
INDIKA
ENERGY
ENERGY • SYNERGY
BUILDING
MOMENTUM
ANNUAL REPORT 2017



BUILDING MOMENTUM

In 2017, the initiatives put into place during the previous years delivered real gains. Energy prices, which had begun to recover at the end of 2016, strengthened throughout 2016.

Against this backdrop, Indika Energy focused on building momentum. Leveraging the gains in productivity and efficiency made in recent years, the Company successfully tapped global capital markets for funding, and acquired a key asset to strengthen its energy resources line up.

These initiatives successfully advanced the Company to deliver improved performance for the year, in readiness for future opportunities.



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Corporate Overview

INDIKA ENERGY AT A GLANCE

PT Indika Energy Tbk. (“Indika Energy” or “the Company”) was listed in 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.

With its portfolio of businesses, the Company is able to provide complementary products and services to domestic and international customers, thereby positioning the Company to capture growth opportunities across the Indonesian energy sector.

Today, Indika Energy has developed to have operational activities in various areas of the Indonesia archipelago.

Energy **Resources**

91.0%

PT Kideco Jaya Agung
Indonesia’s third largest coal mining company, located in East Kalimantan

85.0%

PT Multi Tambangjaya Utama
PT Multi Tambangjaya Utama,a thermal bituminous and coking coal asset in Central Kalimantan

100%

PT Indika Inti Corporindo
a coal trader

100%

Indika Capital Investment Pte.Ltd.
a coal trader

34.9%

PT Santan Batubara
PT Santan Batubara, a coal mining company in East Kalimantan

60.0%

PT Mitra Energi Agung
Mitra Energi Agung, a greenfield coal mining project in East Kalimantan

Energy **Services**

PT Petrosea Tbk.
an engineering & construction (E&C) and coal contract mining company

69.8%

PT Tripatra Engineering & PT Tripatra Engineers & Constructors
an engineering, procurement and construction (EPC) oil & gas services companies

100%

Energy **Infrastructure**

51.0%

PT Mitrabahtera Segara Sejati Tbk.
an integrated transport & logistics services company for the mining industry

20.0%

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

6.3%

PT Cirebon Energi Prasarana
a 1000 MW coal-fired power generation plant in Cirebon, West Java

100%

PT Kuala Pelabuhan Indonesia
an integrated port management services in Papua

99.8%

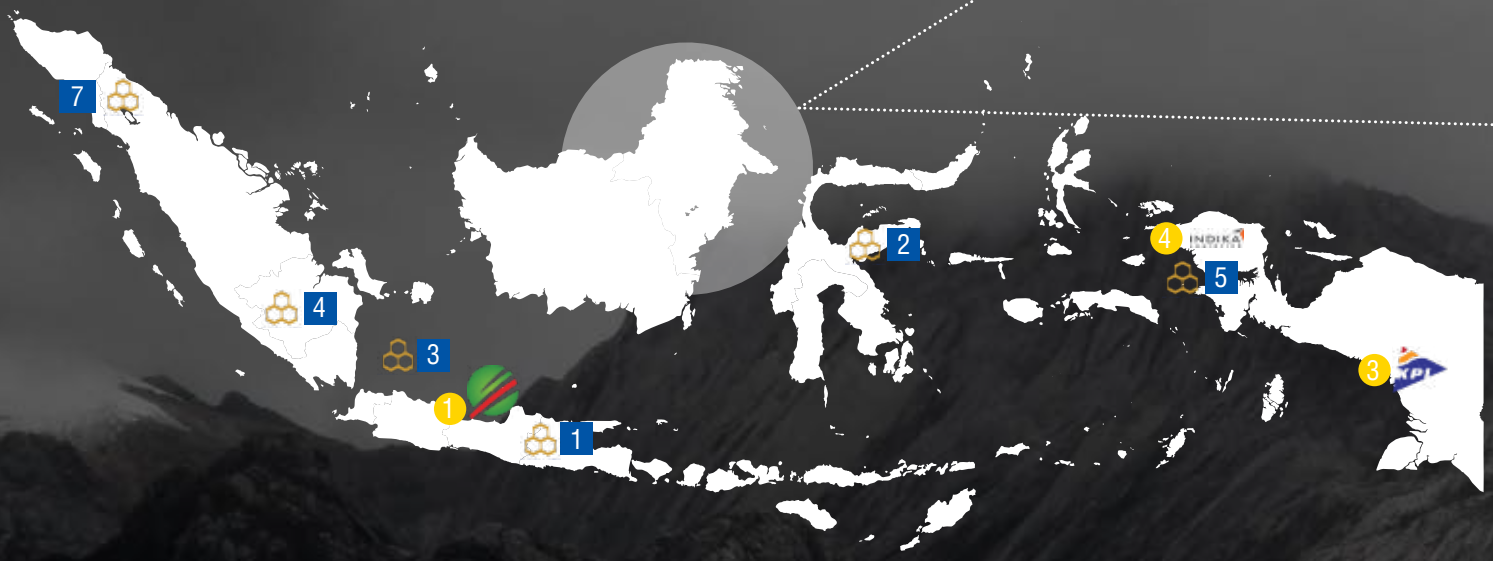
Petrosea Offshore Supply Base (POSB)
an integrated offshore supply base in East Kalimantan

CAPABILITIES ACROSS THE ENTIRE COAL VALUE CHAIN




Studi Kelayakan dan Ekonomis terhadap cadangan batubara
Economic and feasibility study of the coal reserves
PETROSEA
3
Rekayasa teknik dan konstruksi pembangunan Infrastruktur produksi batubara.
Engineering and construction of coal production infrastructure
PETROSEA
4
Proses pengupasan tanah dan pengambilan batubara
Overburden removal and coal extraction
PETROSEA
5
Pengangkutan batubara yang telah diproses terminal batubara
Transportation of processed coal to coal terminal
Pemegang konsesi/concession holder
7
Pemrosesan batubara melalui tahap penghancuran dan pencucian
Crushing and washing of extracted coal
Pemegang konsesi/concession holder
6
Terminal stockpile batubara sebelum pengiriman
Coal loading terminal with stockpile prior to barging
KIDECO
MUTU
8
Pengiriman batubara menggunakan tongkang kepada pelanggan atau titik transshipment
Barging the coal to end user or transshipment point
mbss
10

OPERATIONS MAP





ENERGY RESOURCES

1 Kideco Jaya Agung

2 Multi Tambangjaya Utama

3 Santan Batubara

4 Mitra Energi Agung

ENERGY SERVICES

1 ExxonMobil Cepu Project

2 JOB Pertamina Medco – Senoro

3 Pertamina HE ONWJ

4 Conoco Phillips – ESC

5 BP Tangguh

6 ENI Muara Bakau

7 PLN - Nias

8 Binuang Mitra Bersama

9 Anzawara Satria

10 Indo Asia Cemerlang

11 Indonesia Pratama

12 Kideco Jaya Agung

13 Santan Batubara*

* not operational

ENERGY INFRASTRUCTURE

1 Cirebon Electric Power

2 Petrosea Offshore Supply Base

3 Kuala Pelabuhan Indonesia

4 Indika Logistic & Support Services

FLOATING CRANE

1 FC Nicholas

2 FC Ben Glory

3 FC Abby

4 FC Chloe

5 FC Blitz

6 FC Vittoria

MILESTONES

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 (KPI), became a wholly owned subsidiary of Tripatra through the acquisition of an additional 50.1% stake.

2009

Indika Energy acquired a 98.55% stake in Petrosea.

Petrosea was established in 1972, and engages in engineering & construction (E&C) and coal mining contractor.

2010

- 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.

2011

Indika Energy acquired a 51% stake in MBSS.

2012

- Indika Energy divested 28.75% of its shares in Petrosea.
- Indika Energy acquired a 60% stake in Mitra Energi Agung (MEA), a greenfield coal asset which owns an IUP concession area of 5,000 Ha in East Kalimantan
- Indika Energy acquired a 85% stake in Multi Tambangjaya Utama.

  MUTU 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.

2013

Indika Logistic & Support Services acquired a 95% of Tripatra's shares in KPI.

2015

- Initial operation of Indy Bintaro Office complex with the moving in Petrosea office.
- Establishment of Indika Multi Niaga.

2016

- Tripatra was awarded the Tangguh LNG– Train 3 Expansion Project.
- MUTU started initial production and delivery of coal.

2017

January

- Indika Energy held an Extraordinary General Shareholders Meeting.

February

- The establishment of Yayasan Indika Untuk Indonesia (Indika Foundation).

April

- Indika Energy held its 2017 Public Expose.
- Issuance of a US$ 265 million 5-year 6.875% Senior Note due 2022 on the Singapore Stock Exchange.
- Outstanding Senior Notes due 2018 were redeemed in full.
- The Company's debt ratings were upgraded by Fitch Ratings from CCC to 'B with stable outlook, and by Moody's from Caa1 to B2 with stable outlook.

September

- The Company and its wholly-owned subsidiary PT Indika Inti Corpindo (collectively, "Indika Energy") entered into separate Share Purchase Agreements with Samtan Co., Ltd. ("Samtan") and PT Muji Inti Utama ("Muji"), respectively, to purchase 40.0% of PT Kideco Jaya Agung ("Kideco") from Samtan and 5.0% of Kideco from Muji for an aggregate total consideration of US$ 677.5 million.

November

- Change in main and controlling shareholder from PT Indika Mitra Energi (63.47%) to PT Indika Inti Investindo (37.79%) and PT Teladan Resources (30.65%).
- An Extraordinary General Shareholders Meeting was held.
- Issuance of a US$ 575 million 5-year 5.875% Senior Note due 2024 on the Singapore Stock Exchange.

December

- Acquired additional 45.0% share ownership in Kideco through Indika Energy (40.0%) and IIC (5.0%) for 91.0% total share ownership.

AWARDS

September

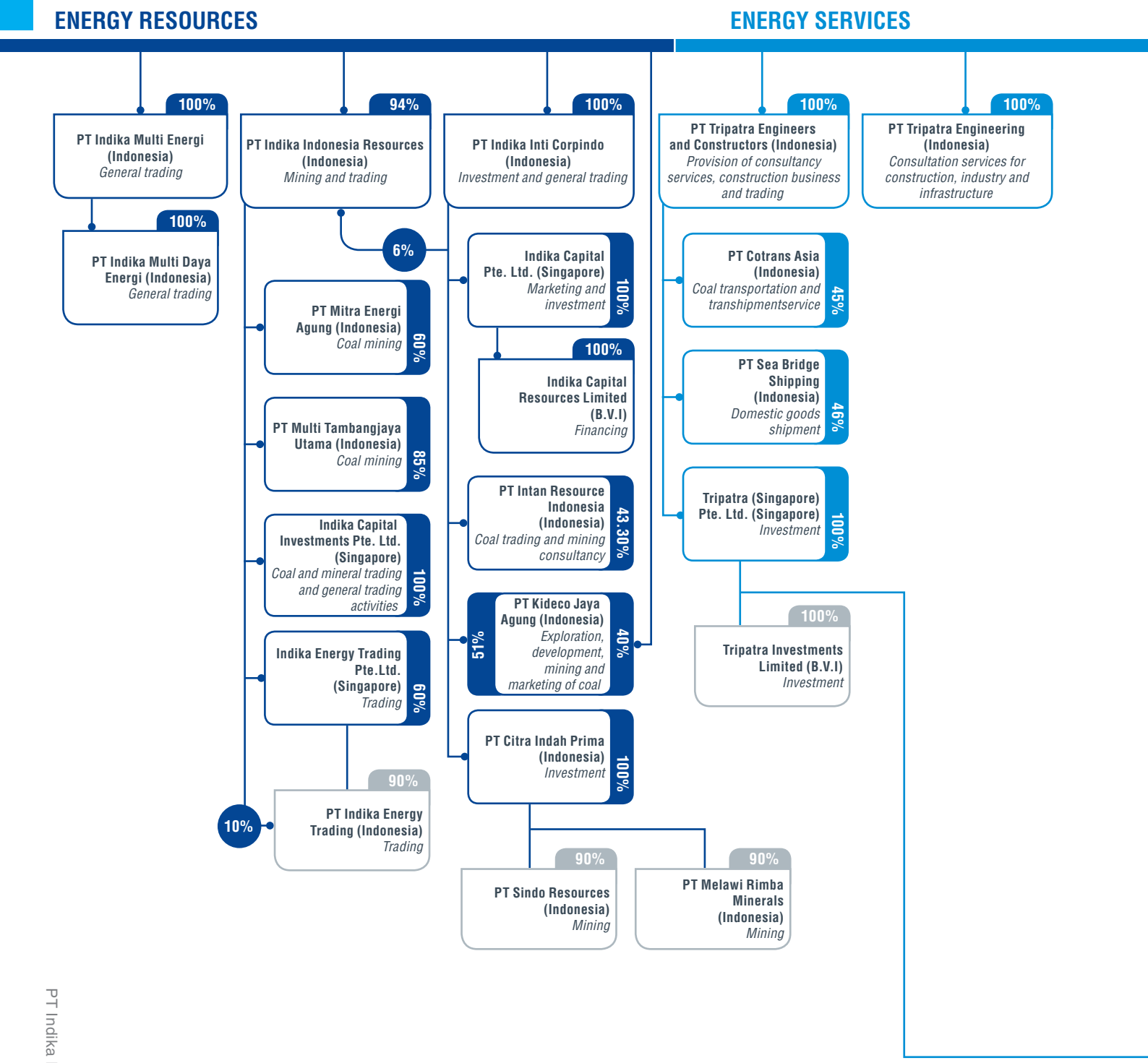
Tripatra won a bronze International Project Management Award (IPMA) in the Best Project Excellence in Mega Sized Project category for its role in the Senoro Gas Development Project.

December

Indika Energy received the Warta Ekonomi Corporate Secretary Award 2017 in the Top 5 GCG Issues In the Energy Sector category from Warta Ekonomi.

ILSS was awarded the 2017 Frost & Sullivan Best Practices Award as Indonesia Niche Logistics Service Provider of The Year from Frost & Sullivan.

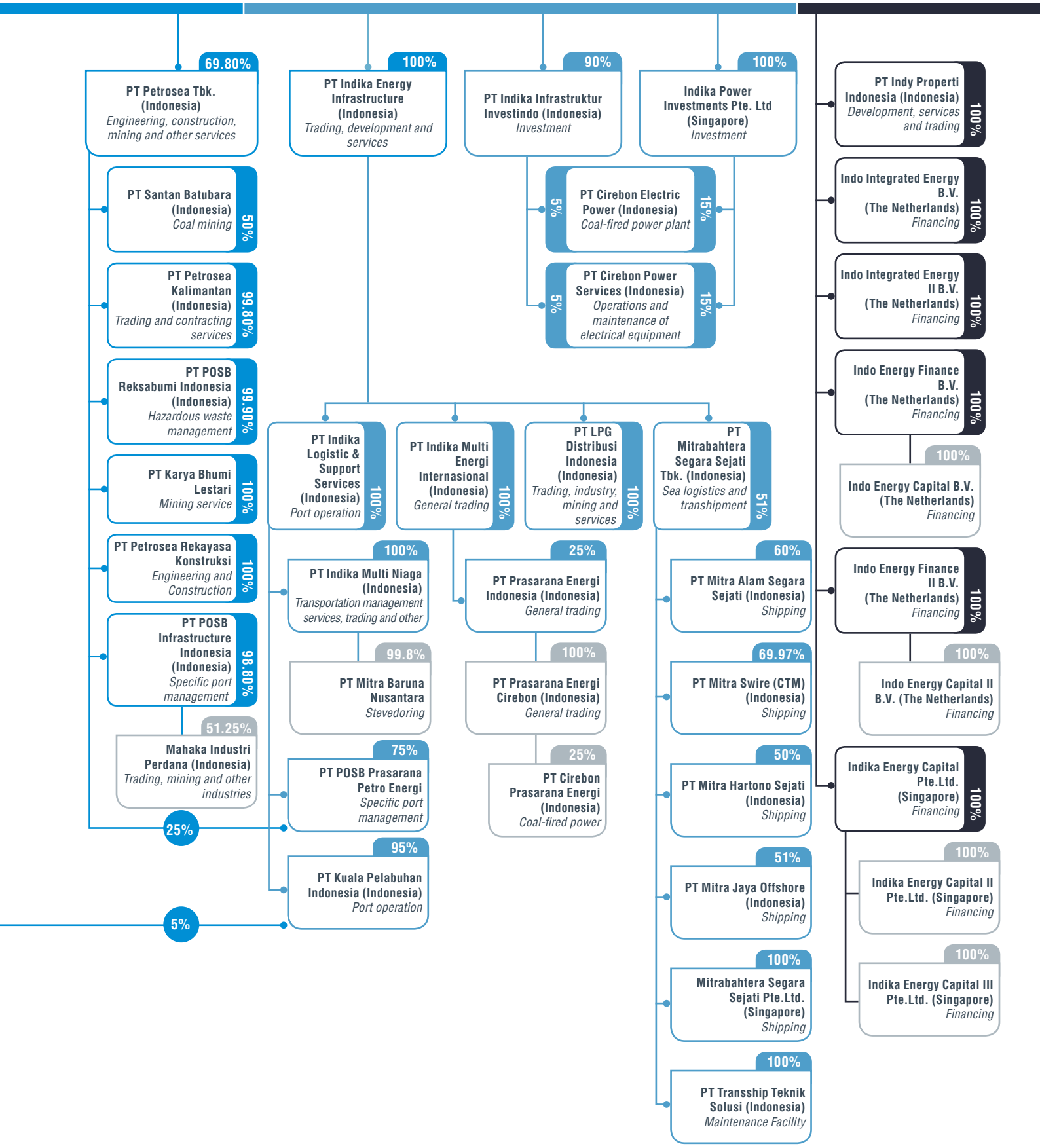
CORPORATE STRUCTURE



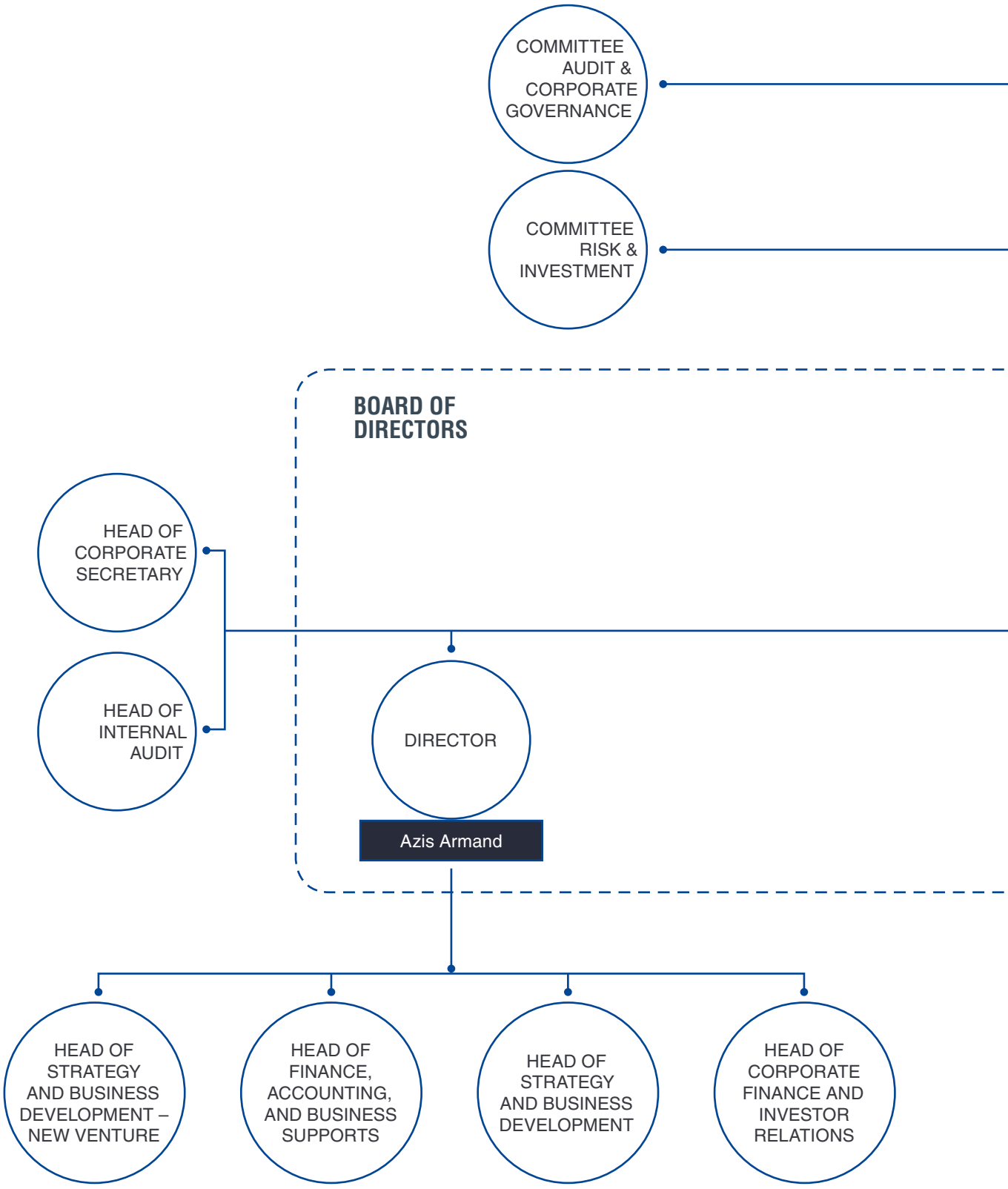
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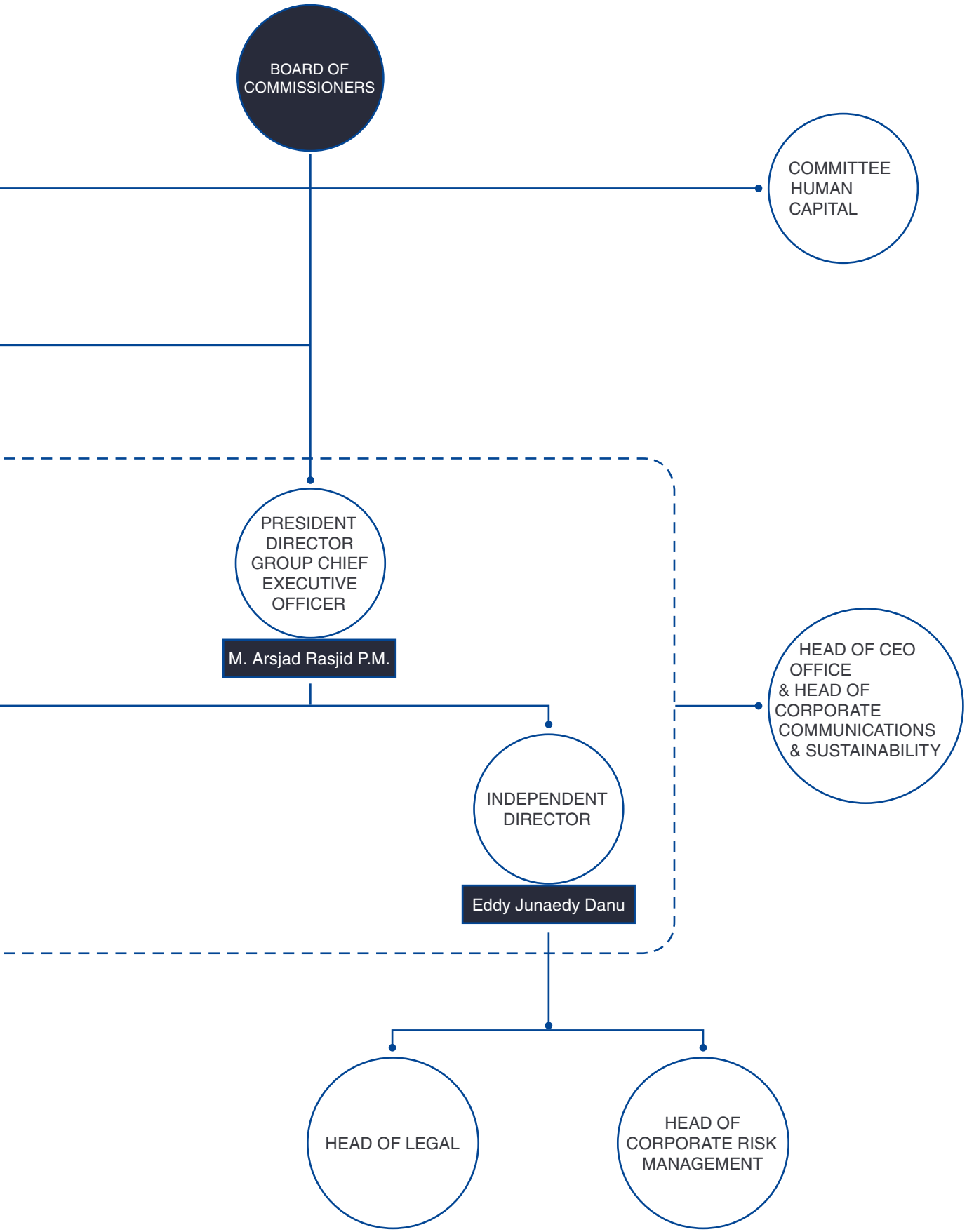
100% share ownership of Indonesian limited liability company (PT) held by 2 shareholders both of which are PT Indika Energy Tbk. and or its subsidiaries.

ENERGY INFRASTRUCTURE



ORGANIZATION STRUCTURE




BOARD OF COMMISSIONERS
COMMITTEE HUMAN CAPITAL
PRESIDENT DIRECTOR GROUP CHIEF EXECUTIVE OFFICER
M. Arsjad Rasjid P.M.
HEAD OF CEO OFFICE & HEAD OF CORPORATE COMMUNICATIONS & SUSTAINABILITY
INDEPENDENT DIRECTOR
Eddy Junaedy Danu
HEAD OF LEGAL
HEAD OF CORPORATE RISK MANAGEMENT

VISION, MISSION & 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.

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.

Related to the prolonged decline in coal prices, the Company continued to focus on, and consistently implement, a strategy of improved operational efficiency, cash preservation and cost optimisation.

The management conducted ongoing efforts to optimise asset utilisation, reduce cost across the entire organisation, rasionalise human capital and allocate capital expenditure prudently.



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.

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.

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.

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

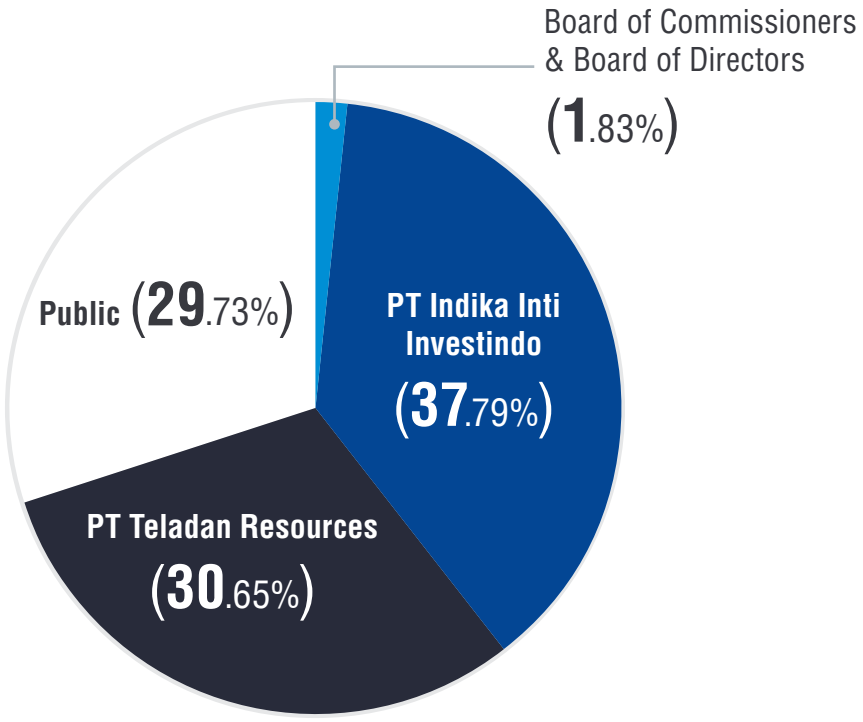
Through structural planning and corporate work plans, Indika Energy's advanced Information and Communication Technology (ICT) system has been harnessed to support business decision making processes and objectives across all business units to achieve optimal efficiencies in the use of resources, cost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

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.

SHAREHOLDING STRUCTURE

as of 31 Desember 2017



SHARE OWNERSHIP BY BOARD OF COMMISSIONERS & BOARD OF DIRECTORS AS OF 31 DECEMBER 2017

No.	Name	Position	Number of Shares	Percentage (%)
1	Agus Lasmono	President Commissioner	10,156,000	0.19
2	Richard Bruce Ness	Commissioner	810,000	0.02
3	M. Chatib Basri	Independent Commissioner	-	-
4	Boyke W. Mukiyat	Independent Commissioner	-	-
5	M. Arsjad Rasjid P.M.	President Director	1,208,000	0.02
6	Azis Armand	Director	1,208,000	0.02
7	Eddy Junaedy Danu	Independent Director	82,130,500	1.58
	Total		**95,512,500**	**1.83**

CAPITAL STRUCTURE AS OF 31 DECEMBER 2017

Authorized Capital	Issued & Paid-Up Capital
Rp 1,700,000,000,000 (Divided into 17,000,000,000 shares, each share with a par value of Rp 100)	Rp 521,019,200,000 (US$ 56,892,154) (Divided into 5,210,192,000 Shares)

CONTROLLING SHAREHOLDERS AS OF 31 DECEMBER 2017

Ownership Status	Number of Shares	Ownership (%)
PT Indika Inti Investindo*	1,968,882,699	37.79%
PT Teladan Resources**	1,596,977,091	30.65%

*) Owned by controlled by Agus Lasmono
**) Owned and controlled by Wiwoho Basuki Tjokronegoro and family

SHARE OWNERSHIP COMPOSITION AS OF 31 DECEMBER 2017

Status Kepemilikan	Number of Shares	Ownership (%)
Limited Liabilities Companies (PT)	3,607,410,872	69.24
Individuals - Domestic	1,029,255,578	19.75
Institutions - Foreign	403,326,750	7.74
Mutual Funds	108,640,900	2.09
Employees	28,952,500	0.56
Pension Funds	18,806,300	0.36
Insurance	8,388,500	0.16
Individual - Foreign	3,845,600	0.07
Foundations	1,238,900	0.02
Cooperatives	326,100	0.01
Total	**5,210,192,000**	**100**





2017 Financial Highlights

INDIKA ENERGY
FINANCIAL HIGHLIGHTS

Expressed in US$, unless otherwise stated

	2017	2016	2015
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME			
Revenues	**1,098,760,230**	775,232,931	1,097,296,489
Cost of Contracts and Goods Sold	**975,843,393**	686,531,106	1,008,966,857
Gross Profit	**122,916,837**	88,701,825	88,329,632
General and Administrative Expenses	**88,794,665**	98,818,007	103,752,957
Operating (Loss) Profit	**34,122,172**	(10,116,182)	(15,423,325)
Loss for The Year	**321,633,157**	(104,230,726)	(76,847,028)
Total Comprehensive Loss for The Year	**321,714,056**	(102,566,344)	(74,016,652)
Loss Attributable To :			
Owners of The Company	**335,417,012**	(67,594,082)	(44,587,878)
Non-Controlling Interests	**(13,783,855)**	(36,636,644)	(32,259,150)
Total Comprehensive Loss Attributable To:			
Owners of The Company	**335,497,911**	(65,929,700)	(41,757,502)
Non-Controlling Interests	**(13,783,855)**	(36,636,644)	(32,259,150)
Equity in net profit of Associates and Jointly-Controlled Entities	**136,184,041**	59,464,493	72,629,159
Outstanding Shares	**5,210,192,000**	5,210,192,000	5,210,192,000
Loss per share	**0,0644**	(0,0130)	(0,0086)
Adjusted EBITDA*	**291,514,833**	155,714,099	191,958,917
Core Profit (Loss)**	**94,473,325**	(43,335,776)	(38,665,727)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION			
Investment in associates	**109,962,668**	260,422,206	277,545,435
Investment in jointly-controlled entities	**10,392,783**	10,832,519	13,026,000
Investments in portofolio - Third party	**58,102,861**	45,532,293	59,241,118
Investments in bond	**-**	-	-
Total Current Assets	**1,353,786,321**	667,436,233	827,311,691
Total Non-Current Assets	**2,281,919,082**	1,154,896,836	1,323,133,520
Total Assets	**3,635,705,403**	1,822,333,069	2,150,445,211
Total Current Liabilities	**659,498,294**	312,981,711	505,612,838
Total Non-Current Liabilities	**1,861,184,789**	768,241,790	813,287,965
Total Liabilities	**2,520,683,083**	1,081,223,501	1,318,900,803

41.7%

REVENUES
in US$

2017 | 1,098,760,230
2016 | 775,232,931

38.6%

GROSS PROFIT
in US$

2017 | 122,916,837
2016 | 88,701,825

437.3%

OPERATING PROFIT
in US$

2017 | 34,122,172
2016 | (10,116,182)

Expressed in US$, unless otherwise stated

	2017	2016	2015
Total Equity	**1,115,022,320**	741,109,568	831,544,408
Total Liabilities & Equity	**3,635,705,403**	1,822,333,069	2,150,445,211
GROWTH (%)			
Revenues	**41.7%**	-29.4%	-1.1%
Cost of Contracts and Goods Sold	**42.1%**	-32.0%	6.4%
Gross Profit	**38.6%**	0.4%	-45.1%
General and Administrative Expenses	**-10.1%**	-4.8%	-21.6%
Operating Profit (Loss)	**437.3%**	34.4%	-153.6%
Loss - Attributable to owners of the Company	**408.6%**	-51.6%	-61.3%
Total Assets	**99.5%**	-15.3%	-6.1%
Total Liabilities	**133.1%**	-18.0%	-4.2%
Total Equity	**50.5%**	-10.9%	-9.0%
OPERATING RATIO			
Operating Income (Loss) / Revenues (%)	**3.11**	-1.30	-1.40
Loss Attributable to the Owners of the Company / Revenues (%)	**30.53**	-8.72	-4.06
Operating Profit (Loss) / Total Equity (x)	**3.06**	-0.01	-0.02
Loss Attributable to the Owners of the Company / Total Equity (x)	**30.08**	-0.09	-0.05
Operating Profit (Loss) / Total Assets (x)	**0.01**	-0.01	-0.01
Loss Attributable to the Owners of the Company / Total Assets (x)	**0.09**	-0.04	-0.02
PROFIT FINANCIAL RATIO			
Total Current Assets / Total Current Liabilities(x)	**2.05**	2.13	1.64
Total Liabilities / Total Equity (x)	**2.26**	1.46	1.59
Total Liabilities / Total Assets (x)	**0.69**	0.59	0.61

129.0%

EQUITY IN NET PROFIT OF ASSOCIATES AND JOINTLY CONTROLLED ENTITIES
in US$

2017 | 136,184,041
2016 | 59,464,493

408.6%

LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY
in US$

2017 | 335,417,012
2016 | (67,594,082)

87.2%

ADJUSTED EBITDA*
in US$

2017 | 291,514,833
2016 | 155,714,099

318.0%

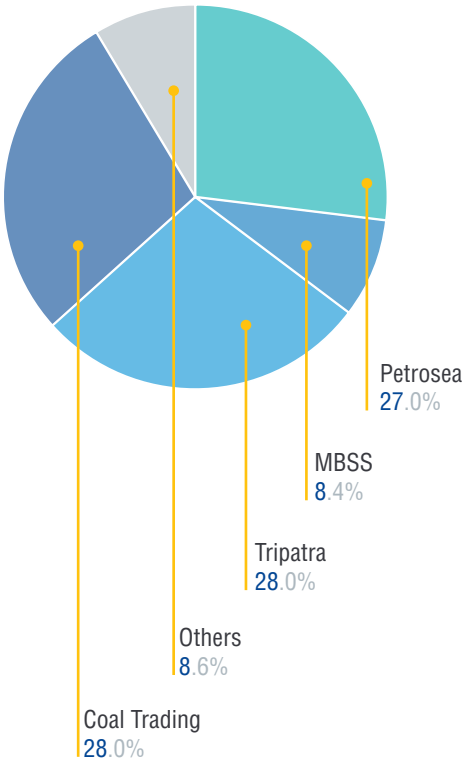
CORE PROFIT (LOSS)**
in US$

2017 | 94,473,325
2016 | (43,335,776)

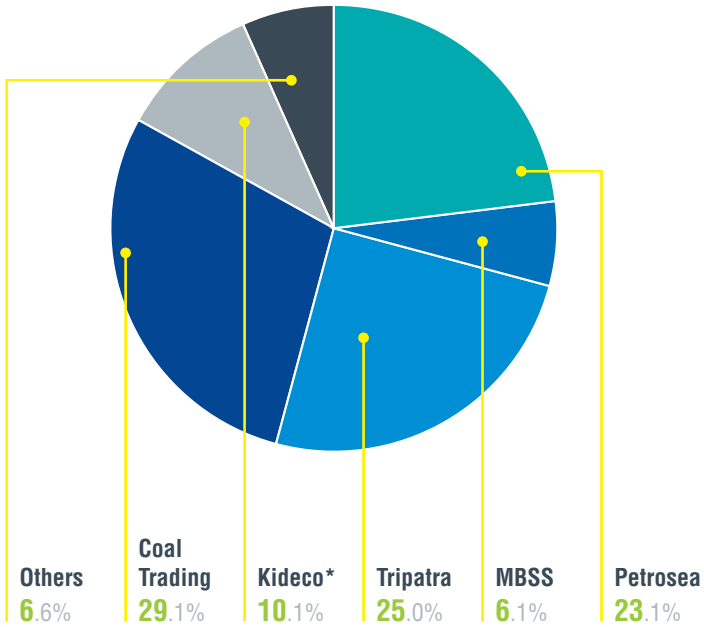
* Including dividends received from associates and jointly controlled companies.
** Core Profit is defined as Net Profit for the year Attributable to Owners of the Company excluding one-off non-operating gains or losses (amortization of intangible assets, impairment of assets and gain on revaluation of assets) and related taxes.

REVENUE BREAKDOWN

2016 US$ 775.2 million



2017 US$ 1,098.8 million



* One month revenue from Kideco (December 2017)

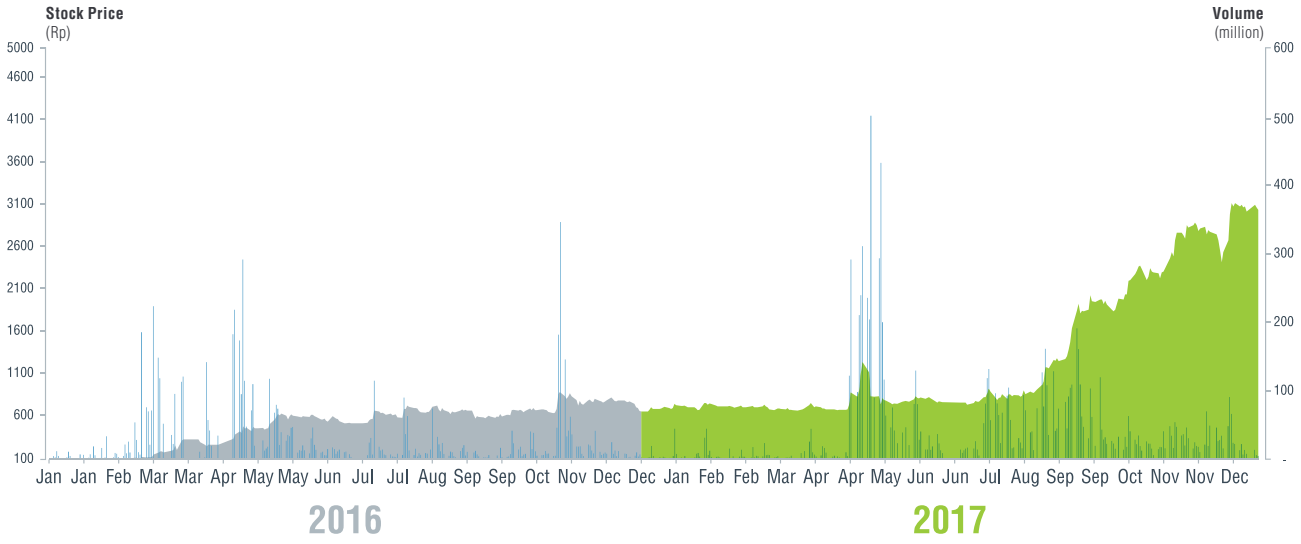
BOND INFORMATION

Description	Value	Stock Listing	Interest Rate	Effective Date	Maturity Date	Rating
Notes 2022	US$ 265 Million	Singapore Stock Exchange	6.875%	10 April 2017	10 April 2022	"Ba3" with stable outlook by Moody's and "B+" with positive outlook by Fitch
Notes 2023	US$ 500 Million	Singapore Stock Exchange	6.375%	24 January 2013	24 January 2023	"Ba3"with stable outlook by Moody's and "B+" with positive outlook by Fitch
Notes 2024	US$ 575 Million	Singapore Stock Exchange	5.875%	9 November 2017	9 November 2024	"Ba3" with stable outlook by Moody's and "B+" with positive outlook by Fitch

DIVIDEND POLICY

	Dividend Amount (In Billion Rp)	Dividend Per Share (In 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	48.00 (Interim Dividend)	-	30 November 2010
	135.39	26.00 (Final Dividend)	-	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

STOCK HIGHLIGHTS



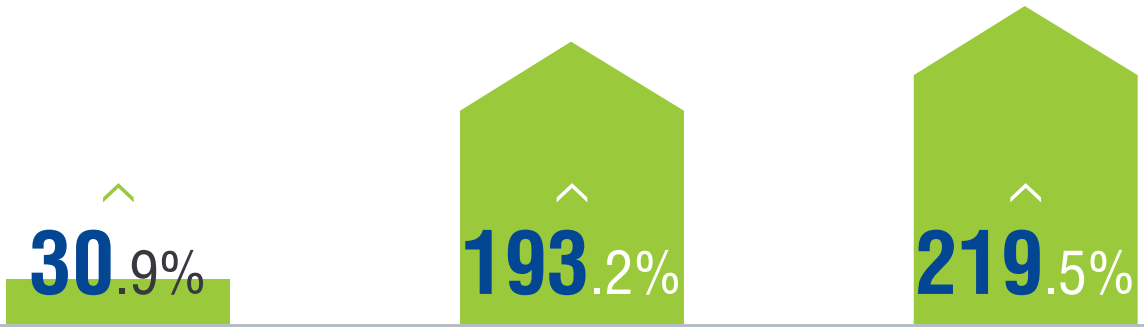
SHARE PRICE 2016-2017

Year	Share Price			Total Shares	Transaction in Regular Market			Market Capitalization (Rp)
	Highest	Lowest	Closing		Transaction Volume	Frequency (x)	Value (Rp billion)	
2016								
Q1	**377**	**106**	**345**	5,210,192,000	1,856,935,500,00	60,810	340,227,898,800,00	1,797,516,240,000
Q2	**685**	**252**	**540**	5,210,192,000	3,059,840,300,00	148,270	1,393,511,723,400,00	2,813,503,680,000
Q3	**785**	**515**	**615**	5,210,192,000	918,090,800,00	62,577	627,546,645,000,00	3,204,268,080,000
Q4	**1,005**	**625**	**705**	5,210,192,000	1,565,121,800,00	109,260	1,292,200,530,000,00	3,673,185,360,000
2017								
Q1	**835**	**670**	**710**	5,210,192,000	422,033,300	43,073	315,275,410,000	3,699,236,320,000
Q2	**1,320**	**690**	**785**	5,210,192,000	4,524,860,100	229,287	4,123,930,516,000	4,090,000,720,000
Q3	**2,150**	**750**	**1,940**	5,210,192,000	3,884,966,700	263,574	4,969,916,978,500	10,107,772,480,000
Q4	**3,230**	**1,830**	**3,060**	5,210,192,000	1,775,531,900	245,938	4,582,489,099,500	15,943,187,520,000

ASSOCIATE COMPANY
KIDECO

Expressed in US$, unless otherwise stated

	2017	2016	2015
COMPREHENSIVE STATEMENTS OF INCOME			
Sales	**1,633.0**	1,247.8	1,658.2
Cost of Sales	**1,105.1**	1,067.8	1,376.9
Gross Profit	**527.8**	180.0	281.3
Operating Expenses	**31.5**	24.7	27.8
Operating Income	**496.4**	155.4	253.6
Net Income	**277.1**	88.6	138.1
STATEMENT OF FINANCIAL POSITION			
Total Current Assets	**409.9**	273.9	400.5
Total Non-Current Assets	**154.0**	171.4	182.2
Total Assets	**563.9**	445.3	582.8
Total Current Liabilities	**283.5**	146.0	211.5
Total Non-Current Liabilities	**57.7**	53.7	48.0
Total Liabilities	**341.2**	199.7	259.6
Total Equity	**222.7**	245.6	323.2
Total Liabilities & Equity	**563.9**	445.3	582.8
GROWTH (%)			
Sales	**30.9**	-24.8	-19.5
Cost of Sales	**3.5**	-22.5	-20.5
Gross Profit	**193.2**	-36.0	-14.3
Operating Expenses	**27.4**	-11.1	-15.2
Operating Income	**219.5**	-38.7	-14.2
Net Income	**212.7**	-35.8	-10.5
Total Assets	**26.6**	-23.6	-3.3
Total Liabilities	**70.9**	-23.1	-5.9
Total Equity	**-9.3**	-24.0	-1.0



REVENUES
in million US$

2017 | 1,633.0
2016 | 1,247.8

GROSS PROFIT
in million US$

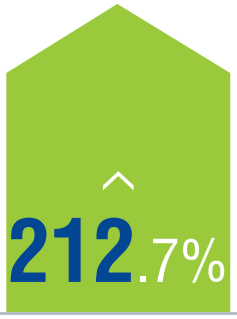
2017 | 527.8
2016 | 180.0

EBIT
in million US$

2017 | 496.4
2016 | 155.4

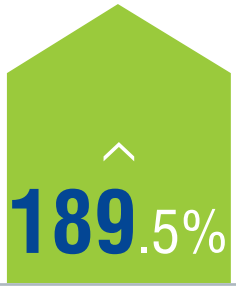
Expressed in US$, unless otherwise stated

	2017	2016	2015
OPERATING RATIO			
Operating Income / Sales (%)	**30.40**	12.45	15.29
Net Income / Sales (%)	**16.97**	7.10	8.33
Operating Income / Total Equity (x)	**2.23**	0.63	0.78
Net Income / Total Equity (x)	**1.24**	0.36	0.43
Operating Income / Total Assets (x)	**0.88**	0.35	0.44
Net Income / Total Assets (x)	**0.49**	0.20	0.24
FINANCIAL RATIO			
Total Current Assets / Total Current Liabilities (x)	**1.45**	1.88	1.89
Total Liabilities / Total Equity (x)	**1.53**	0.81	0.80
Total Liabilities / Total Assets (x)	**0.60**	0.45	0.45



NET PROFIT
in million US$

2017 | 277.1
2016 | 88.6

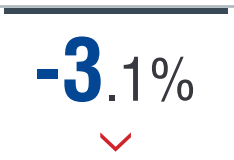


EBITDA
in million US$

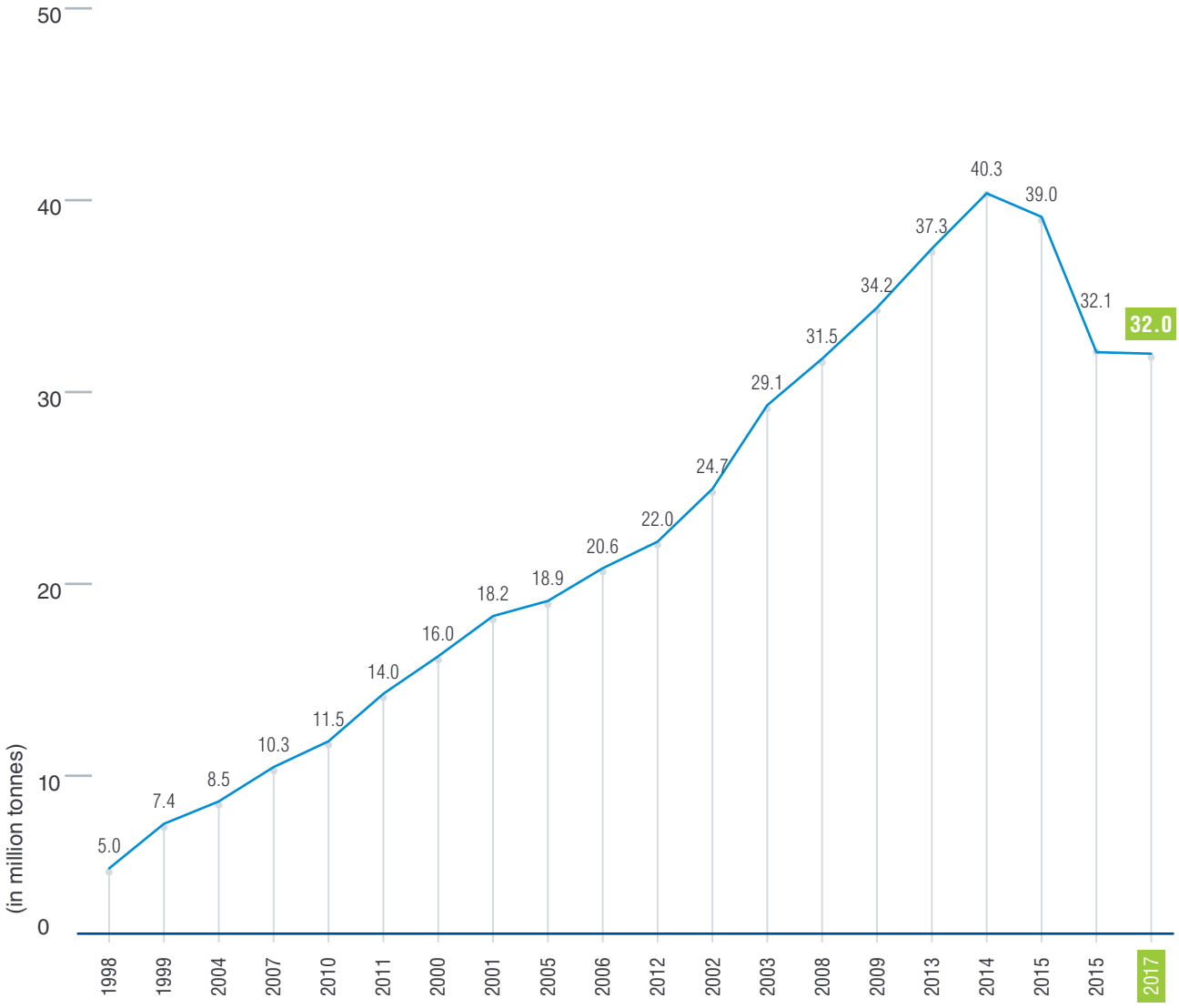
2017 | 520.3
2016 | 179.7

SALES VOLUME
in million tonnes

2017 | 31.5
2016 | 32.5



KIDECO'S
COAL PRODUCTION



COAL RESERVES BY PIT

in million tonnes
as of 31 December 2017

Area	Calorific Value (kcal)	Proved	Probable	Total
Roto Utara	5,615	-	4.0	4.0
Roto Selatan	4,940	17.0	18.0	35.0
Roto Selatan G (Biu)	4,855	-	7.0	7.0
Roto Tengah	4,785	8.0	8.0	16.0
Susubang	5,705	-	3.0	3.0
Samarangau	4,430	51.0	221.0	272.0
Total		**76.0**	**261.0**	**337.0**

Based on JORC Report dated June 2015

COAL RESOURCES BY PIT

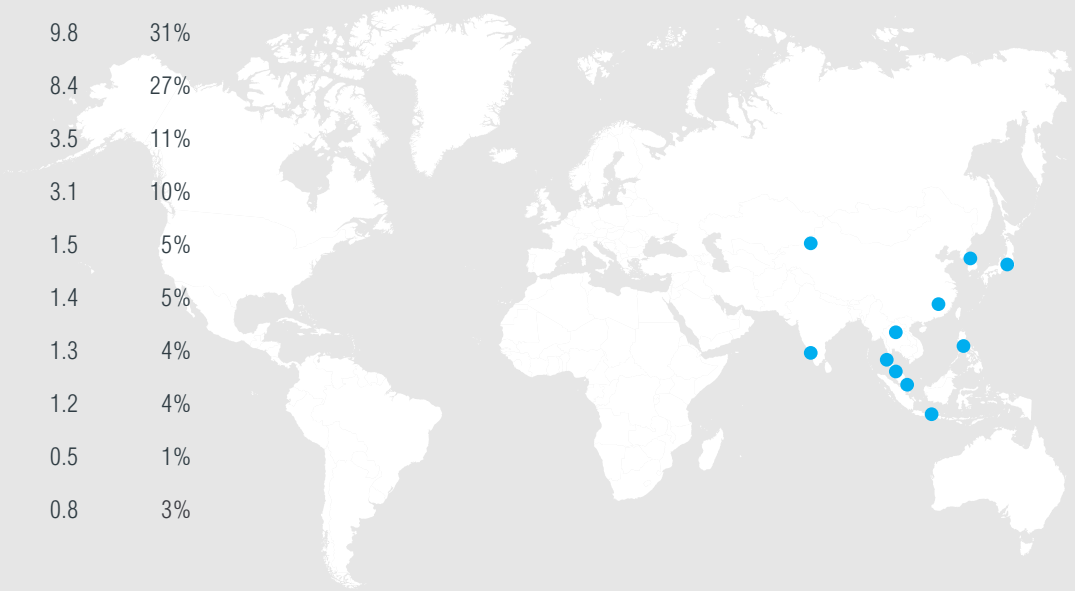
in million tonnes
as of 31 December 2017

Area	Measured	Indicated	Inferred	Total
Roto North	-	18.0	17.0	35.0
Roto South	34.0	72.0	43.0	149.0
Roto South G (Biu)	-	11.0	21.0	32.0
Roto Middle	49.0	68.0	64.0	181.0
Susubang	-	5.0	3.0	8.0
Samarangau	98.0	586.0	207.0	891.0
Total	**181.0**	**760.0**	**355.0**	**1,296.0**

Based on JORC Report dated June 2015

SALES BY DESTINATION 2017

Description	Volume (million tonnes)	%
Indonesia	9.8	31%
China	8.4	27%
Korea	3.5	11%
India	3.1	10%
Philippines	1.5	5%
Taiwan	1.4	5%
Malaysia	1.3	4%
Japan	1.2	4%
Thailand	0.5	1%
Others	0.8	3%



OPERATION BY PIT 2017

Description	Roto North	Roto South	Roto Middle	Samarangau	Susubang	Total
Overburden (million bcm)	7.0	78.2	20.5	86.5	3.6	195.9
Production (million tonnes)	1.2	10.1	2.4	17.8	0.5	32.7
Stripping Ratio (x)	5.9	7.8	8.5	4.8	7.5	6.1





President Commissioner's and President Director's Messages

PRESIDENT COMMISSIONER MESSAGE

Indika Energy has successfully turned around performance and in the process, emerged as a stronger organization, with the capability of delivering sustainable growth and contribution to all stakeholders in line with its long held values.



AGUS LASMONO
President Commissioner

Distinguished Shareholders,

The global market for commodities improved in 2017 with coal prices performing better than expected. The main factor was supply restrictions within China leading to increased coal imports, supported by demand from emerging countries such as India. As a result, coal prices increased particularly in the second half of the year.

Having successfully weathered several challenging years, I am proud to convey that Indika Energy's commitment to building and developing its businesses as part of national development delivered positive results for all stakeholders, resulting in a **Core Profit** of US$ 94.5 million in 2017. The Company also completed the strategic purchase of a controlling stake in PT Kideco Jaya Agung ("**Kideco**"), transforming the Company into Indonesia's third largest coal producer.

EVALUATION OF THE COMPANY MANAGEMENT AND STRATEGY EXECUTION

Over the last few years, the management has striven to increase efficiency and reduce costs in response to the adverse business climate. These actions have resulted in fundamental improvements, which became apparent during the year as our business performance turned around. Not only did our businesses deliver profits as a whole, but the entire company finished the year on a fundamentally better footing with improved liquidity and a better capital structure, which will serve as a strong foundation for sustainable growth.

Total revenue in 2017 by 41.7% to US$ 1,098.8 million, and the Company delivered Core Profit for the year of US$ 94.5 million compared with a Core Loss of US$ 43.3 million in 2016. These numbers show that as anticipated, our strategy has successfully stabilized our operations and begun to result in growth.

In parallel, the management took strategic steps to build momentum for future growth. An important agreement was reached with our partner Samtan Co. Ltd to purchase a majority stake in Kideco, which has had the effect of strengthening our core coal business and enabling further synergies with other companies in the Group. The acquisition of additional shares in Kideco, which effectively triples the Company's revenues, places it in a position to further realize its vision of becoming Indonesia's leading integrated energy company. The Group is committed to continuing its 45-year tradition of building the nation through energy resources, services, and infrastructure development.

Investors also recognized the transformative potential of this transaction. The Company's November issuance of a US$ 575 million 5.875% Senior Note achieved the lowest ever coupon for a mining company in Indonesia and also for a 7-year high yield mining bond in Asia. Recently, the Company was awarded Best High Yield Bond by The Asset Regional Awards 2017.

IMPLEMENTATION OF CORPORATE GOVERNANCE

All of us at Indika Energy are committed to upholding high standards of good corporate governance and adherence to the Company's corporate values. At the Extraordinary General Meeting of Shareholders (EGMS) on 30 January 2017, I was appointed President Commissioner. The composition of the Board of

Commissioners remained stable for the remainder of the year. In carrying out its supervisory duties, the Board of Commissioners and its Committees held regular meetings with the Board of Directors.

Further, to ensure the sustainability and stability of the business, enterprise risk is continuously monitored. The audit, internal control and enterprise risk management functions perform a crucial role in ensuring transparent and accurate reporting and help to ensure that the Company's exposure to such risks are anticipated and quantified and steps are taken to mitigate the effect of such risks.

We also noted that the Company continued to fulfil its Corporate Social responsibility Obligations (CSR) by supporting community empowerment and education as well as other social aspects, in line with Indika Energy's commitment to the nation. On 15 February 2017, Indika Energy inaugurated Yayasan Indika Untuk Indonesia (Indika Foundation), with the aim of building national character and the spirit of tolerance. Indika Foundation will serve as the umbrella for Indika Energy Corporate Social Responsibility (CSR) initiatives, working in partnership with other stakeholders and organizations to advance Indonesia forward.

