.

As of December 31, 2013 and 2012, total outstanding loan net of unamortized transaction cost amounted to nil and US$ 74,083,333, respectively.

**Citibank, N.A., Indonesia**

On May 21, 2012, the Company obtained new bank loan facilities with maximum credit limit of US$ 50,000,000. The loan consists of : Tranche A Facility (US$ 28,000,000) bearing interest rate at 3.5% above LIBOR per annum, due on November 20, 2013 and Tranche B Facility (US$ 22,000,000) bearing interest rate at 3% above LIBOR per annum, due on May 20, 2013 and payable every 3 months respectively.

This loan was used to finance the acquisition of MTU (Note 1b) and was fully paid in February 2013.

As of December 31, 2013 and 2012, the outstanding balance of this loan, net of unamortized transaction cost, amounted to nil and US$ 49,388,890, respectively.

**PT Bank DBS Indonesia**

MBSS obtained banking facilities from PT Bank DBS Indonesia (DBS) in the form of uncommitted revolving credit facility (RCF) with maximum amount of US$ 3,000,000 and import payments in the form of uncommitted facilities import letters of credit (L/C) with maximum amount of US$ 2,500,000. The term period of loan is 12 months, and has been extended several times, most recently dated April 16, 2012. This loan agreement has been extended up to May 1, 2013. These facilities bear annual interest at the cost of funds of DBS plus 2.75% per annum.

This loan is secured among others by:

- 2 (two) units of barge, namely Finacia 2 and Finacia 18 (Note 21);
- 2 (two) units of tugboat, namely Gina 7 and Gina 1 (Note 21); and
- Fiduciary over accounts receivable amounting to USD 3,750,000.

This loan is fully repaid in May 2013 through loan refinancing and the mortgage of the related collaterals have been released.

As of December 31, 2013 and 2012, total outstanding loan amounted to nil and US$ 3,000,000, respectively.

**PT Bank Permata Tbk**

On November 19, 2009, MBSS obtained a Commercial Invoice Financing facility from PT Bank Permata Tbk to finance working capital with a maximum credit limit of US$ 3,000,000, with interest rate of 5.75% per annum; which also can be used for the revolving loan facility up to a maximum of US$ 2,000,000 with interest rate of 6 % per annum.

This loan is secured among others by:

- 3 (three) units barge, namely Finacia 28, Finacia 30 and Finacia 31 (Note 21); and
- 1 (one) unit tugboat, namely Entebe Star 28 (Note 21).

This loan is fully repaid in May 2013 through loan refinancing and the mortgage of the related collaterals have been released.

As of December 31, 2013 and 2012, the outstanding loan amounted to nil and US$ 3,000,000, respectively.

As of December 31, 2013 and 2012, management believes that the Company and its subsidiaries have complied with all significant covenants required by the banks.

## 25. TRADE ACCOUNTS PAYABLE

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| By creditor: | | |
| Related parties (Note 47) | | |
| PT Kideco Jaya Agung | - | 3,152,470 |
| PT Indo Turbine | - | 45,710 |
| Others | 248,087 | 94,729 |
| Sub total | 248,087 | 3,292,909 |
| Third parties | 66,080,338 | 89,855,134 |
| Total | 66,328,425 | 93,148,043 |
| By age: | | |
| Current | 50,075,858 | 50,872,720 |
| Overdue | | |
| 1 - 30 days | 11,012,324 | 20,647,188 |
| 31 - 90 days | 1,661,354 | 11,597,075 |
| 91 - 180 days | 2,029,128 | 1,886,859 |
| 181 - 360 days | 299,060 | 3,187,378 |
| > 360 days | 1,250,701 | 4,956,823 |
| Total | 66,328,425 | 93,148,043 |
| By currency: | | |
| United States Dollar | 55,580,396 | 71,636,038 |
| Rupiah | 9,708,484 | 18,658,369 |
| Singapore Dollar | 641,873 | 1,248,524 |
| Euro | 328,426 | 630,827 |
| Japanese Yen | 4,870 | 568,244 |
| Australian Dollar | 51,621 | 333,145 |
| Others | 12,755 | 72,896 |
| Total | 66,328,425 | 93,148,043 |

Accounts payable to sub-contractors and purchase of goods and services transactions from third parties has credit terms of 14 to 50 days. No interest is charged to the trade payables.

## 26. TAXES PAYABLE

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| Current tax (Note 41) | | |
| Entitas anak | | |
| Final | | |
| 2012 | - | 21,192 |
| Non final | | |
| 2013 | 597,856 | - |
| 2012 | - | 256,231 |
| Income tax: | | |
| Article 15 | 98,079 | 171,676 |
| Article 21 | 3,215,754 | 3,476,274 |
| Article 23 | 372,683 | 469,037 |
| Article 25 | 92,655 | 235,019 |
| Article 26 | 36,563 | 69,492 |
| Article 4(2) | 372,612 | 157,861 |
| Tax penalty | - | 424,368 |
| Value added tax | 772,298 | 715,116 |
| Tax payable from tax assessment letters | - | 9,668,120 |
| Total | 5,558,500 | 15,664,386 |

## 27. ACCRUED EXPENSES

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| Purchase of materials and spare parts | 70,011,094 | 15,523,413 |
| Construction and sub-contractors' expenses | 27,574,416 | 25,599,447 |
| Salaries, employees' incentives and bonus | 11,720,017 | 4,347,545 |
| Professional fees | 2,275,702 | 2,189,440 |
| Vehicle tax | 1,212,587 | 1,787,371 |
| Others (each below US$ 1 million) | 5,986,965 | 2,456,919 |
| Total | 118,780,781 | 51,904,135 |

## 28. LONG-TERM LOANS

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| Bank loans | | |
| Rupiah | | |
| PT Bank Tabungan Negara (Persero) Tbk | 453,340 | 681,362 |
| PT Bank Victoria International Tbk | 282,798 | 643,583 |
| PT Bank Pembangunan Daerah Jawa Barat dan Banten | 69,222 | 203,593 |
| U.S. Dollar | | |
| Syndicated loan | 44,921,847 | - |
| PT Bank Permata Tbk | 25,308,497 | 44,224,283 |
| PT Bank International Indonesia Tbk | 7,487,027 | 24,912,412 |
| PT Indonesia Eximbank | 6,432,134 | 7,256,427 |
| The Hongkong and Shanghai Bank Corporation Limited | - | 15,291,748 |
| PT Bank Danamon Indonesia Tbk | - | 10,512,026 |
| Singapore Dollar | | |
| Bank DBS Ltd., Singapore Branch | 15,734,919 | 16,972,636 |
| Total | 100,689,784 | 120,698,070 |
| Less current maturities | (12,756,345) | (32,306,078) |
| Long-term loans - net | 87,933,439 | 88,391,992 |
| Schedule of principal repayment | | |
| Within one year | 12,756,345 | 32,306,078 |
| Within second year | 15,590,523 | 28,160,162 |
| Within the third year | 18,309,916 | 19,869,799 |
| Within the fourth year | 22,635,291 | 11,243,567 |
| Within the fifth year | 13,549,111 | 7,242,285 |
| Within the sixth year | 6,056,213 | 4,122,673 |
| More than sixth year | 11,792,385 | 17,753,506 |
| Total | 100,689,784 | 120,698,070 |
| Interest rates per annum | | |
| Rupiah | 13.5% | 13.5% |
| U.S. Dollar | 2.5% - 6% | 2.5% - 6.5% |
| Singapore Dollar | 2.98% | 2.78% |

PT Bank Tabungan Negara (Persero) Tbk

On August 31, 2010, SMG entered into a non-revolving credit agreement with PT Bank Tabungan Negara (Persero) Tbk, described herein as BTN, wherein BTN agreed to provide SMG with a Credit Investment facility at the maximum credit limit of Rp 8,300 million. Such facility is used to finance the development of all the equipment related to the Operations of the Stations for Gas Filling (SPBE) located in Semarang.

The loan has a term of 120 months, with a grace period for payment of principal of 6 months starting from October 27, 2009 with final maturity date on October 30, 2019. The above credit facility is an amendment of the credit facility provided by BTN on October 27, 2009 to the previous shareholders of SMG (prior to the acquisition of SMG by the Company).

The loan bears interest rate at 13.5% per annum, adjustable based on BTN's terms and regulations, and is payable on a monthly basis on the 26th of each month. Principal of the loan is repayable in 6 equal installments of Rp 133 million starting in 2011; 12 equal installments of Rp 75 million in year 2012; 36 equal installments of Rp 83 million starting in year 2013; 12 equal installments of Rp 92 million in year 2016; 24 equal installments of Rp 100 million starting 2017 and 12 equal installments of Rp 10 million during the last year of the loan period. Repayment of the principal and interest on the loan will be automatically debited from the SMG's bank account in the same bank, which is also the depository as the inflow account for any revenues from the operations of SPBE.

Provision fee related to the above credit facility amounted to Rp 83 million and SMG is also liable for any fees related to the legal documents on the collateral of the credit, through an escrow account in BTN of 0.5% of the credit limit given.

The loan is secured by the following:

(i) Main collaterals consisting of Building Ownership Right (HM) No 3438/Meteseh; HM No. 3436/Meteseh; HM No. 01057/Meteseh and HM No. 03352/Meteseh as well as the equipment and installation for SPBE in the amount of Rp 2,310 million and Rp 6,685 million, respectively;
(ii) Additional collaterals consisting of several HM on parcels of land owned by the previous shareholders of SMG;
(iii) Personal guarantee from Mr. Suka Adhisatya, the previous shareholder of SMG; and
(iv) Accounts receivable resulting from the operations of the SPBE.

The credit agreement contains certain covenants which restricted SMG from the following:

- Receive any additional credit facility from other parties related to this project, except for shareholder loans or trade accounts payable;
- Act as a guarantor or use SMG's assets as a collateral;
- Change SMG's articles of association and management;
- File a bankruptcy;
- Conduct merger or acquisitions;
- Distribute dividend; and
- Settle all shareholder loans.

BTN, through its letter dated April 13, 2012, agreed to waive certain collaterals with following conditions:

- Management should legally process the certificate of project to become under PT Satya Mitra Gas legal name; and
- Fiduciary with machines, equipment and installations that support SPBE.

As of December 31, 2013 and 2012, the outstanding balance of this loan amounted to US$ 453,340 and US$ 681,362, respectively.

PT Bank Victoria International Tbk

Loans from PT Bank Victoria International Tbk represent long-term loan of the Company and its subsidiaries for financing of new vehicles for a period ranging from 2-3 years.

The agreement of the long-term loan contain certain covenants, which the Company and its subsidiaries are required to fulfill, including provision regarding events of default.

As of December 31, 2013 and 2012, the outstanding balance of this loan amounted to US$ 282,798 and US$ 643,583, respectively.

PT Bank Pembangunan Daerah Jawa Barat dan Banten

On October 5, 2010, WAGL entered into a non-revolving credit agreement with PT Bank Pembangunan Daerah Jawa Barat dan Banten, described herein as BJB, wherein BJB agreed to provide WAGL with a General Credit Investment facility at the maximum credit limit of Rp 4,500 million. Such facility is used to finance purchases of all machinery and equipment related to the operations of the Stations for Gas Filling and Delivery (SPPBE).

The loan has a term of 64 months, starting from May 11, 2009, payable on every 3 months for the principal of the loan. The above credit facility is an amendment of the credit facility provided by BJB on May 11, 2009 to the previous shareholders of WAGL, prior to the acquisition of WAGL by the Company. Certain terms and conditions in the previous credit agreement were amended as follows:

- The loan bears floating interest rate initially at 13.50% per annum, adjustable based on BJB's terms and regulations, and is payable on a monthly basis on the 27$^{th}$ of each month;

- Amendment on the securities provided by WAGL to BJB, which includes two parcels of land with HGB No. 00001/Kersanegara and 00002/Kersanegara under the name of WAGL; the machinery and equipment of WAGL in the amount of Rp 9,377,874,203 as well as the project value of SPPBE which should cover more than 100% of the planned remaining withdrawal; and

- WAGL should provide a restricted account in the same bank with a maintaining balance of at least one payment of interest and loan principal.

The agreement above contains certain covenants which restricted WAGL from the following:

- Receive any additional loans from other parties without any notification and approval from BJB;

- Act as a guarantor for any other third party;

- Distribute dividend or bonus prior to the settlement of the above loan;

- Settle all shareholder loans;

- WAGL should also notify BJB for any changes in the WAGL's management composition; and

- WAGL should obtain approval from BJB for any changes in the WAGL's shareholder composition.

As of December 31, 2013 and 2012, the outstanding balance of this loan amounted to US$ 69,222, and US$ 203,593, respectively.

Syndicated Loan

On of May 23, 2013, MBSS obtained a club deal loan facility from PT Bank ANZ Indonesia (ANZ) and Standard Chartered Bank Indonesia (SCB) amounting to US$ 59,085,238 which consist of Term Loan Facility amounting to US$ 46,738,760 and Revolving Credit Facility amounting to US$ 12,346,478.

This Term Loan facility is obtained to refinance loans in PT Bank Permata Tbk amounted to US$ 13,461,775; and all loans in PT Bank Internasional Indonesia Tbk, The Hongkong and Shanghai Banking Corporation Limited and PT Bank Danamon Indonesia Tbk.

The Term Loan facility has a period of 5 years including a grace period of 9 months. The Term Loan Facility has an interest rate of LIBOR plus 3.25%.

This facility has been fully drawn in May 28 - June 24, 2013.

This loan is secured by:

- Fiduciary over MBSS' receivables, with fiduciary collateral value of US$ 12,000,000.
- 20 unit of barges by the name of Finacia 100, Finacia 101, Finacia 102, Finacia 103, Finacia 105, Finacia 35, Finacia 36, Finacia 38, Finacia 50, Finacia 58, Finacia 63, Finacia 69, Finacia 71, Finacia 97, Finacia 98, Finacia 99, Finacia 82, Labuan 2705, Finacia 81, Finacia 70.
- 30 unit of tug boats by the name of Entebe Emerald 23, Entebe Emerald 25, Entebe Emerald 33, Entebe Emerald 50, Entebe Emerald 52, Entebe Megastar 72, Entebe Power 10, Entebe Power 8, Entebe Star 30, Entebe Star 57, Entebe Star 61, Entebe Star 62, Entebe Star 76, Mega Power 12, Mega Power 23, Selwyn 3, Entebe Emerald 69, Entebe Star 71, Megastar 75, Segara Sejati 1, Segara Sejati 3, Entebe Star 78, Entebe Emerald 51, Entebe Star 69, Entebe Megastar 63, Entebe Megastar 67, Entebe Megastar 73, Entebe Megastar 79, Entebe Megastar 65, Entebe Megastar 66.
- Floating Crane FC Nicholas

MBSS is required to comply with several restrictions, among others, MBSS is required to maintain financial ratios as follows:

- Ratio of Consolidated Net Debt to EBITDA shall not exceed 3 : 1
- Debt Service Coverage Ratio shall not be less than 1.4 : 1
- Gearing Ratio shall not exceed 2 : 1
- Security Coverage Ratio not less than 1.25 : 1

The facility also require MBSS to have Debt Service Reserve Accounts (DSRA) at PT Bank ANZ Indonesia and Standard Chartered Bank, Jakarta Branch (Note 19).

The principal repayment schedule are as follows:

| Year | Principal repayment |
|---|---|
| 1 | 3.32% |
| 2 | 6.68% |
| 3 | 20.00% |
| 4 | 30.00% |
| 5 | 40.00% |
| | 100.00% |

The facility has the same collaterals and covenants as those of the syndicated loan facility (Note 24).

As of December 31, 2013 and 2012, the outstanding balance of the syndicated loan amounted to US$ 44,921,847 and nil, respectively.

PT Bank Permata Tbk (Permata)

On November 19, 2009, MBSS obtained term loan financing facility from Permata amounting to US$ 8,500,000 to finance the purchase of 3 unit tug boats and 2 unit barges. Terms of the facility is up to June 19, 2014. This term loan facility bears an annual interest rate at 6% per annum.

This term loan facility is secured by 3 (three) units of tugboat namely: Megastar 63, Megastar 67 and Entebe Star 69 and purchase of 2 (two) units of barges namely Finacia 70 and Finacia 71.

This loan is fully paid in June 2013 through loan refinancing and the mortgage of the related collaterals have been released.

On November 19, 2010, MBSS obtained *Ijarah* financing facility from Permata with maximum limit of US$ 2,720,000 with term of 54 months, effective from drawdown date.

This loan is secured by:

- Rental fee guarantee amounting to US$ 1,000; and
- Personal guarantee from Mr. Jos Rudolf Bing Prasatya, director of MBSS.

This loan is fully repaid in June 2013 through loan refinancing and the mortgage of the related collaterals have been released.

On January 19, 2011, MBSS obtained *Ijarah* financing facility from Permata with maximum limit of US$ 7,449,438 with term of 54 months, effective from drawdown date.

This loan is secured by:

- Rental fee guarantee amounting to US$ 1,500; and
- Personal guarantee from Mr. Jos Rudolf Bing Prasatya, director of MBSS.

This loan is fully repaid in June 2013 through loan refinancing and the mortgage of the related collaterals have been released.

On January 19, 2011, MBSS obtained *Ijarah* financing facility from Permata with maximum limit of US$ 3,600,000 with term of 54 months, effective from the drawdown date.

This loan is secured by:

- Rental fee guarantee amounting to US$ 500; and
- Personal guarantee from Mr. Jos Rudolf Bing Prasatya, director of MBSS.

This loan is fully repaid in June 2013 through loan refinancing and the mortgage of the related collaterals have been released.

On May 30, 2012, MBSS obtained a term loan facility from Permata facility of US$ 4,320,000 to finance 4 units of barge. Terms of the facility is 60 months. This term loan facility bears an annual interest rate at 6% per annum.

This loan is secured by 4 (four) units of barge, namely Finacia 88, Finacia 89, Finacia 90 and Finacia 91.

This loan is fully paid in May 2013 through loan refinancing and the mortgage of the related collaterals have been released.

Based on Notarial Deed No. 50 Fifth Changes of Bank Loan Agreements dated June 14, 2012, made by Sri Rahayuningsih SH, a notary, MBSS obtained a term loan facility from Permata which amounted to US$ 18,000,000 to finance one unit of floating crane. Term of the facility is 90 months.

This facility bears annual interest rate of 5.75% and were secured by:

- 1 unit floating crane with a pledged value of 120%;
- Receivables at a minimum amount of US$ 750,000.

MBSS is required to comply with several restrictions to maintain financial ratios:
- Leverage ratio maximum 3 times;
- Debt service coverage ratio minimum 1.25 times.

MBSS must obtain written approval from the bank if it will obtain borrowings which amounted to US$ 10,000,000 and above.

Based on Notarial Deed No. 85 Banking Facilities Agreement dated May 22, 2012, by Sri Rahayuningsih SH, a notary, MASS obtained a term loan facility from Bank Permata of US$ 12,000,000 to finance one unit of floating crane. Term of the facility is 72 months. This facility bears an annual interest rate of 6% and is secured by 1 unit floating crane named FC Blitz.

MASS is required to comply with several restrictions to maintain financial ratios as follows:
- Debt to equity ratio maximum 4 times;
- Debt service coverage ratio minimum 1.25 times.

This term effective on first year after the floating crane commences its operations.

As of December 31, 2013 and 2012, the outstanding balance of Permata loan amounted to US$ 25,308,497 and US$ 44,224,283, respectively.

PT Bank Internasional Indonesia Tbk (BII)

On May 9, 2008, MBSS obtained additional term loan facility from BII amounting to US$ 12,001,000. Term of loan is 5 years, due on May 9, 2013 and bears an annual interest rate of 5.5%. On January 15, 2009, part of this loan amounting to US$ 8,351,000 has been novated to MSC, a subsidiary of MBSS.

These loan facilities are secured by:

- Fiduciary over receivables, MBSS's rights and claim to PT Kaltim Prima Coal (KPC) and PT Bahari Cakrawala Sebuku (Bahari) in relation to its business with fiduciary collateral value of US$ 7,600,000 (Note 7);

- Personal guarantee from Mr. Jos Rudolf Bing Prasatya and Mrs. Maria Francesca Hermawan, MBSS's Directors; and

- Right to put mortgage, sell and charter over:

  - Tugboats namely: Entebe Star 30, Entebe Star 31, Entebe Emerald 32, Entebe Emerald 33, Entebe Emerald 36, Entebe Emerald 37, Entebe Emerald 39, Entebe Emerald 51, and Entebe Emerald 52 (Note 21);

  - Barges namely: Finacia 35, Finacia 36, Finacia 37, Finacia 55, Finacia 39, Finacia 50, Finacia 51, Finacia 56, Finacia 38, Finacia 29 and Finacia 32 (Note 21); and Floating Crane Ben Glory (Note 21).