OPINION ON BUSINESS PROSPECTS

While many challenges lie ahead, the Board of Commissioners supports the management's view of improved growth prospects. The reorganization carried out by the management has placed the Company in a better position to efficiently execute its strategies. This, together with a strong balance sheet and cash reserves, will allow the Company to act nimbly and explore opportunities for growth.

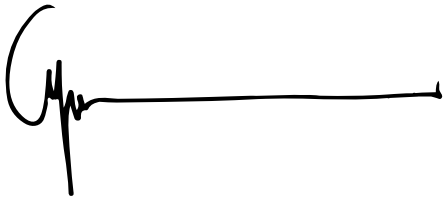
Our coal related businesses are expected to benefit from an improved environment, with coal supply and demand in a more stable equilibrium. Domestically, the demand for coal should remain robust, in line with the need for power generation.

The Company will also strive to increase synergies between its subsidiaries to grow its businesses. Meanwhile, the initiatives taken by the management, which include cost efficiency and liabilities management, have effectively positioned the Company to be more productive and competitive regardless of the business climate.

SUMMARY

On behalf of the Board of Commissioners, I would like to extend our sincere appreciation to all of our shareholders as we approach our tenth anniversary of becoming a publicly listed company in 2008.

The Board of Commissioners wishes to commend the management and all employees for their efforts, which succeeded in turning the Company around. We also thank our valuable customers for their support. Leveraging the strong foundation that we have built, we look forward to a better year in 2018 for all of us, including our partners, shareholders and stakeholders at large.



AGUS LASMONO
President Commissioner

PRESIDENT DIRECTOR MESSAGE

In 2017, Indika Energy's turnaround strategy delivered solid results on the back of favourable coal prices, improved efficiency and better utilization of assets. With the acquisition of majority control in Kideco, the Company strengthened its balance sheet, building momentum as part of its transformation for future growth.



M. ARSJAD RASJID P.M.
President Director & CEO Group

Valued Shareholders,

In 2017 global energy prices continued the recovery that began in 2016, with the Newcastle thermal coal reference price closing at US$ 104.1 per tonne at the end of 2017 despite dipping mid-year. The main factors were increased import demand from China and tight global supply.

Similarly, during the first six months, crude oil prices continued their downward slide with the worst first half performance since 1998 before rising to US$ 60/barrel, the highest end-of-year price since 2013. This increase was mainly due to production cuts by members of the Organization of the Petroleum Exporting Countries (OPEC) and robust global demand, despite relatively high U.S. crude oil production.

STRATEGY AND PERFORMANCE IN 2017

In 2017 Indika Energy turned around its performance and began to accelerate, building positive momentum throughout the year. The turnaround was driven by favourable coal prices as well as our strategy over the past two years of streamlining costs, improving efficiency and increasing asset utilisation.

In April 2017, we completed a liability management exercise through a US$ 265 million global bond issue maturing in 2022. In November 2017, we issued a US$ 575 million global bond maturing in 2024 to fund the acquisition of an additional 45% controlling stake in PT Kideco Jaya Agung ("Kideco"). These events have fundamentally strengthened the Company's capital structure and balance sheet, transforming Indika Energy into a larger and more robust company.

The Company recorded revenue growth of 41.7% to US$ 1,098.8 million compared with US$ 775.2 million in 2016. Gross profit improved by 38.6% from US$ 88.7 million in 2016 to US$ 122.9 million. After consecutive years of operating losses, 2017 saw positive operating profit of US$ 34.1 million compared to US$ 10.1 million loss in the previous year. The reduction of Selling, General and Administrative Expenses by 10.1% to US $ 88.8 million from US$ 98.8 million in 2016 also had a positive impact. Further, the acquisition of additional Kideco shares resulted in a one-off gain of US$ 384.2 million from the revaluation of the Company's existing investment in Kideco. As a result, Profit Attributable to the Owners of the Company was US$ 335.4 million for the year compared with a loss of US$ 67.6 million in 2016.

Adjusted for impairments and amortization, Core Profit of the Company for 2017 was US$ 94.5 million, significantly higher by 318.0% from US$ 43.3 million loss in 2016. Core Profit is defined as Net Profit for the year Attributable to Owners of the Company excluding one-off non-operating gains or losses (amortization of intangible assets, impairment of assets and gain on revaluation of assets) and related taxes.

Almost all of our operating business units contributed positively for the year. The largest contribution was recorded by Kideco, which recorded a 30.9% increase in revenue to US$ 1,633.0 million on the back of higher Average Selling Price (ASP).

Indika Energy's strengthening position was recognized by International Rating Agencies. Moody's upgraded the Company from Caa1 with negative outlook at the beginning of 2017 to Ba3 with stable outlook at the end of 2017. Meanwhile, Fitch upgraded the Company from CCC with negative outlook to B+ with positive outlook by the end of the year 2017.

BUSINESS PROSPECTS

With the Company having turned around, we are in the process of revisiting our overall business strategy in response to changes in the external environment.

The Kideco acquisition has transformed Indika Energy to become Indonesia's third largest coal Company with a much stronger financial position.

We expect that our coal-related businesses will perform well considering consensus forecasts that coal prices will continue to be favourable, while our non-coal energy businesses are expected to deliver relatively stable performance in the year ahead.

The Company ended the year with a backlog of US$ 1,296.4 million as well as cash and cash equivalents amounting to US$ 622.0 million at the consolidated Group level, giving the Company ample room to capture opportunities.

Going forward, we will continue to improve our businesses in terms of productivity, efficiency and human capital development, while also capitalising on internal synergies. Moreover, we will be looking at opportunities to diversify our portfolio and deliver better returns to our shareholders over time.

UPHOLDING INDIKA ENERGY'S VALUES AND GOOD CORPORATE GOVERNANCE

I am proud to say that the Company's 2017 performance was achieved while remaining true to Indika Energy's values of Integrity, Unity in Diversity, Teamwork, Achievement and Social Responsibility. We have delivered on our responsibilities to shareholders while honouring our obligations to the nation and the communities around us through various activities included in our ongoing Corporate Social Responsibility (CSR) programs.

As part of being an ethical corporate citizen, we also continue to uphold good corporate governance practices. The Company complied with all applicable laws and regulations during the year.

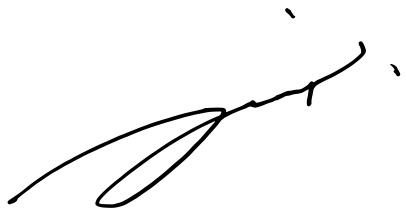
COMPOSITION OF THE BOARD OF DIRECTORS

The Board of Directors was ably supported by the Board of Commissioners and the various functions in the Company. We were fortunate to be able to take quick and coordinated decisions during the fast-paced events of 2017. Going forward, the Board of Directors aims to remain streamlined and may only be expanded beyond its three members if required by the needs of the business.

APPRECIATION

The past few years have put intense pressure on businesses related to coal and to a lesser extent, oil and gas. I believe that we have learned many valuable lessons from this period to emerge as a leaner, stronger, and significantly larger Company ready to take on new opportunities to contribute to addressing Indonesia's priority needs.

On behalf of the Board of Directors, I would like to thank the Board of Commissioners, our dedicated employees, customers and partners, and especially our loyal shareholders for your support and patience. I would also like to thank our partner in Kideco, Samtan Co. Ltd., for our solid 13-year partnership, which I trust will continue. With the support of all stakeholders, we will strive to perform better while working to build the nation.



M. ARSJAD RASJID P.M.
President Director & CEO Group





Board Profiles

BOARD OF COMMISSIONERS



AGUS LASMONO
President Commissioner



CHATIB BASRI
Independent Commissioner



BOYKE WIBOWO MUKIYAT
Independent Commissioner



RICHARD BRUCE NESS
Commissioner



AGUS LASMONO
President Commissioner

Age 46, Indonesian citizen, appointed as President Commissioner of Indika Energy in January 2017, then reappointed for his second term of service based on Deed Number 60 dated 27 January 2017. Bapak Agus Lasmono is the founder and owner of Indika Energy. Previously he was Vice President Commissioner of Indika Energy from 2007 to 2017.

He is also a member of Human Capital Committee of Indika Energy as referred to Board of Commissioners Decree No. 046.1/IE/BOC/DEC/VIII/2017.

Bapak Agus Lasmono also holds positions as President Commissioner of PT Net Mediatama Televisi (since 2012), PT Indika Inti Corpindo (since 2004) and PT Indika Inti Holdiko (since 2004) and as President Director of PT Indika Multi Media (since 2002).

Previously, he also held positions such as Commissioner of Kideco (2004-2017), Independent Commissioner of PT SurYes Citra Media Tbk. (205-2013) and PT Surya Citra Televisi (2005-2013).

He earned his Bachelor of Arts in Economics from Pepperdine University, Malibu, California, United States in 1993 and Master degree in International Business from West Coast University, Los Angeles, California, United States in 1995.

LEGAL BASIS OF APPOINTMENT & TERM OF SERVICE

POSITION	TERM	BASIS FOR APPOINTMENT	TERM OF SERVICE
President Commissioner	Second Term	Deed No.60 dated 27 April 2017	2017 – 2019

CONCURRENT POSITIONS

	YES	NO	DESCRIPTION
Director at another issuer or public company in Indonesia		✓	-
Commissioner at another issuer or public company in Indonesia		✓	-
Committee member or other position (if any)	✓		Member of the Indika Energy Human Capital Committee

AFFILIATED RELATIONSHIPS

TYPE OF AFFILIATED RELATIONSHIPS	YES	NO	DESCRIPTION
Familial relationship with a member of the Board of Directors or Board of Commissioners or the main shareholder.		✓	-
As a Director or Commissioner at the main shareholder		✓	-

MUHAMAD CHATIB BASRI
Independent Commissioner



Age 53, Indonesian citizen, appointed as Independent Commissioner of Indika Energy in 2015 since April 2015, reappointed for a second term based on Deed Number 60 dated 27 April 2015, after previously serving as Independent Commissioner from March 2008 to June 2012.

He also Chairman of Human Capital Committee of Indika Energy based on Board of Commissioners Decree No. 046.1/IE/BOC/DEC/VIII/2017 and member of Risk & Investment Committee of Indika Energy as referred to Board of Commissioners Decree No.077/IE/BOC/DEC/VII/2016.

He is also President Commissioner of PT XL Axiata Tbk. (since 31 March 2017), President Commissioner of Indonesia Infrastructure Finance (since 2015), Independent Non-Executive Director of Axiata Group Berhad, Malaysia (since 2015) and Independent Commissioner of PT Astra International Tbk. (since 2015), as Advisor in Sumitomo Mitsui Banking Corporation.

Bapak M. Chatib Basri was Minister of Finance of the Republic of Indonesia (2013-2014), Chairman of Investment Coordinating Board of the Republic of Indonesia (2012-2013), Vice Chairman of the National Economic Committee of the Republic of Indonesia (2010-2012), Special Advisor to the Minister of Finance of the Republic of Indonesia (2006-2010), Deputy Minister of Finance of the Republic of Indonesia for G-20 (2006 – 2010) and Advisor to the Coordinating Minister for Economic Affairs of the Republic of Indonesia (2004-2005).

Bapak M. Chatib Basri is a member of the World Bank Advisory Council on Gender and Development, and Chairman of the Advisory Board at Mandiri Institute. He is the Thee Kian Wie visiting Professor at Australian National University, and is also a Senior Lecturer at the Department of Economics, University of Indonesia. He was a Senior Fellow at Harvard Kennedy School, United States (2015-2016) and a member of the Asia Pacific Regional Advisory Group of the International Monetary Fund (IMF) (2010-2012).

He earned his Bachelor degree in Economics from the University of Indonesia in 1992, then earned a Master of Economic Development and Ph.D in Economics from Australian National University in 1996 and 2001 respectively.

LEGAL BASIS OF APPOINTMENT & TERM OF SERVICE

POSITION	TERM	BASIS FOR APPOINTMENT	TERM OF SERVICE
Independent Commissioner	Second Term	Deed No.60 dated 27 April 2017	2017 – 2019

CONCURRENT POSITIONS

	YES	NO	DESCRIPTION
Director at another issuer or public company in Indonesia		✓	-
Commissioner at another issuer or public company in Indonesia	✓		President Commissioner of PT XL Axiata Tbk., Non-Executive Independent Director of Axiata Group Berhad, Malaysia, and Independent Commissioner of PT Astra International Tbk.
Committee member or other position (if any)	✓		Member of the Human Capital Committee and Risk & Investment Committee of Indika Energy

AFFILIATED RELATIONSHIPS

TYPE OF AFFILIATED RELATIONSHIPS	YES	NO	DESCRIPTION
Familial relationship with a member of the Board of Directors or Board of Commissioners or the main shareholder.		✓	-
As a Director or Commissioner at the main shareholder		✓	-



BOYKE WIBOWO MUKIYAT
Independent Commissioner

Aged 59, Indonesian citizen, was appointed as Independent Commissioner of Indika Energy in 2016 based on Deed Number 60 dated 28 April 2016. Bapak Mukiyat also serves as the President Commissioner of PT Rukun Raharja Tbk. (since December 2014) and President Director of PT Truba Jaya Engineering (since 2014).

He is the Chairman of Audit & Corporate Governance Committee of Indika Energy based on Board of Commissioners Decree No.075/IE/BOC/DEC/VII/2016 and a member of the Risk & Investment Committee of Indika Energy based on Board of Commissioners Decree No.077/IE/BOC/DEC/VII/2016.

Previously, he also served as President Commissioner of PT Jakarta Propertindo (2015-2016), as Commissioner of PT Pertamina EP Cepu (2014-2015), President Director of PT Perusahaan Pengelola Aset (2008-2013), President Director of PT Bahana Pembinaan Usaha Indonesia (2006 -2008), Director of PT Bahana Pembinaan Usaha Indonesia (2001- 2006), President Director of PT Niaga Asset Management (1999-2001) and Director of PT Niaga Asset Management (1997-1999).

He earned a Diploma degree in Marketing & Business Administration from London Business School United Kingdom in 1980, a Bachelor degree in Accounting from Jayabaya Academy, Jakarta in 1984, and Bachelor degree in Economics from University of Indonesia in 1990. Bapak Mukiyat is also an alumni of London Business School in 2004 and John F. Kennedy Harvard Government School, United States, in 2006.

LEGAL BASIS OF APPOINTMENT & TERM OF SERVICE

POSITION	TERM	BASIS FOR APPOINTMENT	TERM OF SERVICE
Independent Commissioner	First Term	Deed No.58 dated 28 April 2016	2016 – 2018

CONCURRENT POSITIONS

	YES	NO	DESCRIPTION
Director at another issuer or public company in Indonesia		✓	-
Commissioner at another issuer or public company in Indonesia	✓		President Commissioner of PT Rukun Raharja Tbk.
Committee member or other position (if any)	✓		Member of the Audit & Corporate Governance Committee and Risk & Investment Committee of Indika Energy

AFFILIATED RELATIONSHIPS

TYPE OF AFFILIATED RELATIONSHIPS	YES	NO	DESCRIPTION
Familial relationship with a member of the Board of Directors or Board of Commissioners or the main shareholder.		✓	-
As a Director or Commissioner at the main shareholder		✓	-

RICHARD BRUCE NESS
Commissioner



Age 68, appointed as Commissioner of Indika Energy in 2016 based on Deed Number 60 dated 28 April 2016. He previously served as Director of Indika Energy from May 2009 to April 2016, and Independent Director (2013-2014). Bapak Richard Bruce Ness initially joined Indika Energy as a Director in 2009 based on Deed Number 123 dated 28 May 2009. He also a member of the Risk & Investment Committee of Indika Energy based on Board of Commissioners Decree No.077/IE/BOC/DEC/VII/2016.

He also serves as President Commissioner of Petrosea (since 2010), Commissioner of Tripatra (since May 2016), Independent Commissioner of PT Merdeka Copper Gold Tbk. (since December 2014) He has been actively involved in the energy, resources and mining sectors for more than 30 years. Previously, he also served as Commissioner of MBSS (2010 -2011), as President Director of various affiliates and subsidiaries of Newmont, as mining consultant at PT Clinton Indonesia and as Vice President of Freeport. He also holds the position of Chairman of Mining for the AmericanChamber 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. Beliau also completed a Professional Management program at Harvard Business School, USA, in 1992.

LEGAL BASIS OF APPOINTMENT & TERM OF SERVICE

POSITION	TERM	BASIS FOR APPOINTMENT	TERM OF SERVICE
Commissioner	Second Term	Deed No.60 dated 27 April 2017	2017 – 2019

CONCURRENT POSITIONS

	YES	NO	DESCRIPTION
Director at another issuer or public company in Indonesia		✓	-
Commissioner at another issuer or public company in Indonesia	✓		Independent Commissioner of PT Merdeka Copper Gold Tbk. President Commissioner of Petrosea
Committee member or other position (if any)	✓		Member of Indika Energy Human Capital Committee and Petrosea Risk and Investment

AFFILIATED RELATIONSHIPS

TYPE OF AFFILIATED RELATIONSHIPS	YES	NO	DESCRIPTION
Familial relationship with a member of the Board of Directors or Board of Commissioners or the main shareholder.		✓	-
As a Director or Commissioner at the main shareholder		✓	-

BOARD OF DIRECTORS



M. ARSJAD RASJID P.M.
President Director
& CEO Group



AZIS ARMAND
Director



EDDY JUNAEDY DANU
Independent Director



M. ARSJAD RASJID P.M.

President Director & CEO Group

Age 47, Indonesian citizen, appointed as President Director of Indika Energy in April 2016, and reappointed based on Deed Number 60 dated 27 April 2017. He was previously Vice President Director from May 2014 to April 2016 and President Director from February 2007 to May 2014. Bapak Arsjad Rasjid served as President Commissioner of Indika Energy in 2000 based on Deed Number 31 dated 19 October 2000.

Currently he also holds positions as Commissioner of Kideco (since 2017), PT Indika Energy Infrastructure (since 2016), PT Tripatra Multi Energi (since 2015), PT Rukun Raharja Tbk. (since 2014), and PT Indika Mitra Energi (since 2010). He also holds positions as President Director of PT Indika Inti Corpindo (since 2016) and PT Indika Infrastruktur Investindo (since 2016). He also serves as Director of PT Indika Inti Investindo (since 2013).

Bapak 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, United States. In 2016, he participate Executive Education in INSEAD, namely International Directors Programme 2016, which was conducted in Singapore and Fontainebleau, France. In 2012, he completed the Executive Education Global Leadership and Public Policy for the 21st Century program at the Harvard Kennedy School, United States and on Insights Into Politics and Public Policy in Asia for Global Leaders at the Lee Kuan Yew School of Public Policy, Singapore. In 2013 he completed Executive Education on Impacting Investing at Said Business School, University of Oxford, United Kingdom. In 2014 he completed Executive Education on Leadership and Decision Making in the 21st Century program at the Jackson Institute for Global Affairs, Yale University, United States.

During 2017, he participated in competence enhancement training, namely Leadership Mosaics Across Asia held by Human Capital Leadership Institute on 22 March 2017.

LEGAL BASIS OF APPOINTMENT & TERM OF SERVICE

POSITION	TERM	BASIS FOR APPOINTMENT	TERM OF SERVICE
President Director	Second Term	Deed No.60 dated 27 April 2017	2017 – 2019

CONCURRENT POSITIONS

	YES	NO	DESCRIPTION
Director at another issuer or public company in Indonesia		✓	-
Commissioner at another issuer or public company in Indonesia	✓		Commissioner of PT Rukun Raharja Tbk.
Committee member or other position (if any)	✓		Member of the Human Capital at Petrosea and MBSS

AFFILIATED RELATIONSHIPS

TYPE OF AFFILIATED RELATIONSHIPS	YES	NO	DESCRIPTION
Familial relationship with a member of the Board of Directors or Board of Commissioners or the main shareholder.		✓	-
As a Director or Commissioner at the main shareholder	✓		Director of PT Indika Inti Investindo

AZIS ARMAND
Director



Age 50, Indonesian citizen, appointed Director of Indika Energy since February 2007 and reappointed based on Deed No 60 dated 27 April 2017. He previously served as an Independent Director from March 2008 to May 2013. Bapak Azis Armand initially joined Indika Energy as a Director in 2007 based on Deed Number 24 dated 15 February 2007.

He also serves as President Commissioner of Kideco (since January 2018) and MBSS (since 2017), Commissioner of Petrosea (since 2017), Vice Commissioner of Tripatra (since 2017), Vice President Director at PT Indika Inti Corpindo (since 2016), Commissioner of PT Indika Infrastruktur Investindo (since 2008), Commissioner of PT Indika Indonesia Resources (since 2015), Director of PT Indika Multi Energi Internasional (since 2015), and Director of PT Indika Multi Energi (since 2016) and PT Indika Energy Infrastructure (since 2016).

Previously he also served as Commissioner of Petrosea (2009-2013) and President Director of PT Indika Indonesia Resources (2014-2015). He has more than 10 years of extensive experience in Corporate Finance and Investment. He was previously employed as a Rating Manager at PT Pemeringkatan Efek Indonesia (1995-1997) and Associate at JP Morgan Chase (1997-2004).

He earned a degree in Economics from the Faculty of Economics at the University of Indonesia in 1991 and Master in Urban Planning from the University of Illinois in Urbana-Champaign, United States in 1995.

LEGAL BASIS OF APPOINTMENT & TERM OF SERVICE

POSITION	TERM	BASIS FOR APPOINTMENT	TERM OF SERVICE
Director	Second Term	Deed No.60 dated 27 April 2017	2017 – 2019

CONCURRENT POSITIONS

	YES	NO	DESCRIPTION
Director at another issuer or public company in Indonesia		✓	-
Commissioner at another issuer or public company in Indonesia	✓		-
Committee member or other position (if any)	✓		Member of the Risk and Investment Committee at Petrosea and MBSS

AFFILIATED RELATIONSHIPS

TYPE OF AFFILIATED RELATIONSHIPS	YES	NO	DESCRIPTION
Familial relationship with a member of the Board of Directors or Board of Commissioners or the main shareholder.		✓	-
As a Director or Commissioner at the main shareholder		✓	-



EDDY JUNAEDY DANU
Independent Director

Age 67, Indonesian citizen, appointed as Independent Director of Indika Energy in 2017 and reappointed based on Deed Number 60 dated 27 April 2014. Bapak Eddy Junaedy Danu initially joined Indika Energy as a Director in 2009 based on Deed Number 123 dated 28 May 2009.

Bapak Eddy Danu also holds other positions such President Commissioner of Tripatra (since April 2015), Petrosea (since 2017), PT Indika Multi Energi Internasional (since May 2014) and PT Indika Infrastruktur Investindo (since May 2014). He also serves as Commissioner of PT Indika Inti Corpindo (since April 2016), PT Cirebon Electric Power (since May 2014), PT Cirebon Energi Prasarana (CEPR) since August 2016), PT Prasarana Energi Indonesia (since August 2016), PT Prasarana Energi Cirebon (since August 2016) and PT Indika Logistic & Support Services (since April 2016).

He previously served as President Commissioner of Petrosea (2014-2015), President Director of Petrosea (2013-2014) dan Vice President Director of CEP (2011-2014).

He had been with Tripatra for more than 35 years, where previously he held positions such as Commissioner of Tripatra and Executive Director for Marketing and Operational. He brings more than 36 years of engineering and project management experience and has served as the Project Engineer and Project Manager for various large-scale oil and gas EPC projects.

He graduated with a degree in Electrical Engineering from Bandung Institute of Technology (ITB) in 1973 and a Master in International Business from Prasetya Mulya Business School in 1998.

LEGAL BASIS OF APPOINTMENT & TERM OF SERVICE

POSITION	TERM	BASIS FOR APPOINTMENT	TERM OF SERVICE
Independent Director	Second Term	Deed No.60 dated 27 April 2017	2017 – 2019

CONCURRENT POSITIONS

	YES	NO	DESCRIPTION
Director at another issuer or public company in Indonesia		✓	-
Commissioner at another issuer or public company in Indonesia	✓		Commissioner at Petrosea
Committee member or other position (if any)	✓		Member of the Audit & Corporate Governance Committee at Petrosea and member of the Risk and Investment Committee at MBSS.

AFFILIATED RELATIONSHIPS

TYPE OF AFFILIATED RELATIONSHIPS	YES	NO	DESCRIPTION
Familial relationship with a member of the Board of Directors or Board of Commissioners or the main shareholder.		✓	-
As a Director or Commissioner at the main shareholder		✓	-







Management Report

ECONOMIC & INDUSTRY OVERVIEW





ECONOMIC OVERVIEW

Despite continued geopolitical tensions, the global economy recorded higher than expected growth in 2017. The World Bank estimated global economic growth at three percent, the highest growth rate since 2011. The recovery was notable in that it was quite broad, with some three-quarters of all countries seeing gains. In addition, higher investment saw global trade rebounding, with commodity prices beginning to recover partly in response to steady demand.

The Indonesian economy recorded higher absolute growth at 5.07%, stable compared with 5.03 percent in 2016. Performance accelerated through the year to reach 5.19% in the fourth quarter, the strongest pace of expansion since the fourth quarter of 2013, supported by accelerated government spending, fixed investment and private consumption. Inflation remained under control below 4%, giving the central bank room to lower benchmark lending rates by 50 basis points to 4.25% during the year, while currency exchange rates remained fairly stable.

COAL AND OIL & GAS INDUSTRY REVIEW

Indonesia is the world's largest exporters of thermal coal. Over the past few years, Indonesia's coal industry has been rocked by extreme price volatility. The price recovery that began in 2016 continued in 2017, with the Newcastle coal index closing at over U$ 100 at the end of 2017, despite volatility during the year. The main driver of prices was demand from China, while domestic demand also continued to be robust.

Estimates from the Ministry of Energy and Mineral Resources and the Indonesian Coal Mining Association (APBI) put total Indonesian coal production for 2017 at 461 million tons, compared with 2016 production of 434 million tons. Approximately 21% of output in 2017 was absorbed by the domestic coal market, compared with 20% the year before.

In the oil and gas sector, Indonesia's oilfields are aging, with declining oil production due to a lack of exploration and development although gas output has risen, with output of around 800,000 barrels per day in 2017. On the other hand, the growing economy is driving higher domestic demand for energy, resulting in increased imports to make up the difference. According to Wood MacKenzie, Indonesia imported around 500,000 barrels of crude per day in 2017.

OPERATIONAL REVIEW





BUILDING MOMENTUM

Having successfully weathered the downward cycle in coal and oil & gas prices over the past few years, in 2017 Indika Energy began to reap gains from its integrated energy business strategy. Especially in coal, the recovery that began in 2016 continued with strengthening demand in 2017.

Amidst improving coal prices, revenue increased by 41.7% to US$ 1,098.8 million from US$ 775.2 million in the previous year. Gross profit increased by 38.6% to US$ 122.9 million from US$ 88.7 million in 2016. The primary contributors to gross profit growth were Petrosea, Tripatra, PT Indika Indonesia Resources ("IIR") and consolidated gross profit from Kideco during 1 (one) month in 2017.

In parallel, the management took the opportunity to acquire additional 45.0% shares in Kideco, which was successfully achieved in December 2017 thus putting the Company in posession of majority shareholding (91.0%) in Kideco. This purchase was funded by a 5.875% Senior Note for US$ 575 million, which notably achieved the lowest ever coupon for a mining company in Indonesia and also for a 7-year high yield mining bond in Asia.

The management also carried out a liabilities management exercise in April 2017 by issuing a US$ 256 million bond issue, the proceeds of which were used to pay down various liabilities including a Senior Note due in 2018 resulting in a lengthened maturity curve and more room for the Company to maneuver.

In parallel, cost efficiency initiatives during 2016 and 2017 resulted in general sales and administration expenses reductions of US$ 10.0 million during the year, with operational margins improving by -1.3% in 2016 to 3.1% in 2017.

Altogether, the Company recorded a net profit attributable to the owners of the Company of US$ 335.4 million. Adjusted for one offs due to acquisition of Kideco, impairments and amortization, Net Profit After Tax was still positive at US$ 94.6 million.

Citing the Company's improved outlook, finances and operational position, Fitch and Moody's both raised the Company's ratings towards the end of the year to "Ba3" with stable outlook by Moody's and "B+" with positive outlook by Fitch.

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 and became 91.0% in 2017. In 2009, PT Santan Batubara (Santan) was added to the energy resources portfolio, through the acquisition of PT Petrosea Tbk. In 2012, Indika Energy acquired the coal assets in PT Mitra Energi Agung (MEA) and PT Multi Tambangjaya Utama (MUTU). In 2014, Indika Energy established Indika Capital Investments Pte. Ltd followed by Indika Energy Trading Pte. Ltd in 2016, both of which source, supply and trade coal to various industries.



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. As of December 2017, Indika Energy owns 91.0% of Kideco.

Located in Paser Regency, East Kalimantan, Kideco operates six mine concession sites using open pit mining methods in Roto North, Roto South, Roto South (Biu), Roto Middle, Susubang and Samarangau. 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 (average of 0.1%) and ash (blended average of 2.1% to 4.9%%).

In addition, Kideco's coal produces relatively low levels of nitrogen during combustion, making it environmentally friendly for use in coal-fired power plants. 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 long standing relationships with highly-rated power companies in South Korea, Taiwan, Malaysia and Indonesia, with annual installed capacity of up to 55 million tonnes.

Maintaining an effective and well-developed operational infrastructure has provided Kideco with operational efficiency and financial flexibility. At the same time, Kideco minimizes capital expenditures and working capital requirements by outsourcing most of its mining, transportation and barging operations, by working closely with key mining contractors under multi-year contracts. In addition, to secure its cash flows, Kideco has entered into long term supply contracts with high-quality local and regional independent power producers.

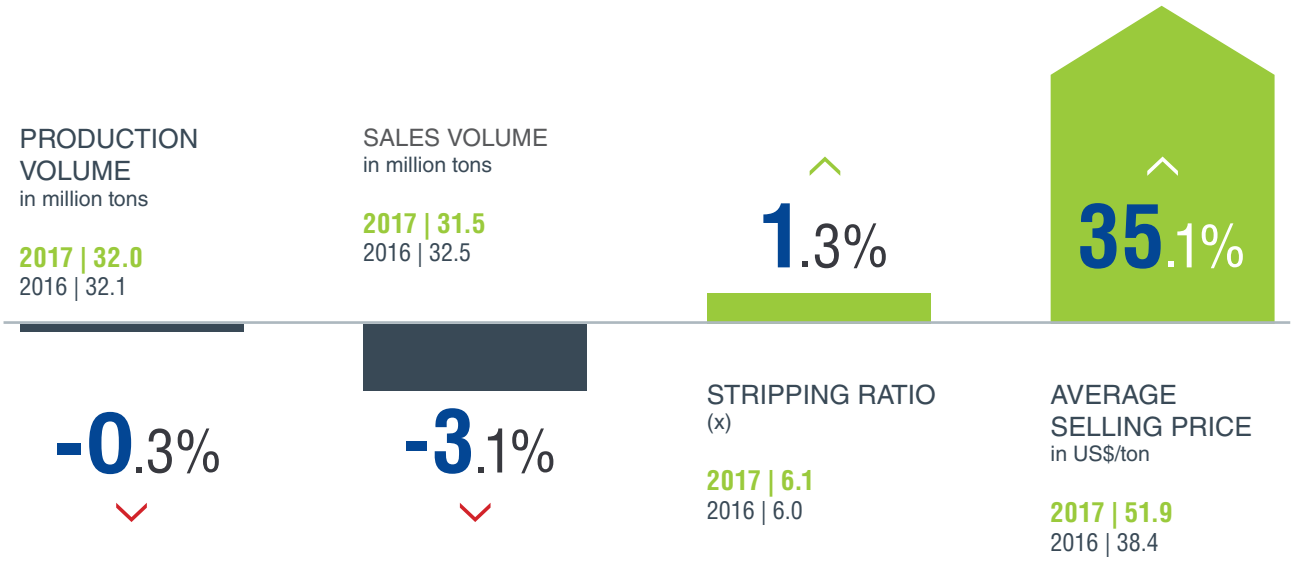
Supported by a well-developed infrastructure located in favourable geographical terrain with a well-planned coal mine, Kideco maintained its low stripping ratio of 6.1 in 2017, and was able to hold its position as one of the lowest cost coal producers in the world.

Total volume of coal produced was stable with 32.0 million tonnes in 2017 compared with 32.1 million tonnes in 2016. The average selling price (ASP) per tonne of coal realized by Kideco improved from US$ 38.4 in 2016 to US $51.9 in 2017. Sales decreased from 32.5 million tonnes in 2016 to 31.5 million tonnes in 2017. As a result of higher price however, Kideco's sales increased by 30.9% to US$ 1,633.0 million during the year from US$ 1,247.8 million. This improvement was partially offset by higher cash cost excluding royalty, which rose from US$ 27.6 per tonne in 2016 to US$ 28.0 per tonne in 2017. As a result, Kideco recorded net profit for the year of US$ 277.1 million, 212.7 % higher than US$ 88.6 million in the year before.

	OWNERSHIP INTEREST	COAL RESERVES (Tons in Millions)	COAL RESOURCES (Tons in Millions)	CONCESSION AREA (Hectares)
Kideco	91.0%	422.0(1)	1,375.0(1)	50,921
Santan Batubara	34.9%	100.7(2)	754.5(2)	24,930(2)
MEA	60.0%	15.0(3)	79.0(3)	5,000(3)
MUTU	85.0%	40.6(4)	75.2(4)	24,970(4)

(1) Source: Based on a JORC-compliant report prepared by PT RungePincockMinarco as of 30 June 2015.
(2) Source: Based on a JORC-compliant report prepared by PT RungePincockMinarco as of 1 January 2011 in respect of the Separi block and non-JORC initial exploration reports prepared by Santan Batubara.
(3) Source: Based on management estimates.
(4) Source: Based on management estimates. We have not prepared a JORC-compliant report in relation to the MUTU concession area and you should not place undue reliance on our management estimates. See "Risk Factors — Risks Relating to Our Energy Resources Business — Proved and probable coal reserves are expressions of judgment based on knowledge, experience and industry practice, and any adjustments to estimated proved and probable coal reserves could adversely affect Indika's, Kideco's, MUTU's, MEA's and Santan Batubara's development and mining plans."

OPERATION PERFORMANCE



PT SANTAN BATUBARA

Established in 1998, PT Santan Batubara "Santan" 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.

Santan holds coal mining rights until 2038 under a third-generation CCoW. Since 2014, following prolonged weakness in coal prices, the management of Santan took the decision to close the Separi block mine and suspend operations in the Uskap block until such time as the market improves.

PT MULTI TAMBANGJAYA UTAMA

In May 2012, Indika Energy acquired an indirect 85.0% equity interest in PT Multi Tambangjaya Utama "MUTU", a high-rank bituminous thermal and coking coal holding a third-generation CCoW valid until 2039 based in Central Kalimantan, with a concession area of 24,970 hectares of which over 7,000 Ha have been mapped. Located approximately 30 km northeast of Ampah city and approximately 250 km north of Banjarmasin, MUTU 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. MUTU has also obtained environmental and production permits to extract up to 1.2 million tonnes of coal.

Having begun production in October 2016, in 2017 MUTU ramped up production to achieve 0.5 metric tonnes vs. 0.1 metric tonnes and contributed US$ 41.5 million in revenue for the year, 395.3% higher than US$ 8.4 million in 2016.

INDIKA CAPITAL INVESTMENT PTE. LTD. AND INDIKA ENERGY TRADING PTE. LTD.

The Company's coal trading business was carried out by Indika Capital Investments Pte Ltd. ("ICI") and Indika Energy Trading Pte. Ltd. ("IETPL") in 2017. The coal trading business leverages the Group's existing network and experience and working together with the Company's owned mines as well as with other major coal producers to deliver reliable supply.

In 2017 revenue from the coal business improved significantly by 34.5% to US$ 278.4 million from US$ 201.9 million on higher ASP of US$ 41.2 compared with US$ 29.6. Volume of coal sales was relatively stable at 6.8 million tonnes.

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.



TRIPATRA

PT Tripatra Engineering and PT Tripatra Engineers & Constructors ("Tripatra") is the EPC company with the longest service history of any such company in Indonesia since its establishment in 1973. Tripatra provides a complete range of EPC, O&M, engineering, procurement and construction management (EPCM) and logistics services for a range of energy clients with a focus on the oil & gas, downstream and petrochemical, and power generation sectors.

In 2017, Tripatra's revenues improved by 26.3% to US$ 274.8 million from US$ 217.3 million in 2016. The major contributor was EPC work on the Tangguh (LNG Train 3) expansion project from BP Berau. Net profit increased by 13.1% to US$ 25.8 million compared with 2016.

As of 31 December 2017, Tripatra's contracted backlog stood at approximately US$ 601.2 million, compared with US$ 811.0 million as of 31 December 2016.

ASSOCIATE COMPANIES (LOGISTICS SERVICES)

Tripatra has equity interest in the following logistics services associate companies:

- **PT Cotrans Asia ("Cotrans")**

  Cotrans is an associate company providing coal transportation and transshipment services. Cotrans recorded net profit of Rp 145.8 billion in 2017 compared with Rp 153.2 billion in 2016.

- **PT Sea Bridge Shipping Indonesia ("SBS")**

  SBS is an associate company that provides coal shipping services including tug boats, barges, gearless floating cranes and transshipment services. SBS reported net profit of US$ 7.6 million compared with US$ 8.8 million in 2016.

PT PETROSEA TBK.

Petrosea offers a comprehensive array of services to the Indonesian mining sector and is one of only a few Indonesian companies with the ability to deliver a complete pit-to-port and life-of-mine mining solution. Petrosea provides open-pit coal and sedimentary rock mining and mine operation services to coal companies in Indonesia across all stages of production. Petrosea provides the following principal services: Contract Mining, Logistics and Oil (including the Petrosea Offshore Supply Base, which is further discussed in the Energy Infrastructure section) and Engineering and Construction.

Petrosea's top line performance improved in 2017, with revenue growth of 24.1% to US$ 259.9 million from US$ 209.4 million in 2016. The main driver of improvement was improved performance in Contract Mining and Logistics, offset by stable performance in the Engineering and Construction business.



CONTRACT MINING

As of 31 December 2017, Petrosea provided mining services to five Indonesian coal producers. Contract mining revenue rose by 49.9% to US$ 171.3 million from US$ 114.3 million in the previous year, due to a 46.5% increase in overburden removal from 57.3 million BCM to 84.0 million BCM during the year, together with higher prices. The increase in overburden removal volume was primarily driven by an increase in overburden removal from the Tabang and Kideco projects. As of 31 December 2017, Petrosea had a backlog with remaining contract value of US$ 487.2 million, compared with US$ 658.7 million in 2016.

CONSTRUCTION MANAGEMENT

Revenue contribution from Petrosea's Engineering and Construction Management was stable at US$ 70.2 million in 2017 compared with US$ 70.1 million in 2016, due primarily to ongoing and new civil engineering projects with Adaro. As of 31 December 2017, Petrosea had a backlog with remaining contract value of US$ 140.1 million, compared with US$ 100.4 million in 2016.



ENERGY INFRASTRUCTURE



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



PT MITRABAHTERA SEGARA SEJATI TBK.

Incorporated in 1994, MBSS is an 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 20 years of operations, MBSS has built a customer portfolio which includes long-term contracts with top tier coal producers such as PT Kideco Jaya Agung, PT Adaro Indonesia, PT Berau Coal and PT Kaltim Prima Coal as well as coal end users such as PT Indocement Tunggal Prakarsa Tbk.

As of 31 December 2017, MBSS operated a large and varied fleet comprised of 76 barges, 86 tug boats, 4 floating cranes, and 1 support vessel. The entire fleet fulfills the Indonesian Classification Bureau (BKI) requirements and part of the fleet also fulfills international classification association requirements namely Registro Italiano Navale (RINA), Bureau Veritas (BV), Nippon Kaiji Kyokai (NK), ABS (American Bureau of Shipping) and Germanischer Lloyd (GL) and can therefore serve clients regionally.

In 2017 revenue increased slightly by 4.1% from US$ 65.8 million in 2016 to US$ 68.5 million in 2017, due mainly to 5.7% higher barging segment revenue which more than offset 0.5% lower floating crane revenue. The improvement in barging revenue was contributed by several short-term contracts that are likely to convert to long-term contracts, and increased Time Charter (TC) contracts. Floating crane volume decreased due to lower activity at existing clients, expiring contracts and change in certain contracts from freight charter to time charter basis, which was partially offset by new contracts.

MBSS CONTRACT VALUE IN 2017

	Remaining Contract as of 31 December 2017 (in million US$)
Barging	40.1
Floating Crane	27.8
Total	**67.9**

PT CIREBON ELECTRIC POWER ("CEP")

CEP is a 660 MW coal-fired power generation plant (CFPP) located in Cirebon, West Java. CEP was established in April 2007 by Indika Energy through its wholly-owned subsidiaries Indika Power Investments Pte. Ltd. and PT Indika Infrastruktur Investindo, together with Marubeni Corporation, Samtan Co. Ltd. and Komipo Global Pte. All of its output is sold to the State Electric Company (PLN) under a 30-year Power Purchase Agreement (PPA) starting from the date of commencement of operation of the plant on 27 July 2012. As of 31 December 2017, Indika Energy owned a 20.0% indirect equity interest in CEP.

The 660 MW CFPP uses 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. Since the commencement of operations, the CEP net dependency capacity (NDC) tests have consistently met PPA requirements.

The use of environmentally friendly technology is one of the advantages of the Cirebon power plant, which subsequently won the "Asia Coal Power Project of the Year" award at the Asian Power Awards 2016 in Seoul, Korea.

CEP has been in stable operation for five years, with average availability factor meeting its PPA target of 80.0%. CEP has entered into agreements with each of Kideco and Adaro for the supply of coal to the Cirebon power generation plant project. In 2015, 2016 and 2017, Kideco provided 65.0%, 63.1% and 66.0% of the coal CEP consumed, respectively.

PT CIREBON ENERGI PRASARANA ("CEPR")

Established in 2007, CEPR is an international consortium for the expansion of the CEP project. The Company indirectly owns 6.25% of CEPR with the remainder held by Marubeni Corporation ("Marubeni"), Samtan Co. Ltd. ("Samtan"), Korea Midland Power Co. Ltd. ("Komipo"), PT Imeco Multi Prasarana and Chubu Electric Power Co. Ltd. ("Chubu").

In October 2015, CEPR signed a 25-year PPA with PLN a 1x1000MW coal powered expansion of the existing CEP power plant in Cirebon.

In 2017, CEPR successfully achieved financial close with its senior lenders, a consortium between JBIC, NEXI and KEXIM. Construction of a 1000 MW coal-fired power plant has already begun and the project is scheduled to begin commercial operations in 2022.

PETROSEA LOGISTICS & SUPPORT SERVICES (PLSS)

PLSS is the third business line of PT Petrosea. PLSS offers shorebase management through a subsidiary, logistic & freight forwarding services, and waste disposal services. Currently, PLSS manages a Bonded Logistic Center facility in Tanjung Batu, Balikpapan, East Kalimantan. There will be further PLB developments in Marunda, North Jakarta.

- **PT POSB Infrastructure Indonesia**

  PT POSB Infrastructure Kalimantan operates the Petrosea Offshore Supply Base (POSB), a shorebase management facility providing offshore supply logistics services for international and national oil and gas exploration and extraction companies operating in the Makassar Straits.

In 2017 POSB recorded a decline in revenue of 28.5 % to US$ 16.2 million in 2017 from US$ $ 22.7 million in 2016 due to lower activity in the oil and gas sector. POSB has built an additional facility in Sorong to support its client base in East Indonesia which is in currently in progress.

- **PT POSB Reksabumi Indonesia**

  Petrosea through its subsidiary PT POSB Infrastructure Kalimantan has established PT POSB Reksabumi Indonesia (“POSBRI”), which engages in Hazardous Toxic Material (B3) waste management and Non Hazardous Toxic Material (Non-B3) waste management. Petrosea owns 4,995 shares or 99% ownership with the balance of 5 shares or 1% owned by PT POSB Infrastructure Kalimantan. POSBRI recorded revenue of US$ 2.1 million in 2017, slightly lower than US$ 2.3 million in 2016 due to lower activity in the area.

PT KUALA PELABUHAN INDONESIA ("KPI")

KPI is a subsidiary of PT Indika Logistic & Support Services ("ILSS"). An operator of marine fleets and ports, the company provides ship docking integrated operations, management, logistics, maintenance and portside services. In 2017, KPI recorded a decline in revenue of 18.5% from US$ 65.8 million in 2016 to US$ 53.6 million in 2017 due to lower client activity.



FINANCIAL REVIEW



2017 Financial Highlights:

- Following the Company's acquisition over Kideco effective as of December 6, 2017, its financial statements in 2017 has consolidated Kideco's financial performance from 1 December to 31 December 2017.
- Revenue amounted to US$ 1,098.8 million, a 41.7% increase over US$ 775.2 million reported in 2016.
- Gross profit amounted to US$ 122.9 million, a 38.6% increase over US$ 88.7 million reported in 2016.
- Equity in net profit of associates & jointly controlled entities amounted to US$ 136.2 million, a 129.0% increase over US$ 59.5 million reported in 2016, mainly as a result of higher net income contribution from eleven months of Kideco's earning in 2017, due to the global increase in coal prices. Kideco's net income contribution to Indika increased to US$ 118.8 million in eleven month of 2017 compared US$ 33.8 million in full year 2016. Kideco reported net profit of US$ 272.2 million on revenue of US$ 1,522.4 million in eleven months of 2017. Kideco realized higher average selling price per tonne [ASP] (2017 US$ 51.9 vs. 2016 US$ 38.4), which offset lower sales volume of 31.5 million MT in 2017 vs. 32.5 million MT in 2016.
- Profit attributable to Owners of the Company amounted to US$335.4million, compared to US$ 67.6 million loss reported in 2016.
- Core Profit of the Company jumped by 318.0% from US$ 43.3 million loss in 2016 to US$ 94.5 million profit in 2017. Core Profit is defined as net profit attributable to Owners of the Company for the year excluding 1) one off extraordinary gain on revaluation of existing 46% shares in Kideco; 2) net amortization of intangible assets related to the acquisition of MUTU and additional shares of Kideco; and 3) impairment of assets, net of deferred tax.

REVENUES

The Company's revenues increased by 41.7% from US$ 775.2 million in 2016 to US$ 1,098.8 million in 2017 primarily due to:

- A 26.5% increase in Tripatra's revenues from US$ 217.3 million in 2016 to US$ 274.8 million in 2017 primarily due to 1) BP Tangguh US$ 165.1 million in 2017 vs US$ 12.8 million in 2016; 2) CSTS Joint Operations US$ 24.0 million in 2017 vs US$ 7.0 million in 2016; and 3) Eni Muara Bakau US$ 69.4 million in 2017 vs US$ 101.2 million in 2016;
- A 21.7% increase in Petrosea's revenues from US$ 208.9 million in 2016 to US$ 254.3 million in 2017, which was primarily driven by higher revenue contribution from contract mining. Contract mining revenues increased 49.8% YoY to US$ 171.3 million on overburden removal volume of 97.4 million BCM. Engineering and construction revenues was stable at US$70 million in 2017 while revenue from services business decreased by 28.5% from US$ 22.7 million in 2016 to US$ 16.2 million in 2017;
- A 47.6% increase in resources revenues due to 1) revenue contribution from MUTU of US$ 41.5 million with sales volume of 0.5 MT in 2017 compared to US$ 8.4 million with sales volume of 0.1 MT in 2016; 2) revenue contribution from coal trading of US$ 278.4 million in 2017 compared to US$ 201.9 million in 2016, due to the global increase in coal prices [ASP of US$ 41.2 in 2017 and US$ 29.6 in 2016], with coal traded volume stable at 6.8 MT in both 2017 and 2016; and
- Kideco's revenues were consolidated for one month in December 2017 upon closing of the acquisition of Kideco. The total revenue contribution was US$ 110.5 million with sales volume of 2.3 MT.

COST OF CONTRACTS AND GOODS SOLD

Cost of contracts and goods sold increased by 42.1% from US$ 686.5 million in 2016 to US$ 975.8 million in 2017, primarily due to an increase in materials, fuel, royalty, sub-contractors, installation, supplies, communications and other direct costs, in line with the increase in revenues.

GROSS PROFIT

Gross profit up by 38.6% to US$ 122.9 million from US$ 88.7 million reported in 2016 driven by higher gross profit contribution resulting at the operating subsidiaries, mainly from Tripatra, Petrosea, Indika Resources, and one month inclusion of Kideco's gross profit. The gross profit margin slightly decreased from 11.4% in 2016 to 11.2% in 2017.

EQUITY IN NET PROFIT OF ASSOCIATES & JOINTLY CONTROLLED ENTITIES

Equity in net profit of associates & jointly controlled entities increased by 129.0% from US$ 59.5 million in 2016 to US$ 136.2 million in 2017, primarily due to higher net income contribution from eleven months of Kideco's earning in 2017, due to the global increase in coal prices.

a) Kideco's net income contribution to the Company increased to US$ 118.8 million in eleven month of 2017 compared US$ 33.8 million in full year 2016. Kideco reported net profit of US$ 272.2 million on revenue of US$ 1,522.4 million in eleven months of 2017.

b) CEP's net income contribution to the Company decreased from US$ 19.8 million in 2016 to US$ 7.0 million in 2017. CEP's net income decreased from US$ 99.2 million in 2016 to US$ 34.9 million in 2017 due to one off gain in relation to asset revaluation in 2016.

c) SBS's net income contribution to the Company decreased from US$ 4.0 million in 2016 to US$ 3.5 million in 2017. SBS reported net profit of US$ 7.6 million, decreased from US$ 8.8 million in 2016 (-13.4% YoY) on revenue of US$ 24.9 million in 2017.

d) Cotrans' net income contribution to the Company decreased from US$ 5.2 million in 2016 to US$ 4.9 million in 2017. Cotrans reported net profit of US$ 10.9 million (-5.4% YoY) on revenue of US$ 59.3 million.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, General and Administrative expenses (G&A) decreased by US$ 10.0 million (-10.1% YoY) from US$ 98.8 million in 2016 to US$ 88.8 million in 2017 due to ongoing cost saving initiatives done by Indika Group.

FINANCE COST

Finance costs increased by 27.3% from US$ 60.4 million in 2016 to US$ 76.9 million due mainly to 1) acceleration of amortization of bonds issuance cost on Senior Notes

2018, following early redemption on such Notes; 2) additional interest payment in relation to the new bond issuance of US$ 575 million; 3) fees related to bond issuance and acquisition financing.

IMPAIRMENT OF ASSETS

Impairment of assets increased from US$ 30.3 million in 2016 to US$ 170.4 million in 2017. The impairment of assets in 2017 was mainly provided for goodwill, property plant equipment, mining property and intangible asset related to the acquisition of MUTU, in which future economic value estimated from such asset is lower compared to its book value.

AMORTIZATION OF INTANGIBLE ASSETS

Amortization of intangible assets decreased by 30.8% from US$ 26.0 million in 2016 to US$ 18.0 million in 2017, mainly due to impairment provided by management at the end of 2016 for intangible assets related to acquisition of MBSS [US$ 18.7 million amortization in 2016], offset with amortization of intangible assets on Kideco acquisition of US$ 11.0 million.

GAIN ON REVALUATION

The Company recorded gain on revaluation of US$ 384.2 million in 2017. The gain is associated with revaluation of existing 46% shares in Kideco at current fair market value of Kideco.

PROFIT (LOSS) BEFORE TAX

As a result of the foregoing factors, the Company recorded Profit Before Tax of US$ 300.1 million, significantly increased as compared to a US$ 115.0 million loss in 2016.

PROFIT (LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY

In 2017, Profit Attributable to Owners of the Company was US$ 335.4 million, which increased by 596.2% from US$ 67.6 million loss booked in 2016.

CURRENT ASSETS

Current assets increased by 102.8% from US$ 667.4 million in 2016 to US$ 1,353.8 million, generally because of the consolidation of Kideco's current assets to the Company's financial statements, which contributed to an increase of US$ 409.9 million current assets as of December 31, 2017.

FURTHER ANALYSIS BY ACCOUNT IS AS FOLLOWS:

1) Cash and cash equivalents and Other financial assets increased by US$ 391.5 million, wherein consolidation with Kideco contributed to an increase of US$ 115.0 million cash;

2) Trade accounts receivable up by US$ 228.2 million, mainly from consolidation of Kideco's receivables amounting to US$ 174.8 million, combined with increase in receivables of MUTU and coal trading, Tripatra and Petrosea in line with increase in revenues activities in the respective subsidiaries;

3) Other current assets increased by US$ 85.1 million mainly from consolidation of Kideco which contributed to an increase of US$ 62.8 million and US$ 22.2 million increase due to higher outstanding coal advances in resources business;

4) Inventories increased by US$ 67.5 million, mainly from consolidation of Kideco's inventories of US$ 54.5 million and MUTU's inventories increased by US$ 11.1 million,

Offsetting with the above increase was a US$ 106.7 million decrease in Estimated Earnings in Excess of Billing of contracts, due to settlement of Tripatra's projects.

Movement of Cash and cash equivalents and Other financial assets were primarily impacted by inflows from

1) Net cash received from bank loan, long-term loan, lease liabilities, and bonds payable of US$ 5 24.4 million;
2) Cash receipts from operating activities of US$ 185.7 million;
3) Cash dividends of US$ 143.4 million; and
4) Net tax refund of US$ 34.4 million

and partially offset with outflows consisting of:

1) Net cash outflows for purchase of additional 45% ownership in Kideco amounting to US$ 413.0 million;
2) Acquisition of property and equipment amounting to US$ 65.6 million (mainly for Petrosea of US$ 49.6 million, MBSS of US$ 10.7 million, Kideco of US$ 1.0 million and IIR of US$ 3.8 million);
3) Payment of tax amounting to US$ 49.1 million; and
4) Payment of bond issuance cost of approximately US$ 24.5 million.

NON-CURRENT ASSETS

Non-current Assets increased by 97.6% from US$ 1,154.9 million in 2016 to US$ 2,281.9 million in 2017, primarily due to 1) Increase in Intangible Assets of US$ 588.1 million and Goodwill of US$ 578.4 million, following the acquisition of additional 45% ownership in Kideco; 2) Increase in Property Plant and Equipment by US$ 92.5 million; 3) Decrease in Investment in Associates by US$ 150.5 million, since Kideco is no longer an associate, but already consolidated within Indika Group.

INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Investments in associates and jointly controlled entities decreased by US$ 150.9 million from US$ 271.3 million in 2016 to US$ 120.4 million in 2017, since Kideco is no longer an associate, however a subsidiary being consolidated into Indika Group starting from December 6, 2017.

PROPERTY, PLANT AND EQUIPMENT (PPE)

The Company's PPE increased by US$ 92.5 million, from US$ 518.1 million in 2016 to US$ 610.6 million in 2017, mainly due to 1) US$ 88.4 million of Kideco's PPE being consolidated to the Company's financial statements and 2) additional acquisitions of PPE of US$ 94.7 million, netting off with US$ 80.7 million depreciation expense charged in 2017.

INTANGIBLE ASSETS

The Company's Intangible Assets increased by 350.5% from US$ 167.8 million in 2016 to US$ 755.8 million in 2017, following the acquisition of additional 45% ownership in Kideco in December 2017, which was recognized on Kideco's mining rights and outstanding backlog.

CURRENT LIABILITIES

Current Liabilities increased by 110.7% from US$ 313.0 million in 2016 to US$ 659.5 million, mainly due to increases in 1) Trade Accounts Payable by US$ 118.8 million, mainly from consolidation of Kideco's payables of US$ 75.1 million, combined with increase in Petrosea and IIR Group's payables due to increase in their operations; 2) Taxes payable by US$ 176.1 million of which US$ 174.5 million pertains to Kideco's taxes; 3) Accrued expenses by US$ 24.8 million mainly from Kideco's accrued expenses of US$ 14.8 million and outstanding accruals for bond issuance cost and acquisition financing fees; 4) Billings in excess of estimated earnings by US$ 9.5 million mainly from Tripatra; and 5) Advance received by US$ 14.1 million mainly for IIR group and Petrosea's projects.

NON-CURRENT LIABILITIES

Non-current liabilities increased by 142.3% to US$ 1,861.2 million from US$ 768.2 million mainly due to increase in 1) Bonds payables due to issuance of Senior Notes US$ 575 million due 2024 in November 2017 related to acquisition of additional 45% ownership in Kideco. In April 2017, the Company completed liability management for its 2018 Notes and bank loans in subsidiaries with a new bond maturing 2022 in the amount of US$ 265 million; and; 2) Deferred tax liabilities of US$ 296.3 million and Contingent liabilities of US$ 127.5 million related to acquisition of additional 45% ownership in Kideco, which is in accordance with Shares Purchase Agreement of Kideco; 3) Employment benefits of US$ 14.5 million mainly from consolidation of Kideco's employee benefits of US$ 8.1 million and additional employee benefits accrued in 2017.

EQUITY

Equity increased by 50.5% from US$ 741.1 million in 2016 to US$ 1,115.0 million in 2017, due to net profit in 2017 of US$ 335.4 million. Equity Attributable to owners of the Company increased 56.9% to US$ 924.6 million.

BUSINESS PROSPECTS & KEY RISK FACTORS





ENERGY RESOURCES COAL PROSPECTS

Global demand for coal is expected to grow due to rising energy demand and continuing cost competitiveness. According to Wood Mackenzie, global import demand for thermal coal is expected to have totalled 935.0 million tons in 2016 and is forecast to increase to 1,002.0 million tons by 2027, while Coal-fired power generation is also projected by Wood Mackenzie to grow from 1,976 GW in 2016 to 2,244 GW in 2027, due to rising energy demand and relative cost competitiveness.

Currently, the North Asian region, which includes Japan, South Korea, Taiwan and the PRC, represents the largest thermal coal market globally, according to Wood Mackenzie. More rapid growth is expected in the developing ASEAN countries of Malaysia, Thailand, the Philippines and Vietnam, driven by growing manufacturing and construction industries as well as inadequate domestic coal reserves.

Short-term growth in Indonesian coal exports is supported by their low-cost structure on both a FOB and delivered basis. In the longer term, the majority of incremental supply will be used for domestic coal-fired power. After 2020, tougher environmental regulations, combined with growth from Australia and the United States, are expected to reduce Indonesia's share of the global market from 39.0% in 2016 to 35.0% by 2027.