This loan is fully repaid in May 2013 through loan refinancing and the mortgage of the related collaterals have been released.

On February 1, 2010, MBSS obtained a term loan facility from BII with a maximum credit of US$ 15,000,000. The loan is used to finance the purchase of new vessels of up to 85% of the purchase price with maturity date of November 1, 2014 and finance the purchase of used vessels of up to 70% of the purchase price with maturity date of August 1, 2014. The credit facility bears annual interest of 5.5%.

The loan is secured by:

- Fiduciary claims, rights and expectations held by MBSS of KPC and Bahari contracts amounting to US$ 4,708,980;
- Personal guarantees of Mr. Jos Rudolf Bing Prasatya and Mrs. Maria Francesca Hermawan, directors of MBSS;
- Power to install the mortgage, to sell and charter new and used ships; and
- Fiduciary over vessels insurance claims.

This loan is fully repaid in May 2013 through loan refinancing and the mortgage of the related collaterals have been released.

On June 15, 2010, MBSS obtained a term loan facility from BII with a maximum credit of US$ 9,700,000. This loan was used to finance the construction of 1 unit of floating crane named Princess Rachel. The term of credit facility is 56 months which will expire on February 15, 2015 and bears annual interest rate at 5.5%.

The loan is secured by:

- Fiduciary claims, rights and expectations of MBSS held on PT Kideco Jaya Agung (KJA);
- Personal guarantee of Mr. Jos Rudolf Bing Prasatya and Mrs. Maria Francesca Hermawan, directors of MBSS;
- Mortgage to sell and charter floating crane Princess Rachel; and
- Fiduciary of vessels insurance claims.

This loan is fully paid in May 2013 through loan refinancing and the mortgage of the related collaterals have been released.

On January 15, 2009, MSC, a subsidiary of MBSS, obtained credit facility amounting to US$ 8,351,000 from BII which represents a novation of term loan facility provided by BII to MBSS. The loan term is January 15, 2009 up to May 28, 2013. This loan is secured by Floating Crane Princess Abby. This loan bears annual interest rate at 5.5%.

In May 2013, MBSS has fully paid the loan above and the mortgage of the related collaterals have been released.

On February 24, 2011, MSC signed a Credit Agreement with BII for the financing of floating crane named Princesse Chloe. The facilities included term loan amounting to US$ 19,200,000 which will be due in 60 months up to February 24, 2016 and demand loan of US$ 1,000,000. Both facilities bears annual interest rate of 5.5%.

This credit facility is secured by:

- One unit of floating crane named Princesse Chloe; and
- Fiduciary warranty over MSC's receivables from PT Berau Coal or other third parties, which charter the vessel.

MSC should comply with certain financial ratios as follows:

- EBITDA/financial payment not less than 1; and
- Leverage ratio not more than 2.5 times.

As of December 31, 2013 and 2012, total outstanding balance of loans from BII loan amounted to US$ 7,487,027 and US$ 24,912,412, respectively.

PT Indonesia Eximbank (Eximbank)

On April 2, 2012, MBSS obtained Al Murabahah financing facility from Eximbank according to Financing Facility Approval Letter with maximum limit of US$ 8,000,000. The loan is used to procure 3 sets of tugboat and barge, with credit terms in 72 months since the first drawdown date. This loan is secured by 3 sets of tugboat and barges which is financed by the bank.

MBSS shall not perform the following action without prior writtern approval from Eximbank:

- Change the status and reduce the paid up capital of the MBSS;
- Acquire new debt other than in the normal course of business that will result in DER ratio exceed 3 times;
- Undertake any merger or acquisition that could affect financing obligations payment;
- Use the proceeds other than originally planned;
- Sell or transfer assets that have been pledged to bank; and
- Undertake transaction with other parties that does not follow normal term.

As of December 31, 2013 and 2012, the outstanding balance of this loan amounted to US$ 6,432,134 and US$ 7,256,427, respectively.

The Hongkong and Shanghai Banking Corporation (HSBC)

On March 23, 2011, MBSS obtained credit facilities from The Hongkong and Shanghai Banking Corporation Limited (HSBC) with maximum credit of US$ 20,000,000. This facility is used to finance 80% of tugboats and barges purchase value. The facility bears annual interest rate of 4% over SIBOR and will be due on March 23, 2016.

The facility is secured by:

- Tugboats (Entebe Emerald 23, Entebe Emerald 25, Entebe Emerald 50, Emerald 69, Entebe Star 71, Financia 82, Labuan 2705, Megastar 73, Megastar 79, Megastar 75, Segara Sejati 3, Segara Sejati 1, Entebe Star 78, Entebe Star 76, and Entebe Power 10) and Barges (Finacia 58 and Finacia 102);
- Fiduciary over MBSS's receivable from PT Bukit Asam (Persero) amounting to Rp 82,368,000,000.

This loan is fully paid in June 2013 through loan refinancing and the mortgage of the related collaterals have been released.

As of December 31, 2013 and 2012 the outstanding balance of the loan amounted to nil and US$ 15,291,748, respectively.

PT Bank Danamon Indonesia Tbk

On November 8, 2007, MBSS obtained a Term Loan Facility from Bank Danamon amounting to US$ 7,500,000 which was used for investment. This loan facility has been amended on January 17, 2008 in which the credit limit is increased to US$ 10,500,000. This loan bears annual interest at 6% and will mature on July 18, 2013.

This loan is secured by:

- Office space building covering an area of 1,439 sqm located at Menara Karya Building 12th floor unit A-H, Jl. H.R Rasuna Said Blok X-5 Kav. 1-2, South Jakarta, under the name of MBSS with collateral value of Rp 19,355,000,000 (Note 20); and

- Personal guarantee from Mr. Jos Rudolf Bing Prasatya, director of MBSS.

This loan is fully paid in June 2013 through loan refinancing and the mortgage of the related collaterals have been released.

On December 2010, MBSS obtained new long-term loan facility (KAB3) from Bank Danamon amounting to US$ 3,000,000.

In June 2013, MBSS has fully paid the loan.

On December 2, 2011, MBSS obtained new long-term loan (KAB4) from Bank Danamon amounting to US$ 11,000,000. This facility bears an annual interest rate of 6%. This loan will mature in April 2017.

This loan is secured by barges, namely Finacia 99, Megapower 12, Megapower 23, Megastar 72, Finacia 103, Finacia 105, Finacia 81, Finacia 97, and Finacia 98.

This loan is fully paid in June 2013 through loan refinancing and the mortgage of the related collaterals have been released.

As of December 31, 2013 and 2012, the outstanding balances of the loan amounted to nil and US$ 10,512,026, respectively.

Bank DBS Ltd. Singapore Branch

On July 1, 2011, TS, a subsidiary of TPEC, obtained long term loan with term of 240 months installment from DBS Bank Ltd (Singapore) amounting to SG$ 22 million. Current maturity of this loan amounted to SG$ 731,095 (equivalent to US$ 577,941). This loan bears the following interest rate per annum:
- 1st year at 2.58% fixed;
- 2nd year at 2.78% fixed;
- 3rd year at 2.98% fixed; and
- Subsequent years at the bank's prevailing rate.

This loan is secured by TS' property (Note 21) and a deed of subordination to be executed by directors/ shareholders/TS in respect of subordination of all existing and future loan.

As of December 31, 2013 and 2012, the outstanding balance of this loan amounted to US$ 15,734,919 and US$ 16,972,636, respectively.

## 29. LEASE LIABILITIES

The future minimum lease payments based on the lease agreements as of December 31, 2013 and 2012 are as follows:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| a. By Due Date: | | |
| Payments' due date | | |
| 2013 | - | 60,337,421 |
| 2014 | 50,720,969 | 46,832,139 |
| 2015 | 32,856,021 | 29,057,057 |
| 2016 | 18,099,959 | 16,837,681 |
| 2017 | 3,994,696 | 3,296,018 |
| 2018 | 340,528 | - |
| Total minimum lease payments | 106,012,173 | 156,360,316 |
| Future finance charges | (4,870,128) | (9,035,689) |
| Present value of minimum lease payments | 101,142,045 | 147,324,627 |
| Unamortized lease fees | (1,499,035) | (1,810,180) |
| Accrued interest | 166,333 | 296,219 |
| Total - net | 99,809,343 | 145,810,666 |
| Current maturities | (48,014,837) | (56,021,299) |
| Long-term lease liabilities - net | 51,794,506 | 89,789,367 |
| b. By Lessor: | | |
| PT Mitra Pinasthika Mustika Finance | 70,423,986 | 104,381,098 |
| PT Mitsubishi UFJ Lease & Finance Indonesia | 16,775,262 | 21,418,817 |
| PT Orix Indonesia Finance | 9,610,671 | 12,317,175 |
| PT Caterpillar Finance Indonesia | 4,310,678 | 8,860,323 |
| PT Bumiputera BOT Finance | 19,102 | 173,409 |
| BII Finance | 2,346 | 173,805 |
| Total | 101,142,045 | 147,324,627 |
| Unamortized lease fees | (1,499,035) | (1,810,180) |
| Accrued interest | 166,333 | 296,219 |
| Total - net | 99,809,343 | 145,810,666 |

Lease liabilities mainly consist of purchases of machineries by Petrosea. These liabilities are secured by the related leased assets. The leases have terms of 4 to 5 years.

In 2013, additional sale and leaseback transactions were carried out by Petrosea which were classified as finance lease.

Lease liabilities denominated in currency other than the respective functional currency of the Company and its subsidiaries are as follows:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| Rupiah | 21,448 | 374,214 |

PT Mitra Pinasthika Mustika Finance (MPMF)

On June 10, 2011, Petrosea and MPMF entered into a Finance Lease Facility Agreement, whereby Petrosea was granted a finance lease facility amounting to US$ 45 million. The interest rate on this facility is 3% plus LIBOR. This facility is available for six months.

On January 24, 2012, Petrosea and MPMF entered into a Finance Lease Facility Agreement, whereby Petrosea was granted a finance lease facility amounting to US$ 75 million. The interest rate on this facility is 3.125% plus LIBOR. The facility is available for 24 months.

PT Mitsubishi UFJ Lease & Finance Indonesia

On April 18, 2012, Petrosea and PT Mitsubishi UFJ Lease & Finance Indonesia entered into a Finance Lease Facility Agreement, whereby Petrosea was granted a finance lease facility amounting to US$ 25 million. The interest rate on this facility is 3.40% plus SIBOR. The facility is available for 6 months.

PT Orix Indonesia Finance

On June 28, 2012, Petrosea and PT Orix Indonesia Finance entered into a Finance Lease Facility Agreement, whereby Petrosea was granted a finance lease facility amounting to US$ 15 million. The interest rate on this facility is 3.50% plus SIBOR. The facility is available for 12 months.

PT Caterpillar Finance Indonesia

On March 3, 2005, Petrosea and PT Caterpillar Finance Indonesia entered into a Finance Lease Facility Agreement, whereby Petrosea was granted a finance lease facility amounting to US$ 50 million. The interest rate on this facility is 3.50% plus interest rate of 3 (three) months LIBOR and 3.75% plus interest rate of 3 (three) months LIBOR. The facility is available for 12 months.

Significant general terms and conditions of the finance leases entered by Petrosea are as follows:

i. Petrosea is prohibited to sell, lend, sublease, or otherwise dispose of or, cease to exercise direct control over, the leased assets;

ii. Petrosea is prohibited to provide securities/collateral, including security deposit, or guarantee to other lessors over the leased assets; and

iii. For lease liability from MPMF, Petrosea is required to maintain certain financial ratios computed based on the consolidated financial statements of Petrosea.

## 30. BONDS PAYABLE

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| Senior Notes II, nominal of US$ 230 million in 2009 | - | 230,000,000 |
| Senior Notes III, nominal of US$ 300 million in 2011 | 300,000,000 | 300,000,000 |
| Senior Notes IV, nominal of US$ 500 million in 2013 | 500,000,000 | - |
| Unamortized bond issuance costs | (38,025,946) | (36,336,515) |
| Accrued interest - current | 17,165,617 | 7,796,328 |
| Total net | 779,139,671 | 501,459,813 |
| Presented in consolidated statements of financial position as: | | |
| Current liabilities | 17,165,617 | 7,796,328 |
| Non-current liabilites | 761,974,054 | 493,663,485 |
| Total | 779,139,671 | 501,459,813 |

Senior Notes II, US$ 230 Million

On November 5, 2009, IIE II B.V., a direct wholly owned subsidiary of the Company, issued Senior Notes ("Notes II") amounting to US$ 230 million due in November 2016. The Notes II bear interest at 9.75% per annum, payable semi-annually on May 5 and November 5 of each year, commencing on May 5, 2010. The Notes II are listed on the Singapore Stock Exchange. In relation to the issuance of the Notes II, Citicorp International Limited acted as Trustee, while the Company and IIC as guarantors.

The Notes II are secured on a first priority basis by a lien on the following collateral:

- Pledges of the Company's investments in shares of stock of IIE II B.V. and IIC (Note 1b) and IIC's investment in shares of stock of PT Kideco Jaya Agung (Note 14);

- A security interest in the Indika Proceeds Accounts, in the name of ICRL, held at Citibank, N.A., New York amounting US$ 50,000,000. On February 2012, the Company had drawdown the collateral funds and use the proceeds for acquisitions of energy-related assets of one of the Company's subsidiaries, IIR, which was specified in the indenture agreement; and

- A security interest in IIE II B.V.'s right under the Intercompany Loans. On November 5, 2009, IIE II B.V. lent the proceeds of the Notes II to ICRL pursuant to the Intercompany Loans, in which certain portion of such Intercompany Loans amounting to US$ 12 million were assigned to the Company. The Company and ICRL will use the proceeds in accordance with the use of proceeds specified in the indenture agreement. As of reporting dates, all the intercompany loans are fully eliminated for consolidation purposes.

  Collaterals on the Company's investment in IIC and IIC's investment in PT Kideco Jaya Agung as well as collaterals described above will be shared *pari passu* in right and priority of payment with certain other creditors in respect of certain obligations of the Company in accordance with the Intercreditor Agreement between HSBC Institutional Trust Services (Singapore) Limited as Trustee of Notes, the Company and IIC, Citicorp International Limited as Trustee of Notes II, other holders of Permitted Pari Passu Secured Indebtedness and The Hongkong and Shanghai Banking Corporation Limited, Jakarta Branch, as amended from time to time.

IIE II B.V. will be entitled at its option to redeem all or any portion of the Notes II. At any time prior to November 5, 2012, IIE II B.V. will be entitled at its option to redeem up to 35% of the Notes II with the net proceeds of one or more equity offerings at a redemption price of 109.75%. At any time prior to November 5, 2013, IIE II B.V. will be entitled at its option to redeem the Notes II, in whole but not in part, at a redemption price equal to 100% plus the applicable premium as further determined in the Notes II indenture. At any time on or after November 5, 2013, IIE II B.V. may redeem in whole or in part of the Notes II at a redemption price specifically described in the Notes II indenture. The Notes II are subject to redemption in whole at their principal amount at the option of the IIE II B.V. at any time in the event of certain changes affecting taxation between Indonesia and Netherlands.

In relation to the Notes II, the Company and certain subsidiaries are restricted to, among others, perform the following:

- Incur additional indebtedness and issue preferred stock;
- Declare dividends on capital stock or purchase or redeem capital stock;
- Make investments or other specified “Restricted Payments”;
- Issue or sell capital stock of restricted subsidiaries;
- Guarantee indebtedness;
- Sell assets;
- Create any lien;
- Enter into sale and leaseback transactions;
- Enter into agreements that restrict the restricted subsidiaries’ ability to pay dividends and transfer assets or make inter-issuer loans;
- Enter into transactions with equity holders or affiliates;
- Effect a consolidation or merger; or
- Engage in different business activities.

These covenants, including the above restrictions, are subject to a number of important qualifications and exceptions as described in the Notes II indenture.

Proceeds from guaranteed Notes II issued were used for (i) funding capital expenditures needed for Petrosea’s plan of expansion; (ii) funding working capital needed to expand in energy services and infrastructure segment (POSB); (iii) funding acquisition or additional investments in coal assets or an investment by the Company or Subsidiaries Guarantor as stated in Indenture and (iv) working capital and other general corporate purposes.

The Notes II have been assigned a rating of “B1” with stable outlook by Moody’s and “B+” by Fitch.

In November 5, 2013, IIE II BV exercised its option to early redeem Senior Notes II amounting to US$ 230,000,000.

In relation to such option, IIE II BV was charged a premium amounted to US$ 11,212,500.

Senior Notes III, US$ 300 Million

On May 5, 2011, IEF B.V., a direct wholly owned subsidiary of the Company, issued Senior Notes ("Notes III") amounting to US$ 115 million due in May 2018. The Notes III were issued together with the US$ 185 million related to Exchange Offer Senior Notes I issued in 2007. The Notes III bear interest at 7% per annum, payable semi-annually on May 5 and November 5 of each year, commencing on November 5, 2011. The Notes III are listed on the Singapore Stock Exchange. In relation to the issuance of the Notes III, Citicorp International Limited acted as trustee, while the Company and IIC, TPE, TPEC and TS as guarantors.

The Notes III are secured on a first priority basis by a lien on the following collateral:

- Pledges of the Company's investments in shares of stock of Tripatra Group, TPEC, IEF BV, IEC BV and IIC (Note 1b) and IIC's investment in shares of stock of PT Kideco Jaya Agung (Note 14). These collaterals are shared *pari passu* amongst Notes IV;
- A security interest in the Indika Proceeds Accounts, in the name of ICRL, held at Citibank, N.A., New York amounting US$ 50,000,000 since the issuance of Notes III. On February 2012, the Company had drawdown the collateral funds and use the proceeds for acquisitions of energy-related assets of one of the Company's subsidiaries, IIR, which was specified in the indenture agreement; and
- A security interest in IEF B.V.'s right under the Intercompany Loans. As of reporting dates, all the Intercompany Loans are fully eliminated for consolidation purposes.

IEF B.V. will be entitled at its option to redeem all or any portion of the Notes III. At any time prior to May 5, 2014, IEF B.V. will be entitled at its option to redeem up to 35% of the Notes III with the net proceeds of one or more equity offerings at a redemption price of 107%. At any time prior to May 5, 2015, IEF B.V. will be entitled at its option to redeem the Notes III, in whole but not in part, at a redemption price equal to 100% plus the applicable premium as further determined in the Notes III indenture. At any time on or after May 5, 2015, IEF B.V. may redeem in whole or in part of the Notes III at a redemption price specifically described in the Notes III indenture. The Notes III are subject to redemption in whole at their principal amount at the option of the IEF B.V. at any time in the event of certain changes affecting taxation between Indonesia and Netherlands.

In relation to the Notes III, the Company and certain subsidiaries are restricted to, among others, perform the following:

- Incur additional indebtedness and issue preferred stock;
- Declare dividends on capital stock or purchase or redeem capital stock;
- Make investments or other specified "Restricted Payments";
- Issue or sell capital stock of restricted subsidiaries;
- Guarantee indebtedness;
- Sell assets;
- Create any lien;
- Enter into sale and leaseback transactions;
- Enter into agreements that restrict the restricted subsidiaries' ability to pay dividends and transfer assets or make inter-issuer loans;
- Enter into transactions with equity holders or affiliates;
- Effect a consolidation or merger; or
- Engage in different business activities.

These covenants, including the above restrictions, are subject to a number of important qualifications and exceptions as described in the Notes III indenture.

Proceeds from guaranteed Notes III issued were used for (i) redemption, repurchase or other repayment of US$ 65 million Notes I issued in 2007 (ii) payment of amount to exchange and consent holders of Senior Notes I as premium and consent fee; (iii) funding capital expenditures needed, including plan of expansion from Petrosea, subsidiary, to support production activities; (iv) investment in coal exploration activities and (v) working capital and other general corporate purposes.

The Notes III have been assigned a rating of "B1" with stable outlook by Moody's and "B+" by Fitch.

Senior Notes IV, US$ 500 Million

On January 24, 2013, IEF II B.V., a direct wholly owned subsidiary of the Company, issued Senior Notes ("Notes IV") amounting to US$ 500 million due in January 2023, bearing interest at 6.375% per annum, payable semi-annually on January 24 and July 24 of each year, commencing on July 24, 2013. The Notes IV are listed on the Singapore Stock Exchange. In relation to the issuance of the Notes IV, Citicorp International Limited acted as Trustee, while the Company and IIC, TPE, TPEC and TS as Guarantors.

The Notes IV are secured on a first priority basis by a lien on the following collaterals:

- Pledges of the Company's investments in shares of stock of TPE, TPEC, IEF II BV, IEC II BV and IIC (Note 1b) and IIC's investment in shares of stock of PT Kideco Jaya Agung (Note 14) and TPEC's investment in shares of stock of TS. These collaterals are shared *pari passu* amongst Notes II, III and IV.
- A security interest in IEC II B.V.'s right under the Intercompany Loans. As of reporting dates, all the intercompany loans are fully eliminated for consolidation purposes.

IEF II B.V. will be entitled at its option to redeem all or any portion of the Notes IV. At any time prior to January 24, 2017, IEF II B.V. will be entitled at its option to redeem up to 35% of the Notes IV with the net proceeds of one or more equity offerings at a redemption price of 106.375%. At any time prior to January 24, 2018, IEF II B.V. will be entitled at its option to redeem the Notes IV, in whole but not in part, at a redemption price equal to 100% plus the applicable premium as further determined in the Notes IV indenture. At any time on or after January 24, 2018, IEF II B.V. may redeem in whole or in part of the Notes IV at a redemption price specifically described in the Notes IV indenture. The Notes IV are subject to redemption in whole at their principal amount at the option of the IEF II B.V. at any time in the event of certain changes affecting taxation between Indonesia and Netherlands.

In relation to the Notes IV, the Company and certain subsidiaries are restricted to, among others, perform the following:

- Incur additional indebtedness and issue preferred stock;
- Declare dividends on capital stock or purchase or redeem capital stock;
- Make investments or other specified "Restricted Payments";
- Issue or sell capital stock of restricted subsidiaries;
- Guarantee indebtedness;
- Sell assets;
- Create any lien;
- Enter into sale and leaseback transactions;
- Enter into agreements that restrict the restricted subsidiaries' ability to pay dividends and transfer assets or make inter-issuer loans;

- Enter into transactions with equity holders or affiliates;
- Effect a consolidation or merger; or
- Engage in different business activities.

These covenants, including the above restrictions, are subject to a number of important qualifications and exceptions as described in the Notes IV Indenture.

Proceeds from guaranteed Notes IV issued were used for (i) repayment of bank loans from Citibank, N.A., UBS AG Singapore branch, Standard Chartered Bank, Jakarta branch and Bank Mandiri (Persero) Tbk., totaling to US$ 235 million; (ii) redemptions of Notes II in aggregate principal amount of US$ 230 million together with accrued and unpaid interest thereon and the relevant redemption price, pursuant to the optional redemption feature stated in Indenture of Notes II; and (iii) repayment of other existing indebtedness, working capital and other general corporate purposes.

The Notes IV have been assigned a rating of "B1" with stable outlook by Moody's and "B+" by Fitch.

As of December 31, 2013 and 2012, management is of the opinion that the Company and its subsidiaries have complied with all significant covenants required by the bond holders of the above Notes.

The interest expense incurred for Notes for the years ended December 31, 2013 and 2012 amounted to US$ 69,837,500 and US$ 45,800,208, respectively (Note 39).

## 31. EMPLOYMENT BENEFITS

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| Post-employment benefits | 19,196,496 | 17,150,021 |
| Long service leave | 2,664,387 | 4,128,266 |
| Total | 21,860,883 | 21,278,287 |

Defined Benefit Pension Plan

The Company and its subsidiaries established a defined benefit pension plan covering all of their permanent employees. This plan provides pension benefits based on salaries of the employees and years of service.

Post-employment benefits under Labor Law No. 13/2003

The Company and its subsidiaries provide post-employment benefits for qualifying employees in accordance with Labor Law No. 13/2003. The number of employees entitled to the benefits is 4,202 in 2013 and 3,948 in 2012.

Amounts recognized as expense in the consolidated statements of comprehensive income in respect of these post-employment benefits are as follows:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| Current service cost | 5,364,052 | 5,381,956 |
| Interest cost | 970,008 | 1,053,231 |
| Past service cost (vested) | 101,912 | 109,552 |
| Immediate adjustment of defined benefit | (173,843) | 374,187 |
| Amortization actuarial losses | 278,088 | 45,363 |
| Effect of curtailment/settlement | (1,314,172) | (112,450) |
| Benefits paid in period excess payment | 6,253 | - |
| Total | 5,232,298 | 6,851,839 |

Movement in the present value of employee benefits obligation are as follow:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| Opening balance of present value of unfunded obligations | 24,063,920 | 17,882,003 |
| Current service cost | 5,364,052 | 5,381,956 |
| Interest cost | 970,008 | 1,053,231 |
| Curtailments effect | (1,300,526) | (173,438) |
| Expected benefits paid | (1,300,085) | (590,391) |
| Actuarial losses | (4,647,369) | 1,650,099 |
| Past service cost | 1,031,111 | - |
| Gain in foreign exchange | (5,165,943) | (1,139,540) |
| Closing balance of present value of unfunded obligations | 19,015,168 | 24,063,920 |

The amounts recognized in the consolidated of statements of financial position arising from the Company and its subsidiaries' obligations with respect to these post-employment benefits are as follows:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| Present value of unfunded obligations | 19,015,168 | 24,063,920 |
| Past service cost (non-vested) | (5,842) | (103,641) |
| Unrecognized actuarial gain (losses) | 187,170 | (6,810,258) |
| Total | 19,196,496 | 17,150,021 |

The cost of providing post-employment benefits is calculated by independent actuaries. The actuarial valuation was carried out using the projected unit credit method and using the following key assumptions:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Discount rate | 8.4% - 9% | 5% - 8.5% |
| Salary increment rate | 10% | 10% |
| Mortality rate | 100% TMI2/CSO' 80 | 100% TMI2/CSO' 80 |
| Disability rate | 5% TMI2/10% CSO' 80 | 5% TMI2/10% CSO' 80 |
| Resignation rate | 3% - 12% per annum until age 25 -30 years then decreasing linearly to 0% at 54-55 years | 7% - 10% per annum until age 25 -30 years then decreasing linearly to 0% at 54-55 years |
| Normal retirement age | 55 | 55 |

Historical experience adjustment for the current and the previous four years are as follows:

| | December 31, 2013 | December 31, 2012 | December 31, 2011 | December 31, 2010 | December 31, 2009 |
|---|---|---|---|---|---|
| | US$ | US$ | US$ | US$ | US$ |
| Present value of unfunded obligations | 19,015,168 | 24,063,920 | 17,882,003 | 10,471,644 | 13,242,641 |
| Value of experience adjustment | 642,127 | 404,274 | 1,296,445 | 194,773 | 408,466 |
| Percentage of experience adjustment to present value of unfunded obligations | 3.38% | 1.68% | 7.25% | 1.86% | 3.08% |

## 32. CAPITAL STOCK

| Name of Stockholders | December 31, 2013 | | |
|---|---|---|---|
| | Number of Shares (Rp 100 par value per share) | Percentage of Ownership | Total Paid-up Capital |
| | | | US$ |
| PT Indika Mitra Energi | 3,307,097,790 | 63.47% | 36,111,513 |
| Ir. Pandri Prabono Moelyo | 231,100,200 | 4.44% | 2,523,475 |
| Eddy Junaedy Danu | 81,880,500 | 1.57% | 894,086 |
| Agus Lasmono | 10,156,000 | 0.20% | 110,897 |
| Wiwoho Basuki Tjokronegoro | 5,264,500 | 0.10% | 57,485 |
| Indracahya Basuki | 1,403,500 | 0.03% | 15,325 |
| Wishnu Wardhana | 1,208,500 | 0.02% | 13,196 |
| M. Arsjad Rasjid P.M. | 1,208,000 | 0.02% | 13,191 |
| Azis Armand | 1,208,000 | 0.02% | 13,191 |
| Richard Bruce Ness | 810,000 | 0.01% | 8,845 |
| Joseph Pangalila | 165,000 | 0.00% | 1,802 |
| PT Indika Mitra Holdiko | 10 | 0.00% | 0.11 |
| Public shares (each below 5%) | 1,568,690,000 | 30.12% | 17,129,148 |
| Total | 5,210,192,000 | 100.00% | 56,892,154 |

| | December 31, 2012 | | |
|---|---|---|---|
| Name of Stockholders | Number of Shares (Rp 100 par value per share) | Percentage of Ownership | Total Paid-up Capital |
| | | | US$ |
| PT Indika Mitra Energi | 3,307,097,790 | 63.47% | 36,111,513 |
| Ir. Pandri Prabono Moelyo | 231,100,200 | 4.44% | 2,523,475 |
| Eddy Junaedy Danu | 81,680,500 | 1.57% | 890,810 |
| Ir. Wadyono Suliantoro Wirjomihardjo | 79,083,000 | 1.52% | 863,539 |
| Agus Lasmono | 10,156,000 | 0.20% | 110,897 |
| Wiwoho Basuki Tjokronegoro | 5,264,500 | 0.10% | 57,485 |
| Indracahya Basuki | 1,403,500 | 0.03% | 15,325 |
| Wishnu Wardhana | 1,208,500 | 0.02% | 13,196 |
| M. Arsjad Rasjid P.M. | 1,208,000 | 0.02% | 13,191 |
| Azis Armand | 1,208,000 | 0.02% | 13,191 |
| Richard Bruce Ness | 810,000 | 0.01% | 8,845 |
| PT Indika Mitra Holdiko | 10 | 0.00% | 0.11 |
| Public shares (each below 5%) | 1,489,972,000 | 28.60% | 16,270,687 |
| Total | 5,210,192,000 | 100.00% | 56,892,154 |

## 33. ADDITIONAL PAID-IN CAPITAL

| | Paid-in capital in excess of par | Share issuance cost | Employee stock option | Difference in Value of Restructuring Transaction between Entitites Under Common Control | Total |
|---|---|---|---|---|---|
| | US$ | US$ | US$ | US$ | US$ |
| Issuance of 833,142,000 Company's shares through Initial Public Offering in 2008 | 254,633,211 | (15,745,526) | - | - | 238,887,685 |
| Additional paid-in capital in 2011 through exercise of employee and management stock option | - | - | 1,097,573 | - | 1,097,573 |
| Balance as of December 31, 2012 | 254,633,211 | (15,745,526) | 1,097,573 | - | 239,985,258 |
| Difference in Value of Restructuring Transaction between Entities Under Common Control (SINTRES) - Note 2 | - | - | - | 10,862,663 | 10,862,663 |
| Balance as of December 31, 2013 | 254,633,211 | (15,745,526) | 1,097,573 | 10,862,663 | 250,847,921 |

In 2004, the Company acquired 99.959% shares of stock of PT Indika Inti Corpindo (IIC). The acquisition was a transaction with an entity under common control as IIC has the same majority stockholder as the Company with ownership interest of 99.959%. The difference between the acquisition cost and the net assets acquired amounting to US$ 10,862,663 was presented as “Difference in Value of Restructuring Transaction between Entities Under Common Control” under equity.

Starting January 1, 2013, the Company and its subsidiaries adopted PSAK 38 (revised 2012), Business Combination of Entities Under Common Control, which has resulted to reclassification of SINTRES into Additional Paid-In Capital (Note 2).

## 34. NON-CONTROLLING INTEREST AND CUMULATIVE TRANSLATION ADJUSTMENTS

a. Non-controlling interest in net assets of subsidiaries

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| PT Mitrabahtera Segara Sejati Tbk | 152,898,791 | 144,725,291 |
| PT Petrosea Tbk | 64,089,826 | 58,279,060 |
| PT Mitra Energi Agung | 14,555,653 | 17,574,208 |
| PT Multi Tambangjaya Utama | (1,611,084) | 4,989,785 |
| PT Indika Inti Corpindo | 18,230 | 13,478 |
| Total | 229,951,416 | 225,581,822 |

b. Non-controlling interest in income of subsidiaries

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| PT Mitrabahtera Segara Sejati Tbk | 10,434,796 | 10,327,087 |
| PT Petrosea Tbk | 5,668,672 | 13,833,165 |
| PT Mitra Energi Agung | (3,018,555) | (2,206,843) |
| PT Multi Tambangjaya Utama | (4,400,651) | (3,428,000) |
| PT Indika Inti Corpindo | 4,751 | 1,487 |
| Total | 8,689,013 | 18,526,896 |

Difference in value of equity transaction with non-controlling interest

In 2012, the Company offered to the public its shares in Petrosea, resulting to a decrease in the Company's interest in Petrosea from 98.55% to 69.80%. The Company has carried forward and presented the difference in value between the carrying amount of the investment sold and proceeds from the sale in the other components of equity (Note 1h).

c. Cummulative translation adjustments

Exchange differences relating to the translation of the net assets of the subsidiaries using different functional currency other than the Company and its subsidiaries' presentation currency (i.e. U.S. Dollar) are recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal of those subsidiaries.

## 35. REVENUES

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| Contracts and service revenues | | |
| Mobil Cepu Ltd | 192,282,667 | 89,514,390 |
| PT Kideco Jaya Agung | 94,652,226 | 55,344,238 |
| PT Adimitra Baratama Nusantara | 85,220,920 | 94,004,962 |
| PT Gunung Bayan Pratama Coal | 80,707,591 | 105,876,758 |
| JOB Pertamina Medco Tomori Sulawesi | 73,362,556 | 989,099 |
| PT Santan Batubara | 70,365,191 | 109,060,908 |
| PT Freeport Indonesia | 61,338,120 | 56,799,645 |
| PT Adaro Indonesia Tbk | 30,111,414 | 24,635,533 |
| PT Kaltim Prima Coal | 24,225,900 | 22,015,193 |
| PT Berau Coal | 16,555,399 | 12,351,805 |
| PT Borneo Indobara | 15,655,405 | 16,739,518 |
| PT Cotrans Asia | 10,104,907 | 5,679,653 |
| PT Indonesia Bulk Terminal | 6,823,617 | - |
| PT Singlurus Pratama | 6,798,476 | 7,560,080 |
| PT Holcim Indonesia Tbk | 6,767,050 | 8,979,498 |
| MI SWACO | 6,529,304 | - |
| PT Karbon Mahakam | 5,060,735 | 8,962,403 |
| PT Indocement Tunggal Prakarsa Tbk | 5,035,837 | 6,279,681 |
| PT Chevron Geothermal Indonesia | 4,215,952 | 13,043,574 |
| PT Trubaindo Coal Mining | 3,141,286 | 9,106,654 |
| PT Perta-Samtan Gas | 2,963,967 | 34,532,223 |
| Others (each below US$ 5 million) | 58,862,383 | 56,593,868 |
| Total revenues from contracts and services | 860,780,903 | 738,069,683 |
| Sales of coal | | |
| PT Bayan Resources Tbk | - | 5,337,360 |
| PT Baskhara Sinar Santi | - | 3,959,277 |
| Others (each below US$ 2 million) | 2,613,289 | 2,339,465 |
| Total revenues from sales of coal | 2,613,289 | 11,636,102 |
| Total revenues | 863,394,192 | 749,705,785 |

In 2013 and 2012, revenue from services to related parties amounted to US$ 175,122,324 and US$ 170,084,799, respectively or 20.28% and 22.69% of the above total revenues for the respective years (Note 47).

Details of customers with transactions constituting more than 10% of total consolidated revenues in 2013 and/or 2012.

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| Mobil Cepu Ltd | 192,282,667 | 89,514,390 |
| PT Kideco Jaya Agung | 94,652,226 | 55,344,238 |
| PT Adimitra Baratama Nusantara | 85,220,920 | 94,004,962 |
| PT Gunung Bayan Pratama Coal | 80,707,591 | 105,876,758 |
| PT Santan Batubara | 70,365,191 | 109,060,908 |
| Total | 523,228,595 | 453,801,256 |

## 36. COST OF CONTRACTS AND GOODS SOLD

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| Cost of contracts and services | | |
| Materials | 162,237,896 | 64,133,541 |
| Salaries, wages and employee benefits | 143,540,301 | 123,036,516 |
| Operational heavy equipment tools cost | 119,096,001 | 136,420,723 |
| Depreciation (Note 21) | 85,389,565 | 72,703,561 |
| Construction | 47,733,604 | 54,861,479 |
| Fuel | 27,203,979 | 26,117,217 |
| Sub-contractors, installations, communications supplies expense and other direct costs | 22,545,830 | 19,543,077 |
| Rental, repairs and utilities | 15,242,566 | 9,716,469 |
| Transportation | 8,405,209 | 1,819,510 |
| Travel | 6,132,007 | 5,934,302 |
| Handling | 4,027,646 | 4,688,425 |
| Catering services | 3,490,462 | 2,034,731 |
| Rental | 3,233,389 | 5,335,420 |
| Insurance | 2,891,420 | 4,418,166 |
| Certificates and shipping documents | 2,599,362 | 2,423,597 |
| Professional fees | 5,040,843 | 4,239,072 |
| Bank charges | 1,033,067 | 151,247 |
| Port charges and anchorage | 1,226,840 | 1,120,940 |
| Heavy equipment supplies | 1,175,033 | 1,003,495 |
| General and administrative | 807,016 | 2,107,616 |
| Others (each below US$ 500,000) | 4,580,769 | 3,491,641 |
| Total cost of contracts and services | 667,632,805 | 545,300,745 |
| Cost of coals sold | 2,663,166 | 11,161,756 |
| Total cost of contracts and goods sold | 670,295,971 | 556,462,501 |

Nil and 47.20% of purchases of coal during the years ended December 31, 2013 and 2012, respectively, were from PT Kideco Jaya Agung, an associate (Note 47).

## 37. GENERAL AND ADMINISTRATIVE EXPENSES

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| Salaries, wages and employee benefits | 85,266,587 | 80,110,292 |
| Rental vehicle, building and equipment | 23,743,772 | 21,682,139 |
| Depreciation (Notes 20 and 21) | 12,201,191 | 11,958,822 |
| Professional fees | 7,612,064 | 10,850,001 |
| Travel and transportation | 4,464,588 | 4,924,259 |
| Office supplies | 3,923,579 | 2,682,244 |
| Losses attributable to temporary suspension of production | 2,911,009 | 12,886,520 |
| Repair and maintenance | 2,383,467 | 2,884,846 |
| Insurance | 1,918,818 | 1,612,097 |
| Others (each below US$ 500,000) | 8,025,677 | 8,977,780 |
| Total | 152,450,752 | 158,569,000 |

## 38. INVESTMENT INCOME

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| Interest income on loans to related parties (Note 47) | 3,648,698 | 3,830,612 |
| Time deposits | 2,967,205 | 2,656,788 |
| Current accounts and others | 1,836,284 | 3,085,746 |
| Total interest income | 8,452,187 | 9,573,146 |
| Unrealized gain on investment in portfolio | 674,200 | 26,825 |
| Realized loss on investment in portfolio | (233,632) | (171,341) |
| Total | 8,892,755 | 9,428,630 |

## 39. FINANCE COST

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| Interest expense on bonds payable (Note 30) | 69,837,500 | 45,800,208 |
| Amortization of bond issuance cost | 13,632,835 | 6,712,224 |
| Premium on early redemption of Notes II | 11,212,500 | - |
| Interest on bank loans and long-term loans | 9,748,435 | 14,135,724 |
| Interest on lease lliabilities | 4,685,675 | 4,973,313 |
| Amortization of transaction cost bank loan | 3,943,660 | 1,693,056 |
| Others | 936,794 | 1,630,277 |
| Total | 113,997,399 | 74,944,802 |

## 40. OTHERS - NET

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| Loss on foreign exchange - net | 9,797,528 | 8,842,498 |
| Loss on sale of property and equipment (Note 21) | 6,359,154 | 4,803,908 |
| Exploration expense | 5,593,314 | 1,417,870 |
| Loss on derivative transaction | 1,263,310 | - |
| Impairment on goodwill (Note 23) | 489,340 | - |
| Depreciation expense (Note 21) | - | 796,647 |
| Others | 2,562,802 | (4,503,785) |
| Total | 26,065,448 | 11,357,138 |

Exploration expense in 2013 pertains to the total effect of the decrease in economic value of the exploration and evaluation assets of IMDE disclosed in Note 16, and the expected future cash out flow on the commitment that IMDE has in respect to the block. Such commitment is recorded as part of accrued expenses in the consolidated statement of financial position as of December 31, 2013.