However, Indonesia remains geographically advantaged to meet demand from India and Southeast Asia, supporting Indonesia's long-term position as the largest exporter of seaborne thermal coal and Indonesia is expected to remain the largest supplier of thermal coal into the seaborne market over the long-term horizon. Whereas domestically, Wood Mackenzie forecasts that coal will continue to dominate Indonesia's fuel mix over the forecast period, increasing its share of power generation from 59.8% in 2016 to 63.2% by 2027.

ENERGY SERVICES PROSPECTS

The hydrocarbon industry in Indonesia has exhibited declining oil production in recent years, despite Indonesia still having substantial unexplored basins predicted to hold approximately 40 billion barrels of crude oil according to the country's upstream oil and gas regulator, SKK Migas. Wood Mackenzie observes that exploration and development activity has been negatively impacted by regulatory and fiscal uncertainty, whereas Indonesia's growing economy is driving higher domestic demand for energy. As such, the government hopes to increase exploration activity, potentially creating opportunities for companies engaged in energy services.

Tripatra is advantageously positioned to capitalize on these opportunities, based on its prior track record and current capabilities. At the same time, the engineering and project management capabilities that Tripatra developed may also be flexibly applied outside the oil and gas industry. We believe these capabilities can be flexibly deployed to other energy-related sectors, and will enable us to benefit from the natural synergies within our diversified energy platform.

Petrosea, as one of the leading coal mining contractors in Indonesia, is competitively positioned to benefit from the rising demand for coal production in Indonesia. Petrosea also provides services to mining companies outside the coal industry and expanded its engineering and construction services business, allowing it to diversify its revenue base and reduce its reliance on coal.

ENERGY INFRASTRUCTURE PROSPECTS

According to the International Energy Agency (IEA), world energy consumption is expected to increase by more than 50% by 2030. To meet this growth in energy demand, the IEA estimates that over US$ 26 trillion of new energy infrastructure is required. Consistent with global trends, Indonesia is also expected to experience strong growth in energy consumption. Based on Center for Energy Information and Economist Intelligence Unit estimates, Indonesian energy demand, on a per capita basis, will triple by 2025.

During the last several years of low coal prices, MBSS focused on maximizing its fleet utilization, improving its technical capabilities and improving its safety and operational practices. In this more favourable coal market climate, MBSS expects to deliver improved performance in 2018, supported by its strong safety track record and large fleet size which give it a competitive advantage in the market.

MBSS also plans to expand its presence in the domestic market and leverage increasing domestic demand by targeting services to PLN and its subsidiaries. To diversify its revenue streams and reduce its reliance on coal, MBSS is exploring opportunities in marine consultancy and the oil and gas market.

Prospects for Petrosea Offshore Supply Base (POSB) are linked to the possibility of demand from oil & gas clients as discussed in the previous section.

CEP's success as a reliable power producer has been followed by further expansion via the CEPR project, which achieved successful financial close on 9 November 2017.

RISK FACTORS

Indika Energy's business is subject to various risk factors, including but not limited to factors shown below.

RISKS RELATED TO INDONESIA

As a company in located in Indonesia with all of its assets and operations substantially located in Indonesia, Indika Energy may 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.

RISK FACTORS RELATED TO THE ENERGY SECTOR

Indika Energy as an integrated energy company with core coal assets is vulnerable to certain risks associated with the energy sector, in particular coal.

1. Regulatory Risk

The framework governing Indonesian energy resources is subject to extensive regulation. The new Mining Law regulates that 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. Changes in regulations may affect Indika Energy's business and ability to compete.

2. Financial Risk

Domestic, regional and global economic changes as well as stringent controls on lending and investments caused by illiquid credit markets and general tightening of credit in the financial markets may affect Indika Energy's working capital and borrowing abilities. Indika Energy and its subsidiaries are also exposed to foreign currency risk.

3. Business Risk

Indika Energy's businesses are subject to a number of risks related directly to its businesses.

- **Coal Market Volatility Risk**

  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 that has affecting coal prices. As has already been witnessed, the global coal markets are sensitive to changes in coal mining capacity and production output levels, which can adversely affect Indika Energy's business. The coal consumption of emerging markets where coal is a principal fuel is affected by the economy, local environmental and other governmental regulations, technological developments and the price and availability of competing coal and alternative fuel supplies.

  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 significant reserves of bituminous and subbituminous coal which are an important fuel supply for emerging markets like China, India, Africa and Southeast Asia. However, any significant decline in demand from these countries may affect dividend payments to Indika Energy. Furthermore, some of the coal reserves of Kideco 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.

- **Oil & Gas Market Volatility Risk**

  Historically, the markets for coal and oil and gas have been volatile and volatility is likely to continue in the future. 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 gas prices. The award of new contracts to Tripatra and Petrosea depends on successful bidding processes which are subject to financing and other contingencies.

- **Contractor Management Risk**

  Kideco depends on independent contractors to conduct its 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 has to pay for services exceeds the amount estimated in bidding for fixed price work, Kideco will incur losses on the performance of these contracts. These delays and additional costs may be substantial, and Kideco may not be able to recover these costs from its customers or may be contractually required to compensate its customers for these delays.

A significant portion of Tripatra's energy services projects are fixed-price contracts, which can expose the energy services businesses to risks associated with cost overruns, 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.

- **Contract Risk**

  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.

- **Safety Risk**

  The higher the complexity of energy projects, the higher the associated safety risks. Work accidents or damage may occur at any time. Indika Energy Group companies take every measure to ensure safety in order to mitigate the potential for operations to give rise to accidents or damage which could result in material liabilities.

- **Weather Risk**

  Severe weather may affect or disrupt operations in the field, including coal mining at Kideco, contract mining at Petrosea and fleet movements at MBSS, resulting in lower productivity and lower revenues.

4. Environmental Risk

Although Indika Energy Group companies take every measure to mitigate environmental risks, operations of Indika Energy Group companies have the potential to substantially impact the environment or cause exposure to hazardous substances, which could result in material liabilities. 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 all mining businesses.

5. Labor & Community Risk

The management strives to nurture good relationships with employees in the field, realizing that a shortage of skilled labor or labor disputes may pose a risk in achieving high levels of productivity at competitive costs. Similarly intensive consultation with local communities is carried out to create goodwill and diminish the risk of social conflict.

6. Other Risks

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.

INFORMATION AND COMMUNICATIONS TECHNOLOGY



Indika Energy's Information and Communication Technology (ICT) division is focused on improving business information processes for decision-making as well as increasing efficiency. Where possible, technology is harnessed and applied across the value chain to produce synergies in applications and infrastructure, and geared towards improving operational performance and control.

ICT FRAMEWORK

The ICT framework is depicted clearly by the "ICT House" illustration. The foundation represents ICT infrastructure, which facilitates a standardised and secure infrastructure environment for the Company's overall business applications. The three pillars reflect application systems specific to each business unit, while the roof component represents a corporate-wide initiative of portals and dashboards comprising the Enterprise Resources Planning (ERP) and Human Resources Management System (HRMS).

OVERSIGHT

The ICT Steering Committee provides high level direction, leadership and strategy for the ICT departments, and oversees the efficiency and effectiveness of ICT as a Shared Services Organisation (SSO) as well as policy compliance related to the Company's goals and objectives. As such, the ICT Steering Committee is in charge of setting ICT policies, priorities, and project investment, as well as execution of plans in accordance with Indika Energy's business needs and requirements.

SERVICE LEVEL AGREEMENTS (SLA) & USER SATISFACTION

As an internal service provider, ICT provides a range of services which includes analysis, design, development, operation, support and maintenance for the Group's Information, Communication and Technology requirements in accordance with agreed upon Service Level Agreements (SLAs). These SLAs were established as a mechanism to ensure service quality and benchmarking with industry standards, and to ensure that ICT provides an enabling role as a Shared Services Organisation (SSO) that supports the Company and its business units.

These Service Level Agreements (SLA) cover five Service Portfolios consisting of:

- Data Center
- Network and Communications
- Application Development
- Application Support and
- End User Management.

To monitor the progress of various ICT projects and to ensure that Service Levels are being met, ICT provides a monthly report to each business unit. This helps ICT to identify and understand users' needs, and develop solutions that can be implemented for tangible results. In addition, a Customer Satisfaction Survey is held by ICT yearly.

ACTIVITIES IN 2017

In 2017, the ICT Team undertook the following activities:

- The ICT team continued to develop the roof component of the ICT House, developing management dashboards that report on various aspects within the Group-wide ERP system implementation running on an SAP platform. The system is called INSPIRE (Integrated Strategic Platform for Infrastructure, Resources and Energy Services). INSPIRE aims to improve efficiency and decision-making capabilities across the Group through a more integrated and robust ERP system that covers finance and accounting, procurement, project management, asset management, consolidation and management reporting.
- Continuing the next phase in the ERP life cycle, the INSPIRE team rolled out the SAP platform to more business units and continued to integrate from the ERP system for-decision making, in order to optimize business processes and achieve operational excellence.
- The ICT team continued to install, develop, maintain and support its infrastructure covering the Data Center facility, network/data communication systems as well as system software, and hardware. The infrastructure environment at the Data Center 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 seamless handling of increasing transaction volumes 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.

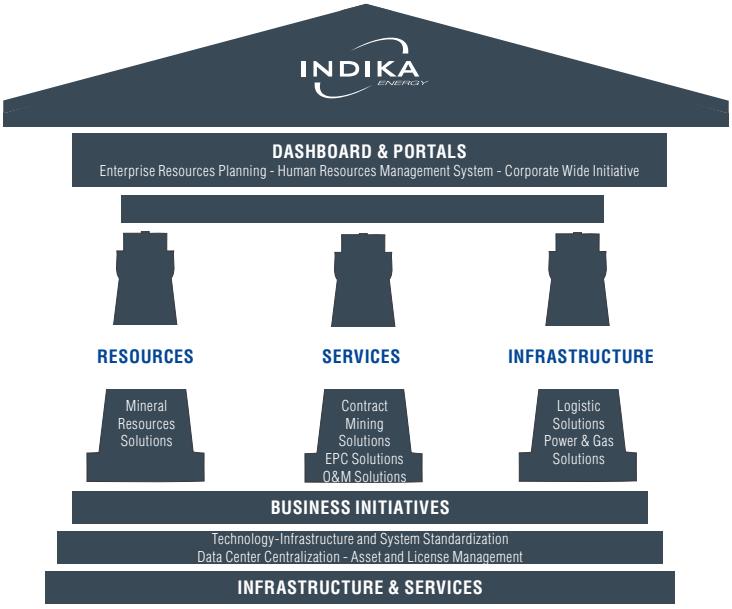


- The ICT team maintained and enhanced the Engineering Document Management System, Fleet Management System, Material Tracking System, Operations Database and other critical applications essential to smooth operations.
- To safeguard Company information, ICT has established encryption technology, ensuring the data or information disseminated can only be readable by those for whom it is intended.
- The Company further strengthened its internal security practices during the year. More stringent Information Technology security protocols were implemented, including updated disaster recovery systems and procedures, along with the latest technology to safeguard the Company as far as possible against possibility of business disruption.

NEXT STEPS

In line with the Company's drive to increase productivity and efficiency while controlling for company-wide risk and exposure, ICT is planning the following:

- Implementation of a unified communication enterprise solution to improve company collaboration. This unified solution will allow communication and collaboration tools such as email, mobile phones, office landlines, chatting, virtual meetings and more to be effectively combined.
- Establishment of a separate Disaster Recovery Center (DRC) location which will maintain back-up copies of all critical business software and applications. In the case of a total disaster, there will be no need for ICT to restore the data since data will be synchronized daily and users can simply switch to the DRC site to access critical data and applications.



IMPLEMENTATION OF GOOD CORPORATE GOVERNANCE





The Company as a listed entity on the Indonesia Stock Exchange (IDX) is committed to consistently and continuously implementing and improving good corporate governance, in order to support the long term continuity of the business. 2017 was a challenging year for all companies in the energy sector, especially those in the mining sector. The Company was required to manage these challenges while continuing to run its businesses in a sound manner, implementing risk management, and always complying with prevailing laws and regulations and the principles of good corporate governance.

In the course of carrying out these business activities, the strategic and material decisions taken by the Board of Directors and Board of Commissioners of the Company always take into consideration and ensures the application of the principles of transparency, accountability, responsibility, independence and fairness for the shareholders in carrying out the Company's activities ethically and sustainably, in accordance with the values and Code of Business Conduct of the Company, while taking into consideration the interests of other stakeholders.

The Company makes serious, tangible and sustained efforts to comply with prevailing rules and legislation in Indonesia, including those established by the Financial Services Authority FSA, the IDX, other regulations related to our business, and other regulations, in order to comply with the prevailing legislation in Indonesia, especially those related to corporate governance, and to ensure the smooth implementation of corporate governance, and to ensure the smooth implementation of corporate governance.

Throughout 2017, as part of efficiency measures, the Company carried out a reorganization by streamlining the existing organization structure, while continuing to ensure compliance with prevailing laws and regulations in every aspect of the Company's operations, avoid conflicts of interest, provide clear internal reporting and provide clarity on the role of the organs of the Company, as well as ensuring the proper implementation of social responsibility, which is part of Company's commitment to implementing good corporate governance.

The implementation of corporate governance in the Company is reflected in the legitimacy and clear delineation of the organs of the Company such as the Board of Commissioners, Board of Directors and other units at the management level, as well as the clear division of tasks and responsibilities, and the independence of the committees accountable to the Board of Commissioners.

Subsequent to the 2016 EGMS, the good corporate governance function has been conducted by the Audit Committee. Since then, the Company has three committees which are accountable to the Board of Commissioners, namely the Audit & Corporate Governance Committee, Human Capital Committee and the Risk and Investment Committee.

5.6.1 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 GMS, Board of Commissioners and Board of Directors are permitted to perform their functions and duties in accordance with the Articles of Association and prevailing 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.

5.6.2 GENERAL MEETING OF SHAREHOLDERS (GMS)

The General Meeting of Shareholders has special authority that the Board of Commissioners and Board of Directors do not possess. In holding the GMS, the Company does its utmost to comply with prevailing laws and regulations.

The GMS is held fairly and transparently with consideration of the rights of shareholders as stipulated in FSA Regulation No.32/POJK.04/2014 on the Planning and Organization of the GMS of a Public Company and good corporate governance practices.

In 2017, the Company conducted 1 (one) Annual GMS (AGMS) and 2 (two) Extraordinary GMS (EGMS), below are the implementation stages of the AGMS and EGMS in 2017:

EXECUTION OF THE EGMS

The EGMS of the Company was held on 30 January 2017 which approved the amendment in the composition of the Board of Commissioners. The EGMS was attended by shareholders or their authorized representatives with valid voting rights or representing 72.31% of the total shares issued by the Company. The EGMS approved the change in composition of the Board of Commissioners.

The resolutions that were approved by the Extraordinary GMS were as follows:

1. Approving and accepting the resignation of Wishnu Wardhana from his position as the President Commissioner of the Company pursuant to his Resignation Letter dated 7 December 2016.
2. Approving the appointment of Agus Lasmono to replace Wishnu Wardhana as the President Commissioner of the Company which will be effective as of the closie of the EGSM.
3. Confirming that the position of the Vice President Commissioner will remain vacant, therefore, all the provisions in the Articles of Associations of the Company related to the capacity of the Vice President Commissioner shall not be applied.
4. Confirming that there is no change to the composition of the Board of Directors of the Company.

The EGMS was attended by the entire Board of Directors and all members of the Board of Commissioners except for M. Chatib Basri and Wishnu Wardhana.

EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS 30 JANUARY 2017

1.	Submission of EGMS agenda	15 December 2016 – the Company submitted the agenda of the EGMS to the FSA and IDX.
2.	Announcement of the EGMS agenda	23 December 2016 –The EGMS was announced in 1 (one) daily newspaper with national circulation namely Investor Daily and uploaded to the FSA (SPE OJK) and IDX (IDXnet) reporting websites as well as www.indikaenergy.co.id (the Company website)
3.	Proof of advertisement of the EGMS Agenda	23 December 2016 – Submitted the proof of advertisement for the Announcement of the EGMS in 1 (one) daily newspaper with national circulation namely Investor Daily.
4.	Correction to the Notification of the EGMS Agenda	28 December 2016 – Correction of the EGMS agenda notification through 1 (one) daily newspaper with national circulation namely Investor Daily, and it was also uploaded to the SPE OJK and IDXnet as well as the Company website.
5.	Proof of Advertisement of the Correction to the Notification of EGMS Agenda	27 December 2016 –The FSA and IDX were notified regarding the Proof of Advertisement on the Correction to the Notification of EGMS Agenda through 1 (one) daily newspaper with national circulation namely Investor Daily.
6.	Latest Date for Shareholder Registration	6 January 2017 – The deadline for Shareholder Registration to be eligible to attend the EGMS ended on 16.00 West Indonesia Time.

Subsequently the composition of the Board of Commissioners and Board of Directors of the Company was as follows:

Board of Commissioners:

1) Agus Lasmono as the President Commissioner;
2) Richard Bruce Ness as the Commissioner;
3) M. Chatib Basri as the Independent Commissioner; and
4) Boyke W. Mukiyat as the Independent Commissioner.

Board of Directors:

1) M. Arsjad Rasjid as the President Director;
2) Azis Armand as the Director; and
3) Eddy Junaedy Danu as the Independent Director.

With the provision that the term of service of the Board of Directors and Board of Commissioners of the Company will be effective until the close of the Annual General Meeting of Shareholders of the Company which will be convened in 2019, except for Boyke Wibowo Mukiyat as the Independent Commissioner of the Company which will be valid until the closing of the Annual General Meeting of Shareholders of the Company which will be convened in 2018.

Agus Lasmono's term of service as President Commissioner will continue for the remaining term of service that he replaced until the close of the Annual General Meeting of Shareholders which will be convened in 2017.

The items that were approved in the EGMS have been carried out by the Company and the minutes of the EGMS were uploaded to the Company website directly after the EGMS was held.

MECHANISM FOR POLLING AND COUNTING OF VOTES

The Extraordinary GMS held on 30 January 2017 was led by the Vice President Commissioner based on an appointment letter from the Board of Commissioners of the Company. The Chairman of the GMS first read out the rules of conduct for the GMS at the time that the GMS begins, which included among other voting procedures conducted in a closed manner. The GMS Chairman provided opportunities for the shareholders or their proxies to submit questions, comments and/or suggestions on each agenda. The leader of the Chairman and/or assigned members of the Board of Directors answered or responded to questions and/or the notes of the shareholders present. After all questions and/or notes of the shareholders were addressed, voting were held, and only holders of voting rights and/or their authorized representatives shall be entitled to cast a vote. Each vote entitled its holder to cast one vote. Shareholders with voting rights present at the meeting who abstain are considered to have cast a vote that is equal to the majority of voting shareholders.

For the purposes of counting the vote, the Company appointed an independent party, namely the Notary Aryanti Artisari, S.H., M.Kn. and PT Datindo Entrycom, to count the vote at the EGMS.

EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS 30 JANUARY 2017

7.	Invitation of EGMS	7 January 2017 – the Invitation to the Shareholders of the Company was published in 1 (one) daily newspaper with national circulation namely Bisnis Indonesia, and uploaded to the SPE FSA and IDXnet online reporting site as well as the Company website.
8.	roof of Advertisement on the Invitation of EGMS	9 January 2017 – The FSA and IDX were notified in relation to the Proof of Advertisement of the invitation of EGMS published in 1 (one) daily newspaper with national circulation namely Bisnis Indonesia.
9.	The commencement of EGMS	30 January 2017 – The EGMS was held from 10.17 – 10.30 West Indonesia Time.
10.	Announcement of EGMS Minutes	1 February 2017 – The EGMS Minutes were published in 1 (one) daily newspaper with national circulation, namely Kompas.
11.	Proof of EGMS Minutes Publication	1 February 2017 – Informed the FSA and IDX regarding the Proof of the EGMS Minutes Publication in in 1 (one) daily newspaper with national circulation, namely Kompas.
12.	Submission of the EGMS Deed	1 March 2017 - Submission of the EGMS Deed to the FSA.

EXECUTION OF THE AGMS

The Annual GMS of the Company held on 27 April 2017 in Jakarta was conducted in accordance with the provisions of Articles of Association of the Company as well as the laws and regulations in force. The AGMS was attended by shareholders or their authorized representatives with valid voting rights or 73.10% of total shares issued by the Company. The AGMS was attended by the entire Board of Directors and Board of Commissioners.

The following matters were approved in the AGMS, including:

1. To approve the Annual Report submitted by the Board of Directors, including the Accountability Report of the Board of Directors and Supervisory Report of the Board of Commissioners relating to the management of the Company, and Financial Report of the Company.
2. To approve the Company's Financial Statements, including the Balance Sheet and Income Statement for the year ended 31 December 2016, thus giving full release (acquit et de charge) to the Board of Directors for all acts of management and the Board of Commissioners on the supervisory duties of the Board of Commissionesr in 2016, insofar as all the actions are reflected in the Financial Statements and the Annual Report for the financial year 2016, and due to the loss occurred to the Company for the period until December 31, 2016, the Company will not distribute dividend to its shareholders.
3. To approve the granting of authority to the Board of Commissioners to appoint a Public Accountant to examine the books of the Company for the year ended 31 December 2017, and gave power and authority to the Board of Directors of the Company to establish remuneration and other conditions related to the appointment of a Public Accountant.
4. Approved the appointment and stipulated the composition of the Board of Commissioners and Boarod of Directors of the Company as follows:

Board of Commissioners

1) Agus Lasmono as President Commissioner;
2) Richard Bruce Ness as Commissioner;
3) M. Chatib Basri as Independent Commissioner; and
4) Boyke W. Mukiyat as Independent Commissioner.

Board of Directors

1) M. Arsjad Rasjid P. M. as Vice President Director;
2) Azis Armand as Director; and
3) Eddy Junaedy Danu as Independent Director.

Respectively for a term of service until the close of the AGMS until the close of the Company's AGMS to be held in 2019, except for Boyke W. Mukiyat as an Independent Commissioner of the Company whose term of service ends at the close of the AGMS in 2018.

The decisions that have been approved in the EGMS and AGMS have been implemented by the Company. The minutes of the GMS were uploaded on the Company's website immediately after the AGMS and EGMS were held.

ANNUAL GENERAL SHAREHOLDERS MEETING 27 APRIL 2017

1.	Submission of AGMS agenda	13 March 2017 -the Company submitted the agenda of the Annual GMS to the FSA and IDX.
2.	Announcement of the AGMS agenda	21 March 2017 - Announcement of the Annual GMS in 1 (one) daily newspaper with national circulation namely Investor Daily and uploaded it to the FSA (SPE OJK) and IDX (IDXnet) reporting websites as well as www.indikaenergy.co.id (Company website).
3.	Proof of advertisement of the AGMS Agenda	21 March 2017 - The FSA and IDX were informed regarding Notification of the Annual GMS in a daily newspaper with national circulation namely Investor Daily on 21 March 2017.
4.	Correction to the Notification of AGMS Agenda	22 March 2017 – Notification regarding correction of AGMS Agenda through 1 (one) daily newspaper with national circulation namely Investor Daily, and it was also uploaded online to the FSA OJK (SPE OJK) and IDX (IDXnet) reporting reporting websites as well as www.indikaenergy.co.id (Company website).
5.	Proof of Advertisement of the Correction to the Notification of the AGMS Agenda	22 March 2017 - The FSA and IDX were notified regarding the Proof of Advertisement on the Correction to the Notification of EGMS Agenda in a daily newspaper with national circulation, namely Investor Daily.
6.	Latest Date for Shareholders Registration	4 April 2017 - The deadline for Shareholder Registration to be eligible to attend the EGMS ended on 16.00 West Indonesia Time.

MECHANISM FOR POLLING AND COUNTING OF VOTES

The Annual GMS held on 27 April 2017 was led by the President Commissioner as required by the Articles of Association of the Company. The Chairman of the GMS must first read out the rules of conduct for the GMS at the time that the GMS begins, which includes among other voting procedures conducted in a closed manner. The GMS Chairman provides opportunities for the shareholders or their proxies to submit questions, comments and/or suggestions on each agenda. The Chairman of the Meeting and/or the assigned members of the Board of Directors answered or responded to questions and/or the notes of the shareholders present. After all questions and/or notes of the shareholders have been addressed, voting was held, and only holders of voting rights and/or their authorized representatives were entitled to cast a vote. Each vote entitles its holder to cast one vote. Shareholders with voting rights present at the meeting who abstain are considered to have cast a vote that is equal to the majority of voting shareholders.

For the purposes of counting the vote, the Company appointed an independent party, namely Dewi Kusumawati, S.H. and PT Datindo Entrycom, to count the vote at the Annual GMS held in 2017.

EXECUTION OF THE EXTRAORDINARY GMS

The EGMS of the Company held on 1 November 2017 in Jakarta was implemented in order comply with Regulation No.IX.E.2, Attachment of the Decree of the Chairman of Bapepam-LK No.Kep-614 / BL / 2011 dated 28 November 2011 on Material Transactions and Change of Main Business Activity "Regulation No.IX.E.2"), Regulation OJK No.32 / POJK.04 / 2014 dated 8 December 2014 on the Plans and Organization of General Meeting of Shareholders (as amended) ("POJK No.32 / POJK.04 / 2014") and OJK Regulation No.31 / POJK.04 / 2015 dated 22 December 2015 on Disclosure of Information or Material Facts by Issuers or Public Companies (" POJK No.31 / POJK.04 / 2015 ") on the Company's planned transaction.

This EGMS was attended by shareholders or their authorized representatives with valid voting rights or 80.81% of total shares issued by the Company. The EGMS was attended by the entire Board of Directors and Board of Commissioners.

THE FOLLOWING RESOLUTIONS WERE APPROVED IN THE EGMS:

1. Approved the 45% share purchase transaction plan undertaken by the Company and PT Indika Inti Corpindo, as a subsidiary of the Company, at PT Kideco Jaya Agung conducted under Regulation IX.E.2.
2. Approved the Bond Issuance Transaction Plan implemented pursuant to Rule IX.E.2.
3. Approve the Company's plan to pledge the assets of the Company in compliance with Rule IX.E.1.

5.6.3 THE BOARD OF COMMISSIONERS

The Board of Commissioners is the organ of the Company responsible for supervising the company's policies and management of the Company conducted by the Board of Directors, both with regards to management of the Company and the Company's business, and to advise the

ANNUAL GENERAL SHAREHOLDERS MEETING 27 APRIL 2017

7.	Invitation to the AGMS	5 April 2017 - The Invitation to the Shareholders of the Company was published in 1 (one) daily newspaper with national circulation namely Investor Daily and was uploaded to the online FSE reporting site (SPE OJK) and IDX (IDXnet) as well as www.indikaenergy.co.id (the Company website).
8.	Proof of Advertisement of the AGMS Invitation	5 April 2017 - The FSA and IDX were notified of the Proof of Advertisement of the Annual GMS Invitation in a newspaper with national circulation, namely Bisnis Indonesia.
9.	AGMS was conducted	27 April 2017 - The Annual GMS was held from 10.17-10.30 West Indonesia Time.
10.	Announcement of Annual GMS Minutes	2 May 2017 - Announcement of the Annual GMS Minutes in 2 (dua) daily newspapers with national circulation, namely Investor Daily dan Kontan, and uploaded it to FSA online reporting site (SPE OJK) and the IDX online reporting site (IDXnet) as well as www.indikaenergy.co.id (Company website).
11.	Proof of Annual GMS Minutes Publication	2 February 2017 – Informed the FSA and IDX regarding the Proof of the Annual GMS Minutes Publication in 2 (two daily newspapers with national circulation, namely Investor Daily and Kontan.
12.	Submission of the Annual GMS Deed	29 May 2017 - Submission of the AGMS Deed to the FSA.

Board of Directors' in executing their role. The Board of Commissioners carries out its duties and responsibilities as a board for the interests of the Company.

BOARD OF COMMISSIONERS CHARTER

As an embodiment of the Company's commitment to consistently implementing good corporate governance in order to carry out its mission and achieve its established vision, as well as to meet and comply with prevailing laws and regulations, particularly in the area of capital markets, among others POJK 33/POJK.04/2014 on the Board of Directors and Board of Commissioners of a Public Company (POJK 33), the Company has formulated a Board of Commissioners and Board of Directors Charter that has been approved by the Board of Commissioners and Board of Directors through Board of Directors Decision No.062/CSL/DEC.BOD/XII/2015 dated 24 November 2015 and the Circular Decision of the Board of Commissioners No.063/CSL/DEC.BOC/XII/2015 dated 7 December 2015.

STRUCTURE AND MEMBERSHIP OF THE BOARD OF COMMISSIONERS

Members of the Board of Commissioners are appointed by the GMS for a term of service that ends at the close of the second AGMS after the date of appointment, without prejudice to the right of the GMS to dismiss them at any time. As stipulated in the EGMS dated 30 January 2017 and the AGMS dated 27 April 2017, the composition of the Board of Commissioners as of 31 December 2017 consisted of four members, two of whom are Independent Commissioners, as follows:

President Commissioner	: Agus Lasmono
Commissioner	: Richard Bruce Ness
Independent Commissioner	: M. Chatib Basri
Independent Commissioner	: Boyke W. Mukiyat

DUTIES AND RESPONSIBILITIES OF THE BOARD OF COMMISSIONERS

In carrying out its supervisory duties, the Board of Commissioners holds fast to the principles of good corporate governance and continuously applyies these principles in the Company. In implementing the principles of good corporate governance, the Board ensures that the policies and management of the Board of Directors in accordance with prevailing laws and regulations and the Articles of Association, and have received the necessary approvals from time to time.

The Board of Commissioners shall perform their duties independently and ensure the implementation of good corporate governance. In performing its duties, the Board provides advice and input to the Board not only based on information from the Board of Directors but also, if deemed necessary, the Board may take the necessary measures which require a collective decision as a board or council. The Board of Commissioners shall report to the GMS on execution of their duties in overseeing the implementation of the Company's management.

In carrying out its supervisory duties, among others the Board of Commissioners has the following duties:

- To supervise the management actions of the Board of Directors on behalf of the interests of the Company,

EXTRAORDINARY GENERAL SHAREHOLDERS MEETING 1 NOVEMBER 2017

1.	Submission of EGMS agenda	15 September 2017 - the Company submitted the agenda of the EGMS to the Financial Services Authority (FSA) and PT Bursa Efek Indonesia (IDX).
2.	Announcement of the EGMS agenda	25 September 2017 - Announcement of EGMS in 3 (three) daily newspapers with national circulation namely Business Indonesia, Kontan and Investor Daily and uploaded it to the FSA (SPE OJK) and IDX (IDXnet) reporting websites as well as www.indikaenergy.co.id (Company website).
3.	Disclosure of Information	25 September 2017 - Information Disclosure in (three) daily newspapers with national circulation namely Business Indonesia, Kontan and Investor Daily and uploaded it to the FSA (SPE OJK) and IDX (IDXnet) reporting websites as well as www.indikaenergy.co.id (Company website).
4.	Proof of publication of the EGMS Agenda	25 September 2017 - Notified the FSA and IDX of the proof of publication of the Announcement of the EGMS Agenda in 3 (three) daily newspapers with national circulation namely Business Indonesia, Kontan and Investor Daily.
5.	Proof of publication of information disclosure	25 September 2017 - The FSA and IDX were notified regarding the Proof of Publication of Information Disclosure in 3 (tiga) daily newspapers with national circulation namely Business Indonesia, Kontan and Investor Daily.
6.	Deadline for Shareholders Registration	9 October 2017 - The deadline for Shareholder Registration to be eligible to attend the EGMS ended on 16.00 West Indonesia Time.
7.	EGMS Invitation	10 October 2017 - Invitation to the Shareholders of the Company was published in 3 (three) daily newspapers with national circulation namely Bisnis Indonesia, Kontan and Investor Daily and uploaded to the (SPE OJK) and IDX (IDXnet) online reporting site as well as dan www.indikaenergy.co.id (the Company website).

both those related to the Company or the Company's business activities, including tasks that are specifically granted to it in accordance with the decision of a GMS, the decision of the Board of Commissioners and/or applicable laws and regulations;

- To investigate, examine and approve the Annual Report prepared by the Board of Directors, and to ensure that the Company's Annual Report contains information on the identity, work, main responsibility and the positions of the members of the Board of Commissioners concerned in other companies (if any), including meetings held by the Board of Commissioners duing the fiscal year (both Board of Commissioners meetings and joint meetings between the Board of Commissioners and Board of Directors), as well as the honorarium, facilities, and/or other benefits received by members of the Board of Commissioners from the Company;
- To review, examine, advise and consent to proposals as well as to oversee the implementation of the Company's Long Term Plan and the Company's Work Plan and Budget submitted by the Company's Board of Directors;
- To follow the development of the Company's activities and provide opinions and advice to the Board of Directors, in accordance with the supervisory role, on any issues that are considered important in the management of the Company, including important issues that are expected to significantly impact on the business and the Company's performance, in a timely and relevant manner;
- To monitor the effectiveness of the good corporate governance practices that are applied in the Company as well as providing advice to the Board in carrying out good corporate governance practices consistently and in accordance with the Company's Corporate Values. The results of the implementation of the assessment and evaluation are reported to the GMS; and
- To convey to the Board of Directors recommendations, concerns and complaints submitted by stakeholders to the Board of Commissioners, for follow up.

INDEPENDENCE OF THE BOARD OF COMMISSIONERS

The composition of the Board of Commissioners has fulfilled capital market laws and regulations, with four members of the Board of Commissioners at the moment, of which two are Independent Commissioners namely Mr. M. Chatib Basri and Mr. Boyke W. Mukiyat. This is to maintain the independence of the supervisory functions of the Board of Commissioners and ensure the implementation of checks and balances mechanisms. In performing its duties, the Board of Commissioners refrains from entering the executive realm, but continues to firmly carry out the supervisory function.

The independence of the Board of Commissioners has fulfilled the conditions required by capital market laws and regulations as well as the Board of Commissioners and the Board of Directors Charter, among others:

- Not work or have authority and responsibility for planning, directing, controlling, or supervise the activities of the Company within the last 6 (six) months;
- Not owning stocks, either directly or indirectly, in the Company;

EXTRAORDINARY GENERAL SHAREHOLDERS MEETING 1 NOVEMBER 2017

8.	Proof of publication of the EGMS Invitation	10 October 2017 - The FSA and IDX were notified regarding the Proof of Publication of the RUPLSB invitation di 3 (three) daily newspapers with national circulation namely Bisnis Indonesia, Kontan and Investory Daily.
9.	Changes and/or Additions to the Disclosure of Information	31 Oktober 2017 - Changes and/or Additions to the Disclosure of Information through 1 (one) daily newspaper with national circulation namely Suara Pembaruan.
10.	Proof of Publication of Changes and/or Additions to the Disclosure of Information	1 November 2017 - The FSA and IDX were notified regarding the Proof of Changes and/or Additions to Information Disclosure in 1 (one) daily newspaper with national circulation, namely Suara Pembaruan, dated 31 Oktober 2017.
11.	EGMS Conducted	1 November 2017 - The EGMS was conducted between 10.25 – 11.14 West Indonesia Time.
12.	Publication of AGMS Minutes	3 November 2017 - The AGMS Minutes were published in 3 (three) daily newspapers with national circulation namely Bisnis Indonesia, Kontan and Investory Daily, and uploaded to the FSA and IDX (IDXnet) online reporting site (SPE OJK) as well as www.indikaenergy.co.id (web Perusahaan).
13.	Proof of Publication of the EGMS Minutes	3 November 2017 - The FSA and IDX were notified regarding Proof of Publication of the EGMS Minutes in 3 (three) daily newspapers with national circulation namely Bisnis Indonesia, Kontan and Investory Daily.
14.	Submission of of the EGMS Deed	30 November 2017 - Submission of the EGMS Deed to the FSA.

- Not having an affiliated relationship with the Company, members of the Board of Commissioners, members of the Board of Directors or the major shareholders of the Company; and
- Not having a business relationship that is directly or indirectly related to the Company's business activities.

CONCURRENT APPOINTMENTS OF THE BOARD OF COMMISSIONERS

Members of the Board of Commissioners of the Company have complied with restrictions on concurrent appointments in accordance with prevailing laws and regulations and the Board of Commissioners and Board of Directors Charter. The details of concurrent appointments currently held by members of the Board of Commissioners and Board of Directors are as follows.

- **Agus Lasmono**

  Does not have any concurrent appointments in publicly listed companies or other public companies.

- **Richard Bruce Ness**

  Besides serving as a Commissioner of the Company, he also serves as President Commissioner of PT Petrosea Tbk. and Independent Commissioner of PT Merdeka Copper Gold Tbk.

- **M. Chatib Basri**

  In addition to serving as an Independent Commissioner of the Company, he also serves as a President Commissioner of PT XL Axiata Tbk. and an Independent Commissioner of PT Astra International Tbk.

- **Boyke W. Mukiyat**

  In addition to serving as an Independent Commissioner of the Company, he also serves as a President Commissioner of PT Rukun Raharja Tbk.

IMPLEMENTATION OF THE BOARD OF COMMISSIONERS' DUTIES

As a form of its responsibility, the Board of Commissioners holds meetings to discuss the problems associated with management, and to evaluate the Company's performance and the audit reports conducted by the Audit Committee. Meetings are held to ensure that the objectives and the Company's performance can be achieved and are in line with the Company's targets.

In accordance with prevailing laws and regulations, the Board of Commissioners is obliged to hold a Board of Commissioners Meeting at least once every 2 (two) months. A meeting of the Board of Commissioners may be held outside this pre-determined schedule or at any time when deemed necessary by one or more members of the Board of Commissioners, or at the written request of one or more members of the Board of Commissioners, or upon written request of one or more shareholders who together represent one tenth or more of the total shares with voting rights, or upon a written request from one or more members of the Board Directors mentioning the ugent need for a decision. Unless specifically stipulated in the Articles of Association, the Board of Commissioners Meeting shall be considered valid and entitled to make legally binding decisions that are more than half of the total members of the Board of Commissioners are present or represented at the meeting.

Decisions at Board of Commissioners meetings are made based on consultation and consensus. If no consensus is reached, the decision of the Board Board of Commissioners is taken in accordance with the provisions of the Board of Commissioners meeting quorum as stipulated in the Articles of Association and the Charter of the Board of Commissioners and Board of Directors.

The Board of Commissioners may also take legitimate decisions without convening a Board of Commissioners meeting, provided that all members of the Board of Commissioners has been notified in writing and all the members of the Board of Commissioners approve the proposal submitted in writing as evidenced by signing the agreement. Decisions taken in this way are equally valid as decisions taken lawfully in a Board of Commissioners meeting.

FREQUENCY OF BOARD OF COMMISSIONERS MEETINGS AND ATTENDANCE

The Board of Commissioners held 4 (four) meetings throughout 2017, with dates and attendance as shown in the table below:

1. 21 March;
2. 26 April;
3. 23 August; and
4. 23 November.

NUMBER OF MEETINGS AND ATTENDANCE

NAME	NUMBER OF MEETINGS	ATTENDANCE	ABSENCE	% ATTENDANCE
Agus Lasmono	4	4	-	100%
Richard Bruce Ness	4	4	-	100%
M. Chatib Basri	4	3	1	75%
Boyke W. Mukiyat	4	4	-	100%

PERFORMANCE ASSESSMENT PROCESS OF THE BOARD OF COMISSIONERS

The assessment of the Board of Comissioners' performance is based on criteria related to the duties and responsibilities of the Board of Commissioners.

PARTY CONDUCTING THE PERFORMANCE ASSESSMENT OF THE BOARD OF COMMISSIONERS

The Board of Commissioners submits a performance report to the GMS.

PROCEDURE FOR DETERMINATION OF REMUNERATION OF THE BOARD OF COMMISSIONERS

The remuneration of members of the Board of Commissioners makes reference to the Company's internal policies, prevailing laws and and regulations, and based on prevailing standards in the same industry, that are approved by the GMS.

REMUNERATION STRUCTURE OF THE BOARD OF COMMISSIONERS

Under the terms of POJK No.34/POJK.04/2014 on the Nomination and Remuneration Committee of Public Company (POJK 34), the structure of the remuneration of the Board of Commissioners may include salaries, honorarium, incentives, and/or allowances that are fixed and/or variable.

Furthermore, the formulation of the structure, policies, and remuneration as mentioned above must take into consideration:

1. Remuneration applicable in similar industries in accordance with the Company's business activities;
2. The duties, responsibilities and authority of the Board of Commissioners linked to the achievement of the goals and performance of the Company;
3. Target performance or the performance of individual members of the Board of Commissioners;
4. The balance between fixed and variable benefits; and
5. The structure, policy and amount of remuneration as evaluated by the Human Capital Committee.

The details of the compensation given to the Board of Commissioners is as follows:

In US$

DESCRIPTION	2017	2016
Short term benefits of the Board of Directors	894,735	992,635

BOARD OF COMMISSIONERS TRAINING PROGRAMS

Capability improvements are considered to be very important for the Board of Commissioners and the Board of Directors so that they always get the most updated information on the latest developments of the Company's primary business.

During 2017, members of the Board of Commissioners participated in a training and competency development program in the form of a "BOC & BOD Induction Indika Energy Group" program held on 10 May 2017.

The provisions of the Capability Enhancement Program for the Board of Commissioners and Board of Directors were implemented in order to improve the effectiveness of the Board of Commissioners, the Board of Directors and subsidiaries of the Company.

INFORMATION REGARDING INDEPENDENT COMMISSIONERS

The Company already has Independent Commissioners in accordance with the requirements of both prevailing laws and regulations as well as the Board of Commissioners and Board of Directors Charter. The Independent Commissioners of the Company have fulfilled the main requirements to be an Independent Commissioner as set forth in the laws and regulations as well as the Board of Commissioners and Board of Directors Charter Charter as follows:

Formal Requirements

1. Not worked or having authority or responsibility for planning, directing, controlling, or supervising the activities of the Company within the last six (6) months;
2. Not owning shares, either directly or indirectly, in the Company;
3. No affiliation with the Company, members of the Board of Commissioners, members of the Board of Directors or the major shareholders of the Company; and
4. No business relationship that is directly or indirectly related to the Company's business activities.

Material Requirements

1. Have a track record of demonstrated success in the managing a Company;
2. Have values that correspond to the values of the Company;
3. Having adequate business knowledge in a sector related to the company's business activities;
4. Understanding management and corporate governance; and
5. Dedicated and can allocate enough time to carry out their duties.

The Independent Commissioners of the Company have also met the provisions related to concurrent appointments as specified in the provisions of prevailing laws and regulations, particularly in the capital market.

5.6.4 COMMITTEES ACCOUNTABLE TO THE BOARD OF COMMISSIONERS

To assist the Board of Commissioners in performing its oversight function, including but not limited to the aspects of the internal control system, the function of the nomination and remuneration for the Board of Directors and Board of Commissioners of the Company, the implementation of risk management practices and the application of the principles of good corporate governance, various Committees have been established under the Board of Commissioners. In accordance with prevailing laws and regulations, the Board of Commissioners is required to establish an Audit Committee as a form of internal control system. Subsequent to April 2016, the good governance supervisory function has also been added and the committee has therefore become the Audit & Corporate Governance Committee. Furthermore, the Board of Commissioners is obliged to carry out the functions of the nomination and remuneration, and for this purpose, the Board of Commissioners established the Human Capital Committee. The Board of Commissioners also may establish other committees as deemed necessary by the Board of Commissioners. The Board of Commissioners has formed the Investment and Risk Committee as a form of risk management as well as the Good Corporate Governance (GCG) Committee to oversee the implementation of good corporate governance.

5.6.4.1 AUDIT & CORPORATE GOVERNANCE COMMITTEE

The Board of Commissioners establishes and appoints the Audit & Corporate Governance Committee in accordance with prevailing laws and regulations, to be responsible to the Board of Commissioners. The Audit & Corporate Governance Committee has the task of assisting the Board of Commissioners and monitoring functions, primarily related to the internal control system, financial statements and the external auditors, and review the Company's financial information and the implementation of examinations by the internal auditor. The Audit & Corporate Governance Committee is guided by the Audit Committee Charter and Good Corporate Governance Committee Charter, which can be found on the Company website.

Audit & Corporate Governance Committee Structure, Membership and Profile

In 2017, the Audit & Corporate Governance Committee was chaired by an Independent Commissioner, Boyke Wibowo Mukiyat, and two independent professional members who meet the requirements and extensive experience in finance, namely Maringan Purba Sibarani and Tonyadi Halim.

Based on Bapepam Regulation Number: IX.I.5 on the Guidelines Establishment and Guidelines on Working Implementation Audit Committee. Attached to the Decision of the Chairman of Bapepam Number: Kep-29/PM/2004 dated 24 September 2004, as amended to become the Attachment of Decision of the Chairman of Bapepam-LK No.643/BL/2012 dated 7 December 2012, the term of service for Audit Committee members should be no longer than the term of office of the Board of Commissioners as stipulated in the Articles of Association, and they may only be elected for one subsequent term.

The term of office for the Chairman and members of the Audit & Corporate Governance Committee shall be valid until the close of the AGMS of the Company in 2018.

- **Chairman: Boyke Wibowo Mukiyat**

  The profile of Boyke Wibowo Mukiyat can be viewed in the Board of Commissioners and Board of Directors Profile section.

- **Member: Maringan Purba Sibarani**

  His profile may be viewed in the Commitee Profile section.

- **Member: Tonyadi Halim**

  His profile may be viewed in the Commitee Profile section.

Independence of the members of the Audit & Corporate Governance Committee

The Audit & Corporate Governance Committee is responsible for independently reviewing the Company's financial information. In carrying out its functions, the Audit & Corporate Governance Committee independently utilizes their vast experience, whether in finance, accounting or other areas. Additionally, as an extension of the Board of Commissioners and as a liaison between the Board of Directors and the External Auditor and Internal Audit, the Audit & Corporate Governance Committee is obliged to question the basis of decisions taken by the Board of Directors of the Company. As independent professionals who do not hold executive roles in the Company, Audit & Corporate Governance Committee members may express their opinion better, freely and are not restricted by a position in the management of the Company.

Main Responsibilities of the Audit & Corporate Governance Committee

The Audit & Corporate Governance Committee's main responsibility is to make sure that the correct processes take place in order to support the Board of Commissioners in fulfilling its responsibilities in applying the principles of thoroughness, diligence and skill, in particular relating to the following matters:

- Adequate internal control: The Audit & Corporate Committee oversees the effectiveness of the internal control system designed by management. In carrying out these responsibilities, the Audit & Corporate Governance Committee is assisted by Internal Audit of the Company;
- Reliability of financial information of the Company;
- Compliance with regulations: the Audit & Corporate Governance Committee ensures that the Company

complies with the prevailing laws and regulations in the field of capital markets, as well as other laws and regulations relating to the operational activities of the Company;

- Reviews the performance of the external auditors: The Audit & Corporate Governance Committee reviews the report of the Company to ensure the reliability of the financial information. In performing its duties, the Audit & Corporate Governance Committee has the authority to review the quarterly financial statements in order to ensure that business results are correctly described along with and significant fluctuations, if any, in accordance with the conditions of the industry and the economy in general;
- Effectiveness of the internal auditor: the Audit & Governance Committee approves the work program of the internal auditors and the internal audit results to ensure that the internal auditor's recommendations of significant internal control issues have been resolved.

Activities of the Audit & Governance Committee

The following activities were carried out in 2017:

1. Meeting with Public Accountant Office Satrio Bing Eny & Rekan to discuss the audit results of the Company's Consolidated Statements for the fiscal year ended 31 December 2016;
2. Quarterly meetings to discuss the quarterly financial statements of the Company; and
3. Meetings with Internal Audit, among others, to discuss findings and significant cases, standard operating procedures and work plans.

Meetings Frequency and Recorded Attendance of the Audit & Corporate Governance Committee

In 2017, the Audit & Corporate Governance Committee of the Company held 4 (four) meetings, on the following dates:

1. 6 March;
2. 26 April;
3. 23 August; dan
4. 23 November.

With an attendance record as shown in the following table:

NUMBER OF COMMITTEE MEETINGS AND ATTENDANCE RATE

NAME	NUMBER OF MEETINGS	ATTENDANCE	ABSENCE	% ATTENDANCE
Boyke W. Mukiyat	4	4	-	100%
M.P. Sibarani	4	4	-	100%
Tonyadi Halim	4	4	-	100%

5.6.4.2 RISK AND INVESTMENT COMMITTEE

The Risk and Investment Committee is responsible for assisting the Board of Commissioners in carrying out its supervisory duties and functions. The Risk and Investment Committee monitors and provides advice related to investments made by the Company, as well as all aspects of those investments and possible measures to mitigate such risks.

Structure, Membership and Profile of the Risk and Investment Committee

The Risk and Investment Committee currently consists of a chairman and 5 (five) members.

The term of office for the Chairman and members of the Risk and Investment Committee shall be valid until the close of the AGMS of the Company in 2018.

- **Chairman: Wiwoho Basuki Tjokronegoro**
  His profile may be viewed in the Commitee Profile section.
- **Member: M. Chatib Basri**
  His profile may be viewed in the Board of Commissioners' Profile section.
- **Member: Boyke Wibowo Mukiyat**
  His profile may be viewed in the Board of Commissioners' Profile section.
- **Member: Richard Bruce Ness**
  His profile may be viewed in the Board of Commissioners' Profile section.
- **Member: Indracahya Basuki**
  His profile may be viewed in the Commitee Profile section.

Main Responsibilities of the Risk and Investment Committee

The main responsibility of the Risk and Investment Committee is to assist the Board iof Commissioners in carrying out its supervisory duties relating to investments and risk management of the investment that will be and has been done by the Board of Directors.

In carrying out its main responsibilities, The Risk and Investment Committee reviewed, identified, and analysed the risks and profits to be derived from the proposed investment, material projects and or corporate actions, as well as reviewing the implementation of the proposed investment, material prject and or corporation action. In carrying out its duties and responsibilities, the Risk and Investment Committee reports to the Board of Commissioners with reference to the principle of confidentiality, and the information will only be provided to members of the Risk and Investment Committee and the Board of Commissioners.

Risk and Investment Committee Activity

In 2017, the Risk and Investment Committee reviewed the Company's planned investments, and discussed possible risks.

Risk and Investment Committee Meetings

The Risk and Investment Committee holds regular meetings at least four (4) times a year which can only be carried out if attended by at least 1/2 (one half) of the total members, and approved by at least 1/2 (one half) of all the Risk and Investment Committee members present. The entire results of the Risk and Investment Committee meetings are outlined in the meeting minutes, including any dissenting opines. The minutes of the meeting are signed by all members of the Risk and Investment Committee present and submitted to the Board of Commissioners.

In 2017, the Risk and Investment Committee held 4 (four) meetings, on the following dates:

1. 21 March;
2. 26 April;
3. 11 September; and
4. 12 November.

With an attendance record as shown in the following table:

NUMBER OF MEETINGS AND ATTENDANCE OF THE RISK AND INVESTMENT COMMITTEE

NAME	NUMBER OF MEETINGS	ATTENDANCE	ABSENCE	% ATTENDANCE
Wiwoho Basuki Tjokronegoro	4	4	-	100%
M. Chatib Basri	4	3	1	75%
Boyke W. Mukiyat	4	3	1	75%
Richard B. Ness	4	4	-	100%
Indracahya Basuki	4	4	-	100%

Throughout 2017, the Risk and Investment Committee carried out its work activities. The results were reported regularly to the Board of Commissioners.

5.6.4.3 HUMAN CAPITAL COMMITTEE

The Human Capital Committee was established by the Board of Commissioners to assist the duties, powers and responsibilities of the Board of Commissioners, especially to carry out oversight of the implementation of the nomination and remuneration policy in accordance with the provisions of the Articles of Associations, prevailing laws and regulations and best practices.

Nomination and Remuneration Function

In carrying out its function, the Human Capital Committee refers to the POJK 34 regulation in order to accommodate the provisions and implementation of nomination and remuneration with regard to the Board of Directors and Board of Commissioners.

Human Capital Structure, Membership and Profile

The Human Capital Committee currently consists of a chairman and three members.

The term of office of the Chairman of the Human Capital Committee and its members is valid until the close of the AGMS of the Company in 2018.

1. **Chairman: M. Chatib Basri**
   His profile may be viewed in the Board of Commissioners' Profile section.
2. **Member: Agus Lasmono**
   His profile may be viewed in the Board of Commissioners' Profile section.
3. **Member: Dayan Sadikin**
   His profile may be viewed in the Committee Profile section.
4. **Member: Nurcahya Basuki**
   His profile may be viewed in the Committee Profile section.

Independence of the Human Capital Committee Members

The Human Capital Committee is chaired by an Independent Commissioner who also acts as the Chairman. To support its decision-making processes related to nomination and remuneration, the Human Capital Committee invites and bring in external expertise and data as a comparison.

Main Responsibilities of the Human Capital Committee

In carrying out its main responsibilities, the Human Capital Committee shall take into account the Company's financial performance, individual performance, the feasibility of the achievements and take into consideration the long-term goals of the Company.

The Human Capital Committee's major responsibilities include, among others, the nomination and remuneration policy. In carrying out its functions related to nomination policy, the Human Capital Committee provides recommendations to the Board of Commissioners in relation to the composition of the Board of Commissioners and/or Board Directors of the Company and the policy and criteria for nomination/appointment of members of the Board of Directors and/or Board of Commissioners, as well as providing recommendations to the Board of Commissioners of candidates who are deemed eligible to become a member of the Board of Directors and/or the Board of Commissioners, to be submitted to the GMS.

In carrying out its functions related to the remuneration policy, Human Capital Committee prepares and provides recommendations to the Board of Commissioners related

to the remuneration structure and nominal amount, and assists the Board of Directors in carrying out the performance management process and performance-based remuneration.

One other important role of the Human Capital Committee is to oversee the management of employee engagement in the company, as employees are a very important asset for the Company.

Human Capital Committee Activity

During 2017, the Human Capital Committee held meetings to plan and carry out nomination and remuneration processes related to the Board of Commissioners and Board of Directors. In addition, the Human Capital Committee also provided advice to the Board related to the reduction of operating expenses in line with the decrease in activity, specifically with regard to labor issues.

Frequency of Human Capital Committee Meetings and Attendance

In 2017, the Human Capital Committee held 4 (four) meetings on the following dates:

1. 6 March;
2. 26 April;
3. 23 August; dan
4. 23 November.

NUMBER OF MEETINGS AND ATTENDANCE OF THE HUMAN CAPITAL COMMITTEE

NAME	NUMBER OF MEETINGS	ATTENDANCE	ABSENCE	% ATTENDANCE
M. Chatib Basri	4	4	-	100%
Agus Lasmono	4	4	-	100%
Nurcahya Basuki	2	2	-	100%
Dayan S. Hadipranowo	2	2	-	100%

Policies Regarding Succession of the Board of Directors

In carrying out performance management and succession planning related to the duties and responsibilities of the Board of Directors, the Human Capital Committee has the right and authority to do the following:

- Assess the performance criteria of members of the Board of Directors based on the Annual Work Plan which has been approved and the other long-term evaluations. Assist the Board of Commissioners in overseeing the performance management of the Board of Directors of the Company.
- Recommend programs to develop the competencies of members of the Board of Directors of the Company.
- Assess the succession plan and monitor its implementation to ensure sustainably high performance from the Board of Directors.

5.6.5 THE BOARD OF DIRECTORS

The Board of Directors is the organ of the Company which is authorized and takes full responsibility for management of the Company for the benefit of the Company, in accordance with the purposes and objectives of the Company, and to represent the company, both inside and outside the court in accordance with the Articles of Association of the Company. The Board of Directors is responsible to the GMS as a form of accountability for the management of the Company in accordance with the principles of good corporate governance.

The Board of Directors is responsible for operating and managing the Company for the benefit of shareholders and stakeholders of the Company. Member of the Board of Directors are appointed by the GMS for a period of two years without prejudice to the right of the GMS to dismiss them at any time. The President Director is entitled and authorized to act for and on behalf of the Board of Directors and to represent the Company. In the case that the President Director is absent or unavailable for any reason whatosever, which does not need to be proven to a third party, then the Vice President Director together one member of the Board of Directors, or two members of the Board of Directors, shall be entitled and authorized to act for and on behalf of the Board of Directors and the Company.

BOARD OF DIRECTORS CHARTER

In managing the Company, the Board of Directors holds to the Board of Commissioners and Board of Directors Charter, which has been formulated based on applicable regulations in Indonesia, in particular OJK regulations relating to the Board of Directors and corporate governance.

STRUCTURE AND MEMBERSHIP OF THE BOARD OF DIRECTORS

The results of the AGMS on 27 April 2017 decided upon the following composition of the Board of Directors:

President Director	: M. Arsjad Rasjid P.M.
Director	: Azis Armand
Independent Director	: Eddy Junaedy Danu

SCOPE OF WORK AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

In accordance with the Board of Commissioners and Board of Directors' Charters, the Board of Directors has the following basic principles in leading and managing the Company:

1. To always pay attention to the interests of the Company and carry out business activities in accordance with the Articles of Association of the

Company and without the intention to the benefit of specific parties and classes.

2. In the event that there are indications of a conflict of interest, members of the Board of Directors concerned shall not participate in decision-making. However, the members of the Board of Directors remain subject to and must still carry out management actions in line with the decisions that have been taken.
3. Strive for and ensure the implementation of activities in accordance with the purpose, objectives and business activities of the Company stated in the Articles of Association of the Company.
4. Ensure that the rights of stakeholders that arise under prevailing laws and regulations and/or agreements made by the Company with employees, service users, suppliers and other Stakeholders are aguaranteed.
5. Compliance with prevailing laws and regulations, Articles of Association, the decisions of the GMS and established governance guidelines and policies of the Company.
6. Acting with good faith, integrity, professionally, prudently, responsibly and consistently applying the principles of good corporate governance.

In managing the Company, the Board of Directors has authority, among others, as follows:

1. To establish policies in leading and managing the Company.
2. In the course of managing the Company, the Board of Directors is entitled to represent the Company inside and outside court and to perform all acts and good deeds regarding the management and ownership of the Company as well as bind the Company with the other parties and the other parties to the Company, with the restrictions set forth in the Articles of Association of the Company, the decisions of the Board of Directors, the decisions of the Board of Commissioners and/or other Company policies. The Board of Directors may surrender its authority to represent the Company inside and outside the court to a member or several members of the Board of Director that have ben specifically appointed for this purpose.
3. To perform other actions, regarding management as well ownership, in accordance with the provisions stipulated in the Articles of Association, the GMS, the Decisions of the Board of Directors, Decisions of the Board of Commissioners and/or other Company policies based on the prevailing laws and regulations or other applicable Company policies.

In assisting the management and operations of the Company, each member of the Board of Directors has the following responsibilities:

1. **President Director: M. Arsjad Rasjid P.M.**

   As the President Director, he is responsible for establishing the Company's strategy and realizing it through the development of Indika Energy Group's (IEG) business.