## 41. INCOME TAX

Income tax of the Company and its subsidiaries consists of the following:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| Final tax | 10,658,961 | 5,311,825 |
| Non final tax | | |
| Current tax | 4,976,997 | 10,564,580 |
| Deferred tax | (4,379,609) | 2,321,740 |
| Total | 11,256,349 | 18,198,145 |

Current Tax

A reconciliation between income (loss) before tax per consolidated statements of comprehensive income and fiscal loss is as follows:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| Income (loss) before tax per consolidated statements of comprehensive income | (42,541,754) | 105,405,577 |
| Income before tax of the subsidiaries | (71,062,302) | (190,236,186) |
| Loss before tax - Company | (113,604,056) | (84,830,609) |
| Temporary differences: | | |
| Post-employment benefits | 2,106,004 | 1,819,715 |
| Difference between commercial and fiscal depreciation | (113,884) | (533,710) |
| Total | 1,992,120 | 1,286,005 |
| Non-deductible expenses (non-taxable income): | | |
| Interest expense | 61,700,985 | 158,269 |
| Salary and benefit | 3,660,691 | 3,568,777 |
| Marketing and promotion expenses | - | 1,007,700 |
| Entertainment and representation | 537,815 | 1,015,877 |
| Interest income subjected to final tax | (799,586) | (1,853,364) |
| Others | 949,918 | 91,725 |
| Total | 66,049,823 | 3,988,984 |
| Fiscal loss before fiscal losses carryforward | (45,562,113) | (79,555,620) |
| Fiscal losses | | |
| 2006 | - | (915,925) |
| 2007 | - | (8,547,091) |
| 2009 | (10,941,694) | (10,941,694) |
| 2010 | (22,712,964) | (22,712,964) |
| 2011 | (77,816,199) | (77,816,199) |
| 2012 | (79,555,620) | - |
| Accumulated fiscal losses | (236,588,590) | (200,489,493) |

Current tax expense and payable (excess payment of corporate income tax) are computed as follows:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| Current tax expense | | |
| Company | - | - |
| Subsidiaries | 4,976,997 | 10,564,580 |
| Total | 4,976,997 | 10,564,580 |
| Less prepaid taxes | | |
| Company | 15,254 | 79,632 |
| Subsidiaries | | |
| Article 22 | 613,201 | 1,321,952 |
| Article 23 | 10,519,900 | 14,935,051 |
| Article 24 | - | 935,710 |
| Article 25 | 1,162,114 | 979,619 |
| Total prepaid taxes | 12,310,469 | 18,251,964 |
| Current income tax - net | (7,333,472) | (7,687,384) |
| Excess payment of corporate income tax | | |
| Company | (15,254) | (79,632) |
| Subsidiaries | (7,916,074) | (7,863,983) |
| Current tax payable | | |
| Subsidiaries | 597,856 | 256,231 |
| Current tax payable | (7,333,472) | (7,687,384) |
| Final tax - subsidiaries | | |
| Final tax payable | - | 21,192 |
| Total | - | 21,192 |

Fiscal loss of the Company for 2012 is in accordance with the annual corporate tax returns filed with the Tax Service Office.

Deferred Tax

The details of the subsidiaries' deferred tax assets (liabilities) are as follows:

Deferred Tax Assets

This account represents deferred tax assets of a subsidiary on post-employment benefits amounting to US$ 68,568 and US$ 548,030, as of December 31, 2013 and 2012, respectively.

Deferred Tax Liabilities

This account represents deferred tax liabilities of subsidiaries after deducting the deferred tax asset of the same business entity as follows:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| Subsidiaries | | |
| Post-employment benefits | 2,497,000 | 2,773,366 |
| Accrued expenses | 627,000 | 870,269 |
| Inventories | 974,000 | 753,874 |
| Trade accounts receivable | 289,000 | 289,036 |
| Intangible assets | (77,535,577) | (92,661,791) |
| Property, plant and equipment and investment property | (18,442,124) | (8,960,059) |
| Investment in associates | (1,258,750) | (1,258,750) |
| Interest receivable from CEP | (625,080) | (504,518) |
| Deferred tax liabilities - net | (93,474,531) | (98,698,573) |

Based on government regulation No. 51/2008, regarding income tax for income from construction services, income directly attributable to construction services is subject to final income tax.

Management did not recognize any deferred tax assets on the Company's unused accumulated fiscal losses due to the significant uncertainties of the availability of taxable income in the future against which tax losses can be utilized.

A reconciliation between the tax expense and the amount computed by applying the tax rates to profit before tax per consolidated statements of comprehensive income is as follows:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| Loss before tax - Company | (113,604,056) | (84,830,609) |
| Tax at applicable tax rate | (28,401,014) | (21,207,652) |
| Tax effect of non-deductible expenses (non-taxable income): | | |
| Salary and benefit expense | 915,173 | 892,194 |
| Entertainment and representation | 134,454 | 253,969 |
| Marketing and promotion expenses | - | 251,925 |
| Interest expense | 15,425,246 | 39,567 |
| Interest income subjected to final tax | (199,896) | (463,341) |
| Others | 237,479 | 22,931 |
| Total | 16,512,456 | 997,245 |
| Tax effect of the unrecognized temporary differences and fiscal loss | 11,888,558 | 20,210,407 |
| Tax expense - Company | - | - |
| Tax expense - Subsidiaries | 11,256,349 | 18,198,145 |
| Total tax expense | 11,256,349 | 18,198,145 |

On December 31, 2013, the Directorate General of Taxation (DGT) issued Tax Assessment Letters on the Company's corporate income tax for year 2008 and 2007, where the Company was assessed for tax underpayment of Rp 46,348,944,258 (equivalent to US$ 3,802,522) and nil, respectively.

Under these assessment letters, DGT also made revisions on the Company's taxable income (fiscal loss) as follows:

| | Directorate General of Taxation | Company |
|---|---|---|
| | Rp | Rp |
| Fiscal Loss - 2007 | 14,460,820,295 | 78,088,647,620 |
| Taxable income - year 2008 net off with accumulated fiscal losses for the year 2004 - 2007 amounting to Rp 71,093,371,476 | 104,447,847,428 | 14,147,668,014 |

Management is planning to file an objection letter against such assessment letters and believes that this tax matter will be resolved in favor of the Company and accordingly, no provision was made as of reporting date.

## 42. EMPLOYEE AND MANAGEMENT STOCK OPTION PROGRAM

In February 2008, the stockholders approved the Employee and Management Stock Option Program (EMSOP). Issuance and distribution of options related to the EMSOP program will be implemented in 3 stages. Eligible participants in the EMSOP will be announced by board of directors at the latest 14 days prior to the issuance of options during each stage. The total option amounted to 104,142,000 or 2% of the post-IPO issued and paid-up shares allocated to three stages: first and second stages with 31,242,500 each and third stage with 41,657,000 options.

The options are nontransferable and non-tradeable. Each of the option distributed in each stage is valid for 5 years as of the date of its issuance. The options are subject to a one year vesting period, during which the participant is not able to exercise the option.

The exercise price for the option will be determined based on the Listing Rule No. 1-A, as attached to the Decree of the Board of Directors of Indonesia Stock Exchange (IDX) No. KEP-305/BEJ/07-2004 dated July 19, 2004, which regulates that the exercise price is at least 90% of the average price of the shares during a 25-days period prior to the Company's announcement to IDX at the start of an exercise window. There will be at most, two exercise period per year.

Based on Director's decision letter No. 234/IE-BOD/VIII/2009 dated August 11, 2009 to the Director of Indonesia Stock Exchange, the directors of the Company have agreed on the exercise price of Rp 2,138. The fair value of the option is estimated on the grant date using the Black - Scholes Option Pricing model. Key assumptions used in calculating the fair value of the options are as follows:

| | December 31, 2013 and 2012 |
|---|---|
| Risk - free interest rate | 9.67% |
| Option period | 5 years |
| Expected stock price volatility | 69.80% |
| Expected dividend | 5.30% |

Outstanding option as of December 31, 2013 and 2012 was 101,092,000.

There are no compensation expenses for employee and management stock option during 2013 and 2012.

As of December 31, 2013 and 2012, other components of equity for employee stock option amounted to US$ 7,816,296.

## 43. EARNINGS PER SHARE

Net Income (Loss)

Below is the data used for the computation of basic and diluted earnings per share:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| Profit (loss) for the year | (62,487,116) | 68,680,536 |

Number of Shares

The weighted average number of shares outstanding for the computation of earnings per share are as follows:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| Weighted average number of shares - Rp 100 par value per share for the calculation of basic earnings per share | 5,210,192,000 | 5,210,192,000 |
| Number of dilutive potential shares from employee and management stock option | - | 37,541,250 |
| Weighted average number of shares - for the calculation of diluted earnings per share | 5,210,192,000 | 5,247,733,250 |

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| Earnings per share (Full amount) | | |
| Basic | (0.0120) | 0.0132 |
| Diluted | (0.0120) | 0.0131 |

In 2013, the Company did not compute diluted earnings per share since the potential shares from employee and management stock option is antidilutive.

## 44. DERIVATIVE FINANCIAL INSTRUMENTS

TPEC, a subsidiary, utilizes foreign exchange contracts to manage exposure to foreign currency fluctuations.

On January 31, 2013, TPEC and Morgan Stanley entered into a Structured Options Transaction contract to cover Indonesian Rupiah currency exchange rate fluctuation risks againts U.S. Dollar on a predetermined exchange rate.

The contract which has notional amount of US$ 2 million expired on December 23, 2013. Loss on derivative financial instrument amounted to US$ 1,263,310 in 2013, which is recorded as part of others (Note 40).

## 45. FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL RISK MANAGEMENT

### a. Capital risk management

The Company and its subsidiaries manage their capital to ensure that they will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Company and its subsidiaries consists of debt, which includes the borrowings disclosed in Notes 24, 28, 29 and 30, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, additional paid-in capital and retained earnings as disclosed in Notes 32 and 33, respectively.

The gearing ratio as of December 31, 2013 and 2012 are as follows:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| Debt | | |
| Bank loans | 37,735,393 | 276,751,645 |
| Long-term loans | 100,689,784 | 120,698,070 |
| Lease liabilities | 99,809,343 | 145,810,666 |
| Bonds payable - net | 779,139,671 | 501,459,813 |
| Total debt | 1,017,374,191 | 1,044,720,194 |
| Cash and cash equivalents | 326,567,443 | 350,375,666 |
| Net debt | 690,806,748 | 694,344,528 |
| Capital | 719,920,222 | 796,938,245 |
| Net debt to equity ratio | 96% | 87% |

## b. Categories and classification of financial instruments

| | Loans and receivables | Assets at fair value through profit or loss | Available-for-sale | Liabilities at amortized cost | Total |
|---|---|---|---|---|---|
| | US$ | US$ | US$ | US$ | US$ |
| **December 31, 2013** | | | | | |
| **Current Financial Assets** | | | | | |
| Cash and cash equivalents | 326,567,443 | - | - | - | **326,567,443** |
| Other financial assets | 24,220,541 | 54,896,489 | - | - | **79,117,030** |
| Trade accounts receivable | | | | | |
| Related parties | 30,095,112 | - | - | - | **30,095,112** |
| Third parties | 127,413,540 | - | - | - | **127,413,540** |
| Unbilled receivables | 3,191,556 | | | | **3,191,556** |
| Estimated earnings in excess of billings on contracts | 75,000,049 | - | - | - | **75,000,049** |
| Other accounts receivable - | | | | | |
| current maturities | | | | | |
| Related parties | 6,888,692 | - | - | - | **6,888,692** |
| Third parties | 3,766,544 | - | - | - | **3,766,544** |
| **Non-current Financial Assets** | | | | | |
| Other accounts receivable - net of current maturities | | | | | |
| Related parties | 48,184,815 | - | - | - | **48,184,815** |
| Third parties | 2,046,507 | - | - | - | **2,046,507** |
| Advances and other non-current assets | | | | | |
| Investment in shares of stock | - | - | 1,211 | - | **1,211** |
| Restricted fund | 558,568 | - | - | - | **558,568** |
| Refundable deposits | 2,488,046 | - | - | - | **2,488,046** |
| **Current Financial Liabilities** | | | | | |
| Bank loans | - | - | - | 37,735,393 | **37,735,393** |
| Trade accounts payable | | | | | |
| Related parties | - | - | - | 248,087 | **248,087** |
| Third parties | - | - | - | 66,080,338 | **66,080,338** |
| Billings in excess of estimated | | | | | |
| earnings recognized | - | - | - | 33,297,895 | **33,297,895** |
| Other accounts payable - | | | | | |
| Related parties | - | - | - | 1,505,453 | **1,505,453** |
| Third parties | - | - | - | 5,977,793 | **5,977,793** |
| Accrued expenses | - | - | - | 118,780,781 | **118,780,781** |
| Dividend payable | - | - | - | 266,149 | **266,149** |
| Current maturities of long-term debts | | | | | |
| Long-term loans | - | - | - | 12,756,345 | **12,756,345** |
| Lease liabilities | - | - | - | 48,014,837 | **48,014,837** |
| Bonds payable - net | - | - | - | 17,165,617 | **17,165,617** |
| **Non-current Financial Liabilities** | | | | | |
| Long-term debts | | | | | |
| Long-term loans | - | - | - | 87,933,439 | **87,933,439** |
| Lease liabilities | - | - | - | 51,794,506 | **51,794,506** |
| Bonds payable - net | - | - | - | 761,974,054 | **761,974,054** |
| Other long-term liabilities - Third parties | - | - | - | 194,779 | **194,779** |
| **Total** | 650,421,413 | 54,896,489 | 1,211 | 1,243,725,466 | |

| | Loans and receivables | Assets at fair value through profit or loss | Available-for-sale | Liabilities at amortized cost | Total |
|---|---|---|---|---|---|
| | US$ | US$ | US$ | US$ | US$ |
| **December 31, 2012** | | | | | |
| **Current Financial Assets** | | | | | |
| Cash and cash equivalents | 350,375,666 | - | - | - | **350,375,666** |
| Other financial assets | 30,743,981 | 40,026,825 | - | - | **70,770,806** |
| Trade accounts receivable | | | | | |
| Related parties | 33,466,558 | - | - | - | **33,466,558** |
| Third parties | 109,991,948 | - | - | - | **109,991,948** |
| Unbilled receivables | 1,229,008 | - | - | - | **1,229,008** |
| Estimated earnings in excess of billings on contracts | 24,690,036 | - | - | - | **24,690,036** |
| Other accounts receivable - current maturities | | | | | |
| Related parties | 6,042,480 | - | - | - | **6,042,480** |
| Third parties | 16,934,874 | - | - | - | **16,934,874** |
| **Non-current Financial Assets** | | | | | |
| Other accounts receivable - net of current maturities | | | | | |
| Related parties | 53,501,030 | - | - | - | **53,501,030** |
| Third parties | 967,773 | - | - | - | **967,773** |
| Advances and other non-current assets | | | | | |
| Investment in shares of stock | - | - | 1,211 | - | **1,211** |
| Restricted fund | 150,000 | - | - | - | **150,000** |
| Refundable deposits | 912,049 | - | - | - | **912,049** |
| **Current Financial Liabilities** | | | | | |
| Bank loans | - | - | - | 276,751,645 | **276,751,645** |
| Trade accounts payable | | | | | |
| Related parties | - | - | - | 3,292,909 | **3,292,909** |
| Third parties | - | - | - | 89,855,134 | **89,855,134** |
| Other accounts payable - Third parties | - | - | - | 8,206,100 | **8,206,100** |
| Accrued expenses | - | - | - | 51,904,135 | **51,904,135** |
| Dividend payable | - | - | - | 286,466 | **286,466** |
| Current maturities of long-term debts | | | | | |
| Long-term loans | - | - | - | 32,306,078 | **32,306,078** |
| Lease liabilities | - | - | - | 56,021,299 | **56,021,299** |
| Bonds payable | - | - | - | 7,796,328 | **7,796,328** |
| **Non-current Financial Liabilities** | | | | | |
| Long-term debts | | | | | |
| Long-term loans | - | - | - | 88,391,992 | **88,391,992** |
| Lease liabilities | - | - | - | 89,789,367 | **89,789,367** |
| Bonds payable - net | - | - | - | 493,663,485 | **493,663,485** |
| Other long-term liabilities - Third parties | - | - | - | 1,284,737 | **1,284,737** |
| **Total** | **629,005,403** | **40,026,825** | **1,211** | **1,198,264,938** | |

## c. Financial risk management objectives and policies

The Company and its subsidiaries' overall financial risk management and policies seek to ensure that adequate financial resources are available for operation and development of their business, while managing their exposure to foreign exchange risk, interest rate risk, credit and liquidity risks. The Company and its subsidiaries operate within defined guidelines that are approved by Directors.

**i. Foreign currency risk management**

The Company and its subsidiaries' functional currency is U.S. Dollar. Their foreign exchange exposure arises mainly from transaction denominated in currencies other than the U.S. Dollar which are mainly administration and operating expenses. However, this risk exposure is offset with cash and cash equivalents, time deposits, restricted cash in banks, receivables and revenues denominated in currencies other than the U.S. Dollar (Note 50). Therefore, the impact of foreign currency fluctuation is considered manageable.

Details monetary asses and liabilities denominated in foreign currencies are disclosed in Note 50.

Foreign currency sensitivity analysis

The Company and its subsidiaries' sensitivity against the relevant foreign currencies is 7% in December 31, 2013 and 4% in 2012. Had the US$ weakened/strengthened by 7% in December 31, 2013 and 4% in 2012 with all other variables held constant, net income after tax for the years then ended would have been US$ 5,557,532 and US$ 3,181,340 higher/lower, respectively. 7% and 4% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding monetary items denominated in currency other than U.S. Dollar.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period does not reflect the exposure during the year.

**ii. Interest rate risk management**

The interest rate risk exposure relates to the amount of assets or liabilities which are subject to a risk that a movement in interest rates will adversely affect the income after tax. The risk on interest income is limited as the Company and its subsidiaries only intend to keep sufficient cash balances to meet operational needs. On interest expenses, the optimum balance between fixed and floating interest debt is considered upfront. The Company and its subsidiaries have a policy of obtaining financing that would provide an appropriate mix of floating and fix interest rate. Approvals from Directors and Commissioners must be obtained before committing the Company and its subsidiaries to any of the instruments to manage the interest rate risk exposure.

The sensitivity analysis have been determined based on the exposure to interest rates for non derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company and its subsidiaries' profit for the years ended December 31, 2013 and 2012 would decrease/increase by US$ 1,248,375 and US$ 3,134,822. This is mainly attributable to the Company and its subsidiaries' exposure to interest rates on its variable rate borrowings.

The Company and its subsidiaries exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk table.

**iii. Price risks management**

The Company and its subsidiaries are exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Company and its subsidiaries do not actively trade these investments.

The Company and its subsidiaries face commodity price risk because coal is a commodity product traded in world coal markets. Prices for coal are generally based on international coal indices as benchmarks, which tend to be highly cyclical and subject to significant fluctuations. As a commodity product, global coal prices are principally dependent on the supply and demand dynamics of coal in the world export market. The Company and its subsidiaries have not entered into coal pricing agreements to hedge its exposure to fluctuations in the coal price but may do so in the future. However, in order to minimize the risk, coal prices are negotiated and agreed every year with customer.

**iv. Credit risk management**

Credit risk refers to the risk that a counterparty will default on its contractual obligation resulting in a loss to the Company and its subsidiaries.

The Company and its subsidiaries' credit risk is primarily attributed to its bank balances and deposits and other short-term investments placed in banks and other financial institutions, loan receivables from a related party, estimated earnings in excess of billing on contracts and trade accounts receivable. Credit risk on cash and funds held in banks and financial institutions is limited because the Company and its subsidiaries place such funds with credit worthy financial institutions, while loan receivables are entered with related companies, where management believes in the credit worthiness of such parties. Trade accounts receivable are entered with respected and credit worthy third parties and related companies.

The carrying amount of financial assets recorded in the consolidated financial statements, net of any allowance for losses represents the Company and its subsidiaries' exposure to credit risk.

**v. Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with Directors, which has built an appropriate liquidity risk management framework for the management of the Company and its subsidiaries short, medium and long-term funding and liquidity management requirements. The Company and its subsidiaries manage liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Company and its subsidiaries maintain sufficient funds to finance ongoing working capital requirements, whereas the funds are placed in cash and deposit and cash dividend is also received every year.

The following tables detail the Company and its subsidiaries' remaining contractual maturity for non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company and its subsidiaries can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Company and its subsidiaries may be required to pay.

| | Weighted average effective interest rate | Less than 1 month | 1-3 months | 3 months to 1 year | 1-5 years | More than 5 years | Total |
|---|---|---|---|---|---|---|---|
| | % | US$ | US$ | US$ | US$ | US$ | |
| **December 31, 2013** | | | | | | | |
| Non-interest bearing | | 168,936,813 | 12,865,080 | 35,620,656 | 8,733,947 | - | 226,156,496 |
| Variable interest rate instruments | 2.71 - 4.35 | - | - | 102,240,074 | 166,738,890 | - | 268,978,964 |
| Fixed interest rate instruments | 5.82 - 9.85 | - | - | - | 1,013,782,667 | - | 1,013,782,667 |
| Total | | 168,936,813 | 12,865,080 | 137,860,730 | 1,189,255,504 | - | 1,508,918,127 |
| **December 31, 2012** | | | | | | | |
| Non-interest bearing | | 102,776,855 | 20,647,188 | 16,957,778 | 13,162,923 | - | 153,544,744 |
| Variable interest rate instruments | 4.5 - 4.625 | - | - | 377,750,344 | 186,961,034 | 28,378,491 | 593,089,869 |
| Fixed interest rate instruments | 8.375 | - | - | 1,381,255 | 1,017,381,466 | - | 1,018,762,721 |
| Total | | 102,776,855 | 20,647,188 | 396,089,377 | 1,217,505,423 | 28,378,491 | 1,765,397,334 |

The following table details the Company and its subsidiaries' expected maturity for non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Company and its subsidiaries' liquidity risk management as the liquidity is managed on a net asset and liability basis.

| | Weighted average effective | Less than 1 month | 1-3 months | 3 months to 1 year | 1-5 years | Total |
|---|---|---|---|---|---|---|
| | % | US$ | US$ | US$ | US$ | US$ |
| **December 31, 2013** | | | | | | |
| Non-interest bearing | | 116,797,387 | 50,068,349 | 79,864,797 | 52,719,367 | 299,449,900 |
| Variable interest rate instruments | 0.04 - 4.00 | 202,460,592 | 54,933,087 | - | - | 257,393,679 |
| Fixed interest rate instruments | 1.58 - 9.00 | 124,387,798 | - | - | - | 124,387,798 |
| Total | | 443,645,777 | 105,001,436 | 79,864,797 | 52,719,367 | 681,231,377 |
| **December 31, 2012** | | | | | | |
| Non-interest bearing | | 144,139,977 | 22,977,354 | 81,299,896 | - | 248,417,227 |
| Variable interest rate instruments | 2.54 | 352,505,227 | - | - | - | 352,505,227 |
| Fixed interest rate instruments | 6.5 | 68,385,583 | - | - | - | 68,385,583 |
| Total | | 565,030,787 | 22,977,354 | 81,299,896 | - | 669,308,037 |

## d. Fair value of financial instruments

Except as detailed in the following table, management considers that the carrying amounts of financial assets and financial liabilities recorded in the consolidated financial statements approximate their fair values because they have either short-term maturities or carry market interest rate:

| | December 31, 2013 | | December 31, 2012 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| | US$ | US$ | US$ | US$ |
| **Assets** | | | | |
| Other accounts receivable | 60,886,558 | 56,576,643 | 69,228,255 | 70,939,341 |
| **Liabilities** | | | | |
| Long-term loans | 100,689,784 | 100,680,426 | 120,698,070 | 120,020,874 |
| Bonds payable - net | 761,974,054 | 685,963,054 | 493,663,485 | 570,190,500 |
| Total Liabilities | 862,663,838 | 786,643,480 | 614,361,555 | 690,211,374 |

The fair value for the above financial instruments, except for bonds payable, was determined by discounting estimated cash flows using discount rates for financial instruments with similar term and maturity.

Fair value of bonds payable is based on available quoted price from exchange.

Fair value measurements recognized in the consolidated statement of financial position

Financial instrument measured at fair value subsequent to initial recognition pertains to investment in portfolio (bonds and alternative investments), which is classified as at fair value through profit loss (Note 6). The investment in bonds falls into level 2, while alternative investments fall into level 3 of the following fair value hierarchy:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability,either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value measurement of investment in bonds were derived from quoted prices in active market for identical assets and liabilities.

The fair value of the alternative investments was based on the valuation provided by the fund administrator.

## 46. APPROPRIATED RETAINED EARNINGS AND CASH DIVIDENDS

**2013**

Based on annual shareholders' meeting dated May 15, 2013, the stockholders approved, among other things:

- The appropriation of earnings of Rp 10 billion or equivalent to US$ 1,028,595 for general reserve to conform with the Company's articles of association and Law No. 40 year 2007 regarding Limited Liability Company; and

- The distribution of final dividends of US$ 19,000,000 or US$ 0.003647 per share.

**2012**

Based on annual shareholders' meeting dated June 14, 2012, the stockholders approved, among other things:

- The appropriation of earnings of Rp 10 billion or equivalent to US$ 1,056,189 for general reserve to conform with the Company's articles of association and Law No. 40 year 2007 regarding Limited Liability Company; and

- The distribution of final cash dividends of US$ 32,975,899 or US$ 0.0063 per share.

## 47. NATURE OF RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES

Nature of Relationships

a. PT Indika Mitra Energi is the ultimate parent Company.

b. Related parties which have the same major stockholder as the Company:
- PT Power Jawa Barat
- PT Marmitria Land
- PT Indo Turbine (IT)

c. Related parties which are associates of the Company's subsidiaries:
- PT Kideco Jaya Agung
- Twinstar Shipping Ltd.
- PT Cotrans Asia
- PT Sea Bridge Shipping
- PT Intan Resource Indonesia
- PT Cirebon Electric Power
- PT Cirebon Power Services

d. PT Santan Batubara (SB) and PT Tirta Kencana Cahaya Mandiri (TKCM) are entities wherein Petrosea has joint control.

e. Related party which is a joint venture of a member of the group:
- Petrosea - Calibre - Roberts Shaefer Jo

f. Key management personnel, including Commissioners and Directors of the Company.

The Company and its subsidiaries' policy as regards to terms and conditions of transactions with related parties are made as at conditions as those done with third parties.

Transactions with Related Parties

In the normal course of business, the Company and its subsidiaries entered into certain transactions with related parties including, among others, the following:

a. Total remuneration of commissioners and directors of the Company for the years ended December 31, 2013 and 2012 are as follows:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| Commissioners | | |
| Short-term employee benefit | 1,367,881 | 2,822,838 |
| Directors | | |
| Short-term employee benefit | 2,637,613 | 4,907,025 |
| Total | 4,005,494 | 7,729,863 |

b. Petrosea provided waste removal and coal production services and construction services to PT Kideco Jaya Agung and PT Santan Batubara.

MBSS also provided transportation services and other services to PT Kideco Jaya Agung and PT Cotrans Asia. At reporting date, the outstanding receivables from such transaction were recorded as trade accounts receivable from related parties (Note 7).

Trade Accounts Receivable

| | Amount | |
|---|---|---|
| | December 31, 2013 | December 31, 2012 |
| | US$ | US$ |
| PT Santan Batubara | 18,940,148 | 25,302,975 |
| PT Kideco Jaya Agung | 10,034,581 | 6,443,980 |
| PT Cotrans Asia | 913,000 | 1,508,156 |
| Petrosea - Calibre - Roberts & Schaefer JO | - | 190,181 |
| Others (each below US$ 100,000) | 207,383 | 21,266 |
| Total | 30,095,112 | 33,466,558 |

| | Percentage to total assets | |
|---|---|---|
| | December 31, 2013 | December 31, 2012 |
| PT Santan Batubara | 0.82% | 1.07% |
| PT Kideco Jaya Agung | 0.43% | 0.27% |
| PT Cotrans Asia | 0.04% | 0.06% |
| Petrosea - Calibre - Roberts & Schaefer JO | - | 0.01% |
| Others (each below US$ 100,000) | 0.01% | 0.00% |
| Total | 1.30% | 1.41% |

Contracts and Service Revenues

| | Amount | |
|---|---|---|
| | December 31, 2013 | December 31, 2012 |
| | US$ | US$ |
| PT Santan Batubara | 70,365,191 | 109,060,908 |
| PT Kideco Jaya Agung | 94,652,226 | 55,344,238 |
| PT Cotrans Asia | 10,104,907 | 5,679,653 |
| Total | 175,122,324 | 170,084,799 |

| | Percentage to total revenues | |
|---|---|---|
| | December 31, 2013 | December 31, 2012 |
| PT Santan Batubara | 8.15% | 14.55% |
| PT Kideco Jaya Agung | 10.96% | 7.38% |
| PT Cotrans Asia | 1.17% | 0.76% |
| Total | 20.28% | 22.69% |

c. Details of the transactions purchases and trade payable and balances with related parties are as follows:

Trade Accounts Payable

| | Amount | |
|---|---|---|
| | December 31, 2013 | December 31, 2012 |
| | US$ | US$ |
| PT Kideco Jaya Agung | - | 3,152,470 |
| PT Indo Turbine | - | 45,710 |
| Others | 248,087 | 94,729 |
| Total | 248,087 | 3,292,909 |

| | Percentage to total liabilities | |
|---|---|---|
| | December 31, 2013 | December 31, 2012 |
| PT Kideco Jaya Agung | 0.00% | 0.24% |
| PT Indo Turbine | 0.00% | 0.00% |
| Others | 0.02% | 0.01% |
| Total | 0.02% | 0.25% |

Other Accounts Payable

| | Amount | |
|---|---|---|
| | December 31, 2013 | December 31, 2012 |
| | US$ | US$ |
| PT Sea Bridge Shipping | 189,399 | - |
| PT Santan Batubara | 1,316,054 | - |
| Total | 1,505,453 | - |

| | Percentage to total liabilities | |
|---|---|---|
| | December 31, 2013 | December 31, 2012 |
| PT Sea Bridge Shipping | 0.01% | 0.00% |
| PT Santan Batubara | 0.10% | 0.00% |
| Total | 0.11% | 0.00% |

Cost of Contracts and Goods Sold

| | Amount | |
|---|---|---|
| | December 31, 2013 | December 31, 2012 |
| | US$ | US$ |
| Cost of goods sold coal - PT Kideco Jaya Agung | - | 5,268,889 |
| Cost of goods contracts - PT Indo Turbine | 1,825,028 | 1,835,212 |
| Total | 1,825,028 | 7,104,101 |

| | Percentage to total cost of contract and goods sold | |
|---|---|---|
| | December 31, 2013 | December 31, 2012 |
| Cost of goods sold coal - PT Kideco Jaya Agung | 0.00% | 0.95% |
| Cost of goods contracts - PT Indo Turbine | 0.27% | 0.33% |
| Total | 0.27% | 1.28% |

d. The Company and its subsidiaries entered into other transactions. Details of related parties transactions and balances are as follows:

Other Accounts Receivable from Related Parties

The Company and its subsidiaries provided loans to related parties and also made advance payment of expenses for related parties, as follows:

| | Amount | |
|---|---|---|
| | December 31 2013 | December 31 2012 |
| | US$ | US$ |
| PT Cirebon Electric Power | 36,555,487 | 34,553,041 |
| PT Sea Bridge Shipping | 15,122,500 | 20,748,058 |
| Employee loans | 2,886,784 | 4,242,411 |
| PT Power Jawa Barat | 2,694,429 | 2,624,491 |
| PT Santan Batubara | 153,387 | - |
| Others | 355,349 | - |
| Total | 57,767,936 | 62,168,001 |
| Less current maturities | (6,888,692) | (6,042,480) |
| Non-current maturities | 50,879,244 | 56,125,521 |
| Less allowance for impairment losses | (2,694,429) | (2,624,491) |
| Other accounts receivable from related parties - net | 48,184,815 | 53,501,030 |

| | Percentage to total assets | |
|---|---|---|
| | December 31 2013 | December 31 2012 |
| PT Cirebon Electric Power | 1.58% | 1.46% |
| PT Sea Bridge Shipping | 0.65% | 0.88% |
| Employee loans | 0.12% | 0.18% |
| PT Santan Batubara | 0.01% | - |
| PT Power Jawa Barat | 0.12% | 0.11% |
| Others | 0.02% | - |
| Total | 2.50% | 2.63% |
| Less current maturities | (0.30%) | (0.26%) |
| Non-current maturities | 2.20% | 2.37% |
| Less allowance for impairment losses | (0.12%) | (0.11%) |
| Other accounts receivable from related parties - net | 2.08% | 2.26% |

PT Cirebon Electric Power (CEP)

III and IPI entered into several Shareholder Loan Agreements with PT Cirebon Electric Power (CEP) wherein III and IPI together with the other shareholders of CEP agreed to finance and provide CEP, from time to time, up to 50% of pro-rata contributions for the development and other related costs of CEP's coal fired power plant project in the form of one or more shareholder loans.

Details of the agreements and receivables outstanding as of reporting dates are as follows:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| • Shareholder Loan Agreement dated October 6, 2008 | | |
| IPI | 5,475,000 | 5,475,000 |
| III | 1,825,000 | 1,825,000 |
| • Shareholder Loan Agreement dated October 27, 2008 | | |
| IPI | 3,337,500 | 3,337,500 |
| III | 1,112,500 | 1,112,500 |
| • Shareholder Loan Agreement dated November 28, 2008 | | |
| IPI | 1,350,000 | 1,350,000 |
| III | 450,000 | 450,000 |
| • Shareholder Loan Agreement dated December 22, 2008 | | |
| IPI | 2,835,000 | 2,835,000 |
| III | 945,000 | 945,000 |
| • Shareholder Loan Agreement dated February 6, 2009 | | |
| IPI | 2,400,000 | 2,400,000 |
| III | 800,000 | 800,000 |
| Forward | 20,530,000 | 20,530,000 |

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| Forward | 20,530,000 | 20,530,000 |
| • Shareholder Loan Agreement dated April 24, 2009 | | |
| IPI | 2,634,000 | 2,634,000 |
| III | 878,000 | 878,000 |
| • Shareholder Loan Agreement dated June 15, 2009 | | |
| IPI | 1,485,000 | 1,485,000 |
| III | 495,000 | 495,000 |
| • Shareholder Loan Agreement dated July 16, 2009 | | |
| IPI | 120,000 | 120,000 |
| III | 40,000 | 40,000 |
| • Accumulated interest receivable | | |
| IPI | 7,601,781 | 6,124,621 |
| III | 2,523,784 | 2,031,033 |
| • Bridge Loan dated January 7, 2010 | | |
| IPI | 64,722 | 64,722 |
| • Bridge Loan dated February 24, 2010 | | |
| IPI | 54,686 | 54,686 |
| III | 26,449 | 26,449 |
| • Accumulated interest receivable on Bridge Loan | | |
| IPI | 79,905 | 53,270 |
| III | 22,160 | 16,260 |
| Total | 36,555,487 | 34,553,041 |

**Shareholder Loan**

Each of the above shareholder loans bears interest rate per annum at 11% and has a final maturity date at 20 years since the date of each loan agreements. Based on those agreements, CEP irrevocably promises to repay the entire outstanding principal amount of the loan together with all interest accrued thereon, on the final maturity date.

On or prior to the final maturity date, the shareholders of CEP may resolve in accordance with the charter documents of CEP to effect at final maturity date, the conversion of the outstanding balance of the shareholder loans into shares of CEP. In the event that such resolution has been adopted by the shareholders, CEP shall take all necessary corporate actions to convert the outstanding balance of loan into the common shares of CEP so that after such conversion, CEP's shareholder will continue to maintain its pro rata equity ownership interest in CEP equal to the CEP shareholders' percentage shareholding in CEP at the date when those agreement were made. Shares issued to the CEP's shareholders in connection with this conversion shall be deemed to be part of the CEP's shareholders shares.

**Bridge Loan**

On February 24, 2010, III entered into a Bridge Loan Agreement with CEP wherein III agreed to grant a working capital loan to CEP amounting to Rp 24,212,656 thousand or equivalent to US$ 2,593,750.

On April 5, 2010, CEP settled the entire amount of the Bridge Loan principal and a portion of the interest receivables amounting to US$ 2,610,890. Remaining unpaid interest receivable amounting to US$ 26,449 was treated as new loan principal, bearing an interest rate of 22% per annum. Interest receivable on the new loan principal outstanding as of December 31, 2013 dan 2012 amounted to US$ 22,160 and US$ 16,260, respectively.

On January 7, 2010, IPI entered into a Bridge Loan Agreement with CEP wherein IPI agreed to provide CEP with an advance funds amounting to US$ 2,300,000, which is subject to an interest of 22% per annum and to be repaid on the date of the initial drawdown of loans under the financing documents relating to the funding of the 1x660 MW coal fired power plant project of CEP to be entered into by CEP, the CEP shareholders, each of the financial institutions party and the other parties named therein.

On February 24, 2010, IPI together with the other Lenders, entered into another Bridge Loan Agreement with CEP wherein IPI agreed to provide CEP with an advance funds up to an amount not exceeding its pro-rata share of the maximum Bridge Loan Commitment amounting to US$ 8,612,500. IPI's pro-rata share in this Bridge Loan Agreement is 63.64% (US$ 5,481,250). The advance fund is subject to an interest of 11% per annum and to be repaid on the date of the initial drawdown of loans under the financing documents relating to the funding of the 1x660 MW coal fired power plant project of CEP to be entered into by CEP, the CEP shareholders, each of the financial institutions party and the other parties named therein.

On April 29, 2010, CEP settled all the principal of the bridge loan and a portion of the interest receivables amounting to US$ 7,855,157. Remaining unpaid interest receivable amounting to US$ 119,408 was treated as new loan principal, bearing an interest rate of 22% per annum. Interest receivable on the new loan principal outstanding amounted to US$ 79,905 and as of December 31, 2013 and US$ 53,270 as of December 31, 2012.

PT Sea Bridge Shipping

Receivable from PT Sea Bridge Shipping, an associate, represents working capital loan of US$ 15 million and US$ 21 million as of December 31, 2013 and 2012, respectively, with interest at 9% per annum and paid quarterly.

For loans totaling US$ 22,080,000, principal loans will be paid in 16 quarterly installments starting on March 10, 2010 and June 10, 2010. Based on amendment dated March 10, 2010, principal loan payment was changed into March 10, 2011 and June 10, 2011. In April 2010, TPEC granted additional working capital loan of US$ 6,440,000 which bears the same interest rate as the previous loan. The principal will be fully paid on March 10, 2016.

The loans granted to SBS is proportionate with the percentage of ownership of each stockholder of SBS.

The carrying amount of other accounts receivable from SBS as of December 31, 2013 and December 31, 2012 is repayable as follows:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| One year | 5,520,000 | 5,625,558 |
| Two years | 3,162,500 | 5,520,000 |
| Three years | 6,440,000 | 3,162,500 |
| Four years | - | 6,440,000 |
| Total | 15,122,500 | 20,748,058 |

Employee Loans

Employee loans represent receivables arising from the commencement of "Employee/ Management Stock Allocation" Program (ESA). Based on the extraordinary general meeting of shareholders, the minutes of which were notarized by deed No. 115 dated February 25, 2008 of Sutjipto, SH, notary in Jakarta, the shareholders approved the ESA program plan, wherein number of shares offered in this program were at the maximum of 10% of the new shares offered in the Initial Public Offering, or a maximum of 83,314,200 shares, at the offering price.

The loans have term of 36 months, with a grace period of 6 months, which was extended several times, most recently until December 2010. After the grace period, the loans start to bear interest rate per annum at 5% and are repaid through monthly installments, deducted from salary or proceeds from sale of shares. Shares in ESA program can be sold in one-month period after the effective date.

PT Power Jawa Barat (PJB)

PJB is a project for coal-fired power plant located in Bojonegoro, Banten (formerly West Java) owned by related party of one Commissioner of the Company, working together with third parties to build such power plant prior to the economic crisis in 1998.

Other accounts receivable from PJB mainly represents receivable arising from expenses of PJB paid in advance by the Company.

In 2009, management decided to provide full provision on its accounts receivable from PJB after considering the condition of the project which has no significant progress.

Interest Income on Loans to Related Parties

| | Amount | |
|---|---|---|
| | December 31, 2013 | December 31, 2012 |
| | US$ | US$ |
| PT Cirebon Electric Power | 2,002,446 | 1,895,592 |
| PT Sea Bridge Shipping | 1,646,252 | 1,935,020 |
| Total | 3,648,698 | 3,830,612 |

| | Percentage to total investment income | |
|---|---|---|
| | December 31, 2013 | December 31, 2012 |
| PT Cirebon Electric Power | 22.52% | 20.10% |
| PT Sea Bridge Shipping | 18.51% | 20.52% |
| Total | 41.03% | 40.62% |

Advance Received from a Related Party

PT Intan Resource Indonesia granted an advance to CIP in relation with the coal marketing agreement (Note 49e).

| | Amount | |
|---|---|---|
| | December 31, 2013 | December 31, 2012 |
| | US$ | US$ |
| PT Intan Resource Indonesia | 1,729,954 | 1,729,954 |

| | Percentage to total liabilities | |
|---|---|---|
| | December 31, 2013 | December 31, 2012 |
| PT Intan Resource Indonesia | 0.13% | 0.13% |

Space Rental

| | Amount | |
|---|---|---|
| | December 31, 2013 | December 31, 2012 |
| | US$ | US$ |
| PT Marmitria Land | 1,533,303 | 1,473,292 |

| | Percentage to total general and administrative expenses | |
|---|---|---|
| | December 31, 2013 | December 31, 2012 |
| PT Marmitria Land | 1.01% | 0.93% |

## 48. SEGMENT INFORMATION

PSAK 5 (Revised 2009) requires operating segments to be identified on the basis of internal reports on components of the Company and its subsidiaries that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

For management reporting purposes, the Company and its subsidiaries are principally organized based on energy resources, energy services and energy infrastructure.