   The President Director directly oversees the Corporate Secretary and Internal Audit.

   In carrying out his responsibilities, the President Director is assisted by several Directors as follows.

2. **Director: Azis Armand**

   As the Group CFO, he is responsible for overseeing the financial condition of the Company and directly overseeing the areas of Finance, Accounting and Business Support, Strategy and Business Development, and Corporate Finance and Investor Relations.

   He supervises mining resources companies/businesses in the development phase: PT Indika Indonesia Resources, PT Multi Tambangjaya Utama dan Indika Energy Trading.

   He moreover functions as a coordinator at certain subsidiaries of the Company where the Company is a majority and controlling shareholder, namely at MBSS.

3. **Independent Director: Eddy Junaedy Danu**

   Responsible as the Independent Director for Legal and Corporate Risk Management.

   Supervises infrastructure energy companies/businesses in the development phase: PT Indika Logistic & Support Services and PT Cirebon Electric Power as well as PT Prasarana Energi Cirebon.

   He moreover functions as a coordinator at a subsidiary of the Company where the Company is a majority and controlling shareholder, namely by serving as the President Commissioner at Tripatra.

In order to assist it in its daily tasks, the Board of Commissioners is directly supported by work units under it, namely the CEO Office, Corporate Communications & Sustainability

CONCURRENT APPOINTMENTS OF THE BOARD OF DIRECTORS

Member of the Board of Directors also held several other positions in subsidiary companies and entities related to the Company. The details of concurrent appointments of members of the Board of Directors are as follows:

1. **M. Arsjad Rasjid P.M.**
   Aside from serving as the President Director of the Company, he also serves as a Commissioner at PT Rukun Raharja Tbk.

2. **Azis Armand**
   Aside from serving as a President Director of the Company, he concurrently serves as President Commissioner of MBSS.

3. **Eddy Junaedy Danu**

   He has no concurrent appointments in other listed companies or public companies.

MEETINGS FREQUENCY AND ATTENDANCE OF THE BOARD OF DIRECTORS

Based on POJK 33 and the Board of Commissioners and Board of Directors Charter, the Board of Directors must convene a meeting of the Board of Directors periodically at least 1 time (once) every month. However, the Board of Directors may hold meetings at any time if deemed necessary by one or more members of the Board of Directors or at the written request of one or more members of the Board of Commissioners, or at the written request of one or more shareholders who together represent one tenth or more of the total number of shares with voting rights.

Board of Directors meetings shall be valid and may adopt binding resolutions if more than half of the Board of Directors members are present or represented by other members of the Board of Directors based on power of attorney specifically granted in the meeting.

Decisions of the Board of Directors meetings shall be taken by consensus. If not achieved, then the decision shall be taken by the affirmative vote of at least more than half of the total votes cast at the meeting.

The Board of Directors may also take legitimate decisions without convening a meeting of the Board of Directors, provided that all members of the Board of Directors has been informed in writing and all members of the Board of Directors approve the proposal submitted in writing by signing their approval. Decisions taken in this way have the same legal force as decisions taken in lawfully in meetings of the Board of Directors. In 2017, the Board of Directors held meetings, among others, to discuss current market conditions, the Company's performance, and other aspects relating to the operations and business of the Company, as well as to approve the Company's corporate actions.

BOARD OF DIRECTORS MEETING RECORD

In 2017, the Company's Directors held 25 (twenty five) meetings on the following dates:

1. 10 January
2. 16 January
3. 24 January
4. 30 January
5. 2 February
6. 7 February
7. 17 February
8. 21 February
9. 21 March
10. 7 March
11. 14 March
12. 21 March
13. 13 April
14. 22 May
15. 26 May
16. 5 June
17. 21 June
18. 25 July
19. 8 August
20. 22 August
21. 11 September
22. 24 October
23. 9 November
24. 22 November

The attendance record was as follows:

NUMBER OF BOARD OF DIRECTORS MEETINGS AND ATTENDANCE

NAME	NUMBER OF MEETINGS	ATTENDANCE	ABSENCE	% ATTENDANCE
M. Arsjad Rasjid P.M.	24	24	-	100%
Azis Armand	24	24	-	100%
Eddy Junaedy Danu	24	24	-	100%

PERFORMANCE ASSESSMENT PROCESS FOR THE BOARD OF DIRECTORS

In general, the performance of the Board of Directors is determined based on the achievement of the Work Plan Budget (RKA). Formal evaluation criteria are communicated openly to the members of the Board of the Directors since the date of their appointment.

The criteria for the performance evaluation of the Board of Directors is determined by the Board of Commissioners based on the Key Performance Indicator (KPI) which include the following:

a. The achievement of targets set out in the Company's Work Plan Budget;

b. Contributions to the Company's business activities;

c. Involvement in certain assignments;

d. Commitment to advancing the interests of the Company;

e. Adherence to the prevailing laws and regulations, and the Company's policies; and

f. Attendance level in the meeting of the Board of Directors as well as meetings with the Board of Commissioners.

The performance of members of the Board of Directors is evaluated by the Human Capital in accordance with the benchmarks that have been formulated.

The performance evaluation results of the Board of Directors as a whole as well as the performance of each Member of the Board of Directors is individually reported to the Board of Commissioners and is an integral part in the compensation and incentive scheme for the Board of Directors.

The performance evaluation results of each Member of the Board of Directors are one of the basic considerations especially for Shareholders to discharge and / or re-appoint members of the Board of Directors concerned. The result of the performance evaluation is a means for assessing and increasing the effectiveness of the Board of Directors.

PARTY CONDUCTING THE PERFORMANCE ASSESSMENT OF DIRECTORS

The performance of members of the Board of Directors is evaluated and assessed by the Human Capital Committee in accordance with the agreed upon benchmarks.

PROCEDURE FOR DETERMINATION OF REMUNERATION FOR DIRECTORS

As set forth in POJK 34, in carrying out the functions of the remuneration, Human Capital Committee shall perform the following procedures:

1. Formulate the remuneration structure of the members of the Board of Directors;
2. Develop remuneration policy for members of the Board of Directors; and
3. Preparing the remuneration amount for members of the Board of Directors.

REMUNERATION STRUCTURE FOR THE BOARD OF DIRECTORS

Under the provisions of POJK 34, the remuneration structure of the Board of Commissioners may include salaries, honorarium, incentives, and/or allowances that are fixed and/or variable.

Furthermore, in the preparation of the structure, policies, and amount of remuneration referred to above, the following must be taken into consideration:

1. Prevailing remuneration practices in similar industries in accordance with the Company's operations;
2. The duties, responsibilities and authority of Board of Directors members linked to the achievement of the goals and performance of the Company;
3. Target performance or the performance of individual members of the Board of Directors;
4. A balance of benefits between fixed and variable components; and
5. The structure, policy and amount of remuneration shall be evaluated by the Human Capital Committee each year.

Details of the compensation awarded to the Company's Board of Directors of the Company is as follows:

In US$

DESCRIPTION	2017	2016
Short term benefits for the Board of Directors	1,278,487	1,303,605

TRAINING PROGRAMS FOR THE BOARD OF DIRECTORS

In 2017, members of the Board of Directors participated in a competency training and development program in the form of the “BOC & BOD Induction Indika Energy Group” on 10 May 2017.

M. Arsjad Rasjid P.M. participated in Leadership Mosaics Across Asia held by Human Capital Leadership Institute on 22 March 2017.

Azis Armand participated in the Leadership Strategic Direction Workshop held by INSEAD in Singapure on 9-12 August 2017.

The provisions regarding this Program to Improve the Capabilities of the Board of Commissioners and Board of Directors were carried out in order to increase the work effectiveness of the Board of Commissioners and Board of Directors of the Company and the Company’s subsidiaries.

WORK RELATIONS BETWEEN THE BOARD OF COMMISSIONERS AND BOARD OF DIRECTORS

The creation of a good and conducive working relationship between the Board of Commissioners and the Board of Directors is one very important factor to enable these organs of the Company to be functioning effectively and efficiently.

To maintain a good working relationship between the Board of Commissioners, and the Board Directors, the Company has adopted the following principles:

1. The Board of Commissioners shall respect the function and role of the Board of Directors in managing the Company as stipulated by laws and regulations and the Articles of Association of the Company.
2. The Board of Directors respects the role and functions of the Board of Commissioners to supervise and providing policy advice on the management of the Company.
3. All working relationships between the Board of Commissioners and the Board of, Directors are formal in nature, in the sense that they should always be underpinned by a standard mechanism or formal correspondence that can be accounted for.
4. Members of the Board of Commissioners and Board of Directors may have informal work related exchanges, but these may not be used as formal policy without the use of accountable mechanisms or correspondence.
5. The Board of Commissioners reserves the right to gain access to company information in a timely, accurate, and complete manner.
6. In order to obtain more information on a particular matter, the Board of Commissioners may request such explanations from officials under the Board of Directors after first coordinating with the Board of Directors so as to create a balance between the working relationship with the Board of Commissioners and Board of Directors with the goal of corporate communication one door (one gate policy).
7. The Board of Directors is responsible for ensuring that information on the Company is submitted to the Board of Commissioners in a timely, accurate, consistent and complete manner.

Each working exchange between the Board of Commissioners and the Board of Directors is an institutional exchange in the sense that the Board of Commissioners and Board of Directors as a collective represents the whole of its members, so that each working exchange between members of the Board of Commissioners and members of the Board of Directors should be known to the other members of the Board of Commissioners and members of the Board of Directors.

JOINT MEETINGS OF THE BOARD OF COMMISSIONERS AND BOARD OF DIRECTORS

Unless otherwise stipulated by the provisions of the prevailing Capital Market Regulations, a joint meeting of the Board of Commissioners and Board of Directors, whether held by the Board of Commissioners or Board of Directors, shall be held each at least once every four (4) months.

Joint meetings of the Board of Commissioners and the Board of Directors of the Company are a form of coordination between the Board of Commissioners and Board of Directors, among others to discuss periodic reports from the Board of Directors, conditions and prospects, national policies that impact on the Company's performance, provide feedback, notes and advice set forth in the minutes of the joint meeting of the Board of Commissioners and Board of Directors, as well as other matters that deemed necessary, including but not limited to the preparation of the GMS as well as the discussion of the presentation and publication of annual reports and periodic financial statements of the Company.

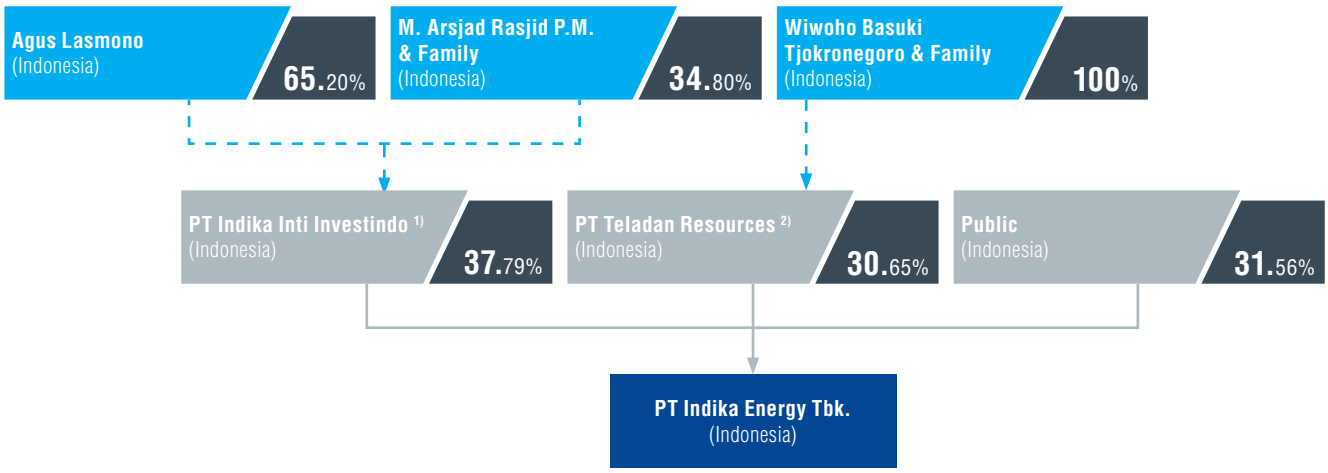
In 2017, the Board of Directors and Board of Commissioners of the Company held 8 (eight) meetings on the following dates:

1. 25 January;
2. 1 March;
3. 21 March;
4. 26 April;
5. 23 August;
6. 11 September;
7. 23 November; dan
8. 12 December.

This table presents the attendance of each member of the Board of Commissioners and Board of Directors as set forth in the attendance list of record Meeting of the Board of Commissioners and Directors as follows:

NUMBER OF MEETINGS AND ATTENDANCE LEVEL

NAME	NUMBER OF MEETINGS	ATTENDANCE	ABSENCE	% ATTENDANCE
Agus Lasmono	8	8	-	100%
M. Chatib Basri	8	5	2	72.5%
Boyke W. Mukiyat	8	8	-	100%
Richard Bruce Ness	8	8	-	100%
M. Arsjad Rasjid P.M.	8	8	-	100%
Azis Armand	8	8	-	100%
Eddy Junaedy Danu	8	8	-	100%



5.6.6 CONTROLLING SHAREHOLDER

The controlling shareholders of the Company are PT Indika Inti Investindo and PT Teladan Resources, whereby PT Indika Inti Investindo is indirectly controlled by Bapak Agus Lasmono; and PT Teladan Resources is indirectly controlled by Bapak Wiwoho Basuki Family.

5.6.7 CORPORATE SECRETARY

The Corporate Secretary cooperates with related divisions, including the Legal, Investor Relations and Corporate Communications Divisions, to communicate information possessed by the Company to the public and ensure that the information provided by the Company is done so in an accurate, clear, efficient and comprehensive manner in accordance with the prevailing laws and regulations. In performing his/her duties, the Corporate Secretary firmly adheres to the principles of good corporate governance, in particular the principles of accountability and transparency, in order to maintain and improve the integrity and confidence in the Company on the capital market with its shareholders and stakeholders.

Based on the Circular Decision of All the Directors of the Company No. 040/IE-BOD/VIII/2013 dated 22 July 2013, Dian Paramita has been appointed as Corporate Secretary.

DUTIES AND RESPONSIBILITIES OF THE CORPORATE SECRETARY

The Corporate Secretary serves as the contact person of the Company for external parties, especially the government, capital market authorities, the media and related stakeholders. The Corporate Secretary establishes effective and transparent communication with the regulator and authorities and capital market participants, as well as ensuring information disclosure on material transactions and corporate actions. The Corporate Secretary is also responsible for ensuring compliance with the prevailing laws and regulations, especially in the capital markets sector. In addition, the Company Secretary also ensures the Company fulfills the reporting requirements, such as information disclosure of corporate actions, Financial Statements, the Annual Report, a monthly report associated with share ownership and a monthly report on the Company's liabilities in foreign currency. In performing its duties, the functions of the Corporate Secretary are handled by the Corporate Secretary unit which generally performs the functions, duties and responsibilities as regulated internally in the work unit.

ACTIVITIES OF THE CORPORATE SECRETARY

In 2017, the Company submitted the required reports to regulators, including but not limited to the FSA and IDX. The Corporate Secretary also completed and submitted the 2016 Annual Report of the Company on time, and organized the AGMS and Public Expose on 27 April 2017.

PROFILE

Dian Paramita, age 43, domiciled in Depok, was appointed Corporate Secretary in 2013. She currently serves as Head of the Legal Division of the Company. Prior to joining the Company, she served as Head of the Legal Division of PT Bentoel International Investama Tbk. (2011-2013) and a Partner at Soewito Suhardiman Eddymurthy Kardono Law Firm (1997-2011). She graduated from the Faculty of Law, University of Indonesia in 1997 and holds a Master of Law from the Washington College of Law, American University, USA in 2001.

TRAINING

The Corporate Secretary has attended various trainings in the field of capital markets and internal training together with the Corporate Secretaries of other Group companies, inviting capital market legal experts to develop their competencies and constantly keep updating their knowledge of the newest capital market regulations effective from the governmental authorities in the field of capital markets.

5.6.8 INTERNAL AUDITOR

The Internal Audit of the Company functions to provide objective assurance and and independent and objective consultation that aims to increase and improve the operational activities of the Company through a systematic approach, by evaluating and improving the effectiveness of internal control, risk management and corporate governance processes in accordance with legislation and company policies.

In addition, the Internal Audit Unit also conducts inspections and assesses the efficiency and effectiveness of the Company's activities in the areas of finance, operations, human resources, information technology and other activities and provides recommendations for objective improvements associated with each area being examined.

SCOPE OF WORK AND DUTIES

The Internal Audit Unit Audit formulates a yearly audit plan that covers every area of the Company's activities as well as activities in several subsidiaries, and must be approved by the Board of Directors and Audit Committee of the Company. Internal Audit is responsible for implementing the audit plan in the current year, including any ad-hoc audits as requested by the management.

Specifically, the Internal Audit Unit endeavors to improve profitability by recommending improvements in management control and encouraging adherence to standardized procedure and best practices. This is an effort ensureaims to determine whether that the risk management, internal controls and the governance processes that have been designed and have been adequately implemented are adequate and functioning properly.

The Internal Audit Unit shall submit an audit report at the end of each inspection, including findings, recommendations and corrective measures that need to be taken, to the relevant senior management as well as to the President Director and the Audit Committee. Throughout the year, the internal auditors regularly coordinate with the Audit Committee to discuss completed assignments, findings, recommendations and follow-up of audit results, as well as the alignment of audit plan.

In order to perform its duties, the internal auditors have full access to all records, properties, functions and employees of the Company, as well as to the Board of Directors and the Board of Commissioners related to their work. To maintain the independence of the Internal Audit function, internal auditors are not allowed to engage in operational activities such as conducting and approving accounting transactions outside the scope of internal audit. Internal audit staff report to the Head of Internal Audit. The Head of Internal Audit reports administratively to the President Director and functionally to the Audit Committee. In 2017, Internal Audit held 4 (four) meetings with the Audit Committee on the following dates:

1. 6 March;
2. 26 April;
3. 23 August; and
4. 28 November.

HEAD OF INTERNAL AUDIT

1. **Appointment and Dismissal**

   Pursuant to Bapepam-LK No.IX.I.7 on Establishment and Guidelines for Internal Audit Charter, the Head of Internal Audit Unit is appointed and dismissed by the President Director with the approval of the Board of Commissioners. The Company will submit notice to Bapepam-LK associated with the removal, replacement, and the dismissal of the Head of Internal Audit.

2. **The Head of Internal Audit**

   In accordance with the Decree of the Board of Directors of the Company No.072/IE/CSL/DEC.BOD/V/2016 dated 19 May 2016, Burhan Sutanto was appointed as Head of Internal Audit of the Company replacing Rajiv Krishna. The Company has informed to OJK with letter No. No.046/IE/CSL/LET/V/2016 dated 20 May 2016.

PROFILE

Burhan Sutanto, age 46. Previously, he held positions as Finance Director of Danone Vietnam since 2009 and Finance Director of PT Aqua Golden Mississippi Tbk, Director of Business Analysis & Planning of Danone Aqua and Finance Director of PT IBSA. He began his career as a Senior Auditor at Arthur Andersen. He earned a Bachelor of Economics degree, majoring in Accountancy, from Trisakti University in 1994. In 2002, he earned certification from the Institute of Certified Management Accountants at Australia.

INTERNAL AUDIT UNIT MEMBERS

On 31 December 2017, the Company had 3 (three) employees in the Internal Audit unit consisting of 1 Senior Vice President officer, 1 Senior Manager officer, and one auditors. The number of internal auditors will be continuously adapted to the business management needs of the Company.

INTERNAL AUDIT ACTIVITIES

In 2017, the Internal Audit Unit performed its duties and responsibilities in accordance with the Audit Plan which was prepared together with the Audit and Corporate Governance Committees, including the ad hoc audits requested by the Management. The scope of work of Internal Audit covers the operational, financial and internal control activities within the Company.

5.6.9 EXTERNAL AUDITOR

In accordance with Regulation No. VIII.A.2, Bapepam-LK Decision Attachment No. Kep-86/BL/2011

dated February 2011 related to the Independence of Accountants Providing Capital Market Services, regarding Restrictions on Audit, Assignments which includes:

a. The provision of public audit services for client financial statements may only be done by a public accounting firm for a maximum of 6 (six) consecutive years and by an accountant for a maximum of three (3) consecutive years; and

b. A Public Accountant Office and Accountants may be reappointed to audit a client after one year of not auditing the client in question.

Through the ratification of the GMS dated 27 April 2017, the Company has authorized the Board of Commissioners to appoint a public accountant to examine the books of the Company for the year ended 31 December 2017. The appointed Public Accountant Office has conducted an audit based on the Auditing Standards established by Indonesian Institute of Certified Public Accountants and the scope of the work that has been determined and agreed upon.

For the 2017 financial year, public accountant Bapak Muhammad Irfan signed on the Independent Auditor's Report on behalf of Public Accountant Satrio Bing Eny & Rekan.

PUBLIC ACCOUNTANT PERIOD AND FEES

The table below sets the Public Accountant Firms and Public Accountants for a period of five years including total remuneration for audit services.

YEAR	PUBLIC ACCOUNTANT FIRMS	PUBLIC ACCOUNTANT	AUDIT FEE
2017	Satrio Bing Eny & Rekan	Muhammad Irfan	Rp1,133,400,000
2016	Satrio Bing Eny & Rekan	Henri Arifian	Rp1,315,535,000
2015	Osman Bing Satrio & Eny	Henri Arifian	Rp1,390,144,000
2014	Osman Bing Satrio & Eny	Drs. Osman Sitorus	US$78,000
2013	Osman Bing Satrio & Eny	Drs. Osman Sitorus	US$77,000

SERVICES OTHER THAN THE ANNUAL FINANCIAL AUDIT REPORT

During the 2017 fiscal year, no other services were provided by Public Accountant Muhammad Irfan of Osman Bing Satrio & Eny other than:

1) Review of interim consolidated financial statements of PT Indika Energy Tbk. and ts subsidiaries for the:
   - six-month period ended 30 June 2017 and
   - the nine month period ended 30 September 2017
2) Assurance engagement to report the compiled pro forma consolidated financial information of PT Indika Energy Tbk. and its subsidiaries as of 30 June 2017 and for the six-month period ended on this date.
3) Assurance engagement to report the compiled pro forma consolidated financial information of PT Indika Energy Tbk. and subsidiaries as of 30 June 2017 and the six-month period ended on that date, which was reissued to comply with applicable capital market regulations.
4) The issuance of a Comfort Letter in connection with the offering and sale of bonds amounting to US$ 265 million maturing in 2022, based on Regulation S and 144A.
5) The issuance of a Comfort Letter in connection with the offering and sale of bonds amounting to US$ 575 million maturing in 2024, based on Regulation S and 144A.

5.6.10 RISK MANAGEMENT

RISK MANAGEMENT SYSTEM IMPLEMENTED BY THE COMPANY

The Company recognizes the existence of various risks in its activities to achieve both its short- and medium-term goals as well as the long-term goals that have been established by management. Therefore the Company has established a risk management system to manage the risks that exist towards ensuring business continuity. Broadly speaking, the Risk Management Work Unit has 3 main objectives, namely to:

- Assist the Board of Directors to identify, test, and monitor key risks of the Company.
- Build a risk awareness culture within the company.
- Implement Company Risk Management best practices.

RISK MANAGEMENT ACTIVITIES

During 2017, the Risk Management Work Unit conducted a joint workshop with the Board of Directors as well as the Company Management to identify key risks faced by the Company. Periodically, the Risk Management Unit conducts an evaluation together with the Audit Committee and Corporate Governance to discuss key Risks as well as the implementation of the Company's Risk Management. The Risk Management Unit has held 4 (four) meetings with the Audit and Corporate Governance Committee on the following dates:

1. 6 March;
2. 26 April;
3. 23 August; and
4. 23 November.

RISKS FACED BY THE COMPANY

The Company faces a variety of risks in its operations, primarily related to the volatility of coal prices, licensing uncertainty, government regulation and the global economy. Further information regarding the risks facing

the Company can be seen in the section on Business Prospects and Key Risk Factors.

RISK MANAGEMENT EFFORTS

The Company carries out a number of measures to manage the risks it faces, including the implementation of the Key Risks Register and a risk matrix.

5.6.11 INTERNAL CONTROL

The internal control system is an integral process in actions and activities that is carried out continuously by the management and all employees, to provide reasonable assurance on the achievement of organizational goals through effective and efficient operational activities, reliable financial reporting and compliance with laws and regulations. Therefore, internal control is the responsibility of functions at all levels starting from the Board of Directors down to staff level.

The Company uses the International Standard for Professional Practice of Internal Auditing in implementing internal control in the Company. Furthermore, the Company also has an internal control system consists of a series of procedures and best practices, control activities which consist of the authorization control, financial review, supporting documentation, reconciliation, security of information systems, and the sorting of tasks including financial and operational aspects as well as compliance with other prevailing legislation and regulations.

These systems provide assurance to management that operational activities can be executed efficiently and effectively and the results of the operational activities are recorded accurately in Company records. Theinternal control system is designed to prevent material transactions without sufficient authorization, and to prevent and detect irregularities or anomalies.

All Company employees are familiar with the concept and objectives of internal control, in which the Internal Audit unit of the Company regularly reviews the effectiveness of the internal control systems that have been implemented by management. The Internal Audit Unit ensures that company policies and procedures are carried out and any material weaknesses can be identified and recommendations to improve control can be communicated to the appropriate management level.

5.6.12 CORPORATE SOCIAL RESPONSIBILITY (CSR)

CSR RELATED TO THE HEALTH, SAFETY AND ENVIRONMENTAL POLICIES ESTABLISHED BY THE MANAGEMENT

As stated in the Company's Code of Business Conduct, the Company always prioritizes the principles of Health, Safety and Environment (HSE) in every activity. The Company is committed to conduct its business in an ethical manner with a policy of environmental responsibility, operating legally and contributing to environmental conservation efforts. The Company continuously instills awareness of environmental responsibility in all employees and company elements.

The policy is based on several prevailing laws and regulations. It is applied also by Indika Energy subsidiaries whose operating activities affect the environment. In line with the commitment of the Company, the management of each subsidiary has set policies to safeguard and mitigate any impact on the environment generated by the operations of the company.

Activities

Environmentally friendly operational activities were carried out by subsidiaries in line with their respective operations, including among others the Environmental Impact Assesment (AMDAL) and greening of the environment. Identification of environmental impact is also done before the company carries out activities so that all aspects and issues that could potentially impact the environment can be identified.

Environmental Certification

Indika Energy does not have certification relating to the environment, but through its subsidiaries it has environmental certification such as ISO14001:2004 for Environmental Management.

CSR RELATED TO EMPLOYEES AND A SAFE AND HEALTHY WORKPLACE

Management policy

Safety is the top priority. Only through commitment to the safety of all parties and its environment can operational continuity and livelihoods of all stakeholders be assured. As set forth in the Code of Business Conduct in Indika Energy, the Company always prioritizes the principles of Health, Safety and Environment (HSE) in every activity. No matter how much profit can be made by the Company, the safety and security of employees is the top priority. Employees who are healthy and work in safe and comfortable conditions will safeguard and push the achievement of company objectives.

The Company ensures that working employees are protected so that they can optimally produce. These protections, which cover labor and Occupational Health and Safety, are an inseparable part of the Company's strategic focus.

Activities

The management has directed the entire staff and employees to build a culture of safety with zero accidents, through the principle integrated safety focus to avoid work accidents. Indika Energy Group believes that the Health, Safety and Environment (HSE) is the key to business continuity.

The Company also implemented rules and developed an HSE management system, namely i-DRIVE, which is listed in the Employee Guidelines on Safety, in line with OHSAS 18001: 2007. With this system, high safety standards are reflected in the actions of each employee to take responsibility for individual safety as well as the safety of all members of the team.

A comfortable and safe working environment, including equality of employment and career opportunities for all employees regardless of gender, religion or race. Employees are also provided with training and are placed in positions corresponding to work procedures that ensure the protection of the health and safety of employees.

CSR RELATED TO CONSUMER RESPONSIBILITY

Management policy

Indika Energy Group is committed to provide good service to clients, vendors or customers. The application of good corporate governance that strives to create a good business climate with based on ethics and transparency is an obligation that must be fulfilled in order to ensure the sustainability of the Company and continue to provide benefits to stakeholders.

Activities

The Company routinely communicates and disseminates publications containing information on the Company. This allows the Company to openly obtain feedback which is then used to continuously improve quality, innovation and interaction with the public and society.

This commitment is also reflected in the business conduct of each subsidiary, in providing services and maintaining the level of customer satisfaction, including the presence of a dedicated customer service staff in each subsidiary.

CSR RELATED TO SOCIAL RESPONSIBILITY

In 2017, related to efficiency, Sustainability initiatives were directed at the operational and strategic level. Yayasan Indika Untuk Indonesia (Indika Foundation) was also inaugurated in February as the larger umbrella for the Group's CSR activities going forward.

5.6.13 LEGAL CASES

Throughout 2017, the Company, members of the Board of Directors as well as members of the Board of Commissioners were not involved in any legal cases that significantly impacted the Company.

5.6.14 ACCESS TO COMPANY DATA AND INFORMATION

Law No. 8 of 1995 on Capital Markets governs the disclosure and reporting obligations for Issuers and Public Companies. The law defines the principle of transparency as a general guideline which requires Issuers and Public Companies or other Parties mentioned to disclose all Material Information regarding the business or securities that may affect the decisions of those providing capital or investing in the Securities in question and/or the price of these Securities, to the public in a timely manner.

Openness refers to transparency of information, which will be more useful if delivered through various media. Good information media must be able to provide equal access in a timeling- effective manner enab anyone to access the information. The accelerating development of information technology currently allows open access at anytime, from any place. An example of the information technology in question is Internet technology. One use of Internet technology as a medium for information delivery is a web site, as a medium that is highly easily accessible by the public without significant cost, as a very effective medium of communication. Therefore, it is unsurprising that at this time, websites of Issuers or Public Companies have become one of the sources of information most frequently accessed by providers of capital or investors, in particular shareholders, customers, communities, governments, and other stakeholders to obtain information related to the Issuer or Public Company.

With consideration of the above, as a public company the existence of a Company's website will improve the application of principle of transparency as mandated by Law No. 8 of 1995 on Capital Markets and improve the implementation of good corporate governance, so as to further foster the trust of investors or investors particularly our shareholders, customers, communities, governments, and other stakeholders in Issuers or Public Companies. This is further regulated in POJK 8 / POJK.4 / 2015 on Public Company Websites ("POJK 8") and SEOJK 32.

Therefore, as a form of the Company's compliance with applicable laws, the Company has a Corporate website, which is filled with with information concerning the Company, in particular information required by POJK 8 and SEOJK 32 to be posted on the website, which can be accessed at any time by the public, investors and shareholders. Through the Company's website, the Company ensures that there is an effort to increase the role and participation of shareholders or investors through effective and continuous communication. This website is managed by the Company and endeavors to always provide real-time, reliable information about the Company.

5.6.15 CODE OF BUSINESS CONDUCT

In implementing good corporate governance, each employee has a responsibility and obligation to help create a healthy and sound business climate. Therefore, as a form of shared responsibility, in December 2014, the Company renewed the Employee Handbook of Code of Business Conduct and disseminated guidelines.

The Company hopes to create an ethical corporate culture and uphold the principles of good governance.

All organizational levels in Indika Energy Group are required to comply with these business conduct and code of business conduct policies.

VIOLATIONS FOR SANCTIONS

Violations of the code of business conduct may lead to disciplinary action including termination of employment.

The content of the Code of Business Conduct, among others, is as follows:

1. EMPLOYEES

- Employees as Individuals

- **Respecting Every Individual**

  Every employee has the right to develop his/her potential and Indika Energy Group is committed to value the talents of each individual while holding firm to and upholding the values of the Company.

- **Equal 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.

- Employees in the Work Place

- **Respecting Diversity**

  Indika Energy Group values the diversity of

  its employees. Each employee must respect

  differences of gender, language, culture, religion, sexual orientation and social economic status of other employees.

- **Respecting Norms**

  Providing a working environment 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.

- Employees and Social Activities

In general, Indika Energy respects and supports cultures, traditions and customs of the communities in which it has operational business activities. Each employee may actively participate in community volunteer programs with the objective of strengthening ties and familiarity with local communities.

2. HEALTH, SAFETY AND ENVIRONMENT

In every activity, Indika Energy Group always prioritizes the principles of Health, Safety and Environment (HSE). Regardless of the amount of profit that the Group can obtain, the safety and security of employees is the first priority. Healthy employees who are working in safe and comfortable conditions will maintain and drive the the achievement of the Company's aims. As such, employees as the most important resources will be given training and placed in positions in accordance with work procedures that guarantee protection of the health and safety of employees.

1. Integritas

The following are an explanation of main elements of the principles of integrity in business:

- Conflicts of Interest

Conflicts of interests may arise when there is an opportunity for an employee of any Group Company or parties who have the opportunity to become embroiled in a conflict of interest to receive personal gain or benefit or to prioritize personal interests ahead of obligations and duties to the Group Companies.

The parties who have the potential to become involved in conflicts of interests according to this rule are:

a. Any employee family member including spouses (husband/wife), children, father, mother, male or female relatives who are related by blood or by marriage and descent until the second degree, both horizontally as well as vertically.

b. Any organization that is not related to the Company in which an employee or an employee's family member is an official, owner, partner, enjoys profit from any type of share in the Company / or property in which that individual has considerable interests/profits, or who serves as a supervisor of the company or in a similar capacity. -
Illegal Gifting/Receiving

Indika Energy Group companies are not allowed to directly or through intermediaries, offer, promise or give gifts, payment or any benefits in any form whatsoever to employees, officers or government officials.

- Donations

Indika Energy Group does not provide any donations or sponsorships to political parties or private individuals with the potential to generate 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.

- **Anti Corruption Behavior**

  Compliance with regulations is a characteristic that is clearly aligned with an anti-corruption attitude and behavior.

2. Information Management

Every employee is responsible for protecting the security of:

a. Confidential data and information belonging to the Company as well as within Indika Energy Group.

b. Information Technology (IT) hardware/ software and the Company's information system

3. BOOKKEEPING, CONTROL AND PROTECTION OF COMPANY ASSETS

The following are a number of policies and regulations that all employees must take notice of and comply with to protect the assets and finances of the Company.

a. Accurate Bookkeeping

b. Financial Control

c. Asset Protection

4. REPORTING OF NON-COMPLIANCE, INVESTIGATIONS, DISCIPLINARY SANCTIONS

Failure to comply with the code of business conduct that involves criminal actions may result in a court of law summons by authorized parties. Employees who violate regulations, laws or the rules of any company within Indika Group may face disciplinary sanctions including the severance of the work relationship.

Indika Energy has created a reporting system for violations or non-compliance. This whistleblowing policy for noncompliance is a system that can serve as a channel for whistleblowers to communicate data and information regarding indications of violations within any company in Indika Energy Group.

5.6.16 EMPLOYEE AND MANAGEMENT SHARE 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 were nontransferable and non-tradeable.

Each of the options distributed in each stage was 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 was 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 exercise price of Rp2,138. There were 101,092,000 outstanding options as of 31 December 2013.

5.6.17 WHISTLEBLOWING SYSTEM

Since December 2013, the Company has set up a reporting system for violations or noncompliance. This non-compliance reporting policies (whistleblowing) is a system that can be used as media for complainants to submit data and information regarding the indications of violations in any of the companies in the Group Companies. This system was designed to avoid controversy or dispute between the parties involved and help to find the best solution to the problems that arise.

This complaints mechanisme is very important as violations that are not addressed have the potential to damage the reputation and public trust of any companies in the Group. Complaints from this whistleblowing system will get attention and be followed up on, including the imposition of appropriate penalties in order to provide a deterrent effect.

Employees of Group Companies who see any indication of violations and decide to file a report may aslo do so through their direct supervisor in accordance with prevailing rules and procedures.

With this reporting system for violations, all stakeholders in the Group Companies including employees, suppliers and the related general public can and should report violations of ethical business conduct of any company in the Group Companies. All reports on non-compliance will be followed up by fulfilling the criteria for a complaint, namely:

- Explain who, what, when, where, why and how.
- Submit initial evidence (data, documents, images and recordings) that support / explain the violation.
- Expected to provide source of data and information to substantiate the complaint. If the criteria are complete, the complainant (employees, suppliers and the related general public) can submit a complaint via the Company's whistleblowing website, or by mail addressed to the Board of Ethics.

The Company does not regard complainants as trouble makers, but as witnesses to an incident. Each input or violation will be followed up in a professional manner and the confidentiality of the reporter is fully guaranteed.

Each complainant will receive protection against the negative effects of retaliation for reporting violations of ethical business conduct in any company within the Group.

In 2017, the details of reports that have been received through the whistleblowing system was as follows:

STATUS OF COMPLAINT	NUMBER OF COMPLAINTS	EXPLANATION
Report received	0	Complaints received
Reports that meet the conditions	0	The complaint fulfills the conditions for follow up action
Still in process	0	The complaint is being processed

5.6.18 DIVERSITY OF THE BOARD OF COMMISSIONERS AND DIRECTORS

The values of the Company and the Company's Code of Business Conduct reflect the value of diversity, which applies to all individuals within the Group Company including the Board of Directors and Board of Commissioners. The values of the Company and the Code of Business Conduct explicitly states that employee diversity in the Group's companies includes diversity of gender, language, culture, religion, sexual orientation, social and economic status. Based on that foundation, the members of the Board of Directors and Board of Commissioners are appointed with consideration to fulfilling the requirements of diversity, including diversity in educational background, experience, age, and gender.

PROFILES OF COMMITTEES



Maringan Purba Sibarani

Audit & Corporate Governance Committee Member

Indonesian citizen, age 75, appointed as a member of the Audit and Corporate Governance Committee in 2016. He is a graduate of the Economics Faculty, University Indonesia majoring in Accountant and was formerly the Head of the Accountancy Department at the Faculty of Economics at Universitas Trisakti, as well as teaching in the accountancy program at Trisakti University and Parahyangan University. He has also been a Public Accountant at Public Accounting Firm Prasetio Utomo.



Tonyadi Halim

Audit & Corporate Governance Committee Member

Indonesian citizen, 55 years old, appointed as a member of the Audit and Corporate Governance Committee since 2016. He has also been a member of the Audit and GCG Governance Committee at PT Mitrabahtera Segara Sejati Tbk since 2016. He earned a Bachelor in Accounting degree from the Faculty of Economics of Gadjah Mada University, a Magister of Law degree from Gadjah Mada University, and the Chartered Accountant designation from the Indonesian Association of Accountants in 2015.



Wiwoho Basuki Tjokronegoro

Risk & Investment Committee Chairman

Indonesian citizen, age 78 tahun, previously served as President Commissioner of Indika Energy (2007-2016). He graduated Magna Cum Laude from the University of Kansas, USA with a Bachelor of Science degree in Petroleum Engineering in 1964 and a Master of Science in Petroleum Engineering in 1965. He also enrolled in post graduate studies in Earth Science at Stanford University, USA from 1968 until 1969.

Bapak Wiwoho Basuki Tjokronegoro and his family are the owners and controller of PT Teladan Resources. He has an affiliate relationship with Indracahya Basuki and Nurcahya Basuki.



Indracahya Basuki
Risk & Investment Committee Member

Indonesian citizen, age 44, has served as a member of the Risk & Investment Committee since 2016. He earned a Bachelor of Science degree in Mechanical Engineering from Columbia University, New York, USA and a Master of Business Administration degree from Rice University, Texas. He has an affiliate relationship with Wiwoho Basuki Tjokronegoro and Nurcahya Basuki.



Dayan Sadikin Hadipranowo
Human Capital Committee Member

Indonesian citizen, age 46, has served as a member of the Human Capital Committee in the Company since 2017. He is currently a Director of PT Kideco Jaya Agung and previously served as Human Resources Director at Coca Cola Amatil Indonesia. He obtained a Bachelor degree in Sociology from the University of Indonesia and a Master of Commerce specializing in Human Resources from the University of New South Wales, Australia.



Nurcahya Basuki
Human Capital Committee Member

Indonesian citizen, age 40, has served as a member of the Human Capital Committee in the Company since 2017 He has been a Commissioner of PT Mitrabahtera Segara Sejati Tbk. since 2010 and is also a member of the Human Capital Committee at PT Mitrabahtera Segara Sejati Tbk. He has an affiliate relationship with Wiwoho Basuki Tjokronegoro and Indracahya Basuki.

DISCLOSURE

DATE:	SUBJECT:	REFERENCE:
27 March 2017	Debt Issuance Roadshow	Board of Directors Letter No. 032/IE/BOD/LET/III/2017

Description:
Disclosure was carred out in accordance with FSA Regulation no. 31 / POJK.04 / 2015 ("POJK 31") regarding roadshows related to Bond issuance to be carried out between 29 March 2017 and 31 March 31 2017.
The Company, through its indirect subsidiary Indika Energy Capital II Pte. Ltd. (The "Issuer"), means to issue a Bond outside of Indonesia which will be listed on the Singapore Exchange Securities Trading Limited. This Bond will be guaranteed by the Company, PT Indika Inti Corpindo ("IIC"), PT Tripatra Engineering ("TPE"), Tripatra Engineers and Constructors ("TPEC") and Tripatra (Singapore) Pte. Ltd. ("TRIS") (collectively referred to as "the Guarantors") and by pledging shares of the Company, TPEC and IIC respectively in TPE, TPEC, TRIS, and PT Kideco Jaya Agung.
After completing a roadshow and pricing, the Issuer and Guarantors will simultaneously sign the Purchase Agreement.

DATE:	SUBJECT:	REFERENCE:
3 April 2017	Pricing for Bond Issuance	Board of Directors Letter No. 025/IE/BOD/LET/IV/2017

Description:
Disclosure was carried out as stipulated in the POJK 31 concerning pricing for Bond issuance and the signing of a Purchase Agreement by and between the Issuer and Guarantors with Citigroup Global Markets Singapore Pte. Ltd. and JP Morgan (S.E.A) Limited as joint lead managers and bookrunners for Bonds valued at USD265,000,000 with interest of 6.875% to be listed on the SGX-ST.

DATE:	SUBJECT:	REFERENCE:
12 April 2017	Bond Issuance of USD265,000,000 with interest rate of 6.875%	Pengumuman koran di Investor Daily dan Bisnis Indonesia tanggal 12 April 2017

Description:
This disclosure is done in order to comply with Regulation no. IX.E.2 related to Bond issuance amounting to USD265,000,000 with interest of 6.875% to be listed in SGX-ST. The Bond will be used to repay the 2018 Note due May 2018 with the principal amount of USD171,400,000 and repay TPEC's and PT Mitrabahtera Segara Sejati Tbk.'s ("MBSS") debt as well as for general corporate purposes.

DATE:	SUBJECT:	REFERENCE:
12 April 2017	Debt Issuance	Board of Directors Letter No. 039/IE/BOD/LET/IV/2017

Description:
This disclosure is made in order to fulfill POJK 31 concerning the issuance of Bonds amounting to USD265,000,000 with 6.875% interest by the Issuer on 10 April 2017. In connection with the issuance of this Bond, which is not included in material transactions as stated in Regulation no. IX.E.2, the Company does not require the approval of the General Meeting of Shareholders and is only required to announce this information disclosure in a daily newspaper no later than 2 (two) working days after the Issuance Date of the Bond.

DATE:	SUBJECT:	REFERENCE:
12 April 2017	Report of Affiliated Transaction	Board of Directors Letter No. 040/IE/BOD/LET/IV/2017

Description:
This disclosure is carried out in order to comply with Regulation no. IX.E.1 concerning Affiliate Transactions and Conflicts of Interest and POJK 31 regarding affiliated transactions between the Company and Indika Capital Pte. Ltd. ("ICPL"). In relation to the Bond issued by the Issuer, the Company has received USD188,400,000 from ICPL pursuant to an intercompany loan agreement whereby the Company acts as a debtor on 10 April 2017. For this loan, the Company will issue 2018 Bonds maturing in May 2018 and provide loans to TPEC and MBSS with the remainder for working capital and other general corporate needs. IIC, as a subsidiary of the Company, has received USD76,000,000 from ICPL under an inter-company loan agreement dated 10 April 2017.

DATE:	SUBJECT:	REFERENCE:
18 April 2017	Information Disclosure	Board of Directors Letter No. 042/IE/BOD/LET/IV/2017 related to Reporting of Affiliate Transaction

Description:
This disclosure is carried out in order to comply with Regulation X.E.1 on Affiliate Transactions and Conflict of Interest and POJK 31 related to affiliated transactions between the Company and MBSS.In relation to Debt Securities issued by the Issuer, MBSS has received credit of US$ 41,7000,000 based on an inter-company loan agreement with the Company which was subsequently transferred from the Company to ICPL through an Assignment and Agreements that were previously signed by MBSS and ICPL. The effective date is 13 April 2017 with maturity on 10 April 2022.

DATE:	SUBJECT:	REFERENCE:
3 May 2017	Response to Information Disclosure on 12 April 2017 to the IDX	Board of Directors Letter No. 050/IE/BOD/LET/V/2017

Description:
Based on a letter from the IDX dated 27 April 2017, the Company responded to the questions raised by the IDX in connection with the Public Information Disclosure dated 12 April 2017.

DATE:	SUBJECT:	REFERENCE:
3 May 2017	Explanation of volatility to IDX	CSL Letter No. 039/IE/CSL/LET/V/2017

Description:
The Company provided an explanation in answer to the IDX Letter dated 05 May 2017 regarding the request for explanation on the volatility of securities transactions.

DATE:	SUBJECT:	REFERENCE:
12 May 2017	Repayment of 2018 Note	Board of Directors Letter No. 054/IE/BOD/LET/V/2017

Description:
This disclosure is conducted in order to fulfill POJK 31 related to the repayment of the 2018 Note amounting to USD171,427,000. In connection with the redemption, the 2018 Note will be erased from the SGX-ST.

DATE:	SUBJECT:	REFERENCE:
20 June 2017	Response to the Financial Statement and Annual Report Review per 31 December 2016 from the FSA	Board of Directors Letter No. 060/IE/BOD/LET/VI/2017

Description:
The Company responded to a letter from OJK dated 6 June 2017 in connection with the review of the Annual Financial Report and Annual Report per 31 December 2016 by the FSA.

DATE:	SUBJECT:	REFERENCE:
31 July 2017	Plan to conduct limited review of the Company's interim financial report for the period ended 30 June 2017 to the FSA and IDX	Board of Directors Letter No. 067/IE/BOD/LET/VII/2017 dan 068/IE/BOD/LET/VII/2017

Description:
The Company informed the FSA and IDX that the Company's interim financial report for the period ended 30 June 2017 is under review by the Public Accountant and will be submitted on 31 August 2017.

DATE:	SUBJECT:	REFERENCE:
30 August 2017	Submission of the Company's Consolidated Financial Statements ended 30 June 2017, which had undergone limited review	Board of Directors Letter No. 072/IE/BOD/LET/VIII/2017 and 073/IE/BOD/LET/VIII/2017

Description:
The Company submitted the Company's Consolidated Financial Statements ended 30 June 30, which has undergone a limited period to FSA and IDX

DATE:	SUBJECT:	REFERENCE:
25 September 2017	Public information disclosure of share purchase agreement signing	Newspaper announcement in Investor Daily, Bisnis Indonesia and Kontan dated 25 September 2017

Description:
The Company, on September 22, 2017, has signed a share purchase agreement with Samtan Co. Ltd. for 100,139 shares or 40% of all issued and paid-up capital of Kideco. On the same Date, IIC also signed a share purchase agreement with PT Muji Inti Utama for 12,517 shares or 5% of all issued and paid-up capital of Kideco.

DATE:	SUBJECT:	REFERENCE:
27 September 2017	Roadshow and Consent Solicitation	Board of Directors Letter No. 087/IE/BOD/LET/IX/2017 and 088/IE/BOD/LET/IX/2017

Description:
The Company submitted notification that the Company will conduct a road show in connection with the plan of Indika Energy Capital III Pte. Ltd., a subsidiary of the Company, to issue Debt Securities amounting to a maximum amount of USD600,000,000 with maximum interest of 9.5% per annum, which will be listed in SGX-ST.

DATE:	SUBJECT:	REFERENCE:
16 October 2017	Consent Solicitation	Board of Directors Letter No. 089/IE/BOD/LET/X/2017 and 090/IE/BOD/LET/X/2017

Description:
The Company reported consent solicitation for holders of the 2022 Bond (issued by Indika Energy Capital II Pte. Ltd.) and 2023 Bond (issued by Indo Energy Finance II BV). The deadline for the submission of consent solicitation from 2022 Bond and 2023 Bond bondholders was 13 October 2017 and at the closing date, the 2022 Bond Issuer has received approval for consent solicitation amounting to 97.61% and the 2023 Bond Issuance 2023 of 97.10%.
The results of the issuance of the consent solicitation were announced at the SGX-ST on 16 October 2017.

DATE:	SUBJECT:	REFERENCE:
20 October 2017	Explanation of OJK questions	Board of Directors Letter No. 091/IE/BOD/LET/X/2017

Description:
The Company provides an explanation for the questions posed by by the FSA in the FSA letter dated 12 Octobe 2017 regarding the plan to carry out a material transaction as announced by the Company in its Disclosure of Information dated 25 September 2017.

DATE:	SUBJECT:	REFERENCE:
25 October 2017	Explanation in response to questions from the IDX	Board of Directors Letter No. 095/IE/BOD/LET/X/2017

Description:
The Company provides dan explanation to the questions posed by the IDX regarding the material transaction plan and the Company's financial statements.

DATE:	SUBJECT:	REFERENCE:
27 October 2017	The Company provided an explanation to the questions posed by IDX regarding the material transaction plan and the Company's financial statements.	Board of Directors Letter No. 097/IE/BOD/LET/X/2017

Description:
The Company submitted additional information as requested by the FSA.

DATE:	SUBJECT:	REFERENCE:
30 October 2017	Limited review plan for the Company's interim financial report for the period ended 30 September 2017 to the FSA and IDX	Board of Directors Letter No. 098/IE/BOD/LET/X/2017 dan 099/IE/BOD/LET/X/2017

Description:
The Company informed the FSA and IDX that the Company's interim financial statements for the period ended 30 September 2017 were under review by the Public Accountant and would be submitted no later than 30 November 2017.

DATE:	SUBJECT:	REFERENCE:
30 October 2017	Additional information to the FSA	CSL Letter No. 082/IE/CSL/LET/X/2017

Description:
The Company submitted additional information to the FSA, namely is the valuation of Kideco shares as of 30 June 2017 and the fairness assessment of the acquisition of Kideco shares.

DATE:	SUBJECT:	REFERENCE:
31 October 2017	Additional Disclosure	Newspaper announcement in Suara Pembaruan dated 31 October 2017

Description:
The Company submits additional information to the public on the disclosure of information made by the Company on 25 September 2017.

DATE:	SUBJECT:	REFERENCE:
3 November 2017	Pricing for the Bond issuance	Board of Directors Letter No. 100/IE/BOD/LET/XI/2017

Description:
Disclosure shall be conducted as regulated in the POJK 31 related to the pricing for the Bond issuance held on 2 November 2017 and signing of the Purchase Agreement on the same date by and between Indika Energy Capital III Pte. Ltd. as the issuer and the Guarantors with the joint lead managers for Bonds amounting to with coupon of 5.875% to be listed on the SGX-ST.

DATE:	SUBJECT:	REFERENCE:
13 November 2017	Bonds Issuance of US$ 575,000,000 with interest of 5.875%	Newspaper announcement in Investor Daily, Bisnis Indonesia and Kontan

Description:
Indika Energy Capital III Pte. Ltd., as one of the Company's subsidiaries, has issued US$ 575,000,000 of Bonds with interest of 5.875% to be listed in SGX-ST. Debt Securities as mentioned above will be contributed to IIC and the Company in connection with the share purchase plan in Kideco. The issuance of this Debt Securities has been approved by the Extraordinary General Meeting of Shareholders conducted by the Company on 1 November 2017.

DATE:	SUBJECT:	REFERENCE:
14 November 2017	Change of share ownership	Board of Directors Letter No. 102/IE/BOD/LET/XI/2017

Description:
The Company submitted that there was a change of shareholders, which was originally PT Indika Mitra Energi representing approximately 63.47% of the Company's shares to become PT Indika Inti Investindo and PT Teladan Resources. PT Indika Inti Investindo and PT Teladan Resources respectively own 37.79% and 25.68% of the Company's shares. This change of share ownership took place on the IDX through the negotiating market on 13 November 2017.

DATE:	SUBJECT:	REFERENCE:
27 November 2017	Submission of the Company's consolidated financial statements for the period ended 30 September 2017	Board of Directors Letter No. 107/IE/BOD/LET/XI/2017 dan 108/IE/BOD/LET/XI/2017

Description:
The Company submitted the consolidated financial statements of the Company and its subsidiaries for the period ended 30 September 2017, which has been subject to limited review.

DATE:	SUBJECT:	REFERENCE:
8 December 2017	Signing of share purchase deed	Board of Directors Letter No. 116/IE/BOD/LET/XII/2017

Description:
The Company reported that the Company had fulfilled all the preliminary requirements in connection with the share sale and purchase transactions of:
1. 100,139 shares of Kideco from Samtan Co. Ltd. as the seller and the Company as the buyer; and
2. 12,517 shares of Kideco from PT Muji Inti Utama as seller and IIC as buyer.

The Company and IIC respectively signed the share sale and purchase deed on 6 December 2017. The change of shareholders in Kideco will be effective upon receipt of approval from the Minister of Energy and Minteral Resources.

IMPLEMENTATION OF CORPORATE GOVERNANCE GUIDELINES BASED ON NO.21/POJK.04/2015 AND SEOJK NO.32/ SEOJK.04/2015

IMPLEMENTATION GOOD CORPORATE GOVERNANCE GUIDELINES FOR PUBLIC COMPANIES IN PT INDIKA ENERGY TBK.

A.	**RELATIONSHIP OF THE PUBLIC COMPANY WITH THE SHAREHOLDERS IN ENSURING THE SHAREHOLDERS' RIGHTS**	
	PRINCIPLE 1 **Improving the Value of General Meeting of Shareholders (GMS)**	
1.1	Public company has technical procedures for opened or closed voting that promote independency and shareholders' interest	• The Company has complied with this recommendation. • Procedures on voting, whether opened or closed voting, is regulated under the Company's Articles of Association. • Voting mechanisms are part of the meeting procedures informed to the shareholders at the beginning of the General Meeting of Shareholders.
1.2	All members of the Board of Directors and the Board of Commissioners are present at the Annual GMS.	The Company has complied with this recommendation All members of the Board of Directors and the Board of Commissioners were present at the 2017 Annual GMS.
1.3	Summary of GMS minutes is available on the public company's website for no less than one year.	The Company has complied with this recommendation, issuing the extract of the GMS minutes on the website indefinitely.
	PRINCIPLE 2 **Improving Communication Quality of Public Company with Shareholders or Investors**	
2.1	The public company has a communication policy with shareholders or investors	The Company has a communication policy with shareholders or investors as recommended that includes, among others, Public Exposes and Road Shows.
2.2	The public company discloses its communication policy with shareholders or investors in the Company's official website.	The Company has disclosed its communication policy with shareholders or investors on the website including in the form of News Releases.
B.	**FUNCTION & ROLE OF THE BOARD OF COMMISSIONERS**	
	PRINCIPLE 3 **Strengthening the Membership & Composition of the Board of Commissioners**	
3.1	Determination of the number of the Board of Commissioners members shall consider the condition of the public company.	The Company has complied with this recommendation in accordance with the provisions regulated in the Company's Articles of Association.
3.2	Determination of composition of the Board of Commissioners members considers the variety of expertise, knowledge and experiences required.	The Company has complied with this recommendation with reference to the relevant regulations.

PRINCIPLE 4 **Strengthening the Membership & Composition of the Board of Commissioners**		
4.1	The Board of Commissioners has a self-assessment policy to assess the performance of the Board of Commissioners.	The Company has complied with this recommendation in the form of periodic self assessments which are carried out through the Company's performance evaluation system.
4.2	Self assessment policy to assess the performance of the Board of Commissioners is disclosed in the Annual Report of public company.	The Company has not yet complied with this recommendation although self assessments are carried out yearly.
4.3	The Board of Commissioners has a policy with respect to the resignation of the Board of Commissioners members if a member is involved in financial crime.	The Company has complied with this recommendation, as contained in the Charter of the Board of Commissioners and Board Directors and the Code of Business Conduct.
4.4	The Board of Commissioners or Committee that conducts the nomination & remuneration function shall formulate the succession policy for the nomination process of the Board of Directors members.	The Company has complied with this recommendation. The Human Capital committee, which carries out the nomination & remuneration function, is also responsible for the succession policy and nominations of members of the Board of Directors.
C.	**FUNCTION & ROLE OF THE BOARD OF DIRECTORS**	
PRINCIPLE 5 **Strengthening the Membership & Composition of the Board of Directors**		
5.1	Determination of number of the Board of Directors members considers the condition of the public company and the effectiveness of decision-making.	The Company has complied with this recommendation in accordance with the provisions regulated in the Company's Articles of Association.
5.2	Determination of composition of the Board of Directors members considers the variety of expertise, knowledge and experience required.	The Company has complied with this recommendation with reference to the relevant regulations.
5.3	The members of the Board of Directors who supervise accounting or finance have accounting expertise and/or knowledge.	The Company has complied with this recommendation.
PRINCIPLE 6 **Improving the Quality of Job Performance and & Responsibility of the Board of Directors**		
6.1	The Board of Directors has a self-assessment policy to assess its performance.	The Company has complied with this recommendation in the form of periodic self assessments which are carried out through the Company's performance evaluation system.
6.2	Self-assessment policy to assess the performance of the Board of Directors is disclosed in the Annual Report of the public company.	The Company already has a self assessment policy to assess the performance of the Board of Directors but it is only partially disclosed in the Annual Report.
6.3	The Board of Directors has a policy related to resignation of the Board of Directors members if involved in financial crime.	The Company has complied with this recommendation, as set forth in the Charter of the Board of Commissioners and Directors.