The following summary describes the operations in each of the reportable segments:

**Energy resources**

Kideco is the Company's core asset in the energy resources sector and is the third largest producer of coal in Indonesia based on production volume. In this segment, the Company is also supported by MTU, MEA and PT Santan Batubara.

**Energy services**

The Company's two core businesses in the energy services sector are Tripatra and Petrosea. Through Tripatra, the Company provides engineering, procurement and construction services, operations and maintenance and logistic services. Through Petrosea, the Company provides engineering, construction and contract mining with total pit-to-port capability.

**Energy infrastructure**

The 660 megawatt power generation plant in Cirebon, West Java investment in its energy infrastructure business pillar. MBSS also contributed in this segment.

| | December 31, 2013 | | | | |
|---|---|---|---|---|---|
| | | | US$ | | |
| | Energy Services | Energy Resources | Energy Infrastructure | Elimination | Consolidated |
| **Revenues** | | | | | |
| External Sales | 663,400,825 | 2,931,898 | 197,061,469 | - | 863,394,192 |
| Inter-segment Sales | 13,963,219 | - | - | (13,963,219) | - |
| **Total Revenues** | 677,364,044 | 2,931,898 | 197,061,469 | (13,963,219) | 863,394,192 |
| **Segment result** | 128,147,775 | 268,732 | 64,710,785 | (29,071) | 193,098,221 |
| Equity in net profit of associates and jointly-controlled entities | 4,818,694 | 90,683,405 | 7,063,094 | (53,727) | 102,511,466 |
| Investment income | 3,978,002 | 76,760,565 | 2,697,431 | (74,543,243) | 8,892,755 |
| General and administrative expenses | (48,340,848) | (92,020,128) | (11,864,001) | (225,775) | (152,450,752) |
| Finance cost | (27,054,110) | (156,383,698) | (6,258,728) | 75,699,137 | (113,997,399) |
| Others - net | (6,720,068) | (11,125,923) | (4,569,306) | (3,650,151) | (26,065,448) |
| Amortization and impairment on intangible assets | (1,767,800) | (33,898,070) | (18,864,727) | - | (54,530,597) |
| Loss before Tax | 53,061,645 | (125,715,117) | 32,914,548 | (2,802,830) | (42,541,754) |
| Tax Expense | (20,190,035) | 6,734,603 | 1,711,675 | 487,408 | (11,256,349) |
| Loss for the period | | | | | (53,798,103) |
| Attributable to : | | | | | |
| Owners of the company | | | | | (62,487,116) |
| Non-controlling interest | | | | | 8,689,013 |
| Total Consolidated Loss | | | | | (53,798,103) |
| **Segment Assets** | 813,921,980 | 2,962,320,576 | 559,689,937 | (2,019,609,177) | 2,316,323,316 |
| Segment Liabilities | 139,688,385 | 800,304,246 | 98,018,546 | (20,636,986) | 1,017,374,191 |
| Unallocated Liabilities | 349,143,800 | 835,917,801 | 52,891,820 | (888,875,934) | 349,077,487 |
| Total Consolidated Liabilities | 488,832,185 | 1,636,222,047 | 150,910,366 | (909,512,920) | 1,366,451,678 |
| **Other information** | | | | | |
| Capital expenditures (excluding sale and leasseback assets) | | | | | 74,453,732 |
| Depreciation expense | | | | | 97,590,756 |
| Amortization on bond issuance cost | | | | | 13,632,835 |
| Amortization of intangible assets | | | | | 40,424,136 |

| | December 31, 2012 | | | | |
|---|---|---|---|---|---|
| | | | US$ | | |
| | Energy Services | Energy Resources | Energy Infrastructure | Elimination | Consolidated |
| Revenues | | | | | |
| External sales | 594,847,397 | 12,635,987 | 142,222,401 | - | 749,705,785 |
| Inter-segment sales | 11,990,229 | - | - | (11,990,229) | - |
| Total Revenues | 606,837,626 | 12,635,987 | 142,222,401 | (11,990,229) | 749,705,785 |
| Segment result | 135,861,026 | 1,317,284 | 56,702,671 | (637,697) | 193,243,284 |
| Equity in net profit of associates and jointly controlled entities | 10,726,463 | 167,871,338 | 385,775 | - | 178,983,576 |
| Investment income | 2,894,382 | 51,326,432 | 2,035,383 | (46,827,567) | 9,428,630 |
| Income from acquisition of a subsidiaries | - | 2,671,578 | - | - | 2,671,578 |
| General and administrative expenses | (48,883,771) | (101,136,844) | (12,575,018) | 4,026,633 | (158,569,000) |
| Finance cost | (14,481,939) | (100,482,063) | (6,841,200) | 46,860,400 | (74,944,802) |
| Amortization of intangible assets | (1,767,800) | (13,564,205) | (18,718,546) | - | (34,050,551) |
| Other gain or losses - net | (4,582,163) | (6,247,863) | 19,171,741 | (19,698,853) | (11,357,138) |
| Income before tax | 79,766,198 | 1,755,657 | 40,160,806 | (16,277,084) | 105,405,577 |
| Tax expense | (19,440,285) | 3,057,480 | (1,815,340) | - | (18,198,145) |
| Income for the year | | | | | 87,207,432 |
| Attributable to : | | | | | |
| Owners of the Company | | | | | 68,680,536 |
| Non-controlling interest | | | | | 18,526,896 |
| Total consolidated income | | | | | 87,207,432 |
| Segment assets | 726,316,865 | 2,619,186,519 | 582,165,270 | (1,567,936,696) | 2,359,731,958 |
| Segment liabilities | 179,176,778 | 778,232,665 | 116,428,329 | (29,117,578) | 1,044,720,194 |
| Unallocated liabilities | 243,499,763 | 605,538,016 | 32,030,436 | (46,292,221) | 834,775,994 |
| Total consolidated liabilities | 422,676,541 | 1,383,770,681 | 148,458,765 | (75,409,799) | 1,879,496,188 |
| Other information | | | | | |
| Capital expenditures (excluding sale and leasseback assets) | | | | | 242,238,185 |
| Depreciation expense | | | | | 85,316,294 |
| Amortization on bond issuance cost | | | | | 6,712,224 |

**Geographic Segment**

The Company and its domestic subsidiaries mainly operate in Jakarta. Subsidiaries outside of Jakarta are mainly involved in investment and financing activities. Total assets and revenues from these subsidiaries are not material as compared to the consolidated total assets and consolidated total revenues, respectively. Therefore, the Company and its subsidiaries did not present information on geographical area segments.

## 49. COMMITMENTS AND CONTIGENCIES

a. On July 18, 2012, the Company obtained a Revolving Working Capital Credit facility (KMK) from Bank Mandiri, with maximum amount of US$ 75,000,000, which should be applied towards its working capital and corporate purposes. The credit facility bears interest rate at 4.24% p.a. above LIBOR, payable every 3 months. On July 31, 2013, the Company and Bank Mandiri agreed to amend certain terms and conditions in the facility, among others are the extension of the credit facility up to July 17, 2014 and amendment of facility as a Revolving Uncommited facility (Note 24). As of December 31, 2013, the Company has not utilized the facility.

b. The lenders, pursuant to the Common Agreement and Facility Agreement amongst CEP and certain parties defined as lenders, require the Company as a "sponsor" and III and IPI as shareholders of CEP to enter into Equity Support Agreement dated March 8, 2010 with Mizuho Corporate Bank, Ltd., as offshore security and administrative agent, and agree on the following:

1. Sponsor agrees to guarantee payment of and, shall cause to contribute to CEP 20% of any unfunded base equity required to be contributed to CEP, as specified in the Common Agreement.
2. Sponsor agrees to guarantee payment of and, shall cause to contribute to CEP 20% of any unfunded contingent equity required to be contributed to CEP, as specified in the Common Agreement.
3. Sponsor agrees to issue stand by letter of credit to secure payment in the event of PLN force majeure in the amount specified in the agreement.
4. Sponsor agrees to guarantee payment of tax support amount, as defined in the agreement.

The agreement contains certain covenants that Company is required to fulfill.

Based on Share Charge Agreement dated March 12, 2010, the Company agreed to use the following as collateral:

1. All of the Company's share in Indika Power Investment Pte. Ltd (IPI).
2. All dividends, interest and other money paid or payable in respect of all of the Company's shares in IPI and all other rights, benefits and proceeds in respect of or derived from all Company's shares in IPI, in favour of Mizuho Corporate Bank, Ltd, as offshore security agent, all its present and future rights, titles and interest in and to the above collateral, and in each case for the payment and discharge of loan of PT Cirebon Electric Power from Japan Bank for International Cooperation including all cost and expenses to indemnify the offshore security agent.

c. On March 19, 2010, the Company obtained Standby Letter of Credit (SBLC) facility from PT ANZ Panin Bank, which has been extended several times, most recently by agreement dated January 30, 2014 effective from October 31, 2013. Maximum aggregate principal of this facility, at any time, amounts to US$ 27,700,000, comprising of the following:

1. Facility I

| | | |
|---|---|---|
| Sub-limit and currency | : | US$ 17,800,000 |
| Tenor | : | Maximum 36 months |
| Availability period | : | March 22, 2010 until November 14, 2014 |
| Issuance Fee | : | 1.35% per annum |
| Purpose | : | To secure the Company's equity commitment in Cirebon Power Plant Project. |

2. Facility II

| | | |
|---|---|---|
| Sub-limit and currency | : | US$ 2,700,000 |
| Tenor | : | Maximum 12 Months |
| Availability period | : | October 31, 2013 until September 30, 2014 |
| Issuance Fee | : | 1.35% per annum |
| Purpose | : | To cover the risk of insufficient payment from PT Perusahaan Listrik Negara (Persero) (PLN), that may result in CEP unable to commission the power plant. |

3. Facility III

| | | |
|---|---|---|
| Sub-limit and currency | : | US$ 7,200,000 |
| Tenor | : | Maximum 13 months |
| Availability period | : | October 31, 2013 until September 30, 2014 |
| Issuance Fee | : | 1.35% per annum |
| Purpose | : | To ensure the Company's pro rata share of the Debt Service Reserve Requirement of SBLC Facility III. |

The agreement covering the above facility contain certain covenants, which the Company is required to fulfill, including provision regarding events of default.

As of December 31, 2013 and 2012 the amount of facility utilized were US$ 26,149,049 and US$ 20,500,000, respectively.

d. On November 15, 2013, Company and IIC obtained credit facility from Citibank N.A. with combined limit amounting to US$ 25 million. This facility was amended on December 19, 2013 and therefore such combined facility limit shall be as follows:

1. Short Term Loan

| | | |
|---|---|---|
| Maximum facility | : | US$ 25 million |
| Tenor | : | Maximum 12 months |
| Interest rate | : | 2.5% p.a. above LIBOR |

2. Trust Receipt

| | | |
|---|---|---|
| Maximum facility | : | US$ 25 million |
| Tenor | : | Maximum 6 months |
| Interest rate | : | 2.25% p.a. above LIBOR |

3. Trade Payables Financing

| | | |
|---|---|---|
| Maximum facility | : | US$ 25 million |
| Tenor | : | Maximum 6 months |
| Interest rate | : | 2.25% p.a. above LIBOR |

4. Trade Receivables Financing

| | | |
|---|---|---|
| Maximum facility | : | US$ 25 million |
| Tenor | : | Maximum 6 months |
| Interest rate | : | 2.25% p.a. above LIBOR |

5. Opening Letter of Credit

| | | |
|---|---|---|
| Maximum facility | : | US$ 25 million |
| Issuance fee | : | 0.75%-1% per annum per transaction, minimum US$ 100 plus applicable postage charges |

As of December 31, 2013, the Company and IIC have not utilized the facility.

e. On March 19, 2009, CIP entered into Coal Marketing Rights Agreement (CMRA) with PT Sindo Resources (SR) and PT Melawi Rimba Minerals (MRM), wherein SR and MRM agreed to grant CIP exclusive coal marketing rights (as both an agent and a distributor of SR and MRM) to sell and supply the coal, which are to be developed and produced by SR and MRM in the Mining Licences (IUP) Areas to end-users in the Republic of Indonesia. As compensation for acting as an agent for SR and MRM, CIP shall receive commission from SR and MRM, which is to be separately agreed in Coal Agency Agreement.

This agreement shall be valid so long as the IUP on Exploitation of Coal owned by SR and MRM is still valid and effective. The agreement shall be terminated provided that the mutual prior written consent is made between the parties.

On the same date, CIP also entered into Assignment Agreement for CMRA with PT Intan Resource Indonesia (IRI), wherein CIP agrees to assign and transfer all of its rights, obligations and liabilities under the CMRA to IRI. Based on the agreement, IRI shall pay an amount of US$ 864,977 for each CMRA entered with SR and MRM to CIP in return for the assignment. For the faithful fulfillment and performance guarantee under the CMRA, both parties entered into a Pledge of Shares Agreement dated March 25, 2009, wherein CIP agreed to pledge all shares presently held by CIP in SR and MRM and any additional shares in SR and MRM which CIP may acquire for so long as all or any part of the obligations of CIP to IRI under the Assignment Agreement remains outstanding, including any shares taken up by CIP pursuant to an increase of the authorized capital of SR and MRM, and all such additional shares shall automatically be pledged to IRI. CIP shall give written notice to IRI of any such acquisition of additional shares. Based on the agreement, CIP grants to IRI the right to receive and order SR and MRM to pay all dividends payable on the pledged shares.

This agreement shall remain in full force and effect until all CIP's obligation under the Assignment Agreement owing to IRI is performed in full or the Assignment Agreement is terminated.

As the result of the Assignment Agreement for CMRA entered between CIP and IRI as discussed above, on March 19, 2009, IRI entered into Coal Marketing Rights Agreement with SR and MRM with the same content and terms with the one entered amongst CIP, SR and MRM.

f. On July 11 and October 20, 2008, IIC obtained short-term loan facilities from DBS Bank Ltd., amounting to US$ 50,000,000 and US$ 9,090,969, respectively. These facilities were secured by IIC's time deposits in DBS Bank Ltd., and will mature six years after the first drawdown date.

As of December 31, 2013, IIC has not utilized the facility.

g. TPEC has construction work and construction consultant services commitments with several customers as follows:

| No. | Project | Contract value | Owner | Period expected | |
|---|---|---|---|---|---|
| | | | | Start of project | End of project |
| 1. | EPC 1: Production Processing | US$ 746,300,000 | Mobil Cepu Ltd | August 5, 2011 | August 5, 2014 |
| 2. | Engineering, Procurement and Construction | US$ 519,921,000 | JOB Pertamina-Medco E&P Tomori Sulawesi | September 17, 2012 | December 14, 2014 |

h. On December 5, 2013, TPEC obtained the following credit facilities from PT Bank Mandiri (Persero) Tbk:

- Working Capital Loan

| | | |
|---|---|---|
| Maximum facility | : | US$ 35 million |
| Interest rate per annum | : | 6% |
| Structuring fee | : | US$ 100,000 |

- Non-cash loan facility

| | | |
|---|---|---|
| Maximum facility | : | US$ 95 million |
| Type | : | Bank guarantee, Letter of credit, Supply chain financing and trust receipt |
| Structuring fee | : | US$ 50,000 |
| Provision for bank guarantee | : | 0.5% - 1.25% |
| Provision for Letter of Credit | : | 0.125% flat |

The above credit facilities are due on November 5, 2014 and secured by trade accounts receivable project claim in the amount of Rp 197.22 billion and US$ 50 million, land and buildings with HGB No. 1545 and 1576, and time deposit placed in PT Bank Mandiri (Persero) Tbk amounting to US$ 2.15 million.

The credit facilities unused at the end of the reporting period amounted to US$ 26 million of working capital loan and US$ 23.4 million of non-cash loan facilities.

TPEC is restricted to, among other things: without written approval from bank transfer assets used as collateral, obtain new credit facilities from other financial institution except in the normal course of business, act as guarantor to other parties, and transfer its rights and obligations in this loan agreement to another party without written consent from the bank. TPEC is also required to maintain financial ratios as stipulated in the agreement.

i. On January 9, 2013, TPEC obtained the following credit facilities from The Hongkong and Shanghai Banking Corporation Limited (HSBC):

1. Combined limit amounting to US$ 20 million with sub limits under this facility are:

a. Documentary Credit Facility

| | | |
|---|---|---|
| Maximum facility | : | US$ 2 million |
| Commission | : | 0.25% quarter, with minimum amount of US$ 50 |

b. Gurantee Facility

i. Performance bonds

| | | |
|---|---|---|
| Maximum facility | : | US$ 20 million |
| Commission | : | 0.25% per quarter |

ii. Tender bonds

| | | |
|---|---|---|
| Maximum facility | : | US$ 20 million |
| Commission | : | 0.25% per quarter |

2. Treasury facility with expose risk limit amounting to US$ 15 million

The above credit facilities were subject to be reviewed at any time and in any event by December 31, 2013. These facilities are secured with fiduciary transfer of ownership over accounts receivable in the amount of US$ 15.5 million.

The unused credit facilities at the reporting date were amounted to US$ 6.1 million of guarantee facility and the entire documentary and treasury credit facilities.

TPEC shall maintain its current ratio at a minimum of 1.0 time and gearing ratio at a maximum of 1.0 time. TPEC shall also maintain a minimum cash balance of US$ 5 million at the end of the fiscal year.

j. On August 13, 2013, TPEC obtained the following credit facilities from Standard Chartered Bank (SCB):

1) Bond and Guarantee Facility:

| | | |
|---|---|---|
| Maximum facility | : | US$ 30 million |
| Commissions | : | 0.2% per quarter, maximum tenor up to 3 years 0.45% per quarter, increase amount ot extended tenor. |

Bond Facilities and Guarantee consist of:

a) Import Letter of Credit Facility

| | | |
|---|---|---|
| Maximum facility | : | US$ 30 million |
| Commissions | : | 0.375% per quarter |

b) Import Loans Facility

| | | |
|---|---|---|
| Maximum facility | : | US$ 30 million |
| Interest | : | 3% per year |

c) Bill Discount Against Buyer Risk Facility

| | | |
|---|---|---|
| Maximum facility | : | US$ 30 million |
| Interest | : | 3% per year |

d) Import Invoice Financing Facility

| | | |
|---|---|---|
| Maximum facility | : | US$ 30 million |
| Interest | : | 3% per year, above bank's cost of fund |

e) Export Invoice Financing Facility

| | | |
|---|---|---|
| Maximum facility | : | US$ 30 *million* |
| Interest | : | 3% per year, above bank's cost of fund |

f) Shipping Guarantees Facility

| | | |
|---|---|---|
| Maximum facility | : | US$ 10 million |
| Fee | : | US$ 25 per item |

The import letter of credit facilities, import loan facility, bill discount against buyer risk facility, import invoice financing facility, export invoice financing facility and shipping guarantees facility are treated as a sub-limit of the bond and guarantee facility, therefore, the combined outstanding shall not exceed US$ 30 million.

The bank required a cash margin deposit of 10% of facility of import letter of credit that was used.

2) Foreign Exchange Facility

Represent foreign exchange product for hedging purposes.

The credit facility unused at the end of the reporting period were US$ 21.9 million.

The above credit facilities were due on February 28, 2014.