D.	STAKEHOLDERS PARTICIPATION	
	PRINCIPLE 7 **Improving Good Corporate Governance Aspect through Stakeholder Participation**	
7.1	The public company has a policy to prevent insider trading.	The Company has complied with this recommendation in the Company's Code of Business Conduct.
7.2	The public company has an anti-corruption and anti-fraud policy.	The Company has complied with this recommendation in the Company's Code of Business Conduct and the Board of Commissioners and Board of Directors Charter.
7.3	The public company has policies concerning the selection and capability improvement of supplies and vendors.	The Company has complied with this recommendation with the existence of a vendor SOP.
7.4	The public company has a policy concerning the fulfillment of creditors' right.	Creditors' rights are stipulated in the agreements between the Company and respective creditors.
7.5	he public company has a whistleblowing system policy.	The Company has established a whistleblowing policy as disclosed in the Company's Annual Report.
7.6	The public company has a long-term incentive policy for the Board of Directors and employees.	The Company memiliki insentif jangka panjang for employees (including the Board of Directors) who meet certain conditions.

E.	DISCLOSURE OF INFORMATION	
	PRINCIPLE 8 **Improving the Implementation of Information Disclosure**	
8.1	Public company uses information technology more broadly other than the website as a media for information disclosure.	The Company has not complied yet with this recommendation because the Company considers that disclosure of information through the Company's official website is sufficient.
8.2	The Annual Report of the public company discloses the ultimate beneficiaries for share ownership in the public company of at least 5%, other than disclosure of the ultimate beneficiaries of share ownership in the public company through the major and controlling shareholders.	The Company has complied with this recommendation by disclosing the structure of majority and controlling shareholders in the Annual Report.




LOWLANDS NELLO
VALLETTA
FC PRINCESSE CHLOE

HUMAN CAPITAL





Indika Energy firmly believes that human capital is the most important factor in its success. The Human Capital Department is therefore tasked with recruiting, developing and retaining high performing talent, in alignment with the Company's objectives and values.

As of December 31, 2017, Indika Energy had 119 employees, compared with 114 employees in 2016. The total number of employees in the Group stood at 6,606 employees, compared with 5,540 employees in 2016.

INITIATIVES IN 2017

During 2017, the Human Capital Department continued to support Indika Energy's business needs by ensuring the availability of competent human capital, while continuing to maintain a streamlined organizational structure towards increased productivity. This policy was established in response to the adverse business climate and intensified pressure on margins over the last few years.

Overall, the Human Capital Department therefore continued its zero growth policy with no employees added to the human capital headcount, except as required for business needs and to replace employees who resigned or retired. Functions were streamlined or combined where possible, for greater efficiency.

The emphasis on productivity and efficiency was also extended to subsidiaries. Continuing the initiatives of previous years, all Group employees were encouraged to increase productivity and utilization of assets within the framework of Operational Excellence and Leadership. Where necessary, the human resource requirements of the subsidiaries businesses were remapped in line with their current needs, including the competencies necessary for each position, to ensure that their organizational structure was aligned with their business needs including addition of staff as needed to support business growth.

Training and competency development moreover continued to take place at subsidiaries to improve operational excellence and capabilities, including extensive safety training at companies such as Kideco, Petrosea, Tripatra and MBSS. Personnel also trained and certified as necessary to fulfil government regulations and other relevant requirements, as part of the Company's emphasis on upholding world-class operational standards and meeting all regulatory requirements.

PERFORMANCE MANAGEMENT AND LEADERSHIP DEVELOPMENT

Performance management and leadership development were two areas of focus in 2017. Employees are encouraged to develop leadership competencies with reference to Indika Energy's Leadership Framework, which sets out the expectations and standards for behaviours, skills and competencies that support Indika Energy's mission, vision and ambitions in a way that is consistent with its values. These Leadership competencies have also been incorporated into performance management measures to help create leaders that can advance the Company.

In order to maintain a high performance culture, employees at all Indika Energy companies are subject to periodic performance evaluations based on KPI that have been established at the corporate level and then cascaded down to each individual, thus ensuring that individual performance is aligned with the objectives of the Company as a whole.

EMPLOYEE COMMUNICATION AND ENGAGEMENT

Indika Energy values a culture of open, two-way communications. In 2017, the management proactively and transparently communicated Indika Energy's business conditions to employees, fostering trust and engagement in the face of multiple challenges. Communication was carried out through a number of channels including email, informal discussions, publications, Town Hall meetings where employees can ask questions and voice concerns.

These communication efforts paid off by maintaining good employee engagement and increasing employee loyalty and solidarity throughout the challenges of 2017.

CORPORATE VALUES AND CODE OF ETHICS

All employees are expected to understand and implement Indika Energy's corporate values, as follows:

- **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**: 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.

In addition, all employees are expected to understand and exhibit ethical conduct in the workplace, with reference to the Company's Code of Business Conduct. The Company has issued a handbook that discusses the values and actions that should be implemented by all employees towards creating an ethical and conducive work environment. This handbook includes policies on corporate business ethics and the code of conduct that employees of Indika Energy Group must comply with, as employees' behavior and actions can either build up or ruin the company's reputation. Employees who violate the Code of Conduct shall be subject to disciplinary sanctions as provided for by each company within Indika Energy Group.

Leaders, especially, have a responsibility to model Indika Energy values in their behaviour, as emphasized during the BoC – BoD Induction training. They are expected to "walk the walk" and live these values, as an example for the rest of the Company.

EMPLOYER OF CHOICE

Despite the pressures of the past few years, Indika Energy successfully maintained its image as an employer of choice. As such, the Group was able to retain and attract high quality candidates.

In line with its values, Indika Energy practices equal opportunity hiring and career advancement, regardless of gender, race or religion, except for positions which entail certain physical requirements.

EMPLOYEE STATISTICS

BY LEVEL

LEVEL	2016	2017
Board of Commissioners – Board of Directors	40	51
Executives	47	72
Manager	260	250
Supervisor	1,270	1,734
Staff	801	990
Non-Staff	3,122	4,038
Total	**5,540**	**7,135**

BY EDUCATION

EDUCATION	2016	2017
Doctorate/PhD.	3	3
Master	144	180
Bachelor	1,468	1,774
Diploma	415	528
High School	3,510	4,650
Total	**5,540**	**7,135**





CORPORATE SOCIAL RESPONSIBILITY





Sustainability is at the heart of everything we do. We put education, health and safety first, we are environmentally responsible, we respect human rights and we support host communities. As a partner in the communities in which we operate, we share stewardship of the environment, support local cultures and help drive economic development. Many of our operations take place over long periods, and it is therefore important to maintain community support of our operations.

We are moreover committed to complying with the laws and regulations of the jurisdictions in which we operate, and aim to exceed legal and regulatory requirements where those are less stringent than our own. The focus areas of our sustainability programs and related partnership efforts are the 3+1 pillars of education, health, community empowerment and the environment; whereas subsidiaries stress the 3 pillars of education, health, and community empowerment in their sustainability activities, and environment is addressed as part of their Health, Safety and Environment (HSE) programs.

To build a resilient Indonesia and realize its full potential, on 15 February 2017, Indika Energy established Yayasan Indika Untuk Indonesia (Indika Foundation) with two main focuses: to build national character and spread the spirit of tolerance. In line with Indika Energy's corporate values, Indika Foundation upholds five basic principles. These are:

- **National mission**

  To fulfill our mission to help build a resilient Indonesia and unleash its potentials through ways which reflect Indonesian values.

- **Good corporate citizenship**

  To support the contributing donors in playing their roles as good corporate citizens.

- **Justifiable**

  To justifiably bring impact to the beneficiaries, the Foundation, and the contributing donors.

- **Effectively managed**

  To properly and professionally develop, implement, communicate, monitor, and evaluate all of the programs and activities.

- **Compliance**

  To comply with the prevailing laws and regulations.

In 2018, in the interest of greater effectiveness and efficiency, Indika Energy's sustainability programs will be placed under, and managed directly by, Indika Foundation. This initiative is expected to yield even greater benefits for beneficiaries from Indika Energy.

EDUCATING INDONESIA TO MAKE A REAL DIFFERENCE

In our operation, Indika Energy empowers as many local residents as possible inn our operational areas. We realize that providing work is only a small part of what we can do to fulfill our role as a good corporate citizen in the communities around our operational areas. We are convinced that education is key to addressing existing problems in communities and empowering positive change, and will continue to support community development through education. Enhancing the education and skills of our employees, their children and other members of the community is therefore vital to contributing as positively as possible.

Indika Energy believes that providing access to quality education for all children and skills training for the communities around in our operational areas will create a positive impact. One of the joys of learning is the successful implementation of new knowledge and skills.; For village children in Indonesia, learning to count and write is highly significant in enabling them break through from poverty and achieve a brighter future.

In line with United Nations Millennium Development Goals (MDGs), Indika Energy collaborated with Sokola, an organization facilitating community-based alternative education for indigenous peoples, to facilitate early childhood education, nutritional improvement, and skills development for youth and women in Mariso, Makassar, South Sulawesi. Through this program, more than 80 children and teenagers in Mariso have been enrolled in the Sokola early childhood education centre and vocational training. Nutritional awareness also improved through health campaign and training.

In addition, Indika Energy provides educational assistance through the Educating the Nation's Children (Indika Energy Cerdaskan Anak Bangsa) program, which provides scholarships for elementary, junior high and high school children of employees with above average academic performance. This scholarship program is a manifestation of the Company's appreciation for the loyalty, dedication and hard work of its employees and is expected to motivate the employees' children to perform better

and continue their education to a higher level. Since it began in 2012, more than 500 children have benefited from this program.



In 2017, we also engaged with SabangMerauke, an intra-nation student exchange program that aims to promote cultural diversity and reinforce the values of Bhinneka Tunggal Ika. This program not only attracted students, but also broadly impacted other communities. More than 1,000 people signed up to help this program either as younger brother/sister of SabangMerauke (ASM), older brother/sister of SabangMerauke (KSM), or SabangMerauke (FSM) Family.

CARING FOR THE WELL BEING AND HEALTH OF OUR COMMUNITY

Indika Energy believes that poor educational levels and lack of viable livelihoods are integrally linked to the health issues facing Indonesia today. For that reason, health is a major concern within our business operations and our community empowerment approach. By empowering communities with useful knowledge and understanding of sanitation, hygiene and good nutrition, they can achieve better health and productively apply the skills they have learned. This combination can ensure better education, improved health and viable livelihoods for generations to come.

Related to this, Indika Energy Group intensified efforts to strengthen health infrastructure, including the development of Integrated Community Health Clinics (Posyandu) and the provision of health education in the areas where we operate. Indika Energy understands that one of the key elements in improving the health and wellbeing of the people of Indonesia is improving and expanding health and medical services as a long-term investment in human resources which will drive the development of the economy.

Local communities in our operational areas, including children in the local schools, are therefore taught the basics of hygiene, sanitation, and good nutrition, along with science and other pertinent subject matter. We are convinced that developing both education and health infrastructure and services are effective ways to facilitate community empowerment and economic capacity by ensuring a healthier, more productive workforce and overall community welfare well into the future.

Petrosea, another subsidiary of Indika Energy, held a breast feeding promotion program in Balikpapan, East Kalimantan as part of increasing public health. Through a public awareness drive designed to inform families, local doctors and local government in the area of the benefits of breastmilk for infants. Petrosea also made efforts to enhance and strengthen health service provisions for children by supporting local health agencies' efforts to improve the capacity of Health Center personnel to provide better pediatric healthcare.

ACTIVELY SUPPORTING COMMUNITIES THROUGH COMMUNITY EMPOWERMENT PROGRAMS

Indika Energy Group's sustainability programs are aligned with its business strategies towards establishing sustainable operations that encompass the need for educated, healthy and productive workers and communities. Community participation is one of the core factors in achieving this.

Indika Energy's community economic empowerment programs are based on the philosophy that helping people help themselves is the fastest way to help them achieve more solid financial footing and the ability to support themselves independently and sustainably. As is the case with all of our sustainability activities, our community empowerment programs first determine the needs of each community, within the context of our long-term strategies for sustainable operations that benefit all of our stakeholders. Once this is done, we then work with the community to develop programs that target their aspirations and empower them to achieve these aspirations.

In 2017, Indika Energy remained committed to empowering its operational communities and helping them to improve their capacity toward greater prosperity. Indika Energy subsidiaries have undertaken specifically targeted community empowerment activities in their individual operational regions. Among these projects is Petrosea's initiative to develop and empower the community in the area around its Kideco Jaya Agung project in Paser Regency, East Kalimantan. Petrosea has helped the local communityto produce up to 3,000 bottom plugs per month, and is now assisting them to sell their products to include contractors supporting Kideco project.

Since 2014, Indika Energy has collaborated with Indorelawan, a foundation dedicated to connecting social welfare organizations with volunteers. Through Indorelawan's website, www.indorelawan.org, organizations or communities seeking volunteer assistance can reach out to volunteers in line with



their needs. At the same time, volunteers can access information about the types of projects and activities available for assistance to determine if their skill sets, location, and schedules match up. Indorelawan has more than 52,000 volunteers, 500 partners and 1,460 activities registered on their online volunteer management platform.

These programs and others like them can initiate and facilitate the establishment and maintenance of sustainable livelihoods among individuals and communities well into the future.

OUR RESPONSIBILITY TO OUR ENVIRONMENT

Indika Energy is certain that preserving a clean, safe, and healthy environment can go hand in hand with meeting the world's energy needs. From our everyday actions to major capital investments, we are dedicated to making the right decisions for the environment. Our efforts to accomplish this involves continuous efforts to improve our operational processes in order to reduce pollution and waste, conserve natural resources, and minimize any potential negative environmental impacts stemming from our activities and operations. We also strive to look for and adopt effective and reliable mechanisms to improve our internal standards for environmental management.

Kideco in particular not only complies with strict global environmental standards and government regulations but also conducts a thorough analysis prior to mine development in order to mitigate the environmental impact of its mining process. Kideco has also established a comprehensive mine closure plan that covers environmental restoration, the provision of water sources and recreational facilities as part of the reclamation of its post-mining area.

Supporting the implementation of reclamation and revegetation activities, Kideco has established two plant nurseries in the areas of WUP Roto Samurangau and WUP Susubang Uko. These facilities have a total combined area of 2.5 ha and a production capacity of over 800,000 trees/ year. More than 45 plant species have been nurtured there consisting of pioneer plants, insertion plants and other plant groups.

We also collaborate with Yayasan Scorpion Indonesia to preserve the natural environment and protect endangered wildlife species in Indonesia. Thus far, Indika Energy has assisted in facilitating the return of nine poached and trafficked gibbons to their natural habitat in Sumatra.

Similarly, Indika Energy's affiliate company Cirebon Electric Power (CEP), a steam powered electricity plant with a capacity of 660 MW which is also known as PLTU Cirebon, is committed to optimally managing the aspects of its operation that may impact on the environment. PLTU Cirebon is the first large coal fired power plant in Indonesia to implement a closed cycle cooling tower for power plant cooling. This system prevents hot water from being discharged into the sea, where it could affect organisms such as plankton and benthos which are sensitive to hot water.

SUBSEQUENT EVENTS





- **On 25 January 2018,** PT Indika Multi Energi changed its name to PT Tripatra Multi Energi ("TIME") in accordance with Deed No. 44 dated 22 January 2018 which was approved by the Ministry of Law and Human Rights Decree No. AHU-0001792.AH.01.02.Year 2018 dated 25 January 2018.
- **On 17 January 2018,** MUTU signed an Amendment of Work Agreement on Coal Mining Concession with the Government of the Republic of Indonesia.
- **On 20 March 2018,** PT POSB Prasarana Energi changed its name into PT Kariangau Gerbang Terminal Energi, as stated in Deed No.13 dated 20 March 2018 which has been approved by the Ministry of Law and Human Rights.


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Financial Statements

PT. INDIKA ENERGY Tbk AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

AND INDEPENDENT AUDITOR'S REPORT

PT. INDIKA ENERGY Tbk AND ITS SUBSIDIARIES
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PT. INDIKA ENERGY Tbk AND SUBSIDIARIES
DIRECTORS' STATEMENT LETTER RELATING TO THE RESPONSIBILITY ON THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

We, the undersigned:

1.	Name	:	M. Arsjad Rasjid P.M.
	Office address	:	Mitra Building, 3rd 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	:	President Director
2.	Name	:	Azis Armand
	Office address	:	Mitra Building, 3rd Floor, Jl. Jend. Gatot Subroto Kav. 21, Jakarta.
	Domicile as stated in ID Card	:	Jl. Rajasa 1 No. 146 RT/RW: 009/003, Selong, Kebayoran Baru, Jakarta Selatan
	Phone Number	:	+622125579888
	Position	:	Director

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 and its subsidiaries internal control system.

This statement letter is made truthfully.

Jakarta, March 12, 2018

President Director



M. Arsjad Rasjid P.M.

Director,

Azis Armand

Deloitte.

Satrio Bing Eny & Rekan
Registered Public Accountants
License No. 89/KM.1/2017
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Independent Auditor's Report

No. GA118 0174 IE FAN

The Stockholders, Boards of Commissioners and Directors

PT. Indika Energy Tbk

We have audited the accompanying consolidated financial statements of PT. Indika Energy Tbk (the "Company") and its subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2017, and the consolidated statement of profit or loss and other 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 such 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on 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 auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the 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, 2017, and their financial performance and their cash flows for the year then ended in accordance with Indonesian Financial Accounting Standards.

Satrio Bing Eny & Rekan

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Other Matter

Our audits of the accompanying consolidated financial statements of the Company and its subsidiaries as of December 31, 2017 and for the year then 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, 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows, and note on parent entity's investments in subsidiaries for the year then 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 a 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.

SATRIO BING ENY & REKAN

Muhammad Irfan
Public Accountant License No. AP.0565

March 12, 2018

PT. INDIKA ENERGY Tbk AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017 AND 2016

	Notes	December 31, 2017 US$	December 31, 2016 US$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	622,045,354	244,390,164
Current maturities of other financial assets	6	77,534,599	63,683,819
Trade accounts receivable	7		
Related parties	50	17,434,148	7,336,484
Third parties - net of allowance for impairment losses of US$ 1,714,492 as of December 31, 2017 and US$ 1,881,918 as of December 31, 2016		321,165,102	103,078,410
Unbilled receivables	8		
Related party	50	1,469,442	2,002,620
Third parties		1,478,747	1,936,675
Estimated earnings in excess of billings on contracts	9	1,382,704	108,055,739
Current maturities of other accounts receivable	10		
Related parties	50	1,848,445	7,463,133
Third parties - net of allowance for impairment losses of US$ 1,500,000 as of December 31, 2017 and 2016		43,763,914	4,014,091
Inventories - net of allowance for decline in value of US$ 3,456,368 as of December 31, 2017 and US$ 4,663,812 as of December 31, 2016	11	76,426,790	8,912,188
Prepaid taxes	12	47,895,912	59,501,235
Other current assets	13	141,341,164	56,218,637
Sub-total		1,353,786,321	666,593,195
Assets held for sale - net	22	-	843,038
Total Current Assets		1,353,786,321	667,436,233
NONCURRENT ASSETS			
Other non-current financial assets - net of current maturities	6	29,384,720	3,792,371
Other accounts receivable - net of current maturities	10		
Related parties - net of allowance for impairment losses of US$ 2,694,429 as of December 31, 2017 and US$ 1,888,868 as of December 31, 2016	50	24,660,748	24,415,240
Third parties		2,300,429	3,128,454
Claims for tax refund	15	7,899,725	12,024,952
Exploration and evaluation assets - net of impairment losses of US$ 21,338,795 as of December 31, 2017 and December 31, 2016	16	7,309,549	777,142
Mining properties - net of accumulated amortization of US$ 25,855,552 as of December 31, 2017 and US$ 9,444,844 as of December 31, 2016 and allowance for impairment losses of US$ 9,924,444 as of December 31, 2017	17	8,692,249	18,437,706
Stripping activity assets		1,028,675	785,464
Investments in associates	14	109,962,668	260,422,206
Investment in a jointly-controlled entity	18	10,392,783	10,832,519
Advances and other noncurrent assets	20	11,706,709	9,998,898
Property, plant and equipment - net of accumulated depreciation of US$ 956,913,846 as of December 31, 2017 and US$ 499,292,858 as of December 31, 2016 and allowance for impairment losses of US$ 11,848,505 as of December 31, 2017 and US$ 6,411,854 as of December 31, 2016	21	610,613,683	518,071,372
Intangible assets - net of accumulated amortization of US$ 216,455,568 as of December 31, 2017 and US$ 196,449,359 as of December 31, 2016 and allowance for impairment losses of US$ 147,286,863 as of December 31, 2017 and US$ 53,609,980 as of December 31, 2016	23	755,845,199	167,781,402
Goodwill - net of impairment losses of US$ 56,745,431 as of December 31, 2017 and and nil as of December 31, 2016	24	698,614,543	120,235,296
Refundable deposits		3,201,824	3,820,578
Deferred tax assets	44	305,578	373,236
Total Noncurrent Assets		2,281,919,082	1,154,896,836
TOTAL ASSETS		3,635,705,403	1,822,333,069

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 FINANCIAL POSITION
AS OF DECEMBER 31, 2017 AND 2016 (Continued)

	Notes	December 31, 2017	December 31, 2016
		US$	US$
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Bank loans	25	81,344,235	77,863,574
Trade accounts payable	26		
Related party	50	3,947,517	64,246
Third parties		230,667,803	115,780,509
Billings in excess of estimated earnings recognized	9	33,232,839	23,717,338
Other accounts payable			
Related parties	50	1,389,531	1,259,778
Third parties		15,880,090	2,814,314
Taxes payable	27	180,538,611	4,422,484
Accrued expenses	28	63,252,680	38,446,609
Advances from third party customers	52	18,081,671	3,963,455
Dividends payable		192,399	226,772
Current maturities of long-term liabilities			
Long-term loans	29	924,935	21,847,065
Lease liabilities	30	7,168,300	6,859,968
Bonds payable - net	31	22,877,683	15,715,599
Total Current Liabilities		659,498,294	312,981,711
NONCURRENT LIABILITIES			
Long-term liabilities - net of current maturities			
Long-term loans	29	-	18,267,630
Lease liabilities	30	10,763,586	9,759,327
Bonds payable - net	31	1,293,837,983	654,958,556
Other long-term liability - third party		925,614	-
Environmental and reclamation liabilities	32	30,319,192	4,879
Advances from third party customers	52	1,819,065	-
Deferred tax liabilities	44	354,225,711	57,889,627
Contingent consideration obligation	52	127,460,308	-
Employment benefits	33	41,833,330	27,361,771
Total Noncurrent Liabilities		1,861,184,789	768,241,790
Total Liabilities		2,520,683,083	1,081,223,501
EQUITY			
Capital stock - Rp 100 par value per share Authorized - 17,000,000,000 shares Subscribed and paid-up - 5,210,192,000 shares as of December 31, 2017 and 2016	34	56,892,154	56,892,154
Additional paid-in capital	35	253,826,135	253,074,906
Other components of equity	1d	63,573,263	64,424,869
Retained earnings			
Appropriated		5,312,496	5,312,496
Unappropriated		544,954,817	209,537,805
Total equity attributable to owners of the Company		924,558,865	589,242,230
Non-controlling interests	36	190,463,455	151,867,338
Total Equity		1,115,022,320	741,109,568
TOTAL LIABILITIES AND EQUITY		3,635,705,403	1,822,333,069

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 PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED
DECEMBER 31, 2017 AND 2016

	Notes	2017	2016
		US$	US$
REVENUES	37,50	1,098,760,230	775,232,931
COST OF CONTRACTS AND GOODS SOLD	38	(975,843,393)	(686,531,106)
GROSS PROFIT		122,916,837	88,701,825
Equity in net profit of associates and jointly-controlled entity	14,18	136,184,041	59,464,493
Investment income	40,50	8,985,694	5,018,976
Selling, general and administrative expenses	39	(88,794,665)	(98,818,007)
Finance costs	41	(76,896,748)	(60,425,661)
Final tax	43	(15,938,207)	(10,957,129)
Amortization of intangible assets	23	(17,975,420)	(25,989,949)
Impairment of assets	56	(170,394,142)	(30,307,542)
Gain on revaluation	1c	384,213,627	-
Others - net	42	17,815,028	(41,693,989)
PROFIT (LOSS) BEFORE TAX		300,116,045	(115,006,983)
INCOME TAX BENEFIT	44	21,517,112	10,776,257
PROFIT (LOSS) FOR THE YEAR		321,633,157	(104,230,726)
OTHER COMPREHENSIVE INCOME			
Item that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefits obligation	33,36	(1,454,599)	(16,329)
Items that may be reclassified subsequently to profit or loss:			
Translation adjustments		66,527	69,800
Unrealized gain on derivative financial instrument (hedging reserve) of an associate	14	1,468,971	1,610,911
Total other comprehensive income for the year, net of tax		80,899	1,664,382
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		321,714,056	(102,566,344)
PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company	46	335,417,012	(67,594,082)
Non-controlling interests	36	(13,783,855)	(36,636,644)
Total		321,633,157	(104,230,726)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		335,497,911	(65,929,700)
Non-controlling interests		(13,783,855)	(36,636,644)
Total		321,714,056	(102,566,344)
EARNINGS (LOSS) PER SHARE	46		
Basic		0.0644	(0.0130)
Diluted		0.0644	(0.0130)

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 DESEMBER 31, 2017 AND 2016

	Notes	Capital stock US$	Additional paid-in capital US$	Other Components of Equity: Unrealized gain (loss) on derivative financial instrument (hedging reserve) US$	Other capital - employee stock option (Note 45) US$	Cumulative translation adjustments US$	Remeasurement of defined benefits liability in accordance with PSAK 24, Employee Benefits US$	Shares refloat (Note 1d) US$	Other equity US$	Appro US
Balance as of January 1, 2016		56,892,154	250,847,921	(5,817,963)	7,816,296	(616,642)	3,267,660	57,184,360	-	5
Loss for the year		-	-	-	-	-	-	-	-	
Other comprehensive income (loss)										
Actuarial gains on defined benefits obligation	33,36	-	-	-	-	-	(16,329)	-	-	
Share in unrealized loss on derivative financial instrument (hedging reserve) of an associate	14,36	-	-	1,610,911	-	-	-	-	-	
Cumulative translation adjustments	36	-	-	-	-	69,800	-	-	-	
Total comprehensive loss		-	-	1,610,911	-	69,800	(16,329)	-	-	
Other paid-in capital	35	-	2,226,985	-	-	-	-	-	-	
Partial disposal of ownership interest in a subsidiary	1c	-	-	-	-	-	-	-	926,776	
Balance as of December 31, 2016		56,892,154	253,074,906	(4,207,052)	7,816,296	(546,842)	3,251,331	57,184,360	926,776	5
Profit for the year		-	-	-	-	-	-	-	-	
Other comprehensive income (loss)										
Actuarial losses on defined benefits obligation	33,36	-	-	-	-	-	(1,454,599)	-	-	
Share in unrealized gain on derivative financial instrument (hedging reserve) of an associate	14,36	-	-	1,468,971	-	-	-	-	-	
Cumulative translation adjustments	36	-	-	-	-	66,527	-	-	-	
Total comprehensive income		-	-	1,468,971	-	66,527	(1,454,599)	-	-	
Other paid-in capital	35	-	751,229	-	-	-	-	-	-	
Advance for share capital and purchase of shares from non-controlling interests of subsidiary	1c,36	-	-	-	-	-	-	-	(932,505)	
Purchase of shares from associate	1c,36	-	-	-	-	-	-	-	-	
Balance as of December 31, 2017		56,892,154	253,826,135	(2,738,081)	7,816,296	(480,315)	1,796,732	57,184,360	(5,729)	5

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, 2017 AND 2016

	2017	2016
	US$	US$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	1,267,926,890	772,775,192
Cash paid to suppliers	(855,894,335)	(554,332,296)
Cash paid to directors, commissioners and employees	(144,644,675)	(152,746,485)
Payments of royalty to Government	(18,485,577)	-
Cash generated from operations	248,902,303	65,696,411
Receipt of claims for tax refund	34,377,007	49,660,132
Interest received	5,773,443	4,792,205
Finance costs paid	(54,266,311)	(51,601,415)
Income and other taxes paid	(49,061,954)	(24,675,714)
Placement of claims for tax refund	-	(3,849,207)
Net Cash Provided by Operating Activities	185,724,488	40,022,412
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received	143,418,161	84,737,287
Withdrawal of other financial assets	19,543,141	29,170,120
Settlement of other accounts receivable from related parties	16,295,497	13,103,243
Proceeds from advance for share capital from non-controlling interests	-	9,560,532
Proceeds from sale of property and noncurrent assets held for sale	2,126,855	29,104,194
Proceeds from advances and other noncurrent assets	27,203	30,738
Proceeds from sale of investments in subsidiaries	12,476	380,974
Acquisition of subsidiary	(413,048,510)	-
Acquisitions of property, plant and equipment	(65,583,509)	(21,888,508)
Placement of other financial assets	(28,355,897)	(14,032,967)
Increase in other accounts receivable from related parties	(6,780,619)	(8,377,536)
Payment of advances and other noncurrent assets	(380,000)	-
Increase in investment in associates	-	(4,250,000)
Payment for exploration and evaluation assets	-	(777,142)
Acquisition of intangible assets	(84,124)	(98,385)
Net Cash Provided by (Used in) Investing Activities	(332,809,326)	116,662,550
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bond issuance	831,088,700	-
Proceeds from bank loans and long-term loans	130,127,821	300,463,966
Proceeds from sale and leaseback transaction	1,915,000	7,677,643
Payments of bank loans, long-term loans and lease liabilities	(242,792,150)	(480,214,386)
Settlement of bonds payable	(171,427,000)	-
Payment of transaction costs related to bond issuance	(24,519,607)	-
Payment of dividends by subsidiaries to non-controlling interests	-	(150,000)
Net Cash Provided by (Used in) Financing Activities	524,392,764	(172,222,777)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	377,307,926	(15,537,815)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	244,390,164	259,032,201
Effects of changes in foreign exchange rate	347,264	895,778
CASH AND CASH EQUIVALENTS AT END OF YEAR	622,045,354	244,390,164

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 Notarial Deed No. 60 dated April 27, 2017 of Aryanti Artisari, SH M.Kn., notary in Jakarta, related to the reappointment of the members of the Boards of Commissioners and Directors of the Company. The above deed was registered with the Minister of Law and Human Rights and was received pursuant to the Acceptance of Information No. AHU-AH.01.03-0136954 and registered in Legal Entities Administration System of the Minister of Law and Human Rights of the Republic of Indonesia through Company Registration No. AHU-0063257.AH.01.11.Year 2017 dated May 17, 2017.

In accordance with Article 3 of the Company's Articles of Association, the scope of its activities is mainly to engage in trading, construction, mining, transportation and services. The Company started its commercial operations in 2004. As of December 31, 2017 and 2016, the Company and its subsidiaries had total number of employees of 7,150 (including 2,590 non-permanent employees) and 5,540 (including 1,730 non-permanent employees), respectively.

The Company is domiciled in Jakarta, and its head office is located at Mitra Building, 11th Floor, Jl. Jenderal Gatot Subroto Kav. 21, Jakarta.

As of December 31, 2017 and 2016, the Company's management consisted of the following:

		December 31, 2017
President Commissioner	:	Agus Lasmono
Commissioner	:	Richard Bruce Ness
Independent Commissioners	:	Mohammad Chatib Basri
		Boyke Wibowo Mukiyat
President Director	:	M. Arsjad Rasjid P.M
Director	:	Azis Armand
Independent Director	:	Eddy Junaedy Danu

		December 31, 2016
President Commissioner	:	-
Vice President Commissioner	:	Agus Lasmono
Commissioner	:	Richard Bruce Ness
Independent Commissioners		Mohammad Chatib Basri
		Boyke Wibowo Mukiyat
President Director	:	M. Arsjad Rasjid P.M.
Director	:	Azis Armand
Independent Director	:	Eddy Junaedy Danu

The chairman and members of the audit committee as of December 31, 2017 and 2016 are as follows:

	December 31, 2017 and 2016
Chairman	: Boyke Wibowo Mukiyat
Members	: Maringan Purba Sibarani
	Tonyadi Halim

Based on Notarial Deed No. 24, dated January 30, 2017 of Aryanti Artisari, SH., M.Kn., notary in Jakarta, the shareholders of the Company approved the appointment of Mr. Agus Lasmono to serve as President Commissioner of the Company to replace Mr. Wishnu Wardhana who resigned on December 7, 2016. There are no changes in the composisition of the Company's Board of Directors.

As of December 31, 2017 and 2016, the Company's Corporate Secretary is Dian Paramita.

As of December 31, 2017 and 2016, the Company's Head of Internal Audit is Burhan Sutanto.

b. Public Offering of Shares of the Company

On June 2, 2008, the Company obtained the notice of effectivity from the Chairman of the Capital Markets 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, 2017 and 2016, all of the Company's 5,210,192,000 outstanding shares were listed on the Indonesia Stock Exchange.

c. Subsidiaries

The Company has ownership interest, directly or indirectly, in the following subsidiaries:

Name of Entities	Domicile	Nature of Business	Percentage of Ownership December 31, 2017	Percentage of Ownership December 31, 2016	S
PT Indika Inti Corpindo (IIC) and subsidiaries	Jakarta	Investment and general trading	99.99%	99.99%	
PT Citra Indah Prima (CIP) and subsidiaries *)	Jakarta	Investment	99.92%	99.92%	
PT Sindo Resources (SR) *)	Jakarta	Mining	89.93%	89.93%	
PT Melawi Rimba Minerals (MRM) *)	Jakarta	Mining	89.93%	89.93%	
Indika Capital Pte. Ltd. (ICPL) and subsidiary *)	Singapore	Marketing and investment	99.99%	99.99%	
Indika Capital Resources Limited (ICRL) *)	British Virgin Islands	Financing	99.99%	99.99%	
PT Kideco Jaya Agung (KJA) *)	Jakarta	Mining	91.00%	-	
PT Indy Properti Indonesia (IPY)	Jakarta	Development, services and trading	100%	100%	
PT Indika Indonesia Resources (IIR) and subsidiaries	Jakarta	Mining and trading	100%	100%	
PT Mitra Energi Agung (MEA) *)	East Kalimantan	Coal Mining	60%	60%	
Indika Capital Investments Pte. Ltd (ICI) *)	Singapore	Coal and mineral trading and general trading activities	100%	100%	
PT Multi Tambangjaya Utama (MUTU) *)	Central Kalimantan	Coal Mining	85%	85%	
Indika Energy Trading Pte. Ltd. (IETPL) *)	Singapore	Coal and mineral trading and general	60%	60%	
Indika Energy Trading (IET) *)	Jakarta	Trading	64%	60%	
PT Indika Multi Energi (IME) and subsidiary	Jakarta	Trading, development, services, workshop, industrial, transportation, printing and agriculture	100%	100%	
PT Indika Multi Daya Energi (IMDE) *)	Jakarta	Trading, development, services, workshop, industrial, transportation, printing and agriculture	100%	100%	
PT Tripatra Engineers and Constructors (TPEC) and subsidiaries	Jakarta	Provision of consultancy services, construction business and trading	100%	100%	
Tripatra (Singapore) Pte. Ltd (TS) *) and subsidiary	Singapore	Investment	100%	100%	
Tripatra Investment Limited (TRIL) *)	British Virgin Islands	Investment	100%	100%	
PT Tripatra Engineering (TPE)	Jakarta	Consultation services for construction, industry and infrastructure	100%	100%	

Start of Commercial Operations	Total Assets Before Elimination December 31, 2017	December 31, 2016	Name of Entities	Domicile	Nature of Business	Percentage of Ownership December 31, 2017	December 31, 2016	St
	US$	US$	PT Petrosea Tbk (Petrosea) and subsidiaries	Jakarta	Engineering, construction, mining and other services	69.80%	69.80%	
1998	1,382,522,865	269,741,419	PTP Investments Pte. Ltd. (PTPI) *)	Singapore	Investment	69.80%	69.80%	
Dormant	1,290,255	1,295,017	PT POSB Reksabumi Indonesia (PTPRI) *)	South Tangerang	Waste management services	69.73%	69.73%	
Dormant	179	299	PT Petrosea Kalimantan (PTPK) *)	Balikpapan	Trading and contracting services	69.80%	69.80%	Unde
Dormant	-	-	PT POSB Infrastructure Indonesia (PTPII) and subsidiary *)	Balikpapan	Support mining companies services	69.80%	69.80%	
2009	875,852,321	43,187,342	PT Mahakam Industri Perdana (MIP) *)	Jakarta	Trading, mining and other industries	35.77%	35.77%	
2009	41,855,404	41,800,991	PT Karya Bumi Lestari (PTKBL) *)	South Tangerang	Waste management services	69.73%	-	Unde
1982	563,912,758	1,263,351	PT Petrosea Rekayasa dan Konstruksi Indonesia (PTPRKI) *)	South Tangerang	Waste management services	69.73%	-	Unde
2015	1,806,904	337,673,025						
Development stage	257,553,464	154,167	Indika Power Investments Pte. Ltd., (IPI)	Singapore	Investment	100%	100%	
Development stage	111,021	169,519,281	PT Indika Infrastruktur Investindo (III)	Jakarta	Investment	100%	100%	
2015	84,722,577		PT Indika Energy Infrastructure (IEI) and subsidiaries	Jakarta	Trading, development and services	100%	100%	
		45,944,972	PT LPG Distribusi Indonesia (LDI)	Jakarta	Trading, industry, mining and services	100%	100%	
2012	66,329,425	100	PT Indika Logistic & Support Services (ILSS) and subsidiaries *)	Jakarta	Port operation	100%	100%	
2016	82,500,353	3,356,638						
Development stage	4,469,059	490,943	PT Kuala Pelabuhan Indonesia (KPI) *)	Timika, Irian Jaya	Port operation	100%	100%	
Development stage	474,916	295,502	PT Indika Multi Niaga (IMN) *)	Jakarta	Transportation management services, trading and other services	100%	100%	
Dormant	322,018	303,139,418	PT POSB Prasarana Petro Energi (PTPPPE) *)	Jakarta	Transportation management services, trading and other services	92.45%	-	Deve
1989	269,271,056	15,958,238	PT Indika Multi Energi Internasional (IMEI) and subsidiary *)	Jakarta	Trading, development, industrial, agriculture, printing,workshop, transportation and services	100%	100%	Deve
2006	16,914,453	15,339,889	PT Prasarana Energi Indonesia (PEI) and subsidiary *)	Jakarta	Trading, development, industrial, agriculture, printing,workshop, transportation and services	25%	25%	Deve
2007	15,735,000							
1971	28,811,910	34,019,077						

Name of Entities	Domicile	Nature of Business	Percentage of Ownership December 31, 2017	Percentage of Ownership December 31, 2016	S
PT Prasarana Energi Cirebon (PEC) *)	Jakarta	Trading, development, industrial, agriculture, printing,workshop, transportation and services	25%	25%	D
PT Mitrabahtera Segara Sejati Tbk (MBSS) and subsidiaries *)	Jakarta	Sea logistics and transhipment	51%	51%	
PT Mitra Hartono Sejati (MHS) **)	Jakarta	Shipping	25.50%	25.50%	D
PT Mitra Swire CTM (MSC) **)	Jakarta	Shipping	35.68%	35.68%	
Mitra Bahtera Segarasejati Pte. Ltd. (MBS) **)	Singapore	Shipping	51%	51%	D
Mitra Jaya Offshore (MJO) **)	Jakarta	Shipping	26.01%	26.01%	D
PT Mitra Alam Segara Sejati (MASS) **)	Jakarta	Shipping	31%	31%	
PT Tranship Teknik Solusi (TTS) **)	Jakarta	Provision of consulting services	50.49%	-	
Indo Integrated Energy B.V. (IIE BV)	Netherlands	Financing	100%	100%	
Indo Integrated Energy II B.V. (IIE BV II)	Netherlands	Financing	100%	100%	
Indo Energy Finance B.V. (IEF BV) and subsidiary	Netherlands	Financing	100%	100%	
Indo Energy Capital B.V. (IEC BV) *)	Netherlands	Financing	100%	100%	
Indo Energy Finance II B.V. (IEF BV II) and subsidiary	Netherlands	Financing	100%	100%	
Indo Energy Capital II B.V. (IEC BV II) *)	Netherlands	Financing	100%	100%	
Indika Energy Capital Pte. Ltd. (IECPL) and subsidiary	Singapore	Business and management consultancy services	100%	-	
Indika Energy Capital II Pte. Ltd. (IECPL II)	Singapore	Business and management consultancy services	100%	-	
Indika Energy Capital III Pte. Ltd. (IECPL III)	Singapore	Business and management consultancy services	100%	-	

*) Indirect ownership
**) Indirectly acquired through MBSS

tart of Commercial Operations	Total Assets Before Elimination	
	Years 2017 December 31, 2017	December 31, 2016
	US$	US$
Development stage	14,589,334	10,179,628
1994	240,103,440	260,520,607
Development stage	2,099,695	2,551,699
2008	21,931,313	22,904,580
Development stage	303,511	304,119
Development stage	451,727	455,493
2012	14,575,944	14,830,211
2017	225,736	-
1984	4,593,439	4,301,880
2009	4,083,769	4,041,989
2011	5,539,439	178,962,456
2011	1,561,296	174,861,998
2012	519,309,774	518,440,659
2012	514,959,588	515,104,464
2017	825,073,612	-
2017	269,421,489	-
2017	555,647,505	-

a. Establishment of subsidiaries

i. On September 8, 2017, IECPL established a new subsidiary, Indika Energy Capital III Pte. Ltd, a fully owned Singapore based subsidary.

ii. On April 10, 2017, ILSS and Petrosea established PTPPPE, with 75% and 25% ownership interest, respectively. As of the issuance date of the consolidated financial statements, Petrosea and ILSS are still in process of capital deposit.

iii. On March 23, 2017, Petrosea established a new subsidiary, PTKBL, with 99.9% ownership interest and the remaining 0.1% was owned by PTPII.

iv. On March 23, 2017, Petrosea established a new subsidiary, PTPRKI, with 99.9% ownership interest and the remaining 0.1% was owned by PTPII.

v. On March 8, 2017, MBSS established a new subsidiary, TTS, with 99% ownership interest and the remaining 1% was owned by IEI.

vi. In March 2017, the Company established IECPL, a fully owned Singapore based subsidiary. IECPL owns 100% ownership in IECPL II, which was also established in March 2017.

b. Purchase of shares from non-controlling interest of subsidiary

On September 15, 2017, IIR and IETPL, both subsidiaries, entered into Sales and Purchase Agreement (SPA) with PT Mitra Paramarta Prima (MPP) as non-controlling interest, for 300 shares and 900 shares owned by MPP in IET, respectively, which in total represents 40% of ownership in IET.

On the same date, ICI, with 60% ownership in IET, entered into Sales and Purchase Agreement (SPA) with IETPL, related party, for 1,800 shares owned by ICI in IET.

After the signing of the SPA, IETPL and IIR effectively retained 90% and 10% of share ownership in IET, respectively.

Based on the SPA, total purchase price of shares by IIR and IETPL amounted to Rp 1,200,000,000. No gain or loss recognized from the above transaction which was accounted for as an equity transaction.

The difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid amounting to US$ 932,505 was recognized in other components of equity.

c. Purchase of share from associate

On December 6, 2017, the Company and IIC acquired additional 45% ownership interest of KJA. KJA is domiciled in Jakarta and is engaged in exploration, development, mining and marketing of coal, under a Coal Cooperation Agreement covering an area located in East Kalimantan, Indonesia. The Company acquired 40% ownership interest previously owned by Samtan Co. Ltd. ("Samtan") at an acquisition cost of US$ 450,000,000, and additional payment of US$ 160,000,000, plus interest to be accrued at 7% from the completion and closing of the Proposed Samtan Share Purchase until the date of full payment (the "Additional Purchase Price"), which is either payable in the form of cash ("Cash Election") or through the transfer of shares equal to 25% of the fully paid up issued share capital of KJA on a fully diluted basis at the time of such share transfer ("Share Election"). While IIC acquired additional 5% shares previously owned by PT Muji Inti Utama ("MIU") at acquisition cost of US$ 67,500,000.

Prior to control being obtained, the Company has 46% indirect ownership interest in KJA, which is accounted for using the equity method (Note 14). As part of accounting for the business combination, the Company remeasures any previously held interest at fair value and takes this amount into account in the determination of goodwill. The fair value of previously held interest was determined based on the consideration transferred for the purchase of the 45% ownership interest in KJA. Any resultant gain or loss is recognised in profit or loss.

Gain on revaluation from fair value of IIC's previously held ownership interest in KJA is as follows:

	US$
Fair value of the 46% ownership interest previously held	528,997,856
Less: carrying amount of investment in KJA as of November 30, 2017	(144,784,229)
Gain recognized in profit or loss	384,213,627

On the effective date of the acquisition, the Company directly and indirectly owns 91% of KJA's ownership interest.

This acquisition was accounted for using the purchase method based on the fair value of the identifiable net assets of KJA, based on the November 30, 2017 audited financial statements of KJA. The fair value was estimated by applying the income approach, with Multi Period Excess Earning method, and were determined by Kantor Jasa Penilai Publik (KJPP) Stefanus Tonny Hardi & Rekan, an independent appraiser, based on its report dated March 8, 2018.

The following are the measurements for the assumptions and inputs in calculating the fair value:

- Cost of equity : 10.48%
- Coal price benchmark for KJA's coal quality
- Fuel price is referenced to WTI price
- WACC : 8.31%.

As of the acquisition date, intial accounting and determination of fair value of identifiable net assets acquired of KJA is as follows:

	US$
Trade accounts receivable	195,032,822
Current assets	218,730,010
Property, plant and equipment	88,415,078
Intangible assets	701,662,765
Other non-current assets	45,508,382
Deferred tax liability	(327,286,303)
Current liabilities	(294,355,072)
Non-current liabilities	(35,582,972)
Net assets	592,124,710

Goodwill from the acquisition of KJA is determined as follows:

	US$
Cash considerations paid	517,500,000
Fair value of the 46% shares of KJA owned by IIC	528,997,856
Contingent consideration obligation	127,460,308
Non-controlling interest on the fair value of identifiable net assets acquired	53,291,224
Total	1,227,249,388
Less: Fair value of the identifiable net assets acquired	(592,124,710)
Goodwill (Note 24)	635,124,678

Goodwill arose in the business combination because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development, assembled workforce and certain intangible assets. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets

None of the goodwill recognized is expected to be deductible for income tax purposes.

KJA contributed US$ 110,540,872 of net sales and US$ 4,915,100 of profit to the consolidated results in 2017.

Had the business combination been effected at January 1, 2017, the consolidated revenue of the Company and its subsidiaries would have included US$ 1,632,968,800 , and the profit for the year attributable to owners of the Company would have included US$ 15,070,414. The management considers these pro-forma numbers to represent an approximate measure of the combined the Company and its subsidiaries on an annualized basis.

In determining the "pro-forma" revenue and profit of the Company and its subsidiaries had the subsidiary been acquired at the beginning of the current year, the directors have:

- Calculated depreciation of property, plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than carrying amounts recognized in the pre-acquisition financial statements;
- Recalculation of gain on revaluation of the 46% previous ownership in KJA due to different cut off;
- Calculated amortization of intangible assets;
- Calculated tax effect on the amortization of intangible assets and depreciation of property plant and equipment; and
- Calculated borrowing costs on bond payable - Senior Notes VI (Note 31).

The contingent consideration obligation of US$ 127,460,308, was measured at the acquisition-date fair value. Changes that are the result of the acquirer obtaining additional information about facts and circumstances that existed at the acquisition date, and that occur within the measurement period (which may be a maximum of one year from the acquisition date), are recognized as adjustments against the original accounting for the acquisition (and so may affect goodwill).

The fair value of the contingent consideration obligation was computed based on the conditions of the terms ("Options") in the Share Purchase Agreement between the Company and Samtan (Note 52). After the fair value of each Option has been obtained, the probability of occurrence of each Option is applied in order to determine the value of the contingent consideration obligation in its entirety.

The fair value of each Option is estimated mainly by using a discounted cash flow model, which assumed a market interest rate of 5.8%.

The non-controlling interest (9%) 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.

Intangible assets represent identifiable assets and are recognized separately from goodwill, which resulted from the Contract of Work owned by KJA until the first quarter of 2023. Intangible assets are amortized using the straight-line method over the period from the acquisition date until the expiration of the Contract of Work.

A deferred tax liability resulting from the acquisition was measured using KJA's tax rate. The estimated increase in deferred tax liabilities arise primarily from the fair value adjustment for non-deductible intangible assets, which were recognized in accordance with PSAK. This estimate of deferred income tax balance is subject to change based on the Company's final determination of the fair value of assets acquired and liabilities assumed.

Net cash outflow on the acquisition amounted to:

	US$
Net cash outflow of the acquisition	517,500,000
Cash and cash equivalents acquired	(104,451,490)
Net cash out flow	413,048,510

Costs related to the acquisition amounting to US$ 727,845 were recognized as expenses in the 2017 consolidated statements of profit or loss and other comprehensive income.

The Company's ownership in IIC, TPE, TPEC, TS, IEC BV II, IEF BV II, IECPL II, IECPL III and KJA were used as security for the bonds payable on first priority basis (Note 31).

The Company's ownership in IPI was used as collateral in relation to a related party's loan facility (Note 52).

The Company's indirect ownership in CEPR was pledged with PT Bank Mizuho Indonesia (Note 52).

Year 2016

a. Establishment of subsidiaries
   i. On June 14, 2016, Petrosea established a new subsidiary PTPRI, with ownership interest of 99.9% shares and the rest is owned by PTPII.

   ii. On February 11, 2016, IIR and Tenstars Pte. Ltd., a third party, established IETPL where IIR owns 60% ownership interest. IETPL will be engaged in coal and mineral trading, general trading activities.

b. Disposal and liquidation of subsidiaries

   i. On August 1, 2016, IMEI and IEI, both subsidiaries, entered into Sales and Purchase Deed (SPD) with PT Imeco Multi Prasarana (IMP), a related party, for 2,099 shares owned by IMEI and 1 share owned by IEI in PEI, which in total represents 75% of ownership in PEI. After the signing of the SPD, IMEI effectively retained 25% of share ownership in PEI.

   Based on the contractual agreement between IMEI and IMP, IMEI has sufficiently dominant voting interests and the power to appoint and remove the majority of the board of directors and board of commissioners of PEI that has the power to direct and supervise the relevant activities of PEI. For the actions that require Shareholders approval, the voting requirement is 80% meaning that IMEI should also approve the relevant actions. Therefore it was assessed that IMEI has control over PEI, although it legally owns only 25% ownership interest.

The transaction price was Rp 4.6 billion. The difference between the fair value of consideration received and the amount recognized as non-controlling interests was recognized as other equity, with the following details:

	US$
Fair value of consideration received	349,830
Amount recognized as non-controlling interests	(576,946)
Other equity	926,776

PEI owns, indirectly through its subsidiary, PEC, 25% participating interest in a 1 x 1000 MW Coal-fired Power Plant being developed by PT Cirebon Energi Prasarana (CEPR) located in Cirebon (Note 14).

ii. On October 10, 2016, LDI and IEI, subsidiaries, entered into Sales and Purchase Deed with a third party, for 249 shares owned by LDI and 1 share owned by IEI in JGU, which represents 100% of ownership in JGU. Selling price was agreed at Rp 315,694,266. Gain recognized from this transaction amounted to Rp 314,367,262 (equivalent to US$ 23,397) and was recognized in others – net in 2016.

iii. On December 28, 2016, Asia Prosperity Coal B.V., (APC) subsidiary of IIC was dissolved legally. Based on management's assessment, the liquidation was due to the inability of the APC to generate income.

d. Refloating Petrosea's shares owned by the Company to the public

To comply with the Financial Service Authority'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 Company also stated in its letter dated February 9, 2012 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.

The Company recognized the difference between proceeds from refloating Petrosea's shares and carrying amount of investment as other equity with the following details:

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

e. Coal Contract of Work ("CcoW")

MUTU is a CcoW Company in the Province of Central Kalimantan with working area of approximately 24,970 hectares (ha). The CcoW was signed in 1997 with the Government of the Republic of Indonesia.

The following terms and conditions, among others, are set forth in the CcoW:

- MUTU acts as a Government Contractor and is granted the sole right in exploring, mining, purifying and processing, transporting and selling resources found in South, North and East, Province of Barito, Central Kalimantan with total exploration area of 24,970 hectares (Ha).

- Upon completion of the construction of facilities, MUTU's operating period shall be for 30 years commencing on the first mining operation, or such longer period as the Minister of Mines and Energy of the Republic of Indonesia may approve. MUTU commenced its 30-year operating period on May 4, 2009.

- MUTU is entitled to 86.5% of the total coal produced with the remaining 13.5% being the Government's share of production.

- MUTU is responsible to finance its exploration and general survey activities in the mining area and is obliged to pay taxes and/or other penalties to the Government and costs with regard to the mining activities.

- MUTU is entitled to fully control and has sole management on all of the activities mentioned in the agreement, and take full responsibility and bear all risks in accordance with the terms and conditions of the agreement. MUTU is also allowed to employ related or third party registered sub-contractors, to perform various mining activities deemed necessary by MUTU, including the construction of the facilities, as well as provision of technical, managerial and administration services.

On September 18, 2014, MUTU signed a Memorandum of Understanding with the Government of the Republic of Indonesia regarding the amendment to the CcoW, documenting the result of discussion, among others:

- MUTU may maintain an area of 24,970 Hectares (Ha),
- After the expiration of CcoW, the Government may grant Special Mining Operation Permit to MUTU, as much as two periods gradually, each for ten years period,
- MUTU is required to fulfill its obligation on corporate income tax, value added tax, and local taxes in accordance with CcoW,
- The Government is entitled to 13.5% production royalty in cash based on FOB price or the price at MUTU's final loading facility,
- In case the Government needs coal, its shares may be substituted to its equivalent in coal,
- In case MUTU conducted underground mining activities or produced low quality coal, the Government's share may be reconsidered based on new feasibility study submitted by MUTU and approved by the Government,
- Obligation in domestic coal processing,
- Divestment of obligation for foreign capital investment companies,
- Use of local labor, domestic products and services.

MUTU is estimated to have an aggregate of 40.6 million tons of coal reserves and 75.2 million tons of coal resources, based on management estimates. MUTU was not in production when acquired in 2012. However, MUTU resumed its production in July 2016, following an upgrade of certain mining infrastructures. MUTU's total coal production for the year ended December 31, 2017 was 593,994 MT, with accumulated production of approximately 752,749 MT effective from the date it resumed production. In 2017, management of IIR assessed MUTU's assets for impairment (Note 56).

f. 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 5,000 ha, located in the Kutai Timur Regency, East Kalimantan Province. However, exploration activities in MEA's concession areas are currently suspended and MEA operates at minimum presence.

g. Coal Cooperation Agreement

KJA's activities are governed by the provisions of the Coal Cooperation Agreement ("Coal Agreement") No.12/Ji.DU/40/82 which was entered by KJA and PT Tambang Batubara Bukit Asam ("PTBA"), formerly Perusahaan Negara Tambang Batubara, and approved by the Minister of Mines and Energy on September 14, 1982.

Under the terms of the Coal Agreement, KJA acts as the contractor of PTBA responsible for coal mining operations in an area located in East Kalimantan where PTBA has exclusive authority to mine.

KJA commenced its 30-year operating period on March 14, 1993.

Based on Presidential Decree No. 75/1996 dated September 25, 1996, and an amendment to the Coal Agreement between PTBA and KJA on June 27, 1997, all rights and obligations of PTBA under the Coal Agreement were transferred to the Government of the Republic of Indonesia (the "Government of Indonesia" or the "Government") represented by the Minister of Mines and Energy (now Minister of Energy and Mineral Resources - "MoEMR") with effect from July 1, 1997.

Significant financial provisions of the Coal Agreement include:

i. Entitlements under the agreement

Under the terms of the Coal Agreement, KJA is entitled to:

- Maintain its accounting records in United States Dollars ("US$" or "U.S. Dollars"); and
- Take 86.5% of the total coal produced from the final production processes established by KJA and available for sale hereunder in each calendar year, whilst the Government reserves and retains the remaining portion, i.e. 13.5% as its share of the total production hereunder.

ii. Dead rent

Pursuant to the Coal Agreement, KJA shall pay dead rent to the Government in half- yearly installments during the term of the Coal Agreement which is recoverable by KJA as operating costs. Dead rent is to be calculated with reference to the number of hectares included in the Coal Agreement area in accordance with the rates stipulated in the Coal Agreement for each period/stage of operation.

iii. Initial cost

KJA shall pay to the Government the sum of US$ 500,000 within 30 days of signing the Coal Agreement as a contribution to the Government's initial costs. This cost has been charged to pre-operating expenses.

iv. Equipment

KJA shall finance the cost of purchasing materials, supplies, plant and equipment (the "Equipment") and this Equipment shall become the property of the Government when landed at the Indonesian port of import or purchased locally.

v. Corporate income taxes

Corporate income taxes in respect of the annual profits of KJA should be computed in accordance with the prevailing laws and regulations in Indonesia except that during the first full ten years from and after commencement of the operating period the annual corporate tax rate shall only be 35% of the taxable income and during the remainder of the operating period thereafter the corporate tax rate shall only be 45% of the taxable income.

The computation of corporate tax should follow the rules of computation of corporate tax as provided for in Annexure D of the Coal Agreement.

KJA has the right to an investment allowance of 20% of the total investment claimable over four years, i.e. at a rate of 5% a year from the taxable income.

vi. Divestment of foreign interest

KJA shall ensure that its shares owned by foreign investors are offered either for sale or issuance to the Government of Indonesia, Indonesians, or Indonesian companies controlled by Indonesians in each year after commencement of the operating period as set out in the Coal Agreement. By the end of the tenth full calendar year of the operation period, the cumulative amount to be offered for sale should reach the maximum of 51%. As at December 31, 2017, 91% of shares had been acquired by Indonesian shareholders.

vii. Other financial obligations and taxes

The Coal Agreement further provides that KJA shall pay the Government the following taxes and levies:

— Withholding taxes on:

- Dividends, interest and royalties on patent rights paid by KJA at a rate of 10%;

- Remuneration of KJA's employees. Expatriates who are employed or engaged by KJA and who remain in Indonesia for more than 90 days, in the aggregate within any calendar year, shall be liable in Indonesia for personal income tax on remuneration paid to them for services rendered in Indonesia;
- Other payments made by KJA including but not limited to fees for technical services based on the prevailing laws and regulations in Indonesia at a rate of 10%.

— Regional Development Contribution ("IPEDA") and other regional taxes, fees or impositions shall be paid in the form of annual lump sum payments which amount to US$100,000 each year commencing from the commencement of the construction period. The figure of US$100,000 will be adjusted every two years according to the deflator published by the International Bank for Reconstruction and Development ("IBRD").

— Sales Tax on services rendered to KJA is in accordance with prevailing laws and regulations in Indonesia, but at rates not exceeding 5% from the assessable basis.

— Stamp duty on loan agreements with financial institutions, for use in Indonesia, up to a maximum rate of one per thousand (1/1000) of the total amount of the loan mentioned in the loan agreement.

— With the exception of taxes specified in the Coal Agreement, the Government is required to pay and hold KJA harmless from all present and future Indonesian taxes, duties, rentals and royalties.

The second amendment to the Coal Agreement was entered between KJA and the Government of the Republic of Indonesia represented by MoEMR dated November 14, 2017. Significant amended items of the Coal Agreement are as follows:

- Reductions of Coal Agreement area to 47,500 hectares from the current 50,921 hectares;
- KJA may apply for continuation of mining operation for two periods of ten years in the form of a Special Mining Business License;
- The Government shall be entitled to 13.5% of the production in cash from the Free on Board price (FOB) or local price (at sale point) in the end loading point owned by KJA at Tanah Merah Coal Terminal. The payment for the Government share shall be made in accordance with applicable laws and regulation on non-state revenue;
- IPEDA and other local taxes or levies in the form of annual lump sum payment in the amount of Rp47,907,863,561 per year commencing on 2018. The figures of Rp47,907,863,561 will be adjusted every two years based on Indonesia's customer price index published by the World Bank;
- KJA will pay all applicable taxes set forth in Article 11.2 from the Coal Agreement (i.e. corporate income tax, IPEDA, sales tax, stamp duty, import duty and excise, dead rent, royalty on coal) including regional taxes, duties, and non-tax state revenue in accordance with applicable laws and regulations;
- In the case that KJA pays Vehicle Fuel Tax, KJA may compensate the Vehicle Fuel Tax against the Government's share of 13.5% within 60 days after the payment of the Vehicle Fuel Tax by KJA.
- In the case that KJA pays types of taxes, duties and non-tax state revenue under the provisions of the laws and regulations of taxation, duties and non-tax state revenue issued after this Amendment is signed, KJA may compensate taxes, duties and non-tax state revenue on the Government's Share of 13.5% within 60 days after the payment of tax, duties, and non-tax state revenue by KJA.

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

a. Amendments/improvements and interpretation to standards effective in the current year

In the current year, the Group has applied a number of amendments and interpretations to PSAK that are relevant to its operations and effective for accounting period beginning on or after January 1, 2017.

The application of the following amendments and intepretation to standards have not resulted to material impact to disclosures or on the amounts recognized in the current and prior year consolidated financial statements:

- PSAK 1 (amendment): Presentation of Financial Statements about Disclosure Initiative
- ISAK 31: Scope Interpretation of PSAK 13: Investment Property
- ISAK 32: Definition and Hierarchy of Accounting Standards
- PSAK 24 (improvement): Employee Benefits
- PSAK 58 (improvement): Non-current Assets Held for Sale and Discontinued Operations
- PSAK 60 (improvement): Financial Instruments: Disclosures

b. Standards and amenments to standards issued not yet adopted

New standards and amendments to standards effective for periods beginning on or after January 1, 2018, with early application permitted are:

- PSAK 2 (amendment), Statement of Cash Flows about Disclosure Initiative
- PSAK 13 (amendment), Transfers of Investment Property
- PSAK 15 (improvement), Investments in Associates and Joint Ventures
- PSAK 16 (Amendment): Property, Plant and Equipment – Agriculture: Bearer Plants
- PSAK 46 (amendment), Income Tax: Recognition on Deferred Tax Assets for Unrealized Losses
- PSAK 53 (amendment), Classification and Measurement of Share-based Payment Transactions
- PSAK 67 (improvement), Disclosures of Interest in Other Entities
- PSAK 69, Agriculture
- PSAK 111, Wa'd Accounting

Interpretation to standard effective for periods beginning on or after January 1, 2019, with early application permitted is ISAK 33, Foreign Currency Transactions and Advance Consideration.

Standards and amendments to standards effective for periods beginning on or after January 1, 2020, with early application permitted are:

- PSAK 15 (amendment), Investments in Associates and Joint Ventures: Long Term Interest in Associate and Joint Ventures
- PSAK 62 (amendment), Insurance Contract: Applying PSAK 71: Financial Instruments with PSAK 62: Insurance Contracts
- PSAK 71, Financial Instruments
- PSAK 71 (amendment), Financial Instruments: Prepayment Features with Negative Compensation
- PSAK 72, Revenue from Contracts with Customers
- PSAK 73, Leases

As of the issuance date of the consolidated financial statements, the effects of adoption of these standards, amendments and interpretations on the consolidated financial statements is not known nor reasonably estimable by management.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of Compliance

The consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with Indonesian Financial Accounting Standards.

b. Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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 over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including (i) the size of the Company's holding of voting rights relative to the size and dispersion of holding of the other vote holders; (ii) potential voting rights held by the Company, other vote holders or other parties; (iii) rights arising from other contractual arrangements; and (iv) any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expense of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interest. Total comprehensive income of subsidiaries is attributed to the owners of the Company and the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

When necessary, adjustment are made to the financial statements of subsidiaries to bring their accounting policies in line with the Company and its subsidiaries' accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company and its subsidiaries are eliminated in full on consolidation.

Changes in the Company and its subsidiaries' ownership interest in subsidiaries that do not result in the Company and its subsidiaries losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company and its subsidiaries's interest and the non-controlling interest are adjusted to reflect the changes in their relative interest in the subsidiaries. Any difference between the amount by which the non-controlling interest are adjusted and the fair value of the consideration paid or received is recognized 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. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Company and its subsidiaries had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted 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, 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 Company and its subsidiaries 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.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquire (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after the reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase option.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another accounting standard.

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 at fair value, with changes in fair value recognized in profit or loss.

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 Company and its subsidiaries report 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. Business Combination Under Common Control

Business combination of entities under common control that qualifies as a business are accounted for under 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 is presented as Additional Paid-in Capital and is not recycled to profit and loss when control is lost.

The pooling of interest method is applied as if the entities had been combined from the period in which the merging entities were placed under common control.

f. Foreign Currency Transactions and Translation

The individual financial statements of each entity within the Group are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Company and its subsidiaries are presented in United States of America Dollar (U.S. Dollar or US$), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowing relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowing;
- Exchange differences on transaction entered into in order to hedge certain foreign currency risks; and
- Exchange differences on monetary items receivable from or payable to a foreign currency operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Company and its subsidiaries' foreign operations are translated into U.S. Dollar using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

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,
- PT Cirebon Power Services,
- PT Cotrans Asia,
- PT Indy Properti Indonesia,
- PT Mahaka Industri Perdana,
- PT POSB Reksabumi Indonesia,
- PT Petrosea Kalimantan,
- PT Petrosea Rekayasa dan Konstruksi Indonesia, and
- PT Karya Bhumi Lestari.

g. 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).

   viii. The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Significant 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.

h. Financial Assets

All financial assets are recognized and derecognized 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:

- Financial assets at Fair Value Through Profit Or Loss (FVTPL)
- Available-for-Sale (AFS) Financial assets.
- Loans and Receivables

Financial assets at 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 Company and its subsidiaries are 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 recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 49.

Available-for-sale (AFS) Financial assets

AFS financial assets are non-derivative financial assets that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Listed shares and bonds held by the Company and its subsidiaries that are traded in an active market are classified as AFS and are stated at fair value.

Gains and losses arising from changes in fair value are recognized 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 recognized 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 recognized in profit or loss when the Company and its subsidiaries' right to receive the dividends are established.

Loans and receivables

Cash and cash equivalent, other financial assets, 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 amortized cost using the effective interest method less impairment.

Interest is recognized by applying the effective interest 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 amortized 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 amortized 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.

For financial asset carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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 recognized in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized 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 recognized, the previously recognized 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 amortized cost would have been had the impairment not been recognized.

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

On derecognition of financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of financial asset other than its entirety (e.g., when the Company and its subsidiaries retains an option to repurchase part of a transferred asset), the Company and its subsidiaries allocates the previous carrying amount of the financial asset between the part continues to recognize under continuing involvement, and the part they no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

i. 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.

Financial liabilities

Financial liabilities are classified at "amortized cost".

Financial liabilities at amortized cost

Financial liabilities, which include trade and other payables, bonds payable, bank and other borrowings, accrued expenses, dividend payable, and other long-term liabilities are 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 derecognizes financial liabilities when, and only when, the Company and its subsidiaries obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

j. Netting of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company and its subsidiaries has a legally enforceable right to set off the recognized amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

k. 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.

l. Interest in Joint Operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When the Company and its subsidiaries undertake their activities under joint operations, the Company and its subsidiaries as a joint operator recognize in relation to their interest in a joint operation:

- Their assets, including their share of any assets held jointly;
- Their liabilities, including their share of any liabilities incurred jointly;
- Their revenue from the sale of their share of the output arising from the joint operation;
- Their share of the revenue from the sale of the output by the joint operation; and
- Their expenses, including its share of any expenses incurred jointly.

The Company and its subsidiaries account for the assets, liabilities, revenues and expenses relating to their interest in a joint operation in accordance with the PSAKs applicable to the particular assets, liabilities, revenues and expenses.

When the Company and its subsidiaries transact with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Company and its subsidiaries are considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognized in the Company and its subsidiaries' consolidated financial statements only to the extent of other parties' interests in the joint operation.

When the Company and its subsidiaries transaction with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Company and its subsidiaries do not recognize their share of the gains and losses until they resell those assets to a third party.

m. 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, Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Company and its subsidiaries share of the profit or loss and other comprehensive income of the associate. When the Company and its subsidiaries share of losses of an associate exceeds the Company and its subsidiaries' interest in that associate (which includes any long-term interests that, in substance, form part of the Company and its subsidiaries net investment in the associate) the Company and its subsidiaries' discontinues recognizing it's share of further losses. Additional losses are recognized only to the extent that the Company and its subsidiaries' has incurred legal or constructive obligations or made payments on behalf of the associate.

An investmet in an associate is accounted for using the equity method from the date on which the investee becomes an 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, which is included within the carrying amount of the 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, is recognized immediately in profit or loss in the period in which the investment is acquired.

The requirements of PSAK 55, Financial Instruments: Recognition and Measurement, are applied to determine whether it is necessary to recognize any impairment loss with respect to the Company and its subsidiaries' investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with PSAK 48, Impairment of Assets, as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with PSAK 48 to the extent that the recoverable amount the investment subsequently increases.

The Company and its subsidiaries discontinue the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Company and its subsidiaries retains an interest in the former associate and the retained interest is a financial asset, the Company and its subsidiaries measure any retained investment at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with PSAK 55. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Company and its subsidiaries account for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Company and its subsidiaries reclassify the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Company and its subsidiaries continue to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investmet in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Company and its subsidiaries reduce its ownership interest in an associate but the Company and its subsidiaries continue to use the equity method, the Company and its subsidiaries reclassify to profit or loss the proportion of the gain that had previously been recognized in other comprehensive income relating to that reduction in ownership interest (if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities).

When the Company and its subsidiaries transact with an associate of the Company and its subsidiaries, profits and losses resulting from the transactions with the associate are recognized in the Company and its subsidiaries' consolidated financial statements only to the extent of its interest in the associate that are not related to the Company and its subsidiaries.

n. 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.

o. Prepaid Expenses

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

p. Noncurrent Assets Held for Sale

Noncurrent assets (or disposal groups) 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 asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. 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.

When the Company and its subsidiaries are committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Company and its subsidiaries will retain a non-controlling interest in its former subsidiary after the sale.

When the Company and its subsidiaries are committed to a sale plan involving disposal of an investment, or a portion of an investmet, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Company and its subsidiaries discontinues the use of the equity method in relation to the portion that is classified as a held for sale.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less cost to sell.

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, fixtures and other equipment	4 - 10
Motor vehicles	3 - 12
Machinery and equipment	4 - 20
Vessels:	
Speedboat	4
Landed craft tank	8
Tugboat, Barge, Motor vessel and Floating crane	7 - 20
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 profit or loss 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 or where shorter, the term of the relevant lease.

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 and 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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or where shorter, the term of the relevant lease.

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 mining rights, system 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 to 19 years using the straight-line method.

t. Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Company and its subsidiaries' cash-generating units (or group of cash-generating units) expected to benefit from the synergies of the combination. A cash-generating unit 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 profit or loss and other comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Company and its subsidiaries' policy for goodwill arising on the acquisition of an associate is described in Note 3m.

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.

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. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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 3h; 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 capitalized 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.

Capitalized 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 are 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 expenditures incurred by or on behalf of the Company and its subsidiaries are accumulated separately for each area of interest in which economically recoverable resources have been identified. Such expenditures comprise 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 recognized 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 expenditures are incurred on a mining property after the commencement of production, the expenditures are 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 these expenditures are 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 Activity Assets

In open pit mining operations, overburden and other waste materials must be removed to access ore from which minerals can be extracted economically. The process of removing overburden and waste materials is referred to as stripping.

During the development of a mine (or pit), before production commences, stripping costs are capitalized as part of the cost of construction of the mine (or pit) and are subsequently amortized over the life of the mine (or pit) on a units of production basis.

During the production phase the following three criteria must be met in order for stripping costs to qualify for capitalization as a stripping activity asset:

- it must be probable that there will be an economic benefit in a future accounting period because the stripping activity has improved access to the orebody;

- it must be possible to identify the "component" of the ore body for which access has been improved; and
- it must be possible to reliably measure the costs that relate to the stripping activity.

A "component" is a specific section of the orebody that is made more accessible by the stripping activity. It will typically be a subset of the larger orebody that is distinguished by a separate useful economic life.

Production phase stripping can give rise to two benefits: the extraction of ore in the current period and improved access to ore which will be extracted in future periods. When the cost of stripping which has a future benefit is not distinguishable from the cost of producing current inventories, the stripping cost is allocated to each of these activities based on a relevant production measure using a life of component strip ratio. The ratio divides the tonnage of waste mined for the component for the period either by the quantity of ore mined for the component or by the quantity of minerals contained in the ore mined for the component. In some operations, the quantity of ore is a more appropriate basis for allocating costs, particularly where there are significant byproducts. Stripping costs for the component are deferred to the extent that the current period ratio exceeds the life of component ratio. The stripping activity asset is depreciated on a "units of production" basis based on expected production of either ore or contained minerals over the life of the component unless another method is more appropriate.

The life of component ratios are based on the ore reserves of the mine (and for some mines, other mineral resources) and the annual mine plan; they are a function of the mine design and therefore changes to that design will generally result in changes to the ratios. Changes in other technical or economic parameters that impact the ore reserves (and for some mines, other mineral resources) may also have an impact on the life of component ratios even if they do not affect the mine design. Changes to the ratios are accounted for prospectively.

Stripping activity assets are presented separately on the consolidated statements of financial position. Amortization of deferred stripping costs is included in "Amortization" within "Costs of Contracts and Goods Sold".

aa. Provision

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.

bb. 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 sale 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.

cc. Employee Benefits

Defined post-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.

The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected as a separate item under other components of equity and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements)
- Net interest expense or income
- Remeasurement

The Company and its subsidiaries present the first two components of defined benefit costs in profit or loss. Curtailment gains and losses are accounted for as past service costs.

A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

Other long-term benefits

The cost of providing long-term benefits is determined using the Projected Unit Credit Method. Past service cost and actuarial gains or losses are recognized immediately in profit or loss.

The long-term employee benefits obligation recognized in the consolidated statements of financial position represents the present value of the long-term employee benefits obligation.

dd. 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.

ee. Income Tax

The tax currently payable is based on taxable profit to the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

Current tax expense is determined based on the taxable income for the year computed using prevailing tax rates.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary differences arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary differences arises from the initial recognition of goodwill.

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 tax consequences that would follow from the manner in which the Company and its subsidiaries expects, 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.

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, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

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 on either the same taxable entity or different taxable entities when there is an intention to settle its current tax assets and current tax liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

ff. Final Tax

Tax expense on revenues from construction services, vessels and office rental are subject to final tax which is recognized proportionately based on the revenue recognized in the current year. The difference between the final tax paid and current tax expense in profit or loss is recognized as prepaid tax or tax payable. Prepaid final tax is presented separately from final tax payable.

gg. Earnings per Share

Basic earnings per share is computed by dividing profit or loss 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 profit or loss 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.

hh. 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.

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

ii. Estimated Liability for Environmental Management and Reclamation

Restoration, rehabilitation and other environmental costs incurred during the production phase of exploration are expensed as part of production costs.

The Company and its subsidiaries have certain obligations to restore and rehabilitate mining areas following the completion of production. Such obligations are accrued, so that the accrual will be adequate to meet those obligations once the production process is fully completed. Changes in estimated restoration and environmental costs to be incurred are accounted for on a prospective basis over the remaining life of the mine.

The environmental obligations consist of costs associated with mine reclamation during mine operation, mine closure and decommissioning and demobilisation of facilities and other closure activities.

Provision for estimated costs of mine reclamation and mine closure is recorded when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

Provision is measured at the present value of expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised in profit or loss under finance charges. Changes in the estimated timing or amount of the expenditure or discount rate are accounted for as a change in the corresponding capitalised costs. At the time where a reduction in the provision is greater than the undepreciated capitalised cost of the related assets, the capitalised cost is reduced to nil and the remaining adjustment is recognised in profit or loss.

Provision for decommissioning, demobilisation and restoration provides for legal obligations associated with the retirement of a tangible long-lived asset that results from the acquisition, construction or development and/or the normal operation of a long-lived asset. The retirement of a long-lived asset includes its sale, abandonment, recycling or disposal in some other manner, other than temporary removal from service.

For environmental issues that may not involve the retirement of an asset, where the Company is a responsible party and it is determined that a liability exists, and amounts can be quantified, the Company accrues for the estimated liability. In determining whether a liability exists in respect of such environmental issues, the Company applies the criteria for liability recognition under applicable accounting standards.

jj. Sharing of production

As stipulated in the Coal Agreement, the Government of Indonesia is entitled to take 13.5% of KJA"s total coal produced from the final production processes established by KJA. Since 1997, KJA has delivered the Government of Indonesia"s share of production in cash, in accordance with its Joint Sales Contract with the Government of Indonesia which has been made based on Presidential Decree No. 75/1996 dated September 25, 1996.

On September 29, 2017, KJA and the Government of Indonesia signed a new Joint Sales Contract which is effective from October 1, 2017.

KJA recognises the Government"s share as part of sales revenue, and the obligation to make payment to the Government on an accrual basis as royalty expense as part of cost of sales. The amount of the cash payment has been determined by deducting certain expenses from the sales amount.

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 recognized 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 receivables are disclosed in Notes 5, 6, 7, 8, 9 and 50 to the consolidated financial statements.

Allowance for Decline in Value of Inventories

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. The carrying amounts of inventories are diclosed in Note 11 to the consolidated financial statements.

Reserve Estimates

Coal reserves are estimates of the amounts of coal that can be economically and legally extracted from the Company and its subsidiaries's concession area. In order to estimate coal reserves, assumptions are required about a range of geological, technical and economic factors, including quantities, production techniques, stripping ratios, production costs, transport costs, commodity demand, commodity prices, future capital expenditure, mine closure obligation and exchange rates.

Estimating the quantity and/or calorific value of coal reserves requires the size, shape and depth of coal seam or fields to be determined by analyzing geological data such as drilling samples. This process may require complex and difficult geological judgements to interpret the data.

Because the economic assumptions used to estimate reserves change from year to year and because additional geological data is generated during the course of operations, estimates of reserves may change from year to year. Changes in reported reserves may affect the Company and its subsidiaries's consolidated financial results and financial position in a number of ways, including the following:

- Asset carrying amounts may be affected due to changes in the estimated future cash flows;
- Depreciation, depletion and amortization charged to profit or loss may change where such charges are determined based on a unit-of-production method or where the economic useful lives of assets change;
- Provision for mine closure may change where changes in estimated reserves affect expectations about the timing or cost of these activities; and
- The carrying amounts of deferred tax assets/liabilities may change due to changes in estimates of the likelihood of the recoverability of the tax benefits.

Estimated Useful Lives of Property, Plant and Equipment

The useful life of each of the item of the Company and its subsidiaries' property, plant and equipment 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 would affect the recorded depreciation expense and decrease in the carrying amount of property, plant and equipment.

The aggregate carrying amounts of property, plant and equipment is disclosed in Note 21 to the consolidated financial statements.

Impairment of Non-Financial Assets

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.

The carrying amount of non-financial assets, on which impairment analysis are applied, were described in Notes 14, 16, 17, 18, 20, 21 and 23 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. 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. Details of employee benefits obligation are disclosed in Note 33.

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 52.

Fair Value of Acquired Identifiable Assets and Liabilities from Business Acquisition

The fair values of acquired identifiable assets and liabilities in a business combination 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 combination may be affected.

Impairment of Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the management to estimate the future cash flows expected to arise from the cash-generating unit using an appropriate growth rate and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of goodwill are disclosed in Note 24.

Valuation of Financial Instruments

As described in Note 49, 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.

Provision for Mine Rehabilitation, Mine Closure and Decommissioning

The Company and its subsidiaries' accounting policy for the recognition of closure, rehabilitation and decommissioning provisions requires significant estimates and assumptions such as: requirements of the relevant legal and regulatory framework; the magnitude of possible land disturbance and the timing, extent and costs of required closure and rehabilitation activity. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time

Land Rights

In May 2017, the Ministry of Finance issued a Ministerial Decree No.376/KMK.06/2017 ("MoF Decree No.376/KMK.06/2017"). Pursuant to MoF Decree No. 376/KMK.06/2017, the first Generation CCoW contractors are requested to convert the holder of the land owned or controlled by the contractor to the Government of Indonesia. This shall include the land inventory of (i) certified land, (ii) non-certified land based on proven ownership and (iii) non-certified land without any proven ownership. Management believes that the issuance of MoF Decree No. 376/KMK.06/2017 is to regulate land owned or controlled by the contractors which is located outside the Coal Agreement area. Furthermore, management is of the opinion that land inside the Coal Agreement area belongs to the Government of Indonesia in accordance with the Coal Agreement.

As such, management believes that the provisions of MoF Decree No.376/KMK.06/2017 will not have a material impact on the Company and its subsidiaries' financial position, financial performance and cash flows.

5. CASH AND CASH EQUIVALENTS

	December 31, 2017	December 31, 2016
	US$	US$
Cash on hand		
Rupiah	888,722	154,173
U.S. Dollar	868,743	44,267
Singapore Dollar	748	691
Cash in banks - third parties		
Rupiah		
PT Bank Mandiri (Persero) Tbk	25,316,962	24,513,017
Standard Chatered Bank, Jakarta Branch	17,137,892	295,542
Citibank, N.A	4,799,260	10,064,954
The Hongkong and Shanghai Banking Corporation Limited	2,448,642	2,015,511
PT Bank Woori Saudara Indonesia 1906 Tbk	1,144,024	-
PT Bank Negara Indonesia (Persero) Tbk	866,419	6,003,641
PT Bank Artha Graha International Tbk	636,410	551,631
PT Bank Permata Tbk	390,217	363,552
PT Bank Rakyat Indonesia (Persero) Tbk	328,756	421,567
PT Bank CIMB Niaga Tbk	62,419	186,498
PT Bank Bukopin Tbk	40,222	-
PT Bank Central Asia Tbk	16,387	33,584
PT Bank ANZ Indonesia	9,763	342,082
PT Bank KEB Hana Indonesia	2,361	-
PT Bank Pembangunan Daerah Khusus Ibukota Jakarta (Bank DKI)	317	403,804
PT Bank Pembangunan Daerah Jawa Barat dan Banten, Bandung Branch	208	219
PT Bank Maybank Indonesia Tbk	73	175,663
Bank Papua	-	2,293
U.S. Dollar		
PT Bank Mandiri (Persero) Tbk	99,291,382	53,656,624
UBS AG	33,770,314	3,228,290
Citibank, N.A.	25,175,380	42,275,901
PT Bank KEB Hana Indonesia	13,746,169	-
Citibank, Singapore	10,614,339	-
Bank Oversea - Chinese Banking Corporation Limited	9,716,750	5,380,728
The Hongkong and Shanghai Banking Corporation Limited	7,144,926	914,400
PT Bank Woori Saudara Indonesia 1906 Tbk	6,067,762	-
PT Bank CIMB Niaga Tbk	5,070,629	234,477
Standard Chartered Bank, Jakarta Branch	4,199,513	11,133,922
DBS Bank Ltd.	1,636,077	1,381,425
PT Bank Negara Indonesia (Persero) Tbk	1,475,356	1,478,962
PT Bank Artha Graha International Tbk	1,216,406	2,723,298
ING Bank, N.V.	1,187,459	1,306,969
PT Bank Permata Tbk	282,226	564,576
PT Bank ANZ Indonesia	179,467	5,540,127
PT Bank Rakyat Indonesia (Persero) Tbk	123,253	-
PT Bank Shinhan Indonesia	90,335	-
PT Bank Maybank Indonesia Tbk	950	102,604
PT Bank Central Asia Tbk	179	1,068
Lembaga Pembiayaan Ekspor Indonesia - Indonesia Eximbank	-	248,704
Forward	275,947,417	175,744,764

	December 31, 2017	December 31, 2016
	US$	US$
Forward	275,947,417	175,744,764
Singapore Dollar		
DBS Bank Ltd.	939,433	886,775
Bank Oversea - Chinese Banking Corporation Limited	503,475	1,084,879
UBS AG	72,930	67,479
PT Bank Maybank Indonesia Tbk	-	6,141
Australian Dollar		
The Hongkong and Shanghai Banking Corporation Limited	25,702	24,195
Euro		
PT Bank Negara Indonesia (Persero) Tbk	7,993,537	1,901,900
PT Bank Mandiri (Persero) Tbk	130,525	1,355,204
Citibank , N.A	9,779	75,825
The Hongkong and Shanghai Banking Corporation Limited	7,426	6,571
ING Bank, N.V.	4,187	8,346
PT Bank Maybank Indonesia Tbk	-	33,373
JPY		
PT Bank Negara Indonesia (Persero) Tbk	1,935	717
Call deposit - U.S. Dollar		
UBS AG	1,049,932	1,032,022
Time deposits - Third Parties		
Rupiah		
The Hongkong and Shanghai Banking Corporation Limited	14,467,080	-
PT Bank Negara Indonesia (Persero) Tbk	5,738,212	3,125,930
PT Bank Mandiri (Persero) Tbk	5,452,689	533,696
PT Bank Artha Graha International Tbk	2,836,848	415,269
PT Bank Rakyat Indonesia (Persero) Tbk	1,845,291	7,814,826
PT BPR Bina Dana Cakrawala	1,137,993	1,076,518
Standard Chartered Bank, Jakarta Branch	808,932	790,386
PT Bank Permata Tbk	372,749	520,988
PT Bank ANZ Indonesia	28,872	28,244
PT Bank CIMB Niaga Tbk	2,967	2,992
U.S. Dollar		
UBS AG	96,766,230	2,994,491
PT Bank Woori Saudara Indonesia 1906 Tbk	40,000,000	-
PT Bank Negara Indonesia (Persero) Tbk	31,793,668	8,001,896
PT Bank Mandiri (Persero) Tbk Singapore	30,000,000	-
PT Bank KEB Hana Indonesia	30,000,000	-
The Hongkong and Shanghai Banking Corporation Limited	25,000,000	-
PT Bank Artha Graha International Tbk	17,058,672	8,544,468
PT Bank Rakyat Indonesia (Persero) Tbk	12,120,333	8,762,269
PT Bank Shinhan Indonesia	10,000,000	-
PT Bank Permata Tbk	8,428,540	14,550,000
PT Bank ANZ Indonesia	1,500,000	-
PT Bank Mandiri (Persero) Tbk	-	5,000,000
Total	622,045,354	244,390,164
Interest rates per annum on time deposits		
Rupiah	3.60% - 6.40%	2.00% - 8.00%
U.S. Dollar	0.20% - 2.30%	0.25% - 1.25%
Interest rate on call deposit U.S. Dollar	1%	0.43%

6. OTHER FINANCIAL ASSETS

	December 31, 2017	December 31, 2016
	US$	US$
Guarantee deposits for bank loans		
Time deposits - third parties		
U.S. Dollar		
DBS Bank Ltd.	13,800,153	13,660,828
PT Bank Mandiri (Persero) Tbk	2,150,000	2,150,000
Restricted cash in banks - third parties		
Rupiah		
PT Bank Mandiri (Persero) Tbk	1,206,968	802,944
PT Bank Negara Indonesia (Persero) Tbk (Note 52)	161,141	151,717
PT Bank Rakyat Indonesia (Persero) Tbk (Note 52)	3,536,114	-
U.S. Dollar		
PT Bank Mandiri (Persero) Tbk	11,208	11,208
Standard Chartered Bank	-	1,896,185
PT Bank ANZ Indonesia	-	1,896,186
PT Bank Woori Saudara Indonesia 1906 Tbk	10,000,000	-
Citibank, N.A. (Note 52)	200,000	-
PT Bank Negara Indonesia (Persero) Tbk (Note 52)	18,426	-
PT Bank Rakyat Indonesia (Persero) Tbk (Note 52)	15,619,502	-
Deposit for bank guarantee		
Time deposits - third parties		
U.S. Dollar		
PT Bank ANZ Indonesia	2,112,946	1,374,829
Held-for-trading investments at fair value through profit or loss		
Investments in portfolio - third parties		
UBS AG	40,805,472	40,368,967
PT Majoris Asset Management (MAM)	17,297,389	5,163,326
Total	106,919,319	67,476,190
Less current maturities	77,534,599	63,683,819
Other non-current financial assets (Note 52)	29,384,720	3,792,371
Interest rates per annum		
Time deposits		
U.S. Dollar	0.10% - 1.20%	0.10% - 0.50%

Guarantee deposits for bank loans

Time deposits in DBS Bank Ltd. (DBS) were used as collateral for the short-term loan facilities granted by DBS to IIC (Note 52). 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 25 and 52).

Held-for-trading investments at fair value

UBS AG

Investments in portfolio (alternative investments) at UBS AG represent the investments owned by ICRL. Unrealized and realized gain on fair value of investment in portfolio amounted to US$ 436,505 and US$ 937,115 in 2017 and 2016, respectively (Note 40).

MAM

ICPL, TS and KPI, placed several investments in MAM as fund manager for the amount of US$ 8,500,000, US$ 5,000,000 and US$ 3,263,900 respectively. Custodian bank for ICPL and TS' investments are DBS, while for KPI's are PT Bank Mandiri Tbk and PT Bank DBS Indonesia.

As of December 31, 2017 and 2016, the net assets value of the other financial assets with MAM are as follow:

	December 31, 2017	December 31, 2016
	US$	US$
ICPL	8,663,001	-
TS	5,197,347	1,978,375
KPI	3,437,041	3,184,951
Total	17,297,389	5,163,326

Unrealized gain of US$ 634,063 in 2017 and unrealized loss of US$ 100,574 in 2016 were recognized on the fair value from these investments (Note 40).

UBS AG and MAM were appointed to manage the Company and its subsidiaries' funds – to balance the portofolio within the designated guidelines by buying and selling debt and equity instruments. The fair value measurement is presented in Note 49.

7. TRADE ACCOUNTS RECEIVABLE

	December 31, 2017	December 31, 2016
	US$	US$
a. By Debtors:		
Related Parties (Note 50)	17,434,148	7,336,484
Third Parties		
PT Binuang Mitra Bersama Blok Dua	18,275,281	13,459,521
PT Freeport Indonesia	17,271,714	20,093,254
BUT. Eni Muara Bakau B.V.	17,194,667	19,461,502
BP Berau Ltd.	16,980,180	3,409,896
PT. Indonesia Pratama	16,600,737	4,981,278
PT. Maruwai Coal	6,156,908	-
Others (each below US$ 5 million)	32,945,420	33,094,361
Sale of coal		
Foreign customers	120,148,702	10,460,516
Domestic customers	77,305,987	-
Total	322,879,594	104,960,328
Allowance for impairment losses	(1,714,492)	(1,881,918)
Net	321,165,102	103,078,410
Total	338,599,250	110,414,894

	December 31, 2017	December 31, 2016
	US$	US$
b. By age category:		
Current	233,726,790	94,200,847
Overdue		
1 - 30 days	33,878,302	5,550,936
31 - 90 days	65,485,024	5,353,306
91 - 180 days	3,815,066	3,647,883
> 181 days	3,408,560	3,543,840
Total	340,313,742	112,296,812
Allowance for impairment losses	(1,714,492)	(1,881,918)
Net	338,599,250	110,414,894
c. Overdue but not impaired		
Overdue		
1-30 days	33,878,302	5,550,936
31-90 days	65,485,024	5,353,306
91-180 days	3,815,066	3,647,883
> 181 days	1,694,068	1,661,922
Total	104,872,460	16,214,047
d. Based on currency		
U.S. Dollar	171,218,992	72,157,165
Rupiah	169,083,081	40,052,401
Singapore Dollar	11,669	87,246
Total	340,313,742	112,296,812
Allowance for impairment losses	(1,714,492)	(1,881,918)
Net	338,599,250	110,414,894
Movements of allowance for impairment losses:		
Beginning balance	1,881,918	2,300,054
Impairment losses recognized on receivables (Note 42)	867,499	393,118
Amounts written-off during the years as uncollectible	(1,034,925)	(170,610)
Impairment losses reversed	-	(640,644)
Ending balance	1,714,492	1,881,918

Details of written off trade accounts receivable during the year:

	December 31, 2017	December 31, 2016
	US$	US$
PT. Alfa Trans Raya	189,031	-
PT. Jorong Barutama Greston	174,240	-
PT. Singlurus Pratama	160,700	-
PT. Bahari Cakrawala Sebuku	135,728	-
Clough ZFP, PTY. LTD	-	146,470
Others (each below US$ 100 thousand)	375,226	24,140
Total	1,034,925	170,610

Trade accounts receivable disclosed above include amounts of retention receivables which were recorded by TPEC as of December 31, 2017 and 2016, with total amount of US$ 17,755,000 and US$ 13,132,680, respectively.

Trade accounts receivable of TPEC as of December 31, 2017 with a total amount of US$ 32,756,370 and trade accounts receivable of TPEC and MBSS as of December 31, 2016 with a total amount of US$ 34,940,188, respectively, were used as collateral for bank loans, long-term loans and credit facilities (Notes 25, 29 and 52).

The average credit period on sale of goods and services is 60 days. No interest is charged on trade accounts receivable.

Allowance for impairment losses on trade accounts receivable is 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. Allowance for impairment losses at reporting date consists of individually impaired receivables which management assessed to be no longer collectible.

Management believes that the allowance for impairment losses on trade accounts receivable from third parties is adequate. No allowance for impairment losses was provided on receivables from related parties during 2017 and 2016 because management believes that all such receivables are collectible.

There are no trade accounts receivable sold with and without recourse during 2017 and 2016.

8. UNBILLED RECEIVABLES

	December 31, 2017	December 31, 2016
	US$	US$
Related party (Note 50)	1,469,442	2,002,620
Third parties		
JOB Pertamina Medco Tomori Sulawesi	1,284,952	-
Strong Crown Trading Limited	-	1,634,430
Others (each below US$ 100 thousand)	193,795	302,245
Sub-total	1,478,747	1,936,675
Total	2,948,189	3,939,295

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 (Note 52).

Following are the details of construction costs and billed invoices related to those contracts:

	December 31, 2017	December 31, 2016
	US$	US$
Accumulated construction costs	1,542,943,585	1,329,910,169
Accumulated recognized profit	144,686,256	107,787,573
Accumulated recognized revenue	1,687,629,841	1,437,697,742
Less:		
Progress billings	(1,719,479,976)	(1,353,359,341)
Net	(31,850,135)	84,338,401
The above consists of:		
Estimated earnings in excess of billings on contracts	1,382,704	108,055,739
Billings in excess of estimated earnings recognized	(33,232,839)	(23,717,338)
Net	(31,850,135)	84,338,401

10. OTHER ACCOUNTS RECEIVABLE

	December 31, 2017	December 31, 2016
	US$	US$
Related parties (Note 50)	26,509,193	31,878,373
Third parties		
PT Bank Negara Indonesia (Persero) Tbk, Singapore branch	23,616,802	-
Istar Resources Co., Ltd.	7,814,415	-
AXIA Power Holdings B.V.	4,791,993	-
Others (each below US$ 5 million)	11,341,133	8,642,545
Total	47,564,343	8,642,545
Less allowance for impairment losses	(1,500,000)	(1,500,000)
Total third parties	46,064,343	7,142,545
Less current maturities	43,763,914	4,014,091
Other accounts receivable - net of current maturities	2,300,429	3,128,454

AXIA Power Holding B.V. ("Axia")

Other accounts receivable from Axia represents the estimated CEPR project cost which can be reimbursed by PEC from Axia.

11. INVENTORIES

	December 31, 2017	December 31, 2016
	US$	US$
Coal	56,312,446	1,085,769
Spare parts and supplies	20,021,745	10,582,384
Diesel and fuels	2,140,425	1,568,559
Goods in transit	1,203,928	-
Lubricants and blasting materials	204,614	339,288
Total	79,883,158	13,576,000
Allowance for decline in value	(3,456,368)	(4,663,812)
Net	76,426,790	8,912,188
Changes in the allowance for decline in value are as follows:		
Beginning balance	4,663,812	1,224,180
Additions due to acquisition of KJA (Note 1c)	1,690,691	-
Additions (Note 42)	267,052	3,439,632
Reversal	(576,319)	-
Write-off	(2,588,868)	-
Ending balance	3,456,368	4,663,812

Management believes that the allowance for decline in value of inventories is adequate.

As of December 31, 2017 and 2016, inventories of Petrosea amounting to US$ 7,283,358 and US$ 4,974,151, respectively, were insured through a consortium led by PT Asuransi Cakrawala against all risks for US$ 9,053,632 and US$ 6,120,592, respectively. Management believes that the insurance coverage is adequate to cover possible losses on the inventories insured.

As of December 31, 2017, supplies inventories, except for coal and fuel inventories of KJA, have been adequately insured against all risks with the total coverage of US$ 5,196,655.

In 2017 and 2016, the decline in the value of inventories was recognized as deduction to the cost of inventories and charged to profit or loss.

As of December 31, 2017 and 2016, inventories recognized in expenses and was recorded as cost of contracts and goods sold amounted to US$ 240,155,604 and US$ 58,230,192, respectively.

12. PREPAID TAXES

	December 31, 2017	December 31, 2016
	US$	US$
Excess payment of corporate income tax (Note 44)		
The Company		
2017	427,929	-
2016	-	143,624
Subsidiaries		
2017	2,816,427	-
2016	-	2,856,516
Income tax Articles 4(2), 15, 22 and 23		
Subsidiaries	329,470	133,189
Value-Added Tax (VAT) - net		
TPEC	25,539,047	30,140,674
MUTU	5,355,143	1,716,982
Petrosea	9,736,735	3,672,996
Others	1,410,164	1,535,922
Claims for VAT refund		
2015	-	17,020,335
2014	2,280,997	2,280,997
Total	47,895,912	59,501,235

TPEC

In 2017, TPEC received refund related to restitution for VAT for the period from April - December 2015 amounting to Rp 226,374,151,220 (equivalent to US$ 16,902,423). The difference between the tax refund and the recorded prepaid tax was recorded as expense in profit or loss in 2017.

In 2017, TPEC received refund related to restitution for VAT January - June 2016 amounting to Rp 112,765,575,599 (equivalent to US$ 8,462,707).

On May 4, 2016, TPEC filed an appeal against the tax assessment letter for fiscal year 2014 amounting Rp 26,160,804,566 (equivalent to US$ 2,280,997). As of the issuance date of the consolidated financial statements, the examination of tax restitution is in progress.

13. OTHER CURRENT ASSETS

	December 31, 2017	December 31, 2016
	US$	US$
Prepaid expenses		
Insurance	3,017,508	2,603,696
Rent	222,234	473,943
Others	2,875,066	1,723,819
Advances		
Purchase of coal	67,762,349	45,612,595
Purchase of fuel	53,394,384	-
Advance royalty payments	8,385,829	-
Projects	2,522,000	3,377,241
Vessel maintenance	255,331	1,006,477
Others (each below US$ 1 million)	2,906,463	1,420,866
Total	141,341,164	56,218,637

Advance for purchase of fuel and royalties to the Government are advance payments made by KJA.

Advances for the purchase of coal represent advance payments made by ICI and IETPL.

In 2017, advances for projects represent advance payments to subcontractors for projects by Petrosea, while in 2016 these advances are related to projects of TPEC and Petrosea.

Based on the letter fom Directorate General of Taxation (DGT) dated August 11, 2016, which informed the follow-up actions from the meeting result between Minstry of Finance, MOEMR, Financial and Development Supervisory Board (BPKP) and Audit Board of Republic of Indonesia, the Government has agreed that the Vehicle Fuel Tax ("PBBKB") can be offset against royalty. Outstanding PBBKB receivables as of December 31, 2017 amounted to US$ 2,617,427, and was presented as part of other accounts receivable from third parties (Note 10).

14. INVESTMENTS IN ASSOCIATES

Name of associates	Principal activity	Domicile	Percentage of ownership interest and voting power held by the Company and its subsidiaries		Carrying amount	
			December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
			%	%	US$	US$
PT Cirebon Electric Power (CEP)	Coal-fired power plant	Cirebon - West Java	20%	20%	66,335,611	58,240,322
PT Sea Bridge Shipping (SBS)	Domestic goods shipment	Jakarta	46%	46%	28,960,291	25,452,827
PT Cotrans Asia (CTA)	Coal transportation and transhipment service	East Kalimantan	45%	45%	7,121,076	7,308,472
PT Cirebon Energi Prasarana (CEPR)	Coal-fired power plant	Cirebon - West Java	6.25%	6.25%	7,117,223	5,101,123
PT Cirebon Power Services (CPS)	Operations and maintenance of electrical equipment and facilities	Cirebon - West Java	20%	20%	428,468	375,589
PT Kideco Jaya Agung (KJA) *)	Exploration, development, mining and marketing of coal	Jakarta	-	46%	-	163,943,873
PT Intan Resources Indonesia (IRI)	Coal trading and mining consultancy	Jakarta	43.3%	43.3%	-	-
Total					109,962,668	260,422,206

*) Prior to recognition of KJA as subsidiary

Changes in investments in associates are as follows:

	December 31, 2017	December 31, 2016
	US$	US$
Carrying amount at beginning of year	260,422,206	277,545,435
Additional investment	-	4,250,000
Changes of investment (Note 1c)	(144,784,229)	-
Equity in net profit of associates net of amortization	136,657,064	61,672,566
Dividends	(143,418,161)	(84,737,287)
Share in other comprehensive income of associates:		
Un atas instrumen keuangan derivatif instrument (hedging reserve)	1,468,971	1,610,911
Translation adjustment	(383,183)	80,581
Carrying amount at end of year	109,962,668	260,422,206

Summarized financial information in respect of the Company and its subsidiaries' material associates is set out below. The summarized financial information below represent amounts shown in the associate's financial statements prepared in accordance with Indonesian Financial Accounting Standards.

	December 31, 2017			December 31, 2016		
	CEP	SBS	KJA	CEP	SBS	KJA
	US$	US$	US$	US$	US$	US$
Current assets	188,837,421	14,667,676	-	143,971,796	13,906,321	273,889,132
Non-current assets	652,225,419	56,210,040	-	710,693,658	61,890,716	171,421,549
Current liabilities	127,758,646	7,821,457	-	96,285,690	20,395,127	145,990,300
Non-current liabilities	381,633,186	99,098	-	467,178,153	69,672	53,676,426

	2017			2016		
	CEP	SBS	KJA *)	CEP	SBS	KJA
	US$	US$	US$	US$	US$	US$
Revenue	245,675,891	24,913,497	1,522,427,928	229,635,395	24,678,239	1,247,820,977
Profit before tax	46,912,725	9,503,844	491,938,499	47,365,782	10,837,083	156,692,621
Profit for the year	34,905,410	7,632,179	272,187,840	99,163,222	8,814,007	88,614,974
Total comprehensive income for the year	42,236,632	7,624,923	272,187,840	107,200,978	8,813,009	88,614,974
Dividends declared during the year	1,767,235	-	300,000,000	3,887,308	-	166,183,909

*) Prior to recognition of KJA as subsidiary

Reconciliation of the above summarized financial information to the carrying amount of the interest in CEP, SBS, and CA at 2017 and CEP, SBS, CA and KJA at 2016 measured using the equity method recognized in the consolidated financial statements:

	December 31, 2017			December 31, 2016			
	CEP	SBS	CA	CEP	SBS	CA	KJA
	US$	US$	US$	US$	US$	US$	
Net assets of the associate	331,671,008	62,957,155	13,866,135	291,201,611	55,332,232	14,341,067	245,643,955
Percentage of the Group's ownership interest	20%	46%	45%	20%	46%	45%	46%
Equity attributable to the Group	66,334,202	28,960,291	6,239,761	58,240,322	25,452,827	6,453,480	112,996,219
Unamortized excess of the cost of acquisition over IIC's share of the net fair value of identifiable assets and liabilities of KJA at acquisition date	-	-	-	-	-	-	50,947,654
Adjustments	1,409	-	881,315	-	-	854,992	-
Carrying amount of the Group's interest	66,335,611	28,960,291	7,121,076	58,240,322	25,452,827	7,308,472	163,943,873

Aggregate information of associates that are not individually material:

	2017	2016
	US$	US$
The Company and its subsidiaries' share in profit of associates	9,412,303	5,263,995
The Company and its subsidiaries' share in other comprehensive income of associates	(38,896)	2,365
The Company and its subsidiaries' share in total comprehensive income of associates	9,373,407	5,266,360
Aggregate carrying amount of the Company and its subsidiaries' interest in these associates	14,666,767	12,785,156

Summarized financial information in respect of the Company and its subsidiaries' associates that are not individually material is set out below.

	December 31, 2017	December 31, 2016
	US$	US$
Current assets	111,703,835	36,087,646
Non-current assets	348,029,628	23,405,882
Current liabilities	117,125,845	20,525,228
Non-current liabilities	297,695,492	1,490,950

	2017	2016
	US$	US$
Revenue	284,801,729	87,565,563
Profit before tax	19,651,496	10,996,049
Profit for the year	19,394,772	10,727,633
Total comprehensive income for the year	288,676	332,140
Dividends declared by associates that are not individually material during the year	-	-

PT Cirebon Electric Power

The Company's indirect ownership in CEP was used as collateral to a related party's loan facility (Note 50).

In 2017, IPI and III received cash dividends of US$ 265,085 and US$ 88,362, respectively, from CEP.

PT Sea Bridge Shipping

In October 2008, TPEC established SBS, a company engaged in domestic goods shipment. TPEC has 46% ownership interest. SBS is domiciled in East Kalimantan and started its commercial operations in 2008.

PT Cirebon Energi Prasarana

CEPR was established in line with the Coal-fired Power Plant development project at the capacity of 1 x 1000 MW located at Cirebon, West Java ("Project").

Based on CEPR's shareholder resolutions in April and August 2016, it was resolved among others to increase the issued and paid-up capital of CEPR by Rp 73,158 million (equivalent to US$ 6 million) and Rp 139,244 million (equivalent to US$ 11 million), respectively. In line with the resolutions, an increase of US$ 4,250,000 investment was recognized.

The Company's indirect ownership in CEPR was pledged with PT Bank Mizuho Indonesia (Note 52).

PT Cirebon Power Services

The Company's indirect ownership in CPS was used as collateral to a related party's loan facility.

PT Cotrans Asia

In June 2007, TPEC acquired 1,800 shares or 45% ownership in CTA, a company engaged in coal transportation and transshipment service. CTA is domiciled in East Kalimantan and started its commercial operations in 2004.

CTA's financial information was translated using the December 31, 2017 and December 31, 2016 Rupiah conversion rate to US Dollar.

Based on CTA's annual general meeting of shareholders dated April 6, 2017, it was resolved, among others, to distribute dividends of Rp 150 billion to its shareholders from its 2016 financial results. Schedule of dividend payment is Rp 105 billion in April 2017 and the remaining Rp 45 billion in October 2017.

PT Kideco Jaya Agung

Share in the profit of KJA includes the amortization of intangible assets resulting from the acquisition of IIC's interest in KJA. The amortization expense incurred prior to recognizing KJA as subsidiary amounted to US$ 6,365,983.

Based on the Resolution of Extraordinary General Meeting of Shareholders of KJA dated October 18, 2017, IIC received dividends of US$ 114,999,840, where US$ 68,999,904 was received in October 2017 and the remaining in November 2017.

Based on KJA's annual general meeting of shareholders dated April 6, 2017, it was resolved, among others, to distribute final dividends of US$ 85 million to its shareholders from its 2016 financial results, including US$ 35 million interim dividends which was paid in November 2016. The remaining US$ 50 million was paid in April and July 2017, each at US$ 25 million.

IIC's investment in KJA was used as collateral on a first priority basis for bonds payable (Note 31).

On December 6, 2017, the Company and IIC acquired additional 45% ownership interest in KJA which resulted to KJA being accounted for as a subsidiary (Note 1c).

PT Intan Resources Indonesia

IIC owns 866 shares, which represents 43.3% of ownership interest in IRI, a company engaged in coal trading and mining consultancy. IRI is domiciled in Jakarta and is a currently dormant company.

The carrying amount of investment in IRI is nil as of December 31, 2017 and 2016.

15. CLAIMS FOR TAX REFUND

	December 31, 2017	December 31, 2016
	US$	US$
KJA	4,918,943	-
Petrosea	2,232,341	11,157,344
IIC	727,407	733,470
KPI	21,034	134,138
Total	7,899,725	12,024,952

Tax Assessment Letters

KJA

As of the date of the issuance of these consolidated financial statements, KJA has received the following Notification of Tax Due ("SPPT") and Tax Collection Letter ("STP") on Land and Building Tax ("PBB"):

Tax type	Fiscal year	Total Claimed	Carrying amount December 31, 2017	Status
		Rp	US$	
Land and Building Tax	2014	17,345,308,291	1,280,286	Tax court has approved the lawsuit claimed by KJA on November 21, 2017 Status: Pending on Income Tax Return Letter from DGT
Land and Building Tax	2010, 2011, 2013 & 2015	30,068,918,687	2,219,435	KJA has submitted appeals to the tax court on December 30, 2016 Status: Pending on the Tax Court decision.
Land and Building Tax	2016	9,676,681,124	714,252	KJA has submitted appeals to the Tax Court on September 6, 2017 Status: Pending on the Tax Court decision
Land and Building Tax	2017	9,550,930,865	704,970	Tax office has rejected objection claimed by KJA on Decmber 29, 2017 Status: KJA will submit appeals to the Tax Court within 3 months
Total			4,918,943	

IIC

Tax type	Fiscal year	Overpayment or Underpayment	Total claimed	Total approved by Tax Court	Total claimed December 31, 2017	Total claimed December 31, 2016	Last status
			Rp		US$	US$	
Income Tax Article 26	December 2010	Underpayment	9.855 million	9.855 million	727,407	733,470	Granted
Total					727,407	733,470	

In December 2011, Directorate General of Taxation (DGT) issued Tax Collection Letter (TCL) on IIC's tax obligation for income tax Article 26 for the December 2010 fiscal period amounting to Rp 9,855 million. On the same date, IIC paid such tax obligations and recorded the amount as part of claims 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 the Tax Court. In June 2016, Tax Court has resolved in favor of IIC, however until the issuance date of the consolidated financial statements, IIC has not yet received the refund.

KPI

Below are underpayment Tax Assessment Letters that are in process for appeal:

Tax type	Fiscal year	Total claimed		Total approved		Carrying amount December 31, 2017	Carrying amount December 31, 2016	Last status
		US$	Rp	US$	Rp	US$	US$	
Corporate Income Tax	2009	113,104	-	113,104	-	-	113,104	Closed and awaiting refund
Value Added Tax	2009	-	116,807,523	-	233,615,045	21,034	21,034	Closed and awaiting refund
Total						21,034	134,138	

On May 30, 2016, KPI received Tax Court Decision Letter No. Put. 71175/PP/M.XA/16/2016 on claim for Underpayment Tax Assessment Letter (SKPKB) on Value Added Tax (VAT) for the period January – November 2009, with total amount of US$ 8,660. The total amount of claim for tax refund on VAT for period January - November 2009 amounted to US$ 21,034, which includes the amount of claim for tax refund for the related SKPKB VAT 2009 amounting to US$ 12,374.

On April 28, 2011, KPI received Tax Overpayment Assessment Letter (SKPLB) No. 00072/406/09/058/11 of corporate income tax year 2009 amounting to US$ 113,104. On August 9, 2017, KPI received the tax refund amounting to Rp 979,933,315 or equivalent to US$ 73,785.

The difference between amount recorded in the KPI's books and agreed by Tax Court was charged to profit or loss during the year.

16. EXPLORATION AND EVALUATION ASSETS

	December 31, 2017		
	Beginning balance	Addition due to acquisition of KJA (Note 1c)	Ending balance
	US$	US$	US$
IIR	17,012,796	-	17,012,796
MEA	4,325,999	-	4,325,999
MUTU	777,142	-	777,142
KJA	-	6,532,407	6,532,407
Total	22,115,937	6,532,407	28,648,344
Allowance for impairment losses	(21,338,795)		(21,338,795)
Net carrying amount	777,142		7,309,549

	December 31, 2016			
	Beginning balance	Additions	Reclassification to mining properties (Note 17)	Ending balance
	US$	US$	US$	US$
IIR	17,012,796	-	-	17,012,796
MEA	4,325,999	-	-	4,325,999
MUTU	7,276,970	724,473	(7,224,301)	777,142
Total	28,615,765	724,473	(7,224,301)	22,115,937
Allowance for impairment losses	(21,338,795)			(21,338,795)
Net carrying amount	7,276,970			777,142

In view that its coal assets in MEA and Baliem project are not economically viable at the current coal market condition, management of IIR has decided to provide full provision for impairment on those assets amounting to US$ 21,338,795 in December 2015.

17. MINING PROPERTIES

	January 1, 2017	Additions due to acquisitions of KJA (Note 1c)	Additions	December 31, 2017
	US$	US$	US$	US$
Cost	27,882,550	15,499,836	1,089,859	44,472,245
Accumulated amortization	(9,444,844)	(12,516,007)	(3,894,701)	(25,855,552)
Allowance for impairment losses	-	-	(9,924,444)	(9,924,444)
Net carrying amount	18,437,706			8,692,249

	January 1, 2016	Additions	Reclassification from exploration and evaluation assets (Note 16)	December 31, 2016
	US$	US$	US$	US$
Cost	20,658,249	-	7,224,301	27,882,550
Accumulated amortization	(7,264,643)	(2,180,201)	-	(9,444,844)
Net carrying amount	13,393,606			18,437,706

Amortization expenses are charged to cost of contracts and goods sold in 2017 (Note 38) and to selling, general and administrative expenses in 2016 (Note 39).

In 2017, Management of IIR has made a provision for impairment on mining properties amounting to US$ 9,924,444 (Note 56).

18. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY

	Domicile	Percentage of Ownership	December 31, 2017	December 31, 2016
		%	US$	US$
PT Santan Batubara (SB)	Kalimantan	50		
Beginning balance			10,832,519	13,026,000
Share in loss during the year			(473,023)	(2,208,073)
Share in other comprehensive income - net			33,287	14,592
Ending balance			10,392,783	10,832,519

In 1998, Petrosea, a subsidiary, 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.

The summary of financial information in respect of the jointly-controlled entity is set out below:

	December 31, 2017	December 31, 2016
	US$	US$
Current assets	2,995,631	7,800,346
Non-current assets	12,307,604	12,469,389
Total Assets	15,303,235	20,269,735
Current liabilities	3,192,410	7,192,189
Non-current liabilities	1,395,264	1,482,501
Equity attributable to owners of the Company	10,716,561	11,595,045
Total Liabilities and Equity	15,304,235	20,269,735

	2017	2016
	US$	US$
Revenue	-	-
Expenses	(946,046)	(4,356,819)
Loss for the year	(946,046)	(4,356,819)
Other comprehensive income	66,574	(29,184)
Total comprehensive loss for the year	(879,472)	(4,386,003)

Reconciliation of the above summarized financial information to the carrying amount of the interest in the jointly controlled entity recognized in the consolidated financial statements:

	December 31, 2017	December 31, 2016
	US$	US$
Net assets of the jointly-controlled entity	10,715,561	11,595,045
Proportion of the Group's ownership interest in the jointly-controlled entity	50%	50%
Total	5,357,783	5,797,519
Adjustment for fair value	5,035,000	5,035,000
Total investment in the jointly-controlled entity	10,392,783	10,832,519

19. JOINT OPERATIONS

Joint Operators	Method of sharing result	Participating interest %	Duration
PT Saipem Indonesia and PT Chiyoda International Indonesia	Profit sharing	38%	On-going
Chiyoda Corporation, PT Chiyoda International Indonesia, PT Saipem Indonesia and PT Suluh Ardhi Engineering	Profit sharing	30%	On-going

PT Saipem Indonesia and PT Chiyoda International Indonesia

In 2013, TPEC entered into an unincorporated joint operation agreement with PT Saipem Indonesia and PT Chiyoda International Indonesia known as the STC Joint Operation (STC JO) in which joint control is exercised. TPEC's share is 38%.

STC JO formed a consortium with Hyundai Heavy Industries Co Ltd (HHI), for the purpose of submitting a bid 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).

TPE and the Company's portion in CSTS JO altogether is 30%, while internally they agreed to split the portion by 25.5%:4.6% for Front End Engineering Design (FEED) and 2%:28% for Engineering, Procurement and Construction (EPC) project, respectively of the 30% portion.

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 was signed on February 28, 2014.

In executing the project, the STC JO has an agreement that each member will contribute personnel and other resources, and certain portion of the project will be entrusted to certain members ("Own Portion"). The Own Portion of TPEC is to procure Gas Turbine Generators package, and to procure Fabricated Equipment, in this case being Vessels, Columns, and Shell & Tube Heat Exchangers.

As of December 31, 2017, based on progress acceptance certificate, the physical progress of this project is 99.64% and is currently in warranty period.

The summarized financial information below represents amounts shown in the joint operation's financial statements prepared in accordance with Indonesian Financial Accounting Standards:

	2017 US$	2016 US$
Total assets	106,778,123	139,411,383
Total liabilities	47,241,246	67,800,208
Total revenue	211,995,063	266,240,328
Total expenses	158,108,359	238,078,555

Chiyoda Corporation, PT Chiyoda International Indonesia, PT Saipem Indonesia and PT Suluh Ardhi Engineering

On October 27, 2014, TPEC and TPE entered into an unincorporated joint operation agreement with Chiyoda Corporation, PT Chiyoda International Indonesia, PT Saipem Indonesia and PT Suluh Ardhi Engineering known as the CSTS Joint Operation ("CSTS JO") in which joint control is exercised.