TPEC shall maintain its current ratio at a minimum of 1.0 time and debt to equity ratio at a maximum of 1.0 time.

k. TPEC entered into several guarantee agreements with several financial institutions in relation to the performance and bank guarantees issued by those financial institutions for its projects, as follows:

| Date | Counter parties | Project owner | Amount | | Valid date |
|---|---|---|---|---|---|
| May 1, 2013 | The Hongkong and Shanghai Banking Corporation Limited | PT Perta-Samtan Gas | US$ | 13,795,000 | November 1, 2014 |
| January 30, 2013 | PT Bank Mandiri (Persero) Tbk | Mobil Cepu Ltd | US$ | 79,530,000 | November 5, 2015 |
| September 26, 2012 | PT Bank Mandiri (Persero) Tbk | JOB Pertamina-Medco E&P Tomori Sulawesi | US$ | 25,996,050 | February 17, 2016 |
| December 12, 2012 | PT Bank Mandiri (Persero) Tbk | JOB Pertamina-Medco E&P Tomori Sulawesi | US$ | 10,000,000 | October 12, 2014 |
| October 11, 2013 | PT Bank Mandiri (Persero) Tbk | Eni Muara Bakau BV. | US$ | 2,688,679 | May 9, 2014 |

l. TPE has consultant services commitment for construction work as follows:

| No. | Project | Contract value | | Owner | Project period | |
|---|---|---|---|---|---|---|
| | | | | | Start of project | End of project |
| 1 | Provision of Technical Support Services Contract | US$ | 21,411,734 | Premier Oil Natuna Sea B.V. | December 27, 2010 | March 31, 2014 |
| 2 | Cilacap RFCC Project | Rp | 30,224,328,750 | PT Foster Wheeler C&P Indonesia | March 25, 2012 | July 31, 2015 |
| 3 | Offshore and Subsea Engineering | US$ | 14,765,161 | BUT Conoco Phillips Indonesia Inc. Ltd. | July 16, 2012 | July 15, 2015 |
| 4 | Front End Engineering Design for Aset Integrity Program | Rp | 74,350,358,670 | PT Chevron Pacific Indonesia | December 3, 2012 | December 3, 2017 |
| 5 | Technical Service Contract for Project Engineering & CMS | US$ | 21,835,778 | PT Pertamina Hulu Energi ONWJ | March 1, 2013 | February 28, 2016 |
| 6 | Abadi Gas Field Development - FLNG Facility | US$ | 72,889,282 | Inpex Masela Ltd. | January 21, 2013 | February 20, 2014 |

TPE entered into several guarantee agreements with several financial institutions in relation to the performance bonds or bank guarantees, issued by those financial institutions for TPE's projects, as follows:

| Date | Counter parties | Owner | Amount | Valid date |
|---|---|---|---|---|
| | | | US$ | |
| December 27, 2010 | PT Bank Mandiri (Persero) Tbk | Premier Oil Natuna Sea B.V. | 1,209,040 | March 26, 2014 |
| July 16, 2012 | PT Bank Mandiri (Persero) Tbk | BUT Conoco Phillips Indonesia Inc. Ltd. | 738,259 | October 15, 2015 |
| December 3, 2012 | PT Bank Mandiri (Persero) Tbk | PT. Chevron Pacific Indonesia | 304,990 | March 2, 2018 |
| January 21, 2013 | PT Bank Mandiri (Persero) Tbk | Inpex Masela Ltd. | 75,000 | September 21, 2014 |
| March 1, 2013 | PT Bank Mandiri (Persero) Tbk | PT Pertamina Hulu Energi ONWJ | 1,091,789 | April 30, 2016 |
| December 16, 2013 | PT Bank Mandiri (Persero) Tbk | PT. Chevron Pacific Indonesia | 82,041 | January 14, 2014 |

m. On January 1, 2005, Petrosea entered into an Overburden Subcontract agreement with PT Gunung Bayan Pratama Coal (GBP) at its mine sites in Muara Pahu districts, East Kalimantan. Under this subcontract, Petrosea provides labour, equipment and facilities for land clearing, overburden and top soil removal, and overburden hauling. Petrosea is also required to meet certain minimum production requirements for these activities.

On October 29, 2008, Petrosea entered into a new agreement for a new scope of similar overburden work with GBP for US$ 315 million. This agreement will be effective for five years starting January 1, 2009, upon completion of the previous agreement.

On March 26, 2012, the agreement was amended, which include among others, to extend the mining service contract untill December 31, 2017 and to increase the overburden production volume to 55 million BCM per year starting from 2012 untill 2017.

n. As of December 31, 2013, Petrosea has credit facilities for finance leases as follows:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| PT Mitra Pinasthika Mustika Finance (MPMF) | 75,000,000 | 120,000,000 |
| PT Mistubishi UFJ Lease and Finance Indonesia | - | 25,000,000 |
| PT Orix Indonesia Finance | - | 15,000,000 |
| Total | 75,000,000 | 160,000,000 |

The lease liabilities under the credit facilities are disclosed in Note 29.

o. As of December 31, 2013, Petrosea has commitments under non-cancellable operating leases for land and buildings as follows:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| Due: | | |
| Less than 1 year | 1,052,000 | 716,000 |
| Within 1 - 2 years | 646,000 | 492,000 |
| Within 2 - 5 years | 54,000 | 352,000 |
| Total | 1,752,000 | 1,560,000 |

p. As of December 31, 2013 and 2012, Petrosea had various outstanding bank guarantee facilities for its operations amounting to US$ 7,925 thousand and US$ 5,177 thousand, respectively. As of December 31, 2013, the bank guaranteess were outstanding to Total E&P Indonesie, Immersive Technology Pty Ltd., PT Weda Bay Nickel, Anadarko Indonesia Nunukan Company, Eni Muara Bakau B.V., Chevron Indonesia Company, Salamander Energy Pte Ltd., Niko Resources Ltd., Krisenergy Kutaei B.V., PT Indonesia Bulk Terminal, Chevron Pasific Indonesia, and Pearloil (Sebuku) Limited. As of December 31, 2012, the bank guarantees were outstanding to Marathon International Pet. Indonesia, Total E&P Indonesie, Immersive Technology Pty Ltd., Exxon Mobil Exploration and Production Surumana Limited, Anadarko Indonesia Nunukan Company, Eni Muara Bakau B.V., Salamander Energy Pte Ltd., Niko Resources Ltd., Krisenergy Kutaei B.V., and Directorate General of Customs & Excise.

q. On January 16, 2009, Petrosea entered into Overburden Removal and Coal Recovery and Loading of Santan - Separi Mine Site East Kalimantan agreement amounting to US$ 250 million with PT Santan Batubara (SB), a 50/50 joint venture between Petrosea and PT Harum Energy Tbk. The scope encompasses overburden removal and coal mining at Santan - Separi block in East Kalimantan. This agreement is effective for five years starting on March 6, 2009.

On February 16, 2011, the contract was amended under Addendum No. 1 which increased the total quantities to be mined from 99 million BCM of overburden and 9.5 million tons of coal over the initial contract period of 5 years to 155 million BCM of overburden and 14.8 million tons of coal over 7 years period.

On March 2, 2012, the agreement was amended, which include among others, the Contract Expansion and Extension of Mining Services at Separi and Uskap mining area, in which Petrosea will also provide mining service for Uskap pit.

Petrosea and SB entered into Rental Agreement of Heavy Equipment at Separi and Uskap site, East Kalimantan. Commenced date for this agreement on September 1, 2012.

r. On August 19, 2009, Petrosea and PT Adimitra Baratama Nusantara (ABN) entered into Overburden Removal and Coal Loading Agreement amounting to US$ 200 million at Sanga - Sanga Mine Site, East Kalimantan. This agreement is effective for five years starting on August 19, 2009.

On August 25, 2011, the agreement was amended, which include among others, the increase in target for coal and overburden production volume from 14 million ton coal and 126 million BCM overburden for five years period to 41.25 million ton coal and 565.8 million BCM for nine years period, and the expiration date of the contract from August 18, 2014 to December 31, 2018.

Petrosea and ABN entered into Plant Hire Agreement for Hire of Heavy Equipment and Personnel at ABN Site, Sanga-Sanga, East Kalimantan. Commenced date for this agreement on January 1, 2012.

On September 2, 2013, certain clauses the overburden agreement were amended, which amongst others, include payment of security deposits and rise and fall.

On September 9, 2013, such Rental Agreement at ABN site was amended regarding on rise and fall clause.

s. On October 22, 2010, Petrosea and PT Kideco Jaya Agung, a related party, entered into a Waste Removal & Coal Production Agreement amounting to US$ 216 million at SM Popor, Suara Area, East Kalimantan. This agreement is effective for five years commencing on January 1, 2011.

On May 10, 2013, Petrosea and PT Kideco Jaya Agung entered into Rentral Agreement of Heavy Equipment at SM Popor Area, Pasir Mine, East Kalimantan.

On October 28, 2013, the contract was amended under Addendum No. 2 which increased the total quantities to be mined in 2014 and 2015 to 35 million BCM of overburden, respectively.

t. On June 25, 2001, Petrosea entered into a lease agreement of Pertamina's land in Tanjung Batu, Balikpapan, with Pertamina UP V Balikpapan. Based on this agreement, Petrosea rented assets such as 89 HA land area, Jetty and warehouse located at Tanjung Batu, Balikpapan. This agreement is valid for 15 years from February 1, 2001 until February 1, 2016.

u. On April 15, 2013, Petrosea and PT Indonesia Pratama entered into an Agreement for Construction Of The Haul Road 69 KM from Senyiur Port to Tabang Coal Mine, East Kalimantan. The contract value is US$ 23.5 million.

On May 28, 2013, the agreement was amended under Addendum No. 1, which include additional work for Engineering Procurement and Constructions (EPC) of the bridge for the coal haul road from Senyiur Port to Tabang Coal Mine with the value amounting to US$ 3.39 million.

As of December 31, 2013 Petrosea has received down payment, amounting to US$ 2,280 thousand from PT Indonesia Pratama for this construction contract.

v. On April 22, 2013, Petrosea and PT Indonesia Bulk Terminal entered into a Crane Replacement and Wharft Work Agreement at IBT Terminal Pulau Laut Kalimantan. The scope of works consist of freight and delivery to site of the crane, removal and replacement of four barge unloading cranes and some others constructions works and the project value is amounting US$ 7 million.

w. On July 23, 2013, Petrosea and Chevron Indonesia Company entered into Shore Base Lease and Operation Contract. This contract is to support the Indonesia Deep water Development (IDD) Project and this contract is executed through Petrosea Offshore Supply Base (POSB) facility at Tanjung Batu, East Kalimantan. Estimated value of the contract is US$ 27 million and effective for five years until year 2018.

x. MBSS has commitments of coal transhipment service. For Barging services can be classified primarily as freight charter, time charter and fixed and variable. The commitments are as follows:

| No | Name of Project | Owner | Periode Proyek/Project Period | |
|---|---|---|---|---|
| | | | Start of project | End of Project |
| | **BARGING** | | | |
| | A. Freight Charter | | | |
| 1 | Coal Barging Agreement | PT Adaro Indonesia | October 1, 2010 | October 31, 2017 |
| 2 | Charter for Coal Transportation | PT Holcim Indonesia Tbk | April 1, 2010 | March 31, 2015 |
| 3 | Coal Transhipment Bunati in Satui/Addendum No. 1 Coal Transhipment Agreement | PT Borneo Indobara | January 1, 2012 | December 31, 2014 |
| 4 | Coal Transhipment in Abidin Jetty at Satui | PT Borneo Indobara | January 1, 2012 | December 31, 2014 |
| 5 | Coal Transportation to Load and Transported from Tanjung Kepala, Pulau Sebuku or from JMB loading Terminal to Transhipment Points | PT Bahari Cakrawala Sebuku & PT Jembayan Muara Bara (JMB) | January 1, 2011 | March 31, 2014 |
| 6 | Coal Transportation | PT Indocement Tunggal Perkasa Tbk | January 1, 2010 | January 31,2014 *) |
| 7 | Coal Affreightment and Transhipment Contract | PT Singlurus Pratama | July 1, 2009 | April 30, 2014 |
| 8 | Contract for The Affreightment and Transhipment of Sebuku Coal | PT Bahari Cakrawala Sebuku | December 1, 2002 | remaining life of coal mine |
| 9 | Coal Transportation Contract | PT Cotrans Asia (Related party, Note 47) | March 1, 2012 | February 28, 2014 |

*) In the process of extention

| No | Name of Project | Owner | Project Period | |
|---|---|---|---|---|
| | | | Start of project | End of Project |
| | B. Time Charter | | | |
| 1 | Vessel Operation Service for Cement Transport | PT Holcim Indonesia Tbk | May 9, 2011 | May 9, 2016 |
| | C. Fixed and Variable | | | |
| 1 | Operation of Bengalon Handling Project | PT Kaltim Prima Coal (as direct customer) PT Inacia Perkasa Abadi (as appointer) | April 2006 | March 2014 |
| 2 | Provision for Barging Transhipment Operation to Transhipment Coal at The Tanjung Bara Achorage | PT Fajar Bumi Sakti | August 2010 | March 2014 |
| | **FLOATING CRANE** | | | |
| 1 | Coal Transhipment for Provision of Transhipment Services at Adang Bay | PT Kideco Jaya Agung (Related party, Note 47) | September 28, 2010 | September 28, 2015 |
| 2 | Coal Freight Agreement in Taboneo Anchorage Offshore Banjarmasin | PT Adaro Indonesia | July 1, 2008 | June 30, 2014 |
| 3 | Coal Transhipment Agreement for the Provision of Transhipment Service at Adang Bay | PT Kideco Jaya Agung (Related party, Note 47) | January 1, 2013 | December 31, 2017 |

y. MSC, a subsidiary through MBSS, has transhipment service commitment as follows:

| Name of Project | Owner | Project period | |
|---|---|---|---|
| | | Start of project | End of project |
| Charter on the vessel "Princesse Chloe" | PT Berau Coal | April 23, 2011 | April 22, 2016 |

z. MASS, a subsidiary through MBSS, has transhipment service commitment as follows:

| Name of Project | Owner | Project period | |
|---|---|---|---|
| | | Start of project | End of project |
| Coal Transhipment at Muara Pantai Anchorage | PT Berau Coal | June 1, 2012 | June 1, 2017 |

aa. In relation with MBSS' Initial Public Offering, the Shareholders through the Shareholders Circular Resolution dated December 2 and 3, 2010 have agreed to implement Management and Employee Stock Allocation (MESA) of up to 10% of the shares offered and have agreed to implement Management and Employee Stock Option Plan (MESOP) up to 2% of the total paid-up capital of MBSS after Initial Public Offering; and after the exercise of the Convertible Loan.

As of December 31, 2013, only Management and Employee Stock Option Program (MESOP) remains unrealized in relation with the above mentioned resolution.

bb. On October 2, 2013, MEA, a subsidiary, entered into Land Use Cooperation agreement with PT. Ganda Alam Makmur (GAM), wherein MEA agreed to grant exclusive right for land usage located in East Kutai, on which MEA holds the Location and Construction Permit, in order for GAM to construct the hauling road. As compensation, MEA shall receive fees from GAM, as stated in such agreement.

cc. In October 2013, the Company and China Railway Group Limited entered into agreement to jointly develop mining and transportation infrastructure projects in the Papua and Central Kalimantan Province in Indonesia.

dd. On September 26, 2006, KPI entered into a service agreement with Freeport, which was further amended on January 10, 2013 and extended until January 1, 2016. Under this agreement, KPI shall operate and utilize the facilities described in the agreement solely in connection with the performance of the service and shall perform the service exclusively for the benefit of Freeport. As a compensation, KPI will receive the following:

- KPI's compensable expenses consisting of all cash costs, expenses, charges, fees and other amounts whatsoever, whether capital, ordinary or extraordinary in nature, excluding extraordinary expenses as defined in the agreement, incurred by KPI in carrying out its activities under and in connection with the agreement.

- Port and operating services fee shall be fixed monthly amount of US$ 142,000 plus an amount equal to 7.5% of direct labor costs of KPI's employees that are paid either directly to employees or as payroll related costs for the month, and safety incentive of an amount up to 2.5% of the agreed cost. The safety incentive will be calculated and accrued monthly and paid semi annually.

## 50. MONETARY ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

At December 31, 2013 and 2012, the Company and its subsidiaries had monetary assets and liabilities in foreign currencies as follows:

| | | December 31, 2013 | | December 31, 2012 | |
|---|---|---|---|---|---|
| | | Foreign Currency | Equivalent in US$ | Foreign Currency | Equivalent in US$ |
| Assets | | | | | |
| Cash and cash equivalents | IDR | 598,251,262,091 | 49,081,242 | 503,680,777,490 | 52,086,947 |
| | SGD | 2,105,877 | 1,663,414 | 2,753,247 | 2,251,319 |
| | EUR | 33,207 | 45,827 | 114,531 | 151,720 |
| | AUD | 35,568 | 31,736 | 34,610 | 35,882 |
| Trade accounts receivable | SGD | 299,934 | 236,915 | 340,910 | 278,761 |
| | IDR | 44,878,069,650 | 3,681,850 | 15,288,879,210 | 1,581,063 |
| Unbilled receivables | IDR | 13,861,196,721 | 1,137,189 | 2,838,676,850 | 293,555 |
| Other accounts receivable | IDR | 66,561,569,310 | 5,460,790 | 150,286,140,610 | 15,541,483 |
| Prepaid taxes | IDR | 603,839,793,348 | 49,539,732 | 372,510,051,130 | 38,522,239 |
| Other current assets | IDR | 4,994,789,422 | 409,778 | 4,931,874,060 | 519,036 |
| | SGD | 98,748 | 78,000 | 98,000 | 80,000 |
| | EUR | 2,174 | 3,000 | - | - |
| | AUD | 1,121 | 1,000 | 57,000 | 59,000 |
| Claim for tax refund | IDR | 164,594,417,469 | 13,503,521 | 66,195,124,370 | 6,845,411 |
| Advances and other non-current assets | IDR | 45,701,970,234 | 3,749,444 | 45,314,630,490 | 4,686,104 |
| | SGD | - | - | 26,618 | 21,818 |
| | GBP | - | - | 3,750 | 6,041 |
| Total Assets | | | 128,623,438 | | 122,960,379 |

(Forward)

| | | December 31, 2013 | | December 31, 2012 | |
|---|---|---|---|---|---|
| | | Foreign Currency | Equivalent in US$ | Foreign Currency | Equivalent in US$ |
| (Forward) | | | | | |
| Liabilities | | | | | |
| Trade accounts payable | IDR | 118,336,708,409 | 9,708,484 | 180,426,428,230 | 18,658,369 |
| | SGD | 812,609 | 641,873 | 1,526,880 | 1,248,524 |
| | EUR | 237,981 | 328,426 | 476,203 | 630,827 |
| | JPY | 510,984 | 4,870 | 49,074,926 | 568,244 |
| | AUD | 57,855 | 51,621 | 321,335 | 333,145 |
| | PHP | 441,420 | 9,942 | 2,403,055 | 58,476 |
| | GBP | - | - | 7,074 | 11,397 |
| | MYR | 9,248 | 2,813 | 9,252 | 3,023 |
| Other accounts payable | SGD | 294,758 | 232,827 | 292,022 | 239,362 |
| | IDR | 11,144,024,280 | 914,269 | 222,970,860 | 23,058 |
| Taxes payable | IDR | 67,752,556,500 | 5,558,500 | 151,474,612,620 | 15,664,386 |
| Accrued expenses | IDR | 336,655,775,017 | 27,619,638 | 3,117,576,103 | 322,397 |
| | SGD | 571,217 | 451,199 | 350,598 | 287,375 |
| | EUR | 2,564,418 | 3,539,027 | 99,442 | 132,590 |
| | GBP | 47,097 | 77,651 | 459 | 746 |
| Dividend payable | IDR | 3,244,090,161 | 266,149 | 2,765,620,000 | 286,466 |
| Long-term loans | SGD | 19,920,360 | 15,734,919 | 20,706,610 | 16,972,636 |
| | IDR | 9,816,533,040 | 805,360 | 14,780,962,460 | 1,528,538 |
| Lease liabilities | IDR | 261,429,672 | 21,448 | 3,618,649,380 | 374,214 |
| Employement benefits obligation | IDR | 266,462,302,887 | 21,860,883 | 205,761,035,260 | 21,278,287 |
| Total Liabilities | | | 87,829,899 | | 78,622,060 |
| Total Net Assets | | | 40,793,539 | | 44,338,319 |

The conversion rates used by the Company and its subsidiaries on December 31, 2013 and 2012 and the prevailing rates on March 10, 2014 are as follows:

| | March 10, 2014 | December 31, 2013 | December 31, 2012 |
|---|---|---|---|
| | US$ | US$ | US$ |
| Foreign currency | | | |
| IDR 1 | 0.0001 | 0.0001 | 0.0001 |
| SGD 1 | 0.7884 | 0.7899 | 0.8177 |
| AUD 1 | 0.9047 | 0.8923 | 1.0368 |
| EUR 1 | 1.3887 | 1.3801 | 1.3247 |
| HKD 1 | 0.1289 | 0.1290 | 0.1290 |
| GBP 1 | 1.6731 | 1.6488 | 1.6111 |
| MYR 1 | 0.3050 | 0.3042 | 0.3267 |
| PHP 1 | 0.0225 | 0.0225 | 0.0243 |
| JPY 1 | 0.0097 | 0.0095 | 0.0116 |

In relation with fluctuation of US$ against foreign currencies, the Company and its subsidiaries recorded net loss on foreign exchange of US$ 9,797,528 in 2013 and US$ 8,842,498 in 2012.