TPE and TPEC's portion in CSTS JO altogether is 30%, while internally they agreed to split the portion by 25.5%:4.5% for Front End Engineering Design (FEED) and 2%:28% for Engineering, Procurement and Construction (EPC) project.

On October 29, 2014, BP Berau Ltd and CSTS JO signed the contract for Front End Engineering Design (FEED) of Tangguh LNG Expansion Project, effective on December 5, 2014, to deliver FEED, plans and estimates for EPC contract, and submitting the tender for EPC contract of Tangguh LNG Expansion Project.

On August 25, 2016, BP Berau Ltd and CSTS JO signed contract Engineering Procurement and Construction (EPC) of Tangguh LNG Expansion Project.

The summarized financial information below represents amounts shown in the joint operation's financial statements prepared in accordance with Indonesian Financial Accounting Standards:

	2017	2016
	US$	US$
Total assets	187,308,908	77,659,917
Total liabilities	155,416,034	70,121,720
Total revenue	566,900,974	42,540,490
Total expenses	519,594,458	40,034,307

20. ADVANCES AND OTHER NONCURRENT ASSETS

	December 31, 2017	December 31, 2016
	US$	US$
Advances for investments		
Third parties		
PT Karya Sukses Unggulan	5,462,370	5,504,619
PT Solaris Power Indonesia	380,000	-
Deferred project costs	3,797,401	4,156,555
Investment in shares of stock		
Third party		
PT Sarana Riau Ventura	1,211	1,211
Others (each below US$ 500,000)	2,065,727	336,513
Total	11,706,709	9,998,898

PT Karya Sukses Unggulan (KSU)

IIC

In August 2014, IIC entered into Exploration and Development of Coal Concession Area Agreements with KSU, in which KSU agreed to act on behalf of and for the benefit of IIC to explore, find and/or develop coal concession areas, including infrastructure related to coal concession in Indonesia, either as Mining Right (IUP) or Coal Contract of Work (CCoW). Based on the agreement, IIC agreed to provide funding for the exploration, development and/or construction of coal concession activities at the amount of US$ 5,000,000.

The above agreement is valid for one year, effective from the signing date. IIC has the right to terminate the agreement at any time and for any reasons by giving a 7 days advance notice to KSU before the effective termination. If until the termination date of the agreement, KSU still cannot fulfill its obligation under the agreement or the agreement was early terminated by IIC, then KSU should refund the advance to IIC, net of all expenses paid-out by KSU related to its obligation under the agreement, within certain period as specified in the agreements.

Following the expiration of the agreement with KSU, the agreement has been amended through agreement dated November 2, 2015, where IIC and KSU agreed to amend the amount of advance given by IIC from US$ 5,000,000 to Rp 67,750 million and extend the agreement until October 23, 2016. This agreement was further extended until October 23, 2017.

In 2015, IIC received refund of advances of Rp 5,000 million.

As of the issuance date of these consolidated financial statements, both parties are still negotiating for revisions of certain terms and condition on the existing agreements.

IIR

On August 25, 2016, IIR entered into Exploration and Development of Coal Concession Area Agreements with KSU, in which KSU agreed to act on behalf of and for the benefit of IIR to explore, find and/or develop coal concession areas, including infrastructure related to coal concession in Indonesia, either as Mining Right (IUP) or Coal Contract of Work (CCoW). Based on the agreement, IIR agreed to provide funding for the exploration, development and/or construction of coal concession activities at the amount of Rp 11 billion.

The above agreement is valid for one year, effective from the signing date and has been extended for another one year in August 2017. This agreement can be terminated earlier based on agreement by both parties, or in the event of *force majeure*. In terms of termination of the agreement, KSU should refund the advance to IIR, net of all expenses paid-out by KSU related to its obligation under the agreement, within certain period as specified in the agreements.

PT Solaris Power Indonesia (SPI)

In March 2016, TRIL entered into cooperation agreement with PT Daya Terbarukan Nusantara, which owns 80% of SPI. Currently SPI is exploring the business opportunities and conducting the feasibility study and other business development activities on solar power plant specifically in the areas of Lombok, Bali, Java, Maluku and Papua. Based on the agreement, TRIL agreed to provide funding for the business development at the amount of US$ 1,000,000 and advance for investment at the amount of US$ 100,000. Total amount paid by TRIL to SPI amounted to US$ 380,000 for the feasibility study activities. In the event that TRIL decides to invest in the solar power plant business, the advance will be converted into equity, at the price applicable.

Deferred Project Costs

Deferred project costs represent advance payments to subcontractors for projects by Petrosea.

21. PROPERTY, PLANT AND EQUIPMENT

	January 1, 2017	Additions due to acquisition of KJA (Note 1c)	Additions	Deductions	Translation adjustments	Reclassifications	December 31, 2017
	US$	US$	US$	US$	US$	US$	US$
At cost:							
Direct acquisitions							
Land	40,674,827	4,042,358	-	-	-	-	44,717,185
Buildings, infrastructure, leasehold and improvements	105,363,406	184,394,797	2,661,110	-	-	14,876,410	307,295,723
Office furniture, fixtures and other equipment	34,649,745	10,078,931	112,527	(1,039,252)	(379)	274,404	44,075,976
Vessels	343,353,504	299,719	-	(9,554,649)	-	11,791,126	345,889,700
Motor vehicles	6,574,130	2,601,217	179,834	(1,185,549)	-	-	8,169,632
Machinery and equipment	5,436,206	132,884,542	378,604	-	-	-	138,699,352
Plant, equipment, heavy equipment and vehicles	157,189,914	159,841,235	173,327	(11,547,970)	-	37,158,912	342,815,418
Construction in-progress	35,207,995	222,723	79,266,715	-	-	(66,043,553)	48,653,880
Leased assets							
Plant, equipment, heavy equipment and vehicles	293,737,709	-	-	(10,186,032)	-	13,087,742	296,639,419
Construction in-progress	1,588,648	-	11,976,142	-	-	(11,145,041)	2,419,749
Total	1,023,776,084	494,365,522	94,748,259	(33,513,452)	(379)	-	1,579,376,034

	January 1, 2017	Additions due to acquisition of KJA (Note 1c)	Additions	Deductions	Translation adjustments	Reclassifications	December 31, 2017
	US$	US$	US$	US$	US$	US$	US$
Accumulated depreciation:							
Direct acquisitions							
Buildings, infrastructure, leasehold and improvements	56,023,918	166,917,978	7,831,726	-	-	(130,123)	230,643,499
Office furniture, fixtures and other equipment	28,548,338	5,955,627	2,029,694	(1,039,252)	-	(108,921)	35,385,486
Vessels	141,863,493	285,400	24,979,623	(5,871,288)	(173)	283,063	161,540,118
Motor vehicles	5,256,389	2,415,765	465,780	(901,927)	-	-	7,236,007
Machinery and equipment	3,695,714	110,392,793	1,410,073	-	-	-	115,498,580
Plant, equipment, heavy equipment and vehicles	94,586,217	119,982,881	19,181,962	(11,138,786)	-	64,157	222,676,431
Leased assets							
Plant, equipment, heavy equipment and vehicles	169,318,789	-	24,789,638	(10,066,526)	-	(108,176)	183,933,725
Total	499,292,858	405,950,444	80,688,496	(29,017,779)	(173)	-	956,913,846
Allowance for impairment losses	6,411,854	-	10,047,384	(4,610,733)	-	-	11,848,505
Net Carrying Amount	518,071,372						610,613,683

	January 1, 2016	Additions	Deductions	Translation adjustments	Reclassifications	Transfer to assets held for sale (Note 21)	December 31, 2016
	US$	US$	US$	US$	US$	US$	US$
At cost:							
Direct acquisitions							
Land	41,095,175	-	(621,705)	-	201,357	-	40,674,827
Buildings, leasehold and improvements	102,873,641	2,902	(1,714,765)	-	4,201,628	-	105,363,406
Office furniture, fixtures and other equipment	33,869,064	219,917	(1,610,975)	(1,652)	2,173,391	-	34,649,745
Vessels	349,624,748	50,904	(7,432,043)	-	6,448,676	(5,338,781)	343,353,504
Motor vehicles	16,825,030	316,092	(10,566,121)	(871)	-	-	6,574,130
Machinery and equipment	5,432,205	4,001		-	-	-	5,436,206
Plant, equipment, heavy equipment and vehicles	163,569,570	404,647	(13,466,558)	-	6,682,255	-	157,189,914
Construction in-progress	36,706,231	18,209,071	-	-	(19,707,307)	-	35,207,995
Leased assets							
Plant, equipment, heavy equipment and vehicles	319,411,576	-	(31,949,116)	-	6,275,249	-	293,737,709
Construction in-progress	1,462,346	6,401,551	-	-	(6,275,249)	-	1,588,648
Total	1,070,869,586	25,609,085	(67,361,283)	(2,523)	-	(5,338,781)	1,023,776,084
Accumulated depreciation:							
Direct acquisitions							
Buildings, leasehold and improvements	48,722,174	7,515,178	(213,434)	-	-	-	56,023,918
Office furniture, fixture and other equipment	26,614,862	3,477,966	(1,554,133)	(20)	9,663	-	28,548,338
Vessels	125,081,424	25,493,409	(6,269,450)	-	(9,663)	(2,432,227)	141,863,493
Motor vehicles	9,711,084	1,168,203	(5,622,877)	(21)	-	-	5,256,389
Machinery and equipment	2,826,457	869,257		-	-	-	3,695,714
Plant, equipment, heavy equipment and vehicles	86,458,746	17,576,879	(9,449,408)	-	-	-	94,586,217
Leased assets							
Plant, equipment, heavy equipment and vehicles	170,614,061	26,138,085	(27,433,357)	-	-	-	169,318,789
Total	470,028,808	82,238,977	(50,542,659)	(41)	-	(2,432,227)	499,292,858
Allowance for impairment losses	4,453,661	4,757,845	(2,799,652)	-	-	-	6,411,854
Net Carrying Amount	596,387,117					(2,906,554)	518,071,372

Depreciation expense was allocated to the following:

	2017	2016
	US$	US$
Cost of contracts and goods sold (Note 38)	76,953,073	74,250,507
Selling, general and administrative expenses (Note 39)	3,735,423	7,988,470
Total	80,688,496	82,238,977

Details of the gain (loss) on sale of property, plant and equipment are as follows:

	2017	2016
	US$	US$
Proceeds from sale	1,287,387	8,008,705
Net carrying amounts	-	(16,810,624)
Gain (loss) on sale (Note 42)	1,287,387	(8,801,919)

Details of construction in-progress as of December 31, 2017, are as follows:

	December 31, 2017		
	Percentage of Completion	Accumulated Costs	Estimated Year of Completion
		US$	
Buildings, leasehold and improvements	40 - 90%	33,088,862	2019
Plant, equipment, heavy equipment and vehicles	50 - 80%	17,762,679	2018
Vessels	80 - 90%	222,088	2018
Total		51,073,629	

Management does not foresee any events that may prevent the completion of the constructions in-progress.

In accordance with the Coal Agreement of KJA, property, plant and equipment of KJA amounting to US$ 108,610,344 recorded in these consolidated financial statements remain as the property of the Government of Indonesia. However, KJA has an exclusive right to use the assets over the Coal Agreement period, or their useful lives, whichever is lesser.

Building Use Rights (HGB)

The Company owns several pieces of land located in Bintaro, South Tangerang measuring 40,343 square meters with Building Use Rights (HGB) for certain periods ranging from year 2020 until 2038.

ILSS owns several pieces of land located in Kariangau, East Kalimantan measuring 406,321 square meters with HGB for a period of 20 to 30 years and maturity dates ranging from year 2021 until 2034.

Petrosea owns several pieces of land located in West Nusa Tenggara, Balikpapan, Kabupaten Paser East Kalimantan and Timika measuring 189,792 square meters with HGB for a period of 20 and 30 years, until 2028, 2029, 2030 and 2043, respectively.

TPEC owns several pieces of land located in Jakarta with HGB for 20 years until 2029.

TPE owns land located in Banyuraden Village, Subdistrict of Gamping, Disctrict of Sleman, Yogyakarta with HGB until 2044.

Management believes that there will be no difficulty in the extension of the land rights since all the lands were acquired legally and supported by sufficient evidence of ownership.

Property, plant and equipment used as collateral

Petrosea

In 2017 and 2016, Petrosea entered into sale and leaseback agreements for its heavy equipment with a financing company for a period of 4 to 5 years.

After an evaluation of the terms and substance of the sale and leaseback arrangement during the period, Petrosea's management has determined that all the risks and rewards incidental to ownership of the heavy equipment still rest with the seller-lessee and classified the transactions as finance lease.

Leased assets are used as collateral for the lease liabilities (Note 30).

MBSS

As of December 31, 2017 and 2016, MBSS's vessels with carrying amounts of US$ 11,971,875 and US$ 78,626,852, respectively, are pledged as collateral for bank loans and long-term loans (Notes 25 and 29).

At December 31, 2017 and 2016, the fair value of MBSS's collateralised property, vessels and equipment is US$ 12,040,950 and US$ 89,956,981, respectively. The valuation was performed by independent appraisers registered in OJK, Independent Public Aprraisal (KJPP) Stefanus, Tonny, Hardi & Rekan. Appraisal method used is market and cost approaches (Level 3).

TPEC

The HGB No. 1545 and 1576 are used as collateral for credit facilities obtained by TPEC from PT Bank Mandiri (Persero) Tbk (Note 25).

Property, plant and equipment, except land, are insured with various insurance companies against fire, theft and other possible risk, as follows:

Insurance company	Currency	Sum insured December 31, 2017
PT Asuransi Cakrawala Proteksi	Rp	416,013,704,000
PT Zurich Insurance Indonesia	Rp	5,303,000,000
PT Asuransi ACE Jaya Proteksi	Rp	5,037,064,000
PT Asuransi Sinar Mas	Rp	4,799,999,100
PT Asuransi AXA Indonesia	Rp	4,432,100,000
PT Malacca Trust Wuwungan Insurance	Rp	3,063,500,000
PT Asuransi Astra Buana	Rp	2,585,000,000
PT AIG Insurance Indonesia	Rp	1,889,375,000
PT Asuransi Cakrawala Proteksi	US$	684,343,549
PT Asuransi Samsung Tugu	US$	102,316,385
PT Asuransi FPG Indonesia	US$	18,107,904
PT Asuransi MSIG Indonesia	US$	14,136,790
PT Asuransi Asoka Mas	US$	6,058,624
PT Asuransi Adira Dinamika	US$	4,039,083

Management believes that the insurance coverages are adequate to cover possible losses on the related assets insured.

As of December 31, 2017 and 2016, property, plant and equipment includes assets with acquisition cost of US$ 250,202,292 and US$ 21,520,397, respectively, that are fully depreciated but still in use.

Impairment of property, plant and equipment

MUTU

In 2017, management of MUTU made a provision of impairment on its property, plant and equipment. Total impairment loss charged to profit or loss in 2017 amounted to US$ 10,047,384 (Note 56).

MBSS

In 2017 and 2016, MBSS assessed the recoverable amount of vessels and determined that certain vessels are impaired by nil and US$ 4,757,845, respectively (Note 56).

MEA

In 2015, management of IIR viewed that its coal assets in MEA are not economically viable at the current coal market condition and therefore decided to provide full provision for impairment on its property, plant and equipment. Total impairment loss charged to profit or loss in 2015 amounted to US$ 1,654,009.

Management believes that the allowance for impairment of property, plant, and equipment is adequate.

22. ASSETS HELD FOR SALE

In 2016, MBSS has decided to sell broken and unused vessel and heavy equipment. Those assets were impaired and reclassified to asset held for sale. Below is the movement of assets held for sale:

	January 1, 2017	Deductions	December 31, 2017
	US$	US$	US$
Net carrying amount	3,494,998	(3,494,998)	-
Impairment	(2,651,960)	2,651,960	-
Total	843,038	(843,038)	-

	January 1, 2016	Additions	Deductions	December 31, 2016
	US$	US$	US$	US$
Net carrying amount	632,759	2,906,554	(44,315)	3,494,998
Impairment	(550,872)	(2,145,403)	44,315	(2,651,960)
Total	81,887	761,151	-	843,038

In February 2017, MBSS sold all noncurrent assets held for sale for US$ 839,468.

23. INTANGIBLE ASSETS

	January 1, 2017	Additions	December 31, 2017
	US$	US$	US$
At cost			
Acquisition of subsidiaries:			
KJA (Note 1c)	-	701,662,765	701,662,765
MUTU	205,508,478	-	205,508,478
MBSS	131,029,823	-	131,029,823
MEA	65,071,555	-	65,071,555
Petrosea	1,405,622	-	1,405,622
MIP	222,237	-	222,237
Sub-total	403,237,715	701,662,765	1,104,900,480
System development and computer software	14,603,026	84,124	14,687,150
Total	417,840,741	701,746,889	1,119,587,630

	January 1, 2017	Additions	December 31, 2017
	US$	US$	US$
Accumulated amortization			
Acquisition of subsidiaries:			
KJA	-	10,970,337	10,970,337
MUTU	42,550,642	7,005,083	49,555,725
MBSS	107,631,640	-	107,631,640
MEA	34,859,758	-	34,859,758
Petrosea	1,405,622	-	1,405,622
MIP	114,251	-	114,251
Sub-total	186,561,913	17,975,420	204,537,333
System development and computer software	9,887,446	2,030,789	11,918,235
Total	196,449,359	20,006,209	216,455,568
Allowance for impairment losses	(53,609,980)	(93,676,883)	(147,286,863)
Net Carrying Amount	167,781,402		755,845,199

	January 1, 2016	Additions	December 31, 2016
	US$	US$	US$
At cost			
Acquisition of subsidiaries:			
MUTU	205,508,478	-	205,508,478
MBSS	131,029,823	-	131,029,823
MEA	65,071,555	-	65,071,555
Petrosea	1,405,622	-	1,405,622
MIP	222,237	-	222,237
Sub-total	403,237,715	-	403,237,715
System development and computer software	14,126,899	476,127	14,603,026
Total	417,364,614	476,127	417,840,741
Accumulated amortization			
Acquisition of subsidiaries:			
MUTU	35,372,524	7,178,118	42,550,642
MBSS	88,913,094	18,718,546	107,631,640
MEA	34,859,758	-	34,859,758
Petrosea	1,405,622	-	1,405,622
MIP	20,966	93,285	114,251
Sub-total	160,571,964	25,989,949	186,561,913
System development and computer software	7,696,645	2,190,801	9,887,446
Total	168,268,609	28,180,750	196,449,359
Allowance for impairment losses	(30,211,797)	(23,398,183)	(53,609,980)
Net Carrying Amount	218,884,208		167,781,402

Amortization expense was allocated to the following:

	2017 US$	2016 US$
Recognized separately in profit or loss	17,975,420	25,989,949
Selling, general and administrative expenses (Note 39)	2,030,789	2,190,801
Total	20,006,209	28,180,750

KJA

The intangible assets (mining rights) resulted from the acquisition of KJA, a company engaged in the business of mining activities with CCoW area located in the 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 using Multiple Period Excess Earnings method.

The intangible asset is amortized over the estimated useful life of 64 months until March 2023.

MUTU

The intangible assets (mining rights) resulted from the acquisition of MUTU, a company engaged in the 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 Earnings method.

The intangible assets include costs amounting to US$ 9.2 million with regard to purchase of Distribution Rights and Obligations to support MUTU's sale of coal.

The intangible asset is amortized over the estimated useful life of 19 years until 2031 in 2017 and of 27 years until 2039.

In 2017, management of MUTU made a provision for impairment on intangible assets amounting to US$ 93,676,883 (Note 56).

MBSS

The intangible assets include those that resulted from the acquisition of MBSS and its subsidiaries, which mainly pertain to the long-term contracts of MBSS at the date of the acquisition in 2011, and computer software of MBSS.

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 are amortized over the estimated useful life of 7 years.

In 2016, the management of IEI reviewed the long-term contracts of MBSS outstanding as of December 31, 2016 which were used as the basis for valuation of the intangible assests during the acquisition, including all the estimates used in such valuation. With the downturn in the coal market condition until 2016, and its impact to shipment volume and profitability of MBSS, management anticipated an indication that the recoverable amount of the intangible assets is less than their carrying amount, hence allowance for impairment losses was recognized in profit or loss.

MEA

The intangible assets resulted from the acquisition of MEA, a company engaged in business of mining activities under 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 Earnings method.

The intangible assets is amortized over the estimated useful life of 7 years.

In the view that its coal assets in MEA project are not economically viable at the current coal market condition, management of IIR has decided to provide full provision for impairment on those assets at end of 2015.

MIP

The intangible assets resulted from the acquisition of MIP, through Petrosea which mainly pertain to long-term contracts of MIP.

The intangible assets is amortized over the estimated useful life of 4 years.

System Development and Computer Software

The intangible assets mainly relate to the development of the Company and its subsidiaries' integrated computer system.

The intangible assets are amortized over its estimated useful life of 3 to 5 years.

Impairment of Intangible Assets

Management believes that the allowance for impairment of intangible assets is adequate.

24. 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, 2017	December 31, 2016
	US$	US$
PT Kideco Jaya Agung (Note 1c)	635,124,678	-
PT Mitrabahtera Segara Sejati Tbk and its subsidiaries	33,730,009	33,730,009
PT Petrosea Tbk	28,978,661	28,978,661
PT Mahaka Industri Perdana	781,195	781,195
PT Multi Tambangjaya Utama	-	56,745,431
Net carrying amount	698,614,543	120,235,296
Movement in net carrying amount:		
Beginning balance	120,235,296	120,235,296
Addition (Note 1c)	635,124,678	-
Impairment lossess recognized during the year (Note 56)	(56,745,431)	-
Ending balance	698,614,543	120,235,296

25. BANK LOANS

	December 31, 2017	December 31, 2016
	US$	US$
U.S. Dollar		
PT Bank Mandiri (Persero) Tbk Jakarta Branch	45,000,000	35,000,000
PT Bank Mandiri (Persero) Tbk Singapore Branch	16,666,666	-
Citibank, N.A., Indonesia	10,566,931	16,253,545
Standard Chartered Bank, Singapore Branch	8,960,000	11,151,225
Standard Chartered Bank, Jakarta Branch	-	2,886,972
Syndicated loan		
Standard Chartered Bank	-	12,346,478
Total loan principal	81,193,597	77,638,220
Accrued interest	150,638	225,354
Total	81,344,235	77,863,574

As of December 31, 2017 and 2016, details of the above facilities are as follows:

Creditors	Entities	Type of facilities	Maximum facility	Agreement date	Maturity date	Interest rate per annum	December 31, 2017	December 31, 2016
			US$				US$	US$
PT Bank Mandiri (Persero) Tbk, Jakarta branch	The Company	Working capital loan	50,000,000	December 20, 2017	January - June 2018	LIBOR + 2.75%	30,000,000	-
	TPEC	Working capital loan	35,000,000	November 5, 2010	November 13, 2018	6%	15,000,000	35,000,000
Sub-total							45,000,000	35,000,000
PT Bank Mandiri (Persero) Tbk, Singapore branch	ICI	Working capital loan	30,000,000	October 20, 2017	January - April 2018	LIBOR + 3.25%	16,666,666	-
Citibank, N.A., Indonesia	Petrosea	Working capital loan	30,000,000	September 11, 2017	January 25, 2017	LIBOR + 2.5%	-	628,000
					January 25, 2017	LIBOR + 2.5%	-	590,000
					February 10, 2017	LIBOR + 2.5%	-	5,227,000
					February 10, 2017	LIBOR + 2.5%	-	5,516,000
					February 22, 2017	LIBOR + 2.5%	-	1,243,000
					June 23, 2017	LIBOR + 2.5%	-	3,049,545
					January 8, 2018	LIBOR + 2.5%	6,737,000	-
					January 9, 2018	LIBOR + 2.5%	3,829,931	-
Sub-total							10,566,931	16,253,545
Standard Chartered Bank, Singapore branch	ICI	Import invoice financing	40,000,000	June 30, 2015	January - July 2018	LIBOR + 3.25%	8,960,000	11,151,225
Syndicated loan coordinated by Standard Chartered Bank	MBSS	Revolving Credit	12,346,478	May 23, 2013	May 23, 2017	LIBOR + 3%	-	12,346,478
Standard Chartered Bank, Jakarta branch	TPEC	Invoice financing	10,000,000	May 21, 2015	January - March 2017	3%	-	2,886,972
Total principal loan							81,193,597	77,638,220
Accrued interest							150,638	225,354
Total							81,344,235	77,863,574

PT Bank Mandiri (Persero) Tbk, Jakarta Branch

The Company

On December 20, 2017, the Company obtained a Revolving Credit Facility with maximum limit amount of US$ 50,000,000.

This Revolving Credit facility has an interest rate of 2.75% above LIBOR.

TPEC

The facility together with other credit facilities from PT Bank Mandiri (Persero) Tbk are secured by certain trade accounts receivable (Note 7) amounting to Rp 197.22 billion and US$ 181,250,000, time deposit placed at the same bank amounting to US$ 2,150,000 (Note 6), and certain land and building certificate (HGB) (Note 21) owned by TPEC.

PT Bank Mandiri (Persero) Tbk, Singapore Branch

ICI

On October 20, 2017, ICI obtained a credit facility with maximum limit amount of US$ 30,000,000. This credit facility is obtained by ICI to finance its trading activities and/or its general for working capital requirement.

The loan under this credit facility has an interest rate of 3.25% above LIBOR.

Citibank, N.A., Indonesia

Petrosea

On September 11, 2017, Petrosea and Citibank agreed to amend the credit facility agreement by increasing the maximum amount of credit facility to US$ 30 million from previously of US$ 20 million.

Standard Chartered Bank, Singapore Branch

ICI

The above facility was secured by non-standard Comfort or Letter of Awareness provided by the Company.

Syndicated Loan coordinated by Standard Chartered Bank

MBSS

On May 23, 2013, MBSS obtained a club deal loan facility from PT Bank ANZ Indonesia and Standard Chartered Bank amounting to US$ 59,085,238 which consist of Term Loan Facility amounting to US$ 46,738,760 (Note 29) and Revolving Credit Facility amounting to US$ 12,346,478.

This Revolving Credit facility is obtained by MBSS to refinance loan from PT Bank Maybank Indonesia Tbk, PT Bank DBS Indonesia and PT Bank Permata Tbk.

This Revolving Credit facility has an interest rate of 3% above LIBOR. The loan has term of one year, extendable every year based on the agreement of both party.

The facility has the same collateral and covenants as those of the long term syndicated loan facility (Note 29).

The Club Deal loan facility has been fully paid in April 2017.

Standard Chartered Bank, Jakarta Branch

TPEC

The bond and guarantee facility include invoice financing facility with maximum amount of US$ 10 million in 2017 and US$ 15 million in 2016 with interest at 3% per annum above Bank's Cost of Fund interest. The tenor for each invoice financing is at a maximum up to 3 months from bank payment to vendor. The agreement for the invoice financing facility has been obtained since February 28, 2014 and effectively used in early 2015.

As of December 31, 2017, this facility has been fully paid.

26. TRADE ACCOUNTS PAYABLE

	December 31, 2017	December 31, 2016
	US$	US$
a. By creditor		
Related party (Note 50)	3,947,517	64,246
Third parties		
Local suppliers	207,252,021	110,667,181
Foreign suppliers	23,415,782	5,113,328
Total third parties	230,667,803	115,780,509
Total	234,615,320	115,844,755
b. By age		
Current	116,866,939	82,582,284
Overdue		
1 - 30 days	89,010,703	4,737,810
31 - 90 days	15,384,489	7,003,241
91 - 180 days	1,246,741	10,047,908
181 - 360 days	1,452,475	8,041,804
> 360 days	10,653,973	3,431,708
Total	234,615,320	115,844,755
c. By currency		
Rupiah	168,961,314	56,109,714
U.S. Dollar	64,845,574	59,409,063
Euro	586,767	176,886
Australian Dollar	77,660	77,470
Singapore Dollar	143,100	37,166
Poundsterling	-	34,456
Others	905	-
Total	234,615,320	115,844,755

Trade 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 accounts payable.

27. TAXES PAYABLE

	December 31, 2017	December 31, 2016
	US$	US$
Current tax (Note 44)		
Subsidiaries		
2017	172,407,411	-
2016	-	1,133,386
Income tax		
Article 4(2)	461,400	130,385
Article 15	169,402	15,133
Article 21	3,043,934	2,332,329
Article 23	1,453,628	291,467
Article 25	-	15,730
Article 26	894,627	24,599
Value-added tax	1,982,946	479,455
Other subsidiaries	125,263	-
Total	180,538,611	4,422,484

28. ACCRUED EXPENSES

	December 31, 2017	December 31, 2016
	US$	US$
Salaries, employees' incentives and bonus	25,816,709	23,510,072
Royalty payable to government	14,761,221	-
Commitment fee	7,556,875	-
Professional fees	6,247,639	-
Construction and sub-contractors expenses	4,814,377	6,609,965
Others (each below US$ 1 million)	4,055,859	8,326,572
Total	63,252,680	38,446,609

29. LONG-TERM LOANS

	December 31, 2017	December 31, 2016
	US$	US$
Bank loans		
U.S. Dollar		
PT Bank Permata Tbk	907,590	12,574,701
Syndicated loan		
Standard Chartered Bank	-	25,413,848
PT Indonesia Eximbank	-	1,934,493
Rupiah		
PT Mandiri Tunas Finance	17,345	154,363
PT Toyota Astra Financial Services	-	37,290
Total	924,935	40,114,695
Less current maturities	(924,935)	(21,847,065)
Long-term loans - net	-	18,267,630
Schedule of principal repayment		
In the first year	924,935	21,847,065
In the second year	-	12,745,060
In the third year	-	5,522,570
Total	924,935	40,114,695
Interest rates per annum		
U.S. Dollar	6.00%	3.30% - 6.10%
Rupiah	10.30%	5.20% - 10.30%

As of December 31, 2017 and 2016, details of long-term loan facilities are as follows:

Name of creditors	Entities	Type of facility	Maximum facility	Agreement date	Maturity date of facility	Interest rate per annum	December 31, 2017	December 31, 2016
			US$				US$	US$
PT Bank Permata Tbk	MASS	Term Loan	12,000,000	May 22, 2012	May 2018	6.00%	907,590	3,084,212
	MBSS	Term Loan	18,000,000	June 2012	December 2020	5.75%	-	9,490,489
PT Mandiri Tunas Finance	IIC	Financing credit	-	January 2015	January 2018	10.30%	17,345	154,363
PT Toyota Astra Financial Services	The Company	Financing credit	-	February 2012	September 2017	5.50%	-	37,290
Syndicated loan coordinated by Standard Chartered Bank	MBSS	Term Loan	46,738,760	May 23, 2013	May 2018	LIBOR + 3.25%	-	25,413,848
PT Indonesia Eximbank	MBSS	Financing credit	8,000,000	April 2, 2012	April 2018	6.10%	-	1,934,493
Total							924,935	40,114,695

PT Bank Permata Tbk

MBSS

Facilities of MBSS were secured by:

- 1 unit floating crane Vittoria with a pledged value of 120%; and
- Receivables at a minimum amount of US$ 750,000.

MBSS is required to comply with several restrictions, among others, to maintain financial ratios as follows:

- maximum leverage ratio of 3 times; and
- minimum debt service coverage ratio of 1.25 times.

MBSS must obtain written approval from the bank if it will obtain borrowings of US$ 10,000,000 and above.

The loan facility has been fully paid in April 2017.

MASS

The facility of MASS is secured by 1 unit floating crane named FC Blitz.

MASS is required to comply with several restrictions, among others, to maintain financial ratios as follows:

- maximum debt to equity ratio of 4 times; and
- minimum debt service coverage ratio of 1.25 times.

These terms will be effective on the first year after the floating crane commence its operations.

As of December 31, 2017, MASS did not fulfill the required minimum DSCR of 1.25 times. However, PT Bank Permata Tbk agreed to waive the above breach of DSCR.

PT Toyota Astra Financial Services (TAFS) and PT Mandiri Tunas Finance (MTF)

Loans from TAFS and MTF represent long-term loans of the Company and IIC for the financing of new vehicles for a period ranging from 2-3 years.

The agreement of the long-term loans contains certain covenants, which the Company and IIC are required to fulfill, including provision regarding events of default.

Loans from TAFS has been fully paid in September 2017 by the Company.

Syndicated Loan coordinated by Standard Chartered Bank

MBSS

On May 23, 2013, MBSS obtained a club deal loan facility from PT Bank ANZ Indonesia and Standard Chartered Bank Indonesia 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 (Note 25).

This Term Loan facility is obtained to refinance loans from PT Bank Permata Tbk amounting to US$ 13,461,775 and all loans from PT Bank Maybank 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 2013.

This loan is secured by:

- Fiduciary over MBSS' receivables, with fiduciary collateral value of US$ 12,000,000;
- 21 units of barges namely: 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; Finacia 75;
- 28 units of tug boats namely: Entebe Emerald 23, Entebe Emerald 25, Entebe Emerald 33, Entebe Emerald 50, Entebe Megastar 72, Entebe Power 10, Entebe Power 8, Entebe Star 30, Entebe Star 57, 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; and
- 2 units of Floating Crane, namely, Floating Crane Nicholas and Floating Crane Ben Glory.

As recently amended on August 16, 2016, some of the financial covenants of this loan agreement are as follows:

- Ratio of consolidated Net Debt to EBITDA shall not exceed 3 : 1;
- Debt service coverage ratio (DSCR) shall not be less than 1.25 : 1;
- Gearing Ratio shall not exceed 2 : 1;
- EBITDA shall not be less than US$ 20,000,000;
- The aggregate capital expenditure shall not exceed 110% of forecasted capital expenditure;
- Security coverage ratio not less than 1.25 : 1.

The facility also requires MBSS to have Debt Service Reserve Accounts (DSRA) at PT Bank ANZ Indonesia and Standard Chartered Bank, Jakarta Branch.

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 short-term syndicated loan facility (Note 25).

The Club Deal loan facility has been fully paid in April 2017.

PT Indonesia Eximbank

MBSS

This loan is secured by 3 sets of the related tugboats and barges financed by the bank.

MBSS shall not perform the following actions without prior written approval from Eximbank:

- Change the status and reduce the paid up capital of MBSS;
- Acquire new debt other than in the normal course of business that will result in debt to equity ratio exceeding 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 transactions with other parties that are not within normal terms.

The loan facility has been fully paid in April 2017.

30. LEASE LIABILITIES

The minimum lease payments and present value of minimum lease payments based on the lease agreements as of December 31, 2017 and 2016 are as follows:

	Minimum lease payments		Present value of minimum lease payments	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	US$	US$	US$	US$
a. By due date				
Not later than one year	7,726,000	7,362,583	7,135,431	6,844,580
Later than one year and not later than five years	11,413,000	10,476,313	10,781,852	9,844,597
Sub-total	19,139,000	17,838,896	17,917,283	16,689,177
Less: future finance charges	(1,222,000)	(1,149,721)	-	-
Less: unamortized lease fees	(18,266)	(85,270)	(18,266)	(85,270)
Add: accrued interest	-	-	32,869	15,388
Present value of minimum lease payments	17,898,734	16,603,905	17,931,886	16,619,295
Current maturities			(7,168,300)	(6,859,968)
Long-term lease liabilities - Net			10,763,586	9,759,327
b. By lessor				
PT Mitsubishi UFJ Lease and Finance Indonesia			15,695,000	14,121,061
PT Caterpillar Finance Indonesia			335,470	1,006,410
PT Orix Indonesia Finance			1,886,813	1,490,627
PT Toyota Astra Financial Services			-	71,079
Sub-total			17,917,283	16,689,177
Unamortized lease fees			(18,266)	(85,270)
Accrued interest			32,869	15,388
Total			17,931,886	16,619,295

Petrosea purchased some of its heavy equipment through finance lease. The lease liabilities are secured by the related leased assets. The leases have terms of 4 to 5 years.

Lease liabilities denominated in currency other than the respective functional currency of Petrosea are as follows:

	December 31, 2017	December 31, 2016
	US$	US$
Rupiah	-	71,079

PT Mitsubishi UFJ Lease & Finance Indonesia (MUFJ)

On April 18, 2012, Petrosea and MUFJ 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. Starting January 2014, the interest rate is changed to 3.40% plus LIBOR. This finance lease facility has been fully paid by Petrosea in April 2017.

On August 31, 2017, Petrosea and MUFJ entered into a Finance Lease Facility Agreement, whereby Petrosea was granted a finance lease facility with maximum financing option and security deposit amounting to US$ 7.5 million and US$ 1,044 thousand, respectively. The lease has a term of 5 (five) years. The interest rate on this facility is 3% plus interest rate of 3 (three) months LIBOR.

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. Starting January 2014, the interest rate is changed to 3.50% plus LIBOR. The facility is available for 12 (twelve) months.

The lease liability's term under the agreement is 5 years. In July 2017, the Petrosea has settled this finance lease facility.

On October 20, 2017, PT Orix Indonesia Finace granted finance lease facility to the Company amounting to US$ 2,128 thousand. On November 13, 2017, Petrosea draw down finance lease liabilities. The facility is available until November 13, 2022. The interest rate of credit facility is 3% plus interest rate of 3 (three) months LIBOR.

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. This facility is available until August 20, 2013. 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 lease libility's term under the agreement is 5 years.

PT Toyota Astra Financial Services (TAF)

On October 1, 2014, Petrosea and TAF entered into a consumer finance facility agreement wherein Petrosea was granted a finance lease facility for vehicles amounting to Rp 1.8 billion (equivalent to US$ 150 thousand). The facility is available until October 1, 2017. The interest rate on this facility is 5.5% per annum.

On November 4, 2014, Petrosea and TAF entered into a consumer finance facility agreement wherein Petrosea was granted a finance lease facility amounting to Rp 1.8 billion (equivalent to US$ 148 thousand). The facility is available until November 4, 2017. The interest rate on this facility is 5.5% per annum.

In October 2017, Petrosea has settled this finance lease liability.

The finance lease interest expense in 2017 and 2016 amounted to US$ 733,565 and US$ 749,896, respectively (Note 41).

Significant general terms and conditions of the finance leases 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; and

ii. Petrosea is prohibited to provide securities/collateral, including security deposit, or guarantee to other lessors over the leased assets.

31. BONDS PAYABLE

	December 31, 2017	December 31, 2016
	US$	US$
Senior Notes III, year 2011	-	171,427,000
Senior Notes IV, year 2013	500,000,000	500,000,000
Senior Notes V, year 2017	265,000,000	-
Senior Notes VI, year 2017	575,000,000	-
Unamortized bond issuance costs and discount	(46,162,017)	(16,468,444)
Accrued interest - current	22,877,683	15,715,599
Net	1,316,715,666	670,674,155
Presented in consolidated statements of financial position as:		
Current liabilities	22,877,683	15,715,599
Noncurrent liabilites	1,293,837,983	654,958,556
Total	1,316,715,666	670,674,155

Senior Notes III, US$ 300 Million

On May 5, 2011, IEF BV, a direct wholly owned subsidiary of the Company, issued Senior Notes III ("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, IIC, TPE, TPEC and TS acted as guarantors.

The Notes III 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 Tripatra Group, TPEC, IEF BV, IEC BV and IIC (Note 1c) and IIC's investment in shares of stock of KJA (Note 14). These collaterals are shared *pari passu* amongst Notes IV and V;

- A security interest in the Indika Proceeds Accounts, in the name of ICRL, held at Citibank, N.A., New York amounting to US$ 50,000,000 since the issuance of Notes III. On February 2012, the Company had drawdown the collateral funds and used 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 IEC BV's right under the Intercompany Loans. As of reporting dates, all the Intercompany Loans are fully eliminated for consolidation purposes.

IEF BV 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 BV 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 BV 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 BV may redeem in whole or in part 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 BV 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' and KJA's 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.

On May 10, 2017, IEF BV redeemed in full the outstanding Notes III at a redemption price equal to 100% of the principal amount, plus any unpaid interest as at redemption date, totaling to US$ 171,593,284.

The unamortized bond issuance costs was recognized as part of finance costs amounting to US$ 4,944,527 (Note 41).

Senior Notes IV, US$ 500 Million

On January 24, 2013, IEF II BV, a direct wholly owned subsidiary of the Company, issued Senior Notes IV ("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, IIC, TPE, TPEC and TS acted 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 BV II, IEC BV II and IIC (Note 1c) and IIC's and the Company's investment in shares of stock of KJA (Notes 1c and 14) and TPEC's investment in shares of stock of TS. These collaterals are shared *pari passu* amongst Notes IV, V and VI.
- A security interest in IEC BV II's right under the Intercompany Loans. As of reporting dates, all the intercompany loans are fully eliminated for consolidation purposes.

IEF BV II 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 BV II 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 BV II 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 BV II may redeem in whole or in part 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 BV II 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' and KJA's 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 Senior 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 Senior Notes II; and (iii) repayment of other existing indebtedness, working capital and other general corporate purposes.

In December 2017, the Notes IV have been assigned a rating of "Ba3" with stable outlook by Moody's and "B+" with positive outlook by Fitch.

Senior Notes V, US$ 265 Million

On April 10, 2017, Indika Energy Capital II Pte. Ltd. (IECPLII), an indirectly wholly owned subsidiary of the Company, issued Senior Notes V ("Notes V") amounting to US$ 265,000,000, priced at 99.688%. The Notes will mature in April 2022 and bears interest at 6.875% per annum, payable semiannually on April 10 and October 10, commencing October 10, 2017. The Notes are listed on the Singapore Stock Exchange. In relation to the issuance of the Notes V, Citicorp International Limited acted as trustee, while the Company, IIC, TPE, TPEC and TS acted as Guarantors.

The Notes 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 TS, TPE, TPEC, IECPL II, IIC (Note 1c) and IIC's and the Company's investment in shares of stock of KJA (Notes 1c and 14). These collaterals are shared pari passu amongst Notes IV, V and VI; and

- A security interest in IECPL II's right under the Intercompany Loans. As of reporting dates, all the intercompany loans are eliminated for consolidation purpose

IECPL II will be entitled at its option to redeem all or any portion of the Notes V. At any time prior to April 10, 2020, IECPL II will be entitled at its option to redeem up to 35% of the Notes V with the net proceeds of one or more equity offerings at a redemption price of 106.875%. At any time prior to April 10, 2020, IECPL II will be entitled at its option to redeem the Notes V, in whole but not in part, at redemption price equal to 100% plus the applicable premium, as further determined in the Notes V indenture. At any time on or after April 10, 2020, IECPL II may redeem in whole or in part of the Notes V at a redemption price specifically described in the Notes V indenture.

In relation to the Notes V, 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' and KJA's 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 V Indenture.

Proceeds of the Notes were used to (i) redeem in full the outstanding Notes III in the aggregate principal amount of US$ 171.4 million; (ii) repay in full TPEC's credit facility with PT Bank Mandiri (Persero) Tbk in the principal amount of US$ 35 million; (iii) repay in full MBSS's club deal loan facility with PT Bank ANZ Indonesia and Standard Chartered Bank in the principal amount of US$ 29.5 million; (iv) repay in part MBSS' term loan facility with PT Bank Permata Tbk in the principal amount of US$ 9 million; (v) repay in full MBSS's al murabahah financing facility with Indonesia Eximbank in the principal amount of US$ 1.6 million and (vi) for working capital and other general corporate purposes.

In December 2017, the Notes V have been assigned a rating of "Ba3" with stable outlook by Moody's and "B+" with positive outlook by Fitch.

Senior Notes VI, US$ 575 Million

On November 9, 2017, Indika Energy Capital III Pte. Ltd. (IECPL III), an indirectly wholly owned subsidiary, issued Senior Notes VI ("Notes VI") amounting to US$ 575,000,000, priced at 98.594%. The Notes will mature in November 2024 and bears interest at 5.875% per annum, payable semiannually on May 9 and November 9, commencing May 9, 2018. The Notes are listed on the Singapore Stock Exchange. In relation to the issuance of the Notes VI, Citicorp International Limited acted as "Trustee", while the Company, IIC, TPE, TPEC and TS acted as Guarantors.

The Notes VI 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 TS, TPE, TPEC, IECPL III, IIC (Note 1c) and IIC's investment in shares of stock of KJA (Note 14) including the additional Capital Stock in KJA acquired by the Company and IIC pursuant to the KJA Share Purchase (Note 1c). These collaterals are shared pari passu amongst Notes IV, V and VI; and
- A security interest in IECPL III's right under the Intercompany Loans. As of reporting dates, all the intercompany loans are eliminate for consolidation purpose.

IECPL III will be entitled at its option to redeem all or any portion of the Notes VI. At any time prior to November 9, 2021, IECPL III will be entitled at its option to redeem up to 35% of the Notes VI with the net proceeds of one or more equity offerings at a redemption price of 105.875%. At any time prior to November 9, 2021, IECPL III will be entitled at its option to redeem the Notes VI, in whole but not in part, at redemption price equal to 100% plus the applicable premium, as further determined in the Notes VI indenture. At any time on or after November 9, 2021, IECPL III may redeem in whole or in part of the Notes VI at a redemption price specifically described in the Notes VI indenture.

In relation to the Notes VI, 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' and KJA's 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 VI Indenture.

Proceeds of the Notes VI will be used to fund the Proposed KJA Share Purchase (other than the contingent consideration) and the fees and expenses related thereto.

In December 2017, the Notes VI have been assigned a rating of "Ba3" with stable outlook by Moody's and "B+" with positive outlook by Fitch.

The finance costs incurred for the bonds payable for 2017 and 2016 amounted to US$ 54,312,688 and US$ 43,874,590, respectively (Note 41).

As of December 31, 2017 and 2016, management believes that the Company and its subsidiaries have complied with all significant covenants required by the bond holders of the above Notes.

32. ENVIRONMENTAL AND RECLAMATION LIABILITIES

	December 31, 2017	December 31, 2016
	US$	US$
Beginning balance	4,879	-
Additions due to acquisition of KJA	27,586,524	-
Additions	3,261,507	135,077
Realization	(430,937)	(130,198)
Accretion	(102,781)	-
Ending balance	30,319,192	4,879

33. EMPLOYMENT BENEFITS

	December 31, 2017	December 31, 2016
	US$	US$
Post-employment benefits	38,336,925	24,787,320
Long service leave	3,496,405	2,574,451
Total	41,833,330	27,361,771

The Company and its subsidiaries provide post-employment benefits for their qualifying employees in accordance with Labor Law No. 13/2003. The number of employees entitled to the benefits is 3,323 as of December 31, 2017 and 2,674 as of December 31, 2016.

The defined benefit pension plan typically exposes the Company and its subsidiaries to actuarial risks such as: interest rate risk and salary risk.

Interest Risk

A decrease in the bond interest rate will increase the plan liability.

Salary Risk

The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

Amounts recognized as expense in the consolidated statements of profit or loss and other comprehensive income in respect of these post-employment benefits are as follows:

	2017	2016
	US$	US$
Current service costs	3,939,519	3,651,060
Interest costs	1,914,094	1,544,419
Past service costs	(63,347)	1,584,366
Benefits paid in period excess payment	262,851	6,240,734
Immediate adjustment of defined benefits	-	186,066
Curtailment effect	-	(3,027,253)
Total	6,053,117	10,179,391
Remeasurement on the net defined benefit liability:		
Actuarial losses arising from changes in demographic and financial assumptions	1,049,597	1,322,312
Actuarial gains arising from changes in experience adjustments	(653,224)	(1,344,084)
Components of defined benefit costs recognized in other comprehensive income	396,373	(21,772)
Total	6,449,490	10,157,619

The amounts recognized in the consolidated statements of financial position arising from the Company and its subsidiaries' obligations with respect to these post-employment benefits and their movements are as follows:

	December 31, 2017	December 31, 2016
	US$	US$
Opening balance of present value of unfunded obligations	24,787,320	22,276,090
Current service costs	3,939,519	3,651,060
Interest costs	1,914,094	1,544,419
Remeasurement on the net defined benefit liability:		
Actuarial losses arising from changes in demographic and financial assumptions	1,049,597	1,322,312
Actuarial gains arising from changes in experience adjustments	(653,224)	(1,344,084)
Addition from acquisition of KJA	7,600,491	-
Immediate adjustment of defined benefits	-	186,066
Expected benefits paid	(1,033,359)	(1,085,263)
Past service costs	(63,347)	1,584,366
Curtailment effect	-	(3,027,253)
Gain (loss) in foreign exchange	795,834	(320,393)
Closing balance of present value of unfunded obligations	38,336,925	24,787,320

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, 2017	December 31, 2016
Discount rate	6.60% - 9%	8.00% - 9%
Salary increment rate	8% - 10%	8% - 10%
Mortality rate	100% TMI3/CSO' 80	100% TMI3/CSO' 80
Disability rate	5% TMI3/10% CSO' 80	5% TMI3/10% CSO' 80
Resignation rate	3% - 12% per annum until age 25 -30 years then decreasing linearly to 0% at 54-55 years	3% - 12% per annum until age 25 -30 years then decreasing linearly to 0% at 54-55 years
Normal retirement age	55	55

Significant actuarial assumptions for the determination of post-employment benefits obligation are discount rate and expected salary increase rate. The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 1% higher, the post-employment benefits obligation would decrease by US$ 1.67 million, while decrease by 1% in the discount rate would increase the post-employment benefit obligation by US$ 2.72 million.

- If the expected salary incremental rate is 1% higher, the post-employment benefits obligation would increase by US$ 2.11 million, while decrease by 1% in the salary incremental rate would decrease the post-employment benefit obligation by US$ 1.29 million.

The sensitivity analysis presented above may not be representative of the actual change in the post-employment benefits obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the post-employment benefits obligation has been calculated using projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the post-employment benefits obligation recognized in the consolidated statement of financial position.

The Company and its subsidiaries' post-employment benefits obligation is unfunded, causing benefit payments in the future when due, which is correlated with the cash availability in the Company and its subsidiaries. Reflecting on the performance in 2017 and the prolonged downturn of the coal industry, the Company and its subsidiaries continue to focus on achieving operational excellence as well as further cost reductions, tightened capital spending and cash preservation efforts. The Company and its subsidiaries will also concentrate on managing risk by focusing on efficient cash flow management and further strengthening the non-coal business holdings.

The average duration of the benefit obligation at December 31, 2017 and December 31, 2016 is ranging from 8 until 17 years, respectively.

34. CAPITAL STOCK

	December 31, 2017		
Name of Stockholders	Number of Shares (Rp 100 par value per share)	Percentage of Ownership	Total Paid-up Capital US$
PT Indika Inti Investindo (previously PT Indika Kawan Sejati)	1,968,882,699	37.79%	21,499,012
PT Teladan Resources	1,596,977,091	30.65%	17,438,027
Eddy Junaedy Danu	82,130,500	1.57%	896,816
Agus Lasmono	10,156,000	0.20%	110,897
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%)	1,548,819,700	29.73%	16,912,177
Total	5,210,192,000	100.00%	56,892,154

Name of Stockholders	December 31, 2016		
	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
JP Morgan Chase Bank, NA	271,762,000	5.22%	2,967,477
Eddy Junaedy Danu	81,880,500	1.57%	894,086
Agus Lasmono	10,156,000	0.20%	110,897
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%)	1,536,069,700	29.49%	16,772,954
Total	5,210,192,000	100.00%	56,892,154

On November 13, 2017, PT Indika Mitra Energi (IME), a shareholder of the Company, transferred all of its shares representing 63.47% ownership in the Company to PT Indika Inti Investindo (previously PT Indika Kawan Sejati or "IKS") (1,968,882,699 shares or 37.79% ownership) and to PT Teladan Resources (TR) (1,338,215,091 shares or 25.68% ownership), respectively.

After the share transfer transaction, IKS and TR which previously act as indirect shareholders of the Company through IME become direct shareholders of the Company. On the share transfer transaction, IKS and TR stated that:

- Transaction of Company's share transfer from IME to IKS and TR is performed for internal restructuring purposes, and
- There is no change in the Company's control.

On November 21, 2017, TR declared that it has currently owned 1,596,977,091 shares in the Company, including 1,338,215,091 shares acquired in above transaction and 258,762,000 shares previously owned through JP Morgan Chase Bank, NA.

35. 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	Other paid-in capital	Total
	US$	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 options	-	-	1,097,573	-	-	1,097,573
Difference in Value of Restructuring Transaction between Entities Under Common Control (SINTRES)	-	-	-	10,862,663	-	10,862,663
Other paid-in capital	-	-	-	-	2,226,985	2,226,985
Balance as of December 31, 2016	254,633,211	(15,745,526)	1,097,573	10,862,663	2,226,985	253,074,906
Other paid-in capital	-	-	-	-	751,229	751,229
Balance as of December 31, 2017	254,633,211	(15,745,526)	1,097,573	10,862,663	2,978,214	253,826,135

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.

36. NON-CONTROLLING INTERESTS AND OTHER COMPREHENSIVE INCOME

a. Non-controlling interests

	December 31, 2017	December 31, 2016
	US$	US$
Balance at beginning of year	151,867,338	179,526,239
Acquisition of additional shares in KJA (Note 1c)	53,291,224	-
Share in losses of subsidaries in the current year	(13,783,855)	(36,636,644)
Advance for share capital and purchase of shares from non-controlling interests of subsidiary	(911,252)	-
Change in ownership of PEI (Note 1c)	-	8,977,743
Total	190,463,455	151,867,338

Summarized financial information in respect of each of the subsidiaries that has material non-controlling interest is set out below. The summarized financial information below represents amounts before intragroup eliminations.

	KJA	MBSS		Petrosea	
	December 31, 2017	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	US$	US$	US$	US$	US$
Current assets	409,931,955	52,776,581	56,422,657	161,084,000	147,735,394
Noncurrent assets	153,980,803	187,326,859	204,097,950	275,760,000	245,689,176
Total Assets	563,912,758	240,103,440	260,520,607	436,844,000	393,424,570
Current liabilities	283,461,249	8,776,640	43,188,295	97,387,000	68,444,050
Noncurrent liabilities	57,704,614	43,452,940	20,213,092	160,922,000	154,532,968
Total Liabilities	341,165,863	52,229,580	63,401,387	258,309,000	222,977,018
Revenues	1,632,968,800	68,450,538	65,758,062	259,868,000	209,370,379
Expenses	(1,105,137,180)	(77,360,061)	(95,537,052)	(251,557,000)	(217,195,515)
Profit (loss) for the year	527,831,620	(8,909,523)	(29,778,990)	8,311,000	(7,825,136)
Profit (loss) attributable to:					
Owners of the Company	277,102,940	(8,852,970)	(29,869,354)	8,230,000	(7,934,149)
Non-controlling interests	-	(56,553)	90,364	81,000	109,013
Profit (loss) for the year	277,102,940	(8,909,523)	(29,778,990)	8,311,000	(7,825,136)
Other comprehensive income (loss) attributable to:					
Owners of the Company	-	(333,983)	(157,053)	(976,000)	(3,701)
Non-controlling interests	-	(3,866)	3,308	-	-
Total comprehensive loss for the year	-	(337,849)	(153,745)	7,335,000	(3,701)
Owners of the Company	277,102,940	(9,186,953)	(30,026,407)	7,254,000	(7,937,850)
Non-controlling interests	-	(60,419)	93,672	81,000	109,013
Total comprehensive income (loss) for the year	277,102,940	(9,247,372)	(29,932,735)	7,335,000	(7,828,837)
Dividends paid to non-controlling interests	-	-	-	-	-
Net cash inflow (outflow) from:					
Operating activities	413,890,983	17,681,585	20,673,922	52,203,000	53,777,000
Investing activities	(9,733,186)	(5,332,124)	(9,328,565)	(49,299,000)	(12,663,000)
Financing activities	(300,000,000)	(11,588,874)	(18,966,985)	(11,842,000)	(28,263,000)

b. Other comprehensive income

	December 31, 2017			December 31, 2016		
	Amount before tax	Tax benefit (expense)	Amount after tax	Amount before tax	Tax benefit (expense)	Amount after tax
	US$	US$	US$	US$	US$	US$
Other comprehensive income:						
Remeasurement of defined benefits obligation	(1,939,465)	484,866	(1,454,599)	(21,772)	5,443	(16,329)
Cumulative translation adjustments	88,703	(22,176)	66,527	93,067	(23,267)	69,800
Equity portion of unrealized gain (loss) on derivative financial instruments (hedging reserve) of an associate	1,958,628	(489,657)	1,468,971	2,147,881	(536,970)	1,610,911
Other comprehensive income for the year	107,865	(26,966)	80,899	2,219,176	(554,794)	1,664,382

37. REVENUES

	2017	2016
	US$	US$
Third parties		
BP Berau Ltd.	166,107,006	12,735,502
PT Freeport	111,121,170	120,300,047
ENI Muara Bakau B.V.	72,778,059	101,171,325
PT Kideco Jaya Agung	51,862,632	59,227,890
PT Indonesia Pratama	48,554,488	22,009,000
PT Binuang Mitra Bersama	37,819,198	16,650,616
CSTS Joint Operation	26,605,392	7,001,703
Indoasia Cemerlang	20,857,636	18,183,573
PT Maruwai Coal	11,641,012	8,389,918
PT Adaro Indonesia	11,322,580	13,724,323
ExxonMobil Cepu Ltd.	10,669,060	63,330,612
PT Ras Digital Media	9,689,065	-
PT Anzawara Satria	7,795,586	3,692,291
PT Cotrans Asia	6,980,963	7,158,344
PT Maracipta Utama	5,620,491	-
PT Berau Coal	4,678,493	8,042,182
STC Joint Operation	4,387,206	15,898,115
JOB Pertamina Medco Tomori Sulawesi	94,364	14,435,369
Others (each below US$ 5 million)	57,903,217	66,548,411
Total	666,487,618	558,499,221
Sales of coal		
Foreign customers	392,609,874	216,733,710
Domestic customers	39,662,738	-
Total	1,098,760,230	775,232,931

8.74% in 2017 and 11.52% in 2016 of the above total revenues were made to related parties (Note 50).

Revenues to the following third party customers represented more than 10% of the total consolidated revenues of the respective periods as follows:

	2017	2016
	US$	US$
BP Berau Ltd.	166,107,006	-
PT Freeport	111,121,170	120,300,047
Eni Muara Bakau B.V. - Eni Group	-	101,171,325
Total	277,228,176	221,471,372

All of the above are customers of Petrosea, TPE and TPEC for energy services and KPI for energy infrastructure segment.