On March 10, 2014, these were increased in exchange rates of foreign currencies to US$. Using the exchange rates of March 10, 2014, net monetary asset in foreign currencies of the Company and its subsidiaries as of December 31, 2013 increase by US$ 3,869,458.

## 51. OTHER SIGNIFICANT INFORMATION

The Company, TPC and PT Ganesha Intra Development Company (GID) entered into a merger agreement (the "Merger") based on deed No. 25 dated February 15, 2007, drawn up before Imas Fatimah, SH, public notary in Jakarta, with the Company as the surviving company while TPC and GID were liquidated without the process of liquidation. The merger was effective on March 2, 2007.

In relation to the merger, the stockholders of the Company, TPC and GID obtained combined control over the whole of their net assets and liabilities to achieve a continuing mutual sharing in the risks and benefits of the combined entity. Therefore, the merger was accounted for using the pooling of interest method of accounting.

In relation to the merger, the Company has applied for approval with the Directorate General of Taxation (DGT) to use historical net book value in accounting for the merger. The DGT has three times issued rejection letter, the latest through letter No. S-441/PJ.031/2008 dated May 29, 2008. In response to this rejection letter, the Company has filed an appeal to the tax court through letter No. 007/06.08/IIE.Tax dated June 17, 2008. On April 20, 2009, based on letter No. Put. 17815/PP/M.XII/99/2009, the tax court decided to approve the use of historical net book value in accounting for the merger.

Subsequently, in September 2009, DGT has filed a reconsideration request against the above tax court decision to the Supreme Court through its letter *Memori Peninjauan Kembali* No. S-7109/pj.074/2009.

Based on official website, the Supreme Court have rejected the DGT's claim and sent their decision back to Tax Court on December 30, 2013.

As of the issuance date of the consolidated financial statements, the Supreme Court's decision has not been submitted by Tax Court to the Company.

## 52. NON CASH TRANSACTIONS

The Company and its subsidiaries have investment and financing transactions that did not affect cash and cash equivalents and hence not included in the consolidated statements of cash flows as of December 31, 2013 and 2012 with the detail as follows:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| Addition to property, plant and equipment through: | | |
| Lease liabilities | 2,556,000 | 38,526,141 |
| Bank loan | 2,632,000 | 6,856,551 |
| Reclassifications of advance payments of property, plant and equipment to property, plant and equipment | 4,394,217 | 30,736,844 |

## 53. SUBSEQUENT EVENTS

a. On January 21, 2014, ICI and PT Mitra Pratama Prima established PT Indika Energy Trading (IET) with ownership of 60% by ICI. IET will be engaged in activities covering trading, development, services, workshop, industrial, shipping, printing and agriculture.

b. On January 21, 2014, IMEI and IEI established PT Prasarana Energi Indonesia (PEI) which will be engaged in activities covering trading, development, services, workshop, industrial, shipping, printing and agriculture.

c. On January 29, 2014, Petrosea received Overpayment Tax Assessment Letter for October, November and December 2011 Value Added Tax, amounting to Rp 11,568,571,180, Rp 17,500,249,487, and Rp 9,656,468,024, respectively, from total claims of Rp 11,569,238,802, Rp 17,603,372,697 and Rp 10,322,424,094, respectively. As of reporting dates, Petrosea has not received the refund yet from such overpayment.

d. On February 24, 2014, PEI and IMEI established PT Prasarana Energi Cirebon (PEC) which will be engaged in activities covering trading, development, services, workshop, industrial, shipping, printing and agriculture.

e. TPEC, with PT Saipem Indonesia, PT Chiyoda International Indonesia and Hyundai Heavy Industries Co. Ltd. (Note 18), together as a consortium, entered into an agreement with ENI Muara Bakau B.V. for provision and installation of New Built Barge Floating Production Unit (Hull, Topside and Mooring System) for Jangkrik and Jangkrik North East on February 28, 2014 with contract value amounted to US$ 1,114 million.

## 54. CURRENT ECONOMIC CONDITION

The global economic growth in 2013 is slowing down due to the impact of crisis in Europe and low growth in China and India. The prices of certain world commodities including coal have decreased.

The continous decline of coal price in the future may adversely affect the Company and its subsidiaries' and/or its customers' operations. Also, the effects of the economic situation on the financial condition of the customers have increased the credit risk inherent in the receivables from customers.

Recovery of the economy condition is dependent on resolution of the economic crisis, which are beyond the Company and its subsidiaries' control, to achieve economic recovery. It is not possible to determine the future effect the economic condition may have on the Company and its subsidiaries' liquidity and earnings, including the effect flowing through from its investors, customers and suppliers.

The management believes that the Company and its subsidiaries have adequate resources to continue their operations for the foreseeable future. Accordingly, the Company and its subsidiaries continue to adopt the going concern basis in preparing the consolidated financial statements.

## 55. SUPPLEMENTARY INFORMATION

The supplementary information the parent company only on pages 130 to 133 presented the statements of financial position, statements of comprehensive income, statements of changes in equity, and statements of cash flows in which investments in subsidiaries and associates were accounted for using cost method.

## 56. MANAGEMENT RESPONSIBILITY AND APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The preparation and fair presentation of the consolidated financial statements on pages 3 to 128 were the responsibilities of the management, and were approved by the Company's Directors and authorized for issue on March 10, 2014.

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PT. INDIKA ENERGY Tbk
STATEMENTS OF FINANCIAL POSITION
(PARENT COMPANY ONLY)
DECEMBER 31, 2013 AND 2012

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | 52,703,423 | 81,785,436 |
| Trade accounts receivable - Third parties | 1,055 | 23,127 |
| Unbilled receivables | | |
| Related parties | 311,752 | - |
| Third parties | 29,268 | - |
| Prepaid taxes | 2,935,554 | 3,771,118 |
| Other current assets | 189,259 | 404,791 |
| Total Current Assets | 56,170,311 | 85,984,472 |
| NON-CURRENT ASSETS | | |
| Other accounts receivable | | |
| Related parties | 77,296,463 | 112,932,970 |
| Third parties | 3,454,261 | 4,670,958 |
| Claim for tax refund | 2,334,204 | - |
| Investment in subsidiaries | 172,369,142 | 169,516,869 |
| Advances and other non-current assets | 553,374,353 | 477,638,788 |
| Property, plant and equipment - net of accumulated depreciation of US$ 12,671,382 as of December 31, 2013 and US$ 9,562,131 as of December 31, 2012 | 33,430,687 | 32,283,590 |
| Intangible assets | 3,454,250 | 4,295,017 |
| Refundable deposits | 372,112 | 582,785 |
| Total Non-current Assets | 846,085,472 | 801,920,977 |
| TOTAL ASSETS | 902,255,783 | 887,905,449 |
| LIABILITIES AND EQUITY | | |
| CURRENT LIABILITIES | | |
| Bank loans | - | 247,310,556 |
| Other accounts payable - Third parties | 1,503,794 | 667,612 |
| Taxes payable | 926,296 | 624,061 |
| Accrued expenses | 1,065,167 | 3,118,784 |
| Accrued interest | 14,552,751 | 5,596,764 |
| Current maturities of lease liabilities | 282,798 | 643,583 |
| Total Current Liabilities | 18,330,806 | 257,961,360 |
| NON-CURRENT LIABILITIES | | |
| Loan - Related parties | 521,357,656 | 255,041,184 |
| Employment benefit obligation | 4,652,646 | 3,210,033 |
| Total Liabilities | 544,341,108 | 516,212,577 |
| EQUITY | | |
| Capital stock - Rp 100 par value per share | | |
| Authorized - 17,000 million shares | | |
| Subscribed and paid-up - 5,210,192,000 shares in 2013 and 2012 | 56,892,154 | 56,892,154 |
| Additional paid-in capital | 250,847,920 | 239,985,257 |
| Other components of equity | 65,000,656 | 65,000,656 |
| Difference in value of restructuring transaction between entities under common control | - | 10,862,663 |
| Deficit | | |
| Appropriated | 5,312,496 | 4,283,901 |
| Unappropriated | (20,138,551) | (5,331,759) |
| Total Equity | 357,914,675 | 371,692,872 |
| TOTAL LIABILITIES AND EQUITY | 902,255,783 | 887,905,449 |

PT. INDIKA ENERGY Tbk
STATEMENTS OF COMPREHENSIVE INCOME
(PARENT COMPANY ONLY)
FOR THE YEARS ENDED
DECEMBER 31, 2013 AND 2012

| | 2013 | 2012 |
|---|---|---|
| | US$ | US$ |
| REVENUES | 318,609 | 516,498 |
| COST OF REVENUES | 220,665 | 190,358 |
| GROSS PROFIT | 97,944 | 326,140 |
| Dividend income | 118,825,859 | 149,613,897 |
| Investment income | 879,068 | 1,853,846 |
| Amortization of intangible assets | (2,038,433) | (1,637,744) |
| General and administrative expenses | (40,648,018) | (47,389,260) |
| Finance cost | (63,358,233) | (35,600,830) |
| Others - net | (8,536,384) | (2,382,761) |
| PROFIT BEFORE TAX | 5,221,803 | 64,783,288 |
| PROFIT AND TOTAL COMPREHENSIVE INCOME | 5,221,803 | 64,783,288 |

PT. INDIKA ENERGY Tbk
STATEMENTS OF CHANGES IN EQUITY
(PARENT COMPANY ONLY)
FOR THE YEARS ENDED
DECEMBER 31, 2013 AND 2012

| | Capital stock | Additional paid-in capital | Other Components of Equity | | Difference in value of restructuring transaction between entities under common control | Retained earnings | | Total equity |
|---|---|---|---|---|---|---|---|---|
| | | | Other capital - employee stock option | Other equity | | Appropriated | Unappropriated | |
| | US$ | US$ | US$ | US$ | US$ | US$ | US$ | US$ |
| Balance as of January 1, 2012 | 56,892,154 | 239,985,257 | 7,816,296 | - | 10,862,663 | 4,283,901 | (37,139,148) | 282,701,123 |
| Other equity | - | - | - | 57,184,360 | - | - | - | 57,184,360 |
| Cash dividend | - | - | - | - | - | - | (32,975,899) | (32,975,899) |
| Total comprehensive income | - | - | - | - | - | - | 64,783,288 | 64,783,288 |
| Balance as of December 31, 2012 | 56,892,154 | 239,985,257 | 7,816,296 | 57,184,360 | 10,862,663 | 4,283,901 | (5,331,759) | 371,692,872 |
| Effect of the first adoption of PSAK 38 (revised 2012) | - | 10,862,663 | - | - | (10,862,663) | - | - | - |
| Balance as of January 1, 2013 after the first time adoption of PSAK 38 | 56,892,154 | 250,847,920 | 7,816,296 | 57,184,360 | - | 4,283,901 | (5,331,759) | 371,692,872 |
| Appropriation for general reserve | - | - | - | - | - | 1,028,595 | (1,028,595) | - |
| Cash dividend | - | - | - | - | - | - | (19,000,000) | (19,000,000) |
| Total comprehensive income | - | - | - | - | - | - | 5,221,803 | 5,221,803 |
| Balance as of December 31, 2013 | 56,892,154 | 250,847,920 | 7,816,296 | 57,184,360 | - | 5,312,496 | (20,138,551) | 357,914,675 |

PT. INDIKA ENERGY Tbk
STATEMENTS OF CASH FLOWS
(PARENT COMPANY ONLY)
FOR THE YEARS ENDED
DECEMBER 31, 2013 AND 2012

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | US$ | US$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash receipts from customers | 637,557 | 523,573 |
| Cash paid to suppliers | (12,829,340) | (22,571,855) |
| Cash paid to directors and employees | (18,929,560) | (19,303,690) |
| Cash used in operations | (31,121,343) | (41,351,972) |
| Receipt from claim for tax refund | 1,335,507 | 4,917,384 |
| Interest received | 844,214 | 1,735,811 |
| Payment of taxes | (6,802,835) | (8,725,707) |
| Payment of finance cost | (36,813,032) | (29,459,957) |
| Net Cash Used in Operating Activities | (72,557,490) | (72,884,441) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from (payments of) loan from related parties | 208,627,525 | (188,149,473) |
| Dividends received | 118,825,859 | 149,613,897 |
| Withdrawal of other financial assets | 20,000,000 | 793,553 |
| Proceeds from sale of property | 305,424 | 89,537 |
| Acquisition of property and equipment | (920,582) | (2,350,099) |
| Acquisition of intangible assets | (1,251,392) | - |
| Placement of claim for tax refund | (2,943,169) | - |
| Payment of advances and other non-current assets | (1,865,469) | (112,304) |
| Placement of other financial assets | (20,000,000) | (78,967) |
| Proceeds from shares re-floating | - | 115,988,000 |
| Disbursements for shares re-floating cost | - | (9,325,573) |
| Net Cash Provided by (Used in) Investing Activities | 320,778,196 | 66,468,571 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments of bonds issuance costs | (6,203,248) | (690,231) |
| Payments of dividend | (19,000,000) | (32,975,899) |
| Payments of bank loans and long-term loans | (250,303,209) | (180,312,617) |
| Proceeds from bank loans | - | 250,000,000 |
| Net Cash Provided by (Used in) Financing Activities | (275,506,457) | 36,021,253 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (27,285,750) | 29,605,383 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 81,785,436 | 51,897,731 |
| Effects of foreign exchange rate changes | (1,796,262) | 282,322 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 52,703,423 | 81,785,436 |





# COMPANY INFORMATION

# COMPANY INFORMATION

## COMPANY NAME
PT INDIKA ENERGY TBK.

## DATE OF ESTABLISHMENT
19 October 2000

SHAREHOLDERS COMPOSITION (PER 31 DECEMBER 2013)

| Shareholder | Shares | % |
|---|---|---|
| PT Indika Mitra Energi | 3,307,097,790 | 63.47 |
| Pandri Prabono-Moelyo | 231,100,200 | 4.44 |
| Eddy Junaedy Danu | 81,880,500 | 1.57 |
| PT Indika Mitra Holdiko | 10 | 0.00 |
| Public | 1,590,113,500 | 30.2 |

## DOMICILE
PT INDIKA ENERGY TBK.
Mitra Building 7th Floor
Jl. Jendral Gatot Subroto Kav. 21
Jakarta 12930
Indonesia
E-mail: corporate.secretary@indikaenergy.co.id
investor.relations@indikaenergy.co.id

## TICKER CODE
INDY

## SHARE REGISTRAR
Indonesia Stock Exchange

## BUSINESS ACTIVITIES
Operating and investing in energy resources, energy services and energy infrastructure through subsidiaries and associate companies.

## PUBLIC ACCOUNTANT FIRM
Osman Bing Satrio & Eny
(Member of Deloitte Touche Tohmatsu)
The Plaza Office Tower 32nd Floor
Jl. M.H. Thamrin Kav 28-30
Jakarta 10350
Indonesia
Tel.: (+62-21) 2992 3100
Fax: (+62-21) 2992 8200 / 8300



## SHARE REGISTRAR
PT Datindo Entrycom
Puri Datindo – Wisma Diners Club Annex
Jl. Jend. Sudirman Kav. 34
Jakarta 10220
Indonesia
Tel.: (+62-21) 570-9009
Fax: (+62-21) 570-9026




## RATINGS AGENCY

**Moody's Singapore Pte Ltd**
50 Raffles Place #23-06
Singapore Land Tower 048623
Tel.: (65) 6398-8300
Fax : (65) 6398-8301
Website : www.moodys.com

**PT Fitch Ratings Indonesia**
Prudential Tower 20th Floor
Jl. Jend. Sudirman Kav. 79
Jakarta Selatan 12910 – Indonesia
Tel.: (+62-21) 5795-7755
Fax : (+62-21) 5795-7750
Website : www.fitchratings.com

# AFFILIATES COMPANIES & ADDRESSES

PT INDIKA ENERGY Tbk.
Mitra Building 7th Floor
Jl. Jend. Gatot Subroto Kav. 21
Jakarta 12930
Indonesia
Tel.: (62-21) 2557-9888
Fax: (62-21) 2557-9800

Website: www.indikaenergy.co.id
Email: corporate.secretary@indikaenergy.co.id
investor.relations@indikaenergy.co.id
Corporate Secretary: Dian Paramita
Investor Relations: Retina Rosabai

Ticker Code: INDY

IIC
PT INDIKA INTI CORPINDO
Mitra Building 4th Floor
Jl. Jend. Gatot Subroto Kav. 21
Jakarta 12930
Indonesia
Tel.: (62-21) 2557-9888
Fax: (62-21) 2557-9898
Website: www.indikaenergy.co.id

IIR
PT INDIKA INDONESIA RESOURCES
Mitra Building 4th Floor
Jl. Jend. Gatot Subroto Kav. 21
Jakarta 12930
Indonesia
Tel.: (62-21) 2557-9888
Fax: (62-21) 2557-9898
Website: www.indikaenergy.co.id

MEA
PT MITRA ENERGI AGUNG
Mitra Building 4th Floor
Jl. Jend. Gatot Subroto Kav. 21
Jakarta 12930
Indonesia
Tel.: (62-21) 2557-9888
Fax: (62-21) 2557-9898
Website: www.indikaenergy.co.id

## MTU

PT MULTI TAMBANGJAYA UTAMA
Mitra Building 9th Floor
Jl. Jend. Gatot Subroto Kav. 21
Jakarta 12930
Indonesia
Tel.: (62-21) 2557-9888
Fax: (62-21) 2557-9898
Website: www.indikaenergy.co.id

## KIDECO

PT KIDECO JAYA AGUNG
Menara Mulia 17th Floor Suite 1701
Jl. Jend. Gatot Subroto Kav. 9–11
Jakarta 12930
Indonesia
Tel.: (62-21) 525-7626
Fax: (62-21) 525-7662
Website: www.kideco.com

## TRIPATRA

PT TRIPATRA ENGINEERS & CONSTRUCTORS (TPEC)
PT TRIPATRA ENGINEERING (TPE)
Jl. R.A. Kartini No. 34 (Outer Ring Road)
Cilandak Barat
Jakarta 12430
Indonesia
Tel.: (62-21) 750-0701
Fax: (62-21) 750-0700
Website: www.tripatra.com

## PETROSEA

PT PETROSEA TBK.
Wisma Anugraha 3rd Floor
Jl. Taman Kemang No. 32B Kemang
Jakarta 12730
Indonesia
Tel.: (62-21) 718-3255
Fax: (62-21) 718-3266
Website: www.petrosea.com

Ticker Code: PTRO

## MBSS

PT MITRABAHTERA SEGARA SEJATI TBK.
Menara Karya Building 12th Floor
Jl. H.R. Rasuna Said Blok X-5 Kav. 1-2
Kuningan, Jakarta 12950
Indonesia
Tel.: (62-21) 5794-4755, 5794-4766
Fax: (62-21) 5794-4767, 5794-4768
Website: www.mbss.co.id

Ticker Code: MBSS

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# STATEMENTS OF RESPONSIBILITY

This Annual Report, including the financial statements and other related information, falls under the full responsibility of all members of the Board of Directors and Board of Commissioners of the Company whose signatures appear below.

## BOARD OF COMMISSIONERS



WIWOHO BASUKI TJOKRONEGORO
President Commissioner



AGUS LASMONO
Vice President Commissioner



INDRACAHYA BASUKI
Commissioner



PANDRI PRABONO-MOELYO
Commissioner



ANTON WAHJOSOEDIBJO
Independent Commissioner

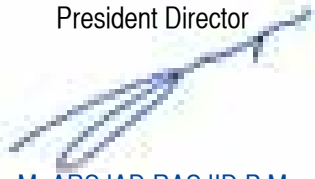


DEDI ADITYA SUMANAGARA
Independent Commissioner

## BOARD OF DIRECTORS



WISHNU WARDHANA
President Director



M. ARSJAD RASJID P.M.
Vice President Director



AZIS ARMAND
Director



EDDY JUNAEDY DANU
Director



JOSEPH PANGALILA
Director



RICO RUSTOMBI
Director



RICHARD BRUCE NESS
Independent Director

PT INDIKA ENERGY Tbk. FORGING RESILIENCE ANNUAL REPORT 2013

**PT INDIKA ENERGY Tbk.**
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