38. COST OF CONTRACTS AND GOODS SOLD

	2017	2016
	US$	US$
Materials	356,326,328	229,638,420
Sub-contractors, installations, communications supplies expense and other direct costs	197,062,850	113,003,308
Salaries, wages and employee benefits	116,642,996	117,590,467
Depreciation (Note 21)	76,953,073	74,250,507
Fuel	61,300,529	25,683,968
Consumables	51,263,394	40,954,690
Rental, repairs and utilities	29,479,228	32,766,384
Royalty	19,415,014	1,243,866
Handling	18,936,581	2,699,139
Environment and reclamation expenses	6,035,862	135,077
Amortization (Note 17)	3,894,701	-
Travel and transportation	3,625,540	6,596,852
Professional fees	2,935,020	8,429,154
Port charges and anchorage	2,862,098	5,106,470
(Increase) decrease in coal inventory	(11,658,243)	45,984
Others (each below US$ 5,000,000)	40,768,422	28,386,820
Total	975,843,393	686,531,106

In 2017 and 2016, purchases of coal from Dynamic Dragon Group International Trading Limited, a third party, accounts for 30% and 23.20% of the total cost of contracts and goods sold, respectively.

39. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	2017	2016
	US$	US$
Salaries, wages, and employee benefits	46,379,614	61,868,592
Professional fees	6,494,352	4,126,196
Marketing expense	3,912,575	1,536,546
Depreciation (Note 21)	3,735,423	7,988,470
Rental	3,680,293	3,822,284
Development cost	3,031,151	1,846,783
Amortization (Notes 17 and 23)	2,030,789	4,371,002
Others (each below US$ 2 million)	19,530,468	13,258,134
Total	88,794,665	98,818,007

40. INVESTMENT INCOME

	2017	2016
	US$	US$
Interest income:		
Time deposits	1,917,920	1,117,977
Loans to related parties (Note 50)	1,420,348	2,037,546
Current and other bank accounts	1,417,226	1,116,912
Total interest income	4,755,494	4,272,435
Gain on change in carrying amount of loans and receivable (Note 50)	3,159,632	-
Unrealized gain (loss) on fair value changes on investment in portfolio (Note 6)	1,070,568	(100,574)
Realized gain on fair value changes on investment in portfolio (Note 6)	-	937,115
Total	8,985,694	5,108,976

41. FINANCE COSTS

	2017	2016
	US$	US$
Interest expense on bonds payable (Note 31)	54,312,688	43,874,590
Bank commitment fees and others	8,572,703	-
Acceleration of amortization on bond issuance cost Senior Note III (Note 31)	4,944,527	-
Amortization of bonds issuance costs and discount (Note 31)	4,325,717	5,843,450
Interest on bank loans and long-term loans (Notes 25 and 29)	2,616,815	7,654,978
Interest on lease liabilities (Note 30)	733,565	749,896
Others (each below US$ 2 million)	1,390,733	2,302,747
Total	76,896,748	60,425,661

42. OTHERS – NET

	2017	2016
	US$	US$
CEPR Development fees (Note 50)	16,706,681	-
Reversal of impairment of assets in MBSS (Note 21)	2,147,268	2,799,652
Gain (loss) on sale of property, plant and equipment - net (Note 21)	1,287,387	(8,801,919)
Taxes and dues (Notes 12 and 15)	(1,239,692)	(26,785,397)
Provision for impairment losses on trade accounts receivable and other accounts receivable	(867,499)	(2,620,643)
Loss on foreign exchange - net	(613,988)	(711,362)
Loss on decline in value of inventory (Note 11)	(267,052)	(3,439,632)
Miscellaneous (each below US$ 2 million) - net	661,923	(2,134,688)
Total	17,815,028	(41,693,989)

43. FINAL TAX

Final tax is derived from the Company, IPY, MBSS, TPE, TPEC which is related to income from operations, office rental, charter of vessels and construction contracts.

44. INCOME TAX

Income tax of the Company and its subsidiaries consists of the following:

	2017	2016
	US$	US$
Current tax	(7,962,987)	(2,252,582)
Deferred tax	31,735,099	16,368,102
Adjustment recognized in the current year in relation to the current tax of prior years corporate income tax	(2,255,000)	(3,339,263)
Total income tax benefit - net	21,517,112	10,776,257

Current Tax

A reconciliation between profit (loss) before tax per consolidated statements of profit or loss and other comprehensive income and fiscal loss is as follows:

	2017	2016
	US$	US$
Profit (loss) before tax per consolidated statements of profit or loss and other comprehensive income	300,116,045	(115,006,983)
Less: Profit (loss) before tax of the subsidiaries	344,811,088	(38,120,487)
Loss before tax - the Company	(44,695,043)	(76,886,496)
Temporary differences:		
Salaries and benefits	2,854,895	-
Post-employment benefits	1,275,210	6,770,563
Difference between commercial and fiscal depreciation	65,453	541,793
Total	4,195,558	7,312,356
Nondeductible expenses (nontaxable income):		
Interest expense	42,466,471	34,875,433
Salaries and benefits	1,293,727	2,447,967
Final tax expense	439,421	337,436
Entertainment and representation	63,691	154,130
Income subject to final tax - net	(2,316,830)	(1,235,395)
Interest income subjected to final tax	(204,682)	(123,944)
Taxes and dues	-	17,141,886
Others	703,558	390,052
Total	42,445,356	53,987,565
Taxable income (fiscal loss) before fiscal losses carryforward	1,945,871	(15,586,575)
Fiscal losses		
2016	(15,586,575)	-
Accumulated fiscal losses	(13,640,704)	(15,586,575)

Under the Taxation Laws in Indonesia, the Company submits tax returns on a self-assessment basis. Fiscal losses can be utilized against the taxable income for a period of five years subsequent to the year the fiscal loss was incurred.

Excess payment of corporate income tax is computed as follows:

	2017 US$	2016 US$
Current tax expense		
The Company	-	-
Subsidiaries	7,962,987	2,252,582
Total	7,962,987	2,252,582
Less prepaid taxes		
The Company	427,929	143,624
Subsidiaries		
Article 22	82,652	45,000
Article 23	9,823,696	3,010,051
Article 25	873,067	920,661
Total prepaid taxes	11,207,344	4,119,336
Excess payment of corporate income tax	(3,244,357)	(1,866,754)
Excess payment of corporate income tax (Note 12)		
The Company	(427,929)	(143,624)
Subsidiaries	(2,816,427)	(2,856,516)
Current tax payable (Note 27)		
Subsidiaries *)	172,407,411	1,133,386
Total	169,163,055	(1,866,754)

*) In 2017 there is additional tax payable due to acquisition of KJA

Deferred Tax

The details of the subsidiaries deferred tax assets (liabilities) are as follows:

Deferred Tax Assets

This account represents deferred tax assets of subsidiaries on post-employment benefits, fiscal loss and deferred interest amounting to US$ 305,578 and US$ 373,236, as of December 31, 2017 and 2016, respectively.

Deferred Tax Liabilities

This account represents deferred tax liabilities of subsidiaries after deducting the deferred tax assets of the same business entity as follows:

	2017 US$	2016 US$
Subsidiaries		
Tax loss compensation	4,476,000	6,747,000
Post-employment benefits	4,098,000	3,171,000
Accrued expenses	557,000	512,000
Investment in associates	(1,258,750)	(1,258,750)
Inventories	312,000	557,000
Trade accounts receivable	244,000	212,000
Property, plant and equipment	(27,246,404)	(29,073,456)
Intangible assets	(326,407,557)	(38,756,421)
Deferred tax liabilities - net	(345,225,711)	(57,889,627)

Management did not recognize any deferred tax assets on the Company's unused accumulated fiscal losses due to the significant uncertainty of the availability of taxable income in the future against which tax losses can be utilized.

A reconciliation between the tax expense (benefit) and the amount computed by applying the tax rates to loss before tax per consolidated statements of profit or loss and other comprehensive income is as follows:

	2017	2016
	US$	US$
Loss before tax - Company	(44,695,043)	(76,886,496)
Tax at applicable tax rate	(11,173,761)	(19,221,624)
Tax effect of nondeductible expenses (nontaxable income):		
Interest expense	10,616,618	8,718,858
Salaries and benefits	323,432	611,992
Final tax expense	15,923	84,359
Entertainment and representation	(579,208)	38,533
Interest income subjected to final tax	109,855	(30,986)
Income subject to final tax - net	(51,171)	(308,849)
Others	175,890	4,382,985
Total	10,611,339	13,496,892
Tax effect of the unrecognized temporary differences and fiscal loss	(1,048,890)	(5,724,732)
Tax effect of utilized fiscal loss	486,468	-
Tax expense - Company	-	-
Tax benefit - subsidiaries	21,517,112	10,776,257
Total tax benefit	21,517,112	10,776,257

Petrosea

On April 8, 2016, Petrosea received an Overpayment Tax Assessment Letter for 2014 Corporate Income Tax amounting to US$ 7,719 thousand as compared to recorded tax claim for refund of US$ 10,453 thousand. Petrosea received the tax refund amounting to Rp 102,152,000 thousand (or equivalent to US$ 7,736 thousand) on May 10, 2016.

On March 27, 2017, Petrosea received an Overpayment Tax Assessment Letter for 2015 Corporate Income Tax amounting to US$ 8,132 thousand as compared to recorded claim for tax refund of US$ 10,427 thousand (Note 11). On April 21, 2017, Petrosea received the tax refund amounting to Rp 108,597,211 thousand (or equivalent to US$ 8,172 thousand). The differences in amount recorded and Tax Decision Letter is directly charged to profit or loss in 2017.

On March 29 and March 30, 2017, Petrosea received an Underpayment Tax Assessment Letter for 2015 Income Tax article 4(2), article 15, article 23, article 24, article 26 and value added tax and Tax Collection Letter of value added tax totaling to Rp 1,637,709 thousand on examination of all taxation for year 2015. On March 31, 2017, Petrosea has fully paid the Underpayment Tax Assessment Letter and Tax Collection Letter.

Tax Assessment Letters for Joint Operations

Joint operations	Tax type	Fiscal year	Tax underpayment	Overpayment tax refund	Equivalent to December 31, 2017	Equivalent to December 31, 2016
			Rp	Rp	US$	US$
PC JO	Income Tax art. 26	2005	12,505,239,916	5,995,908,533	-	393,000
PC JO	Income Tax art. 26	2006	14,226,200,433	6,761,588,915	-	288,000
PC JO	Income Tax art. 26	2007	3,371,062,321	2,051,942,426	-	49,000
Total				14,809,439,874	-	730,000

In 2013, Petrosea-Clough Joint Operation (PC JO) had paid the underpayment of income tax Article 26 for the years 2005 - 2007 and filed the objection letter on the Tax Assessment Letters.

On January 15, 2015, PC JO received Decision Letter on objection on underpayment of income tax article 26 for the years 2005-2006, stating the rejection of the PC JO's objection and increased the tax underpayment amounting to Rp 3,852,071 thousand. This underpayment has been paid on April 8, 2015. On April 10, 2015, PC JO requested for an appeal to the Tax Court, for the objection decision.

In January 2017, PC JO has received Tax Decision Letter on approval in part of appeal dated November 30, 2016 amounting to Rp 14,809,439 thousand (or equivalent to US$ 1,460 thousand). The difference between amount recorded and Tax Decision Letter is directly charged to profit or loss in 2016. In May 2017, PC JO has received the tax refund.

As of December 31, 2017, Petrosea's outstanding claim related to overpayment of 2017 corporate income tax amounted to US$ 2,232,341.

MUTU

In March 2017, MUTU received several tax assessment letters on the MUTU's VAT covering the periods from January 2014 to November 2014 showing total underpayment amounting to Rp 1,785,851,582 or equivalent to US$ 133,862. The payment was made on April 7, 2017 and recorded in the consolidated statement of profit or loss and other comprehensive income.

In May 2017, MUTU received several tax assessment letters on the MUTU's VAT covering the periods from January to December 2015 showing total underpayment amounting to Rp 1,212,579,250 or equivalent with US$ 91,096. The payment was paid on June 15, 2017 and recorded in the statement of profit or loss and other comprehensive income as part of tax expenses in 2017.

During 2017, MUTU received several tax collection letters on the MUTU's VAT covering the periods from 2012 – 2015 showing total of Rp 420,114,314 or equivalent with US$ 31,139. The payment was paid on October 2017 and recorded in the statement of profit or loss and other comprehensive income as part of tax expenses in 2017.

45. EMPLOYEE AND MANAGEMENT STOCK OPTIONS 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 options 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 non-transferable 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, 2017 and 2016
Risk - free interest rate	9.67%
Option period	5 years
Expected stock price volatility	69.80%
Expected dividend	5.30%

There are no compensation expenses for employee and management stock option during the years ended December 31, 2017 and 2016.

As of Desember 31, 2017 and 2016, other components of equity for employee stock options amounted to US$ 7,816,296.

46. EARNINGS (LOSS) PER SHARE

Profit (Loss)

Below is the data used for the computation of basic and diluted earnings per share:

	2017	2016
	US$	US$
Profit (loss) for the year attributable to the owners of the Company	335,417,012	(67,594,082)

Number of Shares

The weighted average number of shares outstanding for the computation of earnings (loss) per share are as follows:

	2017	2016
	US$	US$
Weighted average number of shares - for the calculation of diluted earnings per share	5,210,192,000	5,210,192,000
Earnings (loss) per share (Full amount)		
Basic	0.0644	(0.0130)
Diluted	0.0644	(0.0130)

The Company has no potential dilutive ordinary shares in 2017 and 2016.

47. CATEGORIES AND CLASSES OF FINANCIAL INSTRUMENTS

	Loans and receivables	Assets at fair value through profit or loss	Available-for-sale	Liabilities at amortized cost	Liabilties at fair value through profit or loss	Total
	US$	US$	US$	US$	US$	US$
December 31, 2017						
Current Financial Assets						
Cash and cash equivalents	622,045,354	-	-	-	-	622,045,354
Other financial assets	19,431,738	58,102,861	-	-	-	77,534,599
Trade accounts receivable						
Related parties	17,434,148	-	-	-	-	17,434,148
Third parties	321,165,102	-	-	-	-	321,165,102
Unbilled receivables						
Related parties	1,469,442	-	-	-	-	1,469,442
Third parties	1,478,747	-	-	-	-	1,478,747
Other accounts receivable - current maturities						
Related parties	1,848,445	-	-	-	-	1,848,445
Third parties	43,763,914	-	-	-	-	43,763,914
Noncurrent Financial Assets						
Other noncurrent financial assets	29,384,720	-	-	-	-	29,384,720
Other accounts receivable - net of current maturities						
Related parties	24,660,748	-	-	-	-	24,660,748
Third parties	2,300,429	-	-	-	-	2,300,429
Advances and other noncurrent assets						
Investment in shares of stock	-	-	1,211	-	-	1,211
Refundable deposits	3,201,824	-	-	-	-	3,201,824
Current Financial Liabilities						
Bank loans	-	-	-	81,344,235	-	81,344,235
Trade accounts payable						
Related party	-	-	-	3,947,517	-	3,947,517
Third parties	-	-	-	230,667,803	-	230,667,803
Other accounts payable						
Related parties	-	-	-	1,389,531	-	1,389,531
Third parties	-	-	-	15,880,090	-	15,880,090
Accrued expenses	-	-	-	63,252,680	-	63,252,680
Dividends payable	-	-	-	192,399	-	192,399
Current maturities of long-term liabilities						
Long-term loans	-	-	-	924,935	-	924,935
Lease liabilities	-	-	-	7,168,300	-	7,168,300
Bonds payable - net	-	-	-	22,877,683	-	22,877,683
Noncurrent Financial Liabilities						
Long-term liabilities - net of current maturities						
Lease liabilities	-	-	-	10,763,586	-	10,763,586
Bonds payable - net	-	-	-	1,293,837,983	-	1,293,837,983
Other long-term liability - third party	-	-	-	925,614	-	925,614
Contingent consideration obligation	-	-	-	-	127,460,308	127,460,308
Total	1,088,184,611	58,102,861	1,211	1,733,172,356	127,460,308	

	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, 2016					
Current Financial Assets					
Cash and cash equivalents	244,390,164	-	-	-	244,390,164
Other financial assets	18,151,526	45,532,293	-	-	63,683,819
Trade accounts receivable					
Related parties	7,336,484	-	-	-	7,336,484
Third parties	103,078,410	-	-	-	103,078,410
Unbilled receivables					
Related parties	2,002,620	-	-	-	2,002,620
Third parties	1,936,675	-	-	-	1,936,675
Other accounts receivable - current maturities					
Related parties	7,463,133	-	-	-	7,463,133
Third parties	4,014,091	-	-	-	4,014,091
Noncurrent Financial Assets					
Restricted cash	3,792,371	-	-	-	3,792,371
Other accounts receivable					
Related parties	24,415,240	-	-	-	24,415,240
Third parties	3,128,454	-	-	-	3,128,454
Advances and other noncurrent assets					
Investment in shares of stock	-	-	1,211	-	1,211
Refundable deposits	3,820,578	-	-	-	3,820,578
Current Financial Liabilities					
Bank loans	-	-	-	77,863,574	77,863,574
Trade accounts payable					
Related party	-	-	-	64,246	64,246
Third parties	-	-	-	115,780,509	115,780,509
Other accounts payable					
Related parties	-	-	-	1,259,778	1,259,778
Third parties	-	-	-	2,814,314	2,814,314
Accrued expenses	-	-	-	38,446,609	38,446,609
Dividends payable	-	-	-	226,772	226,772
Current maturities of long-term liabilities					
Long-term loans	-	-	-	21,847,065	21,847,065
Lease liabilities	-	-	-	6,859,968	6,859,968
Bonds payable - net	-	-	-	15,715,599	15,715,599
Noncurrent Financial Liabilities					
Long-term liabilities					
Long-term loans	-	-	-	18,267,630	18,267,630
Lease liabilities	-	-	-	9,759,327	9,759,327
Bonds payable - net	-	-	-	654,958,556	654,958,556
Total	423,529,746	45,532,293	1,211	963,863,947	

48. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT

a. 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 the operation and development of their business, while managing their exposure to foreign currency risk, interest rate risk, price risk, credit and liquidity risks. The Company and its subsidiaries operate within defined guidelines that were 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 transactions 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 53). Therefore, the impact of foreign currency fluctuation is considered manageable.

Details of monetary assets and liabilities denominated in foreign currencies are disclosed in Note 53.

Foreign currency sensitivity analysis

The Company and its subsidiaries' sensitivity against the relevant foreign currencies is 4% in 2017 and 7% in 2016. Had the U.S. Dollar weakened/strengthened by 4% in 2017 and 7% in 2016 with all other variables held constant, profit or loss after tax for the years then ended would have been US$ 4,930,878 and US$ 4,843,830 higher/lower, respectively. 4% and 7% are the sensitivity rates 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 currencies other than U.S. Dollar.

The management believes that the sensitivity analysis is unrepresentative of the inherent foreign currency risk because the exposure at the end of the reporting period does not reflect the exposure during the period.

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 profit after tax. The risk on interest income is limited as the Company and its subsidiaries only intends 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 rates. 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 or loss for the year ended December 31, 2017 and 2016 would increase/decrease by US$ 1,091,140 and US$ 857,238, respectively. 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 related parties, estimated earnings in excess of billing on contracts, trade and other accounts receivable, dividends receivable, advances and refundable deposits. 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 and other receivables 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 have 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 maintains 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.

Liquidity and interest rate risk tables

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$	US$
December 31, 2017							
Non-interest bearing							
Trade accounts payable		10,653,973	2,699,216	221,262,131	-	-	234,615,320
Other accounts payable		-	-	17,269,621	-	-	17,269,621
Accrued expense		63,252,680	-	-	-	-	63,252,680
Dividends payable		192,399	-	-	-	-	192,399
Contingent consideration obligation		-	-	-	-	127,460,308	127,460,308
Variable interest rate instruments							
Bank loans	3.00% - 6.00%	-	678,313	68,228,536	-	-	68,906,849
Lease liabilities	3.125% - 3.50%	-	-	7,168,300	10,763,586	-	17,931,886
Fixed interest rate instruments							
Bank loans	3.13% - 3.88%	-	225,000	15,675,000	-	-	15,900,000
Long-term loans	5.50% - 10.30%	-	14,061	949,772	140,605	-	1,104,438
Bonds payable	5.88% - 6.88%	-	-	106,752,683	1,136,937,500	605,966,146	1,849,656,329
Total		74,099,052	3,616,590	437,306,043	1,147,841,691	733,426,454	2,396,289,830
December 31, 2016							
Non-interest bearing							
Trade accounts payable		3,431,708	18,089,712	94,323,335	-	-	115,844,755
Other accounts payable		-	-	4,074,092	-	-	4,074,092
Accrued expense		38,446,609	-	-	-	-	38,446,609
Dividends payable		226,772	-	-	-	-	226,772
Variable interest rate instruments							
Bank loans	3.00% - 6.00%	-	250,954	40,891,663	-	-	41,142,617
Lease liabilities	3.125% - 3.50%	-	-	7,362,583	10,476,313	-	17,838,896
Long-term loans	5.19% - 9.94%	-	244,888	14,776,620	14,524,946	-	29,546,454
Fixed interest rate instruments							
Bank loans	3.13% - 3.88%	-	465,693	39,607,888	-	-	40,073,581
Long-term loans	5.50% - 10.30%	-	221,051	8,468,262	8,402,073	-	17,091,386
Bonds payable	6.38% - 7.00%	-	-	15,715,599	202,339,007	643,202,162	861,256,768
Total		42,105,089	19,272,298	225,220,042	235,742,339	643,202,162	1,165,541,930

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 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$	US$
December 31, 2017							
Non-interest bearing							
Cash on hand		1,758,213	-	-	-	-	1,758,213
Other financial assets		-	-	90,969,166	-	-	90,969,166
Trade accounts receivable		233,726,790	99,363,326	5,509,134	-	-	338,599,250
Unbilled receivable		-		2,948,190	-	-	2,948,190
Other accounts receivable		-	-	221,812	1,211,399	-	1,433,211
Advances and other noncurrent assets		-	-	-	1,211	-	1,211
Refundable deposits		-	-	-	3,201,744	-	3,201,744
Variable interest rate instruments							
Cash in bank	1.00 % - 2.50 %	284,928,065	-	-	-	-	284,928,065
Other accounts receivable	4% - 11%	-	-	1,691,698	-	-	1,691,698
Other financial assets	9.00% - 11.00%	15,950,154	-	-	-	-	15,950,154
Fixed interest rate instruments							
Other accounts receivable	1.00% - 2.50%	-	-	-	-	69,879,057	69,879,057
Time deposits	0.10% - 0.50%	-	335,359,075	-	-	-	335,359,075
Total		536,363,222	434,722,401	101,340,000	4,414,354	69,879,057	1,146,719,034

	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, 2016							
Non-interest bearing							
Cash on hand		199,131	-	-	-	-	199,131
Other financial assets		-	47,872,991	-	-	-	47,872,991
Trade accounts receivable		94,200,847	10,904,242	5,309,805	-	-	110,414,894
Unbilled receivable		-	-	3,939,295		-	3,939,295
Other accounts receivable		-	-	1,065,208	1,268,691	-	2,333,899
Advances and other noncurrent assets		-	-	-	1,211	-	1,211
Refundable deposits		-	-	-	3,820,578	-	3,820,578
Variable interest rate instruments							
Cash in bank	1.00 % - 2.50 %	182,029,060	-	-	-	-	182,029,060
Other accounts receivable	9.00 % - 11.00 %	-	-	13,830,797	9,980,787	46,093,341	69,904,925
Restricted cash	1.00 % - 2.50 %	-	-	3,792,371	-	-	3,792,371
Other financial assets	0.10% - 0.50%	15,810,828	-	-	-	-	15,810,828
Fixed interest rate instruments							
Time deposits	4.25 % - 5.50 %	62,161,973	-	-	-	-	62,161,973
Total		354,401,839	58,777,233	27,937,476	15,071,267	46,093,341	502,281,156

b. 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 25, 29, 30 and 31, cash and cash equivalents (Note 5), held-for-trading investment at fair value through profit or loss and equity attributable to holders of the Company, comprising of issued capital (Note 34), additional paid-in capital (Note 35), retained earnings and other components of equity.

The gearing ratio as of December 31, 2017 and 2016 are as follows:

	December 31, 2017	December 31, 2016
	US$	US$
Debt		
Bank loans	81,344,235	77,863,574
Long-term loans	924,935	40,114,695
Lease liabilities	17,931,886	16,619,295
Bonds payable - net	1,316,715,666	670,674,155
Total debt	1,416,916,722	805,271,719
Cash and cash equivalents	622,045,354	244,390,164
Held-for-trading investment at fair value through profit or loss	58,102,861	45,532,293
Net debt	736,768,507	515,349,262
Equity attributable to the owners of the Company	924,558,865	589,242,230
Net debt to equity ratio	80%	87%

49. FAIR VALUE MEASUREMENTS

Fair value of financial instruments carried at amortized cost

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, 2017			December 31, 2016	
	Carrying amount	Fair value	Hierarchy level	Carrying amount	Fair value
	US$	US$		US$	US$
Assets					
Other accounts receivable	72,573,536	58,317,533	Level 3	39,020,918	41,554,209
Liabilities					
Bonds payable - net	1,293,837,983	1,325,592,783	Level 1	654,958,556	524,949,959
Long-term loans	924,935	-	Level 2	40,114,695	53,015,106
Total Liabilities	1,294,762,918	1,325,592,783		695,073,251	577,965,065

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, which is classified as at fair value through profit loss (Note 6). The investment in bonds and alternative investments fall into Level 1 of the fair value hierarchy.

Contingent consideration obligation was measured at fair value based on the Options in the Share Purchase Agreement between the Company and Samtan (Note 1c). Contingent consideration obligation fall into Level 2 of the fair value hierarchy.

The fair value hierarchy are as follow:

- 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).

There was no transfer between levels 1 and 2 during the period.

50. NATURE OF RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES

Nature of Relationships

a. PT Indika Inti Investindo (previously PT Indika Kawan Sejati) and PT Teladan Resources as of December 31, 2017 and PT Indika Mitra Energi as of December 31, 2016 are the majority stockholders of the Company.

b. Related parties which have the same majority 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 (an associate up until December 6, 2017) (Note 1c)
   - PT Cotrans Asia
   - PT Sea Bridge Shipping
   - PT Cirebon Electric Power
   - PT Cirebon Power Services
   - PT Cirebon Energi Prasarana

d. PT Santan Batubara (SB) is an entity wherein Petrosea has joint control (Note 18).

e. STC Joint Operation and CSTS Joint Operation are joint operations between TPEC and third party (Note 19).

f. Key management personnel includes Commissioners and Directors of the Company.

g. PT Imeco Multi Prasarana (IMP) is a related party because one of the main shareholders of the Company is also the key management in IMP.

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 year ended December 31, 2017 and 2016 are as follows:

	December 31, 2017	December 31, 2016
	US$	US$
Commissioners		
Short-term benefits	894,735	992,635
Directors		
Short-term benefits	1,278,487	1,303,605
Total	2,173,222	2,296,240

b. Petrosea provided waste removal and coal production services and construction services to KJA.

   Petrosea provided overburden removal, coal mining and engineering and construction services to PT Santan Batubara.

   MBSS also provided floating crane and voyage services to KJA and PT Cotrans Asia.

   TPEC provided gas turbine generation packages and fabricated equipment which are pressure vessel and shell & tube heat exchanger and also provided its own portion of the personnel to STC JO ENI Jangkrik.

   TPEC provides personnel for the job "FEED WORK" named own portion related to Tangguh LNG Expansion Project to CSTS Joint Operation.

   KJA made coal sales to PT Cirebon Electric Power.

Trade Accounts Receivable (Note 7)

	Amount		Percentage to total assets	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	US$	US$		
PT Cirebon Electric Power	13,657,695	-	0.38%	-
PT Santan Batubara	1,786,668	1,786,623	0.10%	0.08%
PT Cotrans Asia	875,017	534,687	0.05%	0.02%
CSTS Joint Operation	566,977	-	0.03%	-
STC JO ENI Jangkrik	547,791	-	0.03%	-
PT Kideco Jaya Agung	-	5,015,174	-	0.23%
Total	17,434,148	7,336,484	0.48%	0.33%

Unbilled Receivables (Note 8)

	Amount		Percentage to total assets	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	US$	US$		
CSTS Joint Operation	1,469,442	2,002,620	0.04%	0.11%

Contracts and Service Revenues (Note 37)

	Amount		Percentage to total revenues	
	2017	2016	2017	2016
	US$	US$		
PT Kideco Jaya Agung	51,862,632	59,227,890	4.72%	5.96%
CSTS Joint Operation	26,605,392	7,001,703	2.42%	0.70%
PT Cotrans Asia	6,980,963	7,158,344	0.64%	0.72%
PT Cirebon Electric Power	6,201,493	-	0.80%	-
STC Joint Operation	4,387,206	15,898,115	0.40%	1.60%
Total	96,037,686	89,286,052	8.74%	11.52%

c. Details of the trade accounts payable and balances with related parties are as follows:

Trade Accounts Payable (Note 26)

	Amount		Percentage to total liabilities	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	US$	US$		
PT Cotrans Asia	3,947,517	-	0.16%	-
PT Kideco Jaya Agung	-	64,246	-	0.01%
Total	3,947,517	64,246	0.16%	0.01%

KJA use coal transshipment services from PT Cotrans Asia.

Other Accounts Payable

	Amount		Percentage to total liabilities	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	US$	US$		
PT Santan Batubara	1,059,486	1,247,121	0.04%	0.11%
PT Seabridge Shipping	330,045	-	0.01%	-
PT Indo Turbine	-	12,657	-	0.00%
Total	1,389,531	1,259,778	0.05%	0.11%

Other Accounts Receivable from Related Parties

The Company and its subsidiaries provided loans to related parties and also made advance payments of expenses for related parties, as follows:

	Amount		Percentage to total assets	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	US$	US$		
PT Cirebon Electric Power	23,449,348	23,146,549	0.66%	1.27%
PT Power Jawa Barat	2,694,429	1,888,868	0.08%	0.10%
Employee loans	1,211,399	1,268,691	0.03%	0.07%
PT Cirebon Energi Prasarana	1,626,633	4,150,000	0.05%	0.23%
PT Sea Bridge Shipping	75,206	3,220,000	0.00%	0.18%
Others (each below US$ 200,000)	146,607	93,133	0.00%	0.00%
Total	29,203,622	33,767,241	0.80%	1.85%
Less current maturities	(1,848,445)	(7,463,133)	(0.01%)	(0.41%)
Non-current maturities	27,355,177	26,304,108	0.79%	1.44%
Less allowance for impairment losses	(2,694,429)	(1,888,868)	(0.08%)	(0.10%)
Non-current maturities of other accounts receivable from related parties - net	24,660,748	24,415,240	0.71%	1.34%

Management believes that the allowance for impairment losses on other accounts receivable from related parties is adequate.

Shareholder Loans

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, 2017	December 31, 2016
	US$	US$
• Shareholder Loan Agreement dated November 28, 2008		
IPI	-	771,825
III	-	257,275
• Shareholder Loan Agreement dated December 22, 2008		
IPI	986,700	2,835,000
III	328,900	945,000
• Shareholder Loan Agreement dated February 6, 2009		
IPI	2,400,000	2,400,000
III	800,000	800,000
• 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	1,836,764	-
III	579,535	-
Total	12,583,899	13,661,100

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 capital stock.

Based on Unanimous Written Resolutions of the Boards of Directors of CEP, it is resolved that CEP will repay part of its loans and interest to the shareholders in 2017 and 2016. These repayments of interest are higher than the interest recognized. The overpayment of interest amounting to nil and US$ 133,890 was deferred as of December 31, 2017 and 2016. Allocation of payments to IPI and III are as follows:

Name of shareholders	Payments of principals of shareholder loans	Payments on interest of shareholders loans (before tax)	Total payment (before tax)
	US$	US$	US$
September 2017			
IPI	2,571,122	613,792	3,184,914
III	857,041	204,597	1,061,638
Total	3,428,163	818,389	4,246,552
March 2017			
IPI	49,003	550,998	600,001
III	16,334	183,666	200,000
Total	65,337	734,664	800,001
September 2016			
IPI	3,411,946	504,958	3,916,904
III	1,137,315	168,319	1,305,634
Total	4,549,261	673,277	5,222,538
May 2016			
IPI	3,326,632	1,323,368	4,650,000
III	1,108,878	441,122	1,550,000
Total	4,435,510	1,764,490	6,200,000

In 2017 and 2016, the Company paid US$ 1,380,000 and US$ 2,465,449, respectively, to Mizuho Bank Ltd. To secure the Debt Service Reserve Requirement for CEP's project financing facility. Such transaction was recorded as part of other accounts receivable from CEP at the amount of US$ 10,865,449 and US$ 9,485,449 as of December 31, 2017 and 2016, respectively.

PT Cirebon Energi Prasarana

In 2017 and 2016, CEPR entered into Shareholder Bridge Loan (SBL) Agreements with its shareholders wherein the shareholders agreed to provide bridge loans to CEPR, proportionate with their percentage of ownership in CEPR. PEC, as a 25% shareholder in CEPR, granted bridge loans in the total amount of US$ 7,275,000 bearing interest at 4% per annum. The loan is used to finance CEPR's project cost and expenses.

The Company, as a sponsor and owns indirectly 6.25% ownership in CEPR, granted several bridge loans in the total amount of US$ 3,431,256, bearing interest at 4% per annum. The loan is used to finance CEPR's project cost and expenses.

Upon achieving its Financial Close on November 9, 2017 ("Financial Closing") with its senior lenders, a consortium between Japan Bank for International Cooperation (JBIC), Nippon Export and Investment Insurance (NEXI) and Korea Exim Bank (KEXIM), CEPR fully paid all principal outstanding loan from the Company and PEC. The interest accruing on the loans remained outstanding and were converted to a new loan agreement, bearing interest at 4% per annum.

Based on agreements with its shareholders, CEPR will reimburse cost paid by shareholders related to project cost. PEC's portion related to this reimbursement amounted to US$ 1,358,528 as of December 31, 2017, which was recorded as part of Development Reimbursement, Others-net (Note 42). As of December 31, 2017, receivable from this reimbursement remained outstanding and was recorded as part of other accounts receivable from related parties.

PT Sea Bridge Shipping

This working capital loan bears interest at 9% per annum and is paid quarterly. The loans were granted in several tranches.

For loan received prior to 2010, the principal loan will be paid in 16 quarterly installments starting March 10, 2011 and June 10, 2011. For additional working capital loans received subsequent to 2010, the principal will be fully paid on April 21, 2016. On March 7, 2016, the agreement was amended to extend principal payment until October 31, 2017.

The loans granted to SBS is proportionate with the percentage of ownership of each shareholders of SBS.

On October 27, 2017, the working capital loan has been fully paid by SBS.

The carrying amount of other accounts receivable from SBS as of December 31, 2017 and 2016 based on maturity are as follows:

	December 31, 2017	December 31, 2016
	US$	US$
One year	-	3,220,000

MBSS provides management services to SBS. As of December 31, 2017 and 2016, other accounts receivable to SBS are US$ 75,204 dan US$ 12,619, respectively.

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 of the Commissioners 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.

Since 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 (Note 40)

	Amount		Percentage to total investment income	
	2017	2016	2017	2016
	US$	US$		
PT Cirebon Electric Power	4,103,242	1,191,604	10.63%	23.32%
PT Sea Bridge Shipping	243,111	811,359	2.74%	15.88%
PT Cirebon Energi Prasarana	233,627	34,583	2.63%	0.68%
Total	4,579,980	2,037,546	16.00%	39.88%

Management Fees

MBSS provides management services to PT Sea Bridge Shipping (SBS), recorded as part of others-net. Management fee received by MBSS for the years ended December 31, 2017 and 2016 are US$ 294,703 and US$ 423,767, respectively.

Development Fee

Based on agreement between CEPR, the sponsors and shareholders dated September 30, 2015, as amended and restated on April 20, 2017, it is agreed that at Financial Closing and subject to the approval of the senior leaders, CEPR shall pay to the shareholder (or at election of a shareholder, to its related sponsor) from the initial proceeds of borrowed money incurred by CEPR a development fee in the maximum amount of US$ 25,000,000.

Based on the above agreement, the Company's portion of the development fee was Rp 146,800,858,046 (or equivalent to US$ 10,835,611), which was received in December 2017. This transaction was recorded as part of other-net (Note 42).

Office Space Rental

The Company and several subsidiaries rent office building from a related party. As of December 31, 2017 and 2016, office space rental expense transaction with PT Marmitria Land amounted to US$ 1,069,121 and US$ 1,398,062, respectively.

51. 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 describes the operations in each of the reportable segments:

Energy resources

KJA is the Company and its subsidiaries' 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 MUTU, MEA and PT Santan Batubara.

Energy services

The Company and its subsidiaries' two core businesses in the energy services sector are Tripatra and Petrosea. Through Tripatra, the Company and its subsidiaries provide engineering, procurement and construction services, operations and maintenance and logistic services. Through Petrosea, the Company and its subsidiaries provide engineering, construction and contract mining with total pit-to-port capability.

Energy infrastructure

The 660 megawatt power generation plant in Cirebon, West Java and CEPR represent investments in the Company and its subsidiaries energy infrastructure business pillar. MBSS, PT POSB Infrastructure Kalimantan, PT Sea Bridge Shipping and PT Cotrans Asia also contributed in this segment.

	December 31, 2017				
	Energy Services	Energy Resources	Energy Infrastructure	Elimination	Consolidated
	US$	US$	US$	US$	US$
Revenues					
External sales	534,499,522	440,826,526	123,434,182	-	1,098,760,230
Inter-segment sales	7,753,416	7,047,800	1,923,200	(16,724,416)	-
Total Revenues	536,800,462	453,579,836	125,104,348	(16,724,416)	1,098,760,230
Segment result	86,730,032	31,583,751	9,215,790	(4,612,736)	122,916,837
Equity in net profit of associates and jointly-controlled entity	-	570,791,361	17,271,088	(451,878,408)	136,184,041
Investment income	2,128,490	67,461,281	5,653,563	(66,257,640)	8,985,694
Selling, general and administrative expenses	(35,730,077)	(45,150,199)	(16,728,800)	8,814,411	(88,794,665)
Finance costs	(9,482,262)	(130,727,953)	(3,718,768)	67,032,235	(76,896,748)
Final tax	(14,352,625)	(682,433)	(903,149)	-	(15,938,207)
Amortization of intangible assets	-	(7,005,083)	-	(10,970,337)	(17,975,420)
Impairment of assets	-	(170,394,142)	-	-	(170,394,142)
Gain on revaluations	-	384,213,627	-	-	384,213,627
Others - net	(461,262)	38,939,872	6,814,432	(27,478,014)	17,815,028
Profit before tax	28,832,296	740,045,618	17,604,156	(486,366,025)	300,116,045
Tax benefit (expense)	(2,647,066)	25,828,944	(1,664,766)	-	21,517,112
Profit for the period					321,633,157
Attributable to:					
Owners of the company					335,417,012
Non-controlling interest					(13,783,855)
Total Consolidated Profit					321,633,157
Segment Assets	735,378,679	5,573,459,732	426,797,822	(3,099,930,830)	3,635,705,403
Segment Liabilities	162,137,044	1,476,008,813	264,457	(221,493,591)	1,416,916,723
Unallocated Liabilities	224,764,552	1,387,951,097	61,963,602	(570,912,891)	1,103,766,360
Total Consolidated Liabilities	386,901,596	2,863,959,910	62,228,059	(792,406,482)	2,520,683,083
Other information					
Additions to property, plant and equipment and intangible assets					94,832,383
Depreciation expense					80,688,496
Amortization of bond issuance cost and discount					4,325,717

	December 31, 2016				
	Energy Services	Energy Resources	Energy Infrastructure	Elimination	Consolidated
	US$	US$	US$	US$	US$
Revenues					
External Sales	425,214,024	217,121,183	132,897,724	-	775,232,931
Inter-segment Sales	9,568,290	3,980,269	2,110,943	(15,659,502)	-
Total Revenues	434,782,314	221,101,452	135,008,667	(15,659,502)	775,232,931
Segment result	70,133,210	12,762,820	9,002,582	(3,196,787)	88,701,825
Equity in net profit of associates and jointly-controlled entity	7,027,562	47,559,039	19,452,771	(14,574,879)	59,464,493
Investment income	1,655,377	48,695,571	2,066,289	(47,398,261)	5,018,976
Selling, general and administrative expenses	(34,795,914)	(54,480,753)	(17,680,812)	8,139,472	(98,818,007)
Finance cost	(9,903,773)	(93,219,200)	(3,453,006)	46,150,318	(60,425,661)
Impairment of assets	-	-	(30,307,542)	-	(30,307,542)
Amortization of intangible assets	-	(7,271,403)	(18,718,546)	-	(25,989,949)
Final tax	(9,564,467)	(337,436)	(1,055,226)	-	(10,957,129)
Others - net	(10,065,408)	(16,958,399)	(11,074,759)	(3,595,423)	(41,693,989)
Loss before tax	14,486,587	(63,249,761)	(51,768,249)	(14,475,560)	(115,006,983)
Tax benefit (expense)	510,960	1,384,877	8,880,420	-	10,776,257
Loss for the year					(104,230,726)
Attributable to:					
Owners of the company					(67,594,082)
Non-controlling interest					(36,636,644)
Total Consolidated Loss					(104,230,726)
Segment Assets	730,583,064	2,407,817,453	433,526,440	(1,749,593,888)	1,822,333,069
Segment Liabilities	207,466,034	709,683,598	52,313,470	(186,766,951)	782,696,151
Unallocated Liabilities	217,000,368	656,888,267	23,705,366	(599,066,651)	298,527,350
Total Consolidated Liabilities	424,466,402	1,366,571,865	76,018,836	(785,833,602)	1,081,223,501
Other information					
Additions to property, plant and equipment and intangible assets					26,085,212
Depreciation expense					82,238,977
Amortization of bond issuance cost					5,843,450

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.

Customers which represent more than 10% of the total consolidated revenues are disclosed in Note 37.

52. COMMITMENTS AND CONTINGENCIES

a. On September 22, 2017, the Company entered into a Share Purchase Agreement (the "Samtan SPA") with Samtan Co. Ltd. ("Samtan") to purchase 40% from the total 49% ownership interest of Samtan in KJA ("Proposed Samtan Share Purchase"), while on the same date IIC entered into a Share Purchase Agreement with PT Muji Inti Utama ("MIU") (the "MIU SPA" and together with the Samtan SPA, "SPAs") to purchase the whole 5% ownership interest of MIU in KJA, subject to the completion of certain conditions required in the SPAs. The purchase of the shares of KJA pursuant to the SPAs, is referred to as the "Proposed KJA Share Purchase". On the effective date of the acquisition, the Company will directly and indirectly own 91% ownership interest in KJA.

   Certain conditions, among others, required in the SPAs are the following:

   a. approval from the general shareholders' meeting of the Company and IIC;

   b. approval from related government agencies;

   c. the warranties of Samtan and MIU, remaining true and accurate and not misleading in any respect until closing date; and

   d. no events has occurred in relation to KJA's operations that would result in a Material Adverse Effect.

   Under the Samtan SPA, the consideration transferred for the purchase of the 40% ownership interest in KJA consists of a US$ 450,000,000 purchase price (the "Samtan Purchase Price"), and an additional payment of US$ 160,000,000, plus interest to be accrued at the Yield Rate plus one percent (1%) from the completion and closing of the Proposed Samtan Share Purchase until the date of full payment (the "Additional Purchase Price"), which is either payable in the form of cash ("Cash Election") or through the transfer of shares equal to 25% of the fully paid up issued share capital of KJA on a fully diluted basis at the time of such share transfer ("Share Election"). The Additional Purchase Price amounting to US$ 160,000,000 as contingent payment that will be paid by the Company to Samtan if KJA has obtained extension/ renewal or conversion of CCoW. On December 6, 2017, the interest to be accrued on the Additional Purchase Price is revised to 7% per annum.

   Under the MIU SPA, the consideration transferred for the purchase of the 5% ownership interest in KJA is US$ 67,500,000 (the "MIU Purchase Price" and together with the Samtan Purchase Price, the "Proposed KJA Share Purchase Price Payments").

b. PT Cirebon Energi Prasarana (CEPR) together with the Company and PT Imeco Inter Sarana (IIS) have entered into an equity bridge loan agreement (EBL) on April 18, 2017 (as amended by an amendment letter dated November 8, 2017) with JPMorgan Chase Bank, N.A., Hong Kong Branch (JPM), pursuant to which JPM has agreed to make available to CEPR an equity bridge facility in an aggregate principal amount not exceeding US$103,145,000 in relation to the Project.

c. In relation to the Project, CEPR has signed a common agreement dated April 18, 2017 (the Original Common Agreement), made among others, by (i) CEPR, (ii) Japan Bank for International Cooperation, (iii) The Export-Import Bank of Korea; (iv) banks and financial institutions named under schedule 1 (the Lenders) of the Original Common Agreement, (v) Mizuho Bank, Ltd., and (vi) PT Bank Mizuho Indonesia. The Original Common Agreement has been amended and restated on November 3, 2017 under an amendment and restatement agreement (A&R Agreement) (the Original Common Agreement as amended and restated by the A&R Agreement shall be referred to as, the Common Agreement).

   As required in the Common Agreement, the Company has executed an equity support agreement dated April 18, 2017 (ESA) made between (i) IIS, (ii) the Company, (iii) PT Imeco Multi Infrastruktur, (iv) PT Imeco Multi Prasarana, (v) PT Indika Energy Infrastructure (IEI), (vi) PT Indika Multi Energi Internasional (IMEI), (vii) PT Prasarana Energi Indonesia (PEI), (viii) PEC, and (ix) Mizuho Bank, Ltd., pursuant to which, the Company and IIS provides payment undertakings in relation to the payment obligation of CEPR based on the Common Agreement, provided that the aggregate obligation of the Company and IIS shall not exceed the percentage of obligation set out under the ESA.

In relation to the ESA and as one of the conditions precedent in the Common Agreement, PEC has entered into a deed of share pledge agreement No. 62 dated April 20, 2017 drawn up before Liestiani Wang, S.H., M.Kn. (the Share Pledge) with PT Bank Mizuho Indonesia as pledgee (the Pledgee) and CEPR. Pursuant to the Share Pledge, PEC has pledged is present and future shares in CEPR to secure CEPR's payment obligation under the Common Agreement.

As one of the conditions precedent under the Common Agreement, the Company has also entered into a special share undertaking agreement dated April 18, 2017 (the Special Share Undertaking Agreement) made between (i) Marubeni Corporation, (ii) Korea Midland Power Co., Ltd., (iii) Samtan Co., Ltd., (iv) JERA Co., Inc., (v) IIS, (vi) the Company (vii) all shareholders named in the Special Share Undertaking Agreement, (viii) CEPR, and (ix) Mizuho Bank, Ltd., pursuant to which the Company together with the other sponsors and shareholders provide certain undertakings regarding their direct or indirect shares in the CEPR.

d. On December 20, 2017, the Company signed a Loan Facility for Special Transaction Agreement with PT Bank Mandiri (Persero) Tbk ("Mandiri"), wherein the Company obtained revolving working capital facility from Mandiri amounting to US$ 50 million.

The working capital facility has a period of one year and bears interest rate at LIBOR plus 2.75%.

As of December 31, 2017, the used credit facilities amounted to US$ 30 million, wherein US$ 20 million due in June 2018 and the other US$ 10 million, due in January 2018.

The agreement contains certain terms and conditions that require the Company to fulfill, among others, as follows:

- Maintain Fixed Charge Coverage Ratio at the minimum of 250%;
- Provide written notification to Mandiri within 5 working days after a new investment made by the Company; acquisition, merger or divestment; and change in the Company's board of directors and commissioners;
- Restricted to act as guarantor and pledge its assets, except when they are required by bond indentures existing before this working capital facility;
- Restricted to change the Company's shareholder composition which will result in change of control.

e. 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 standby 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 the 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 the 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.

f. IIC obtained the following credit facilities:

Entities	Effective date	Grantor facilties	Credit limits	Guarantee	Valid Date
PT Indika Inti Corpindo	July 11, 2008	DBS Bank Ltd.	US$ 50,000,000	Time deposit guarantee	2019
	October 20, 2008	DBS Bank Ltd.	US$ 9,090,969	Time deposit guarantee	2019

As of December 31, 2017 and 2016, IIC has not utilized the said facility.

g. TPEC has construction work and construction consultant services commitments with several customers as follows:

No.	Project	Contract value		Owner	Start of project	End of project
1	Provision & Installation of New Built Barge Floating Production Unit (Hull, Topside and Mooring System)	US$	1,175,555,556	Eni Muara Bakau B.V.	February 28, 2014	March 31, 2019
2	Onshore LNG Engineering, Procurement and Construction (EPC) Contract for Tangguh Expansion Project	US$	1,392,483,238	BP Berau Ltd.	August 25, 2016	August 24, 2020
		IDR	8,560,759,549,656			
		EUR	269,960,438			
		JPY	7,463,000,030			
3	Mobile Power Plant Nias (25 MW)	IDR	243,171,968,256	PT PLN (Persero)	July 6, 2017	July 6, 2019
		US$	23,398,031			

h. TPEC obtained credit facilities from PT Bank Mandiri (Persero) Tbk as follows:

Facility	Information	Amount
Working Capital Loan	• Maximum facility	US$ 35,000,000
	• Interest rate per annum	6%
	• Structuring fee	US$ 50,000
Non cash loan	• Maximum facility	US$ 235,000,000
	• Type	Bank guarantee, Letter of credit
	• Structuring fee	US$ 80,000
	• Provision for bank guarantee	0.5% - 0.75%
	• Provision for letter of credit	0.125% flat

The used credit facilities at the reporting date amounted to US$ 15 million.

TPEC is restricted to, among other things: transfer assets used as collateral, obtain new credit facilities from other financial institutions except in the normal course of business, 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.

The above facilities may also be used by TPE.

i. TPEC obtained the following credit facilities from The Hongkong and Shanghai Banking Corporation Limited with combined limit amounting to US$ 35 million with sub limits under this facility as follows:

Facility	Information	Amount
Documentary Credit	• Maximum facility • Commissions	US$ 20,000,000 0.25% per quarter, minimum US$ 50
Deferred Payment Credit	• Maximum facility • Commissions	US$ 20,000,000 0.25% per quarter, minimum US$ 50
Clean Import Loan 1	• Maximum facility • Interest	US$ 20,000,000 7.0% per annum
Bank Guarantee	• Maximum facility • Commissions	US$ 35,000,000 0.75% per annum, minimum US$ 50
consist of: (i) Tender Bonds	• Maximum facility • Commissions	US$ 35,000,000 0.75% per annum, minimum US$ 50
(ii) Performance bonds	• Maximum facility • Commissions	US$ 35,000,000 0.75% per annum, minimum US$ 50
(ii) Advance Payment Bonds	• Maximum facility • Commissions	US$ 35,000,000 0.75% per annum, minimum US$ 50

The above credit facilities will be due on March 10, 2018 and shall continue to be applicable until the Bank cancel, cease or discharge in writing the Company from its obligation.

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. TPEC obtained credit facilities from Standard Chartered Bank as follows:

Facility	Information	Amount
1) Bond and Guarantee	• Maximum facility • Commissions	US$ 10,000,000 0.20% per quarter, maximum tenor up to 36 months.
2) Import Letter of Credit	• Maximum facility • Commissions	US$ 10,000,000 0.20% per quarter
3) Import loans	• Maximum facility • Interest	US$ 10,000,000 3% per year
4) Import invoice of Credit	• Maximum facility • Interest	US$ 10,000,000 3% per year, above bank's cost of fund
5) Export invoice financing	• Maximum facility • Interest	US$ 10,000,000 3% per year, above bank's cost of fund
6) Shipping guarantee	• Maximum facility • Fee	US$ 10,000,000 US$ 25 per item

The import letter of credit facility, import loans facility, import and export invoice financing facility and shipping guarantee facility are treated as a sub-limit of the bond and guarantee facilities. Therefore, the combined loan outstanding are not to exceed US$ 10 million.

The above credit facilities were due on July 31, 2017 and currently in the process of extension and shall be automatically extended for every 12 months period basis, unless otherwise determined by the Bank from time to time.

The Company shall maintain its current ratio at a minimum of 1.0x and debt to equity ratio at a maximum of 1.0x.

In addition, the above facilities are also available to TPE up to the maximum sub-limit of US$ 10 million for all facilities.

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 TPEC's projects, as follows:

Date	Counter parties	Project owner	Amount	Tripatra portion	Validity date
August 25, 2016	PT Bank Mandiri (Persero) Tbk	BP Berau Ltd.	US$ 286,511,442	51,162,758	October 24, 2020
July 6, 2017	Hongkong and Shanghai Banking Corporation Limited	PT. PLN (Persero)	US$ 4,134,695	4,134,695	October 6, 2019
August 2, 2017	PT Bank Mandiri (Persero) Tbk	PT. Kaltim Amonium Nitrat	US$ 1,500,000	1,500,000	February 2, 2018
September 20, 2017	Hongkong and Shanghai Banking Corporation Limited	PT. PLN (Persero)	US$ 1,437,576	1,437,576	September 20, 2018
September 20, 2017	Hongkong and Shanghai Banking Corporation Limited	PT. PLN (Persero)	US$ 1,067,339	1,067,339	September 20, 2018
September 29, 2017	PT Bank Mandiri (Persero) Tbk	PT. PLN (Persero) UIP NUSRA	US$ 88,873	88,873	January 28, 2018
November 1, 2017	PT Bank Mandiri (Persero) Tbk	PT. Jakarta Tank Terminal	US$ 324,771	324,771	May 6, 2018
November 15, 2017	PT Bank Mandiri (Persero) Tbk	PT. PLN (Persero)	US$ 2,000,000	2,000,000	May 14, 2018
November 20, 2017	Hongkong and Shanghai Banking Corporation Limited	PT. PLN (Persero)	US$ 397,957	397,957	September 24, 2018
December 13, 2017	PT Bank Mandiri (Persero) Tbk	Eni Muara Bakau B.V.	US$ 58,777,778	17,444,913	March 31, 2019

l. TPE has consultant services commitment for construction work as follows:

No.	Name of project	Contract value	Owner	Project period	
				Start of project	End of project
1.	Provision of Pre-FEED for IDD Hub Production Host Facility	Rp 18,012,080,000	Chevron Indonesia Company, Chevron Makassar Ltd, Chevron Rapak Ltd, Chevron Ganal Ltd	December 18, 2017	December 17, 2018
2.	Debottlenecking (Revamping) Study Senoro CPP export pipelines in PNG	US$ 6,377,060,000	JOB Pertamina-Medco E&P Tomori Sulawesi	December 2, 2017	December 21, 2018

m. 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 party	Amount	Project	Valid Date
December 3, 2012	PT Bank Mandiri (Persero) Tbk	US$ 274,396	PT Chevron Pacific Indonesia	March 2, 2018
October 9, 2017	PT Bank Mandiri (Persero) Tbk	US$ 269,123	Pertamina Hulu Energi ONWJ	January 26, 2018
December 11, 2017	PT Bank Mandiri (Persero) Tbk	US$ 66,475	Chevron Indonesia Company, Chevron Makassar Ltd, Chevron Rapak Ltd, Chevron Ganal Ltd	March 17, 2019
December 22, 2017	PT Bank Mandiri (Persero) Tbk	US$ 23,535	JOB Pertamina-Medco E&P Tomori Sulawesi	April 21, 2019

n. As of December 31, 2017 and 2016, Petrosea had various outstanding used bank guarantee facilities for its operations amounting to US$ 35,327 thousand and US$ 17,098 thousand, respectively. As of December 31, 2017 and 2016, the bank guarantess were outstanding to PHE Nunukan Company, Eni Muara Bakau B.V., Eni East Sepinggan, Eni Bulungan B.V., Eni Bukat Ltd, Eny Nort Ganal, Chevron Indonesia Company, Conoco Philips (Grissik) Ltd., Pearl Oil (Sebuku) Limited, BP Berau Ltd., PT Indonesia Bulk Terminal and PT Maruwai Coal and BP Berau Ltd, Ophir Energy Indonesia (West Papua IV) 1 Ltd – Ophir Energy Indonesia (ARU) Ltd, PT Saipem Indonesia, PT Freeport Indonesia, Salamander Energy (Bontang) Pte. Ltd.

o. 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 the Company and PT Harum Energy. 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 ton of coal over the initial contract period of 5 years to 155 million BCM of overburden and 14.8 million tonnes of coal over a 7 year period. In accordance with Addendum No. 1, the contract expired in 2016.

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, commmencing on September 1, 2012.

Starting March 2014, the overburden removal activity at Santan site has been suspended. SB is evaluating alternatives for conserving maximum value in SB, as the coal quality in this deposit is high. The activity will recommence once coal prices improve.

Based on the Expanded and Restated Contract for Mining dated March 2, 2012 between Petrosea and SB, Petrosea is to perform certain works to undertake the overburden removal at the coal mine owned by SB in Kalimantan. In the event of any delay, disruption or stoppage to any part of or the entire works caused by SB or a third party, including, but not limited to the failure to compensate land owners in a timely manner or if equipment productivities are negatively affected due to issues beyond Petrosea's reasonable control but within SB's reasonable control, both parties shall meet and negotiate in good faith to establish should there be any additional charge due to Petrosea if such delay, disruption or stoppage commercially affect its costs and expenses. In 2013, there was disruption in the works of Petrosea through the letter No. 032/PTSB/II/2013 dated February 27, 2013 received from SB.

As of the issuance date of the consolidated financial statements, Petrosea and SB are in discussions and are yet to establish if there will be any additional charge due to Petrosea.

p. 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 rents an 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.

Petrosea has received a letter from Pertamina dated February 1, 2016, wherein Pertamina has agreed to enter into a new agreement to extend Tanjung Batu land rental which is up for expiry on February 1, 2021.

q. On June 27, 2014, Petrosea and PT Indonesia Pratama entered into an Open Pit Overburden Mining Services, Equipment Rental Agreement, and Coal Transportation Services Pit to ICF and Run of Mine Stockpiles Agreement at Tabang site, Kutai Kartanegara – East Kutai, East Kalimantan. This agreement is effective for seven years starting on October 1, 2014 with total overburden volume of 71.8 million BCM and 65.5 million tonnes of coal.

On May 2, 2017, such agreement was amended. This amendment includes the change in target total overbunden volume of 142.85 million BCM and 72.94 million tonnes of coal production and also price adjustment for the period up to December 31, 2021. This amendment is effective starting on January 1, 2017.

On January 15, 2018, the Agreement between Petrosea and PT Indonesia Pratama was amended. The Amendment No. 2 to The Agreement for The Provision of Open Pit Overburden Mining Services, The Amendment No. 2 to the Agreement for The Provision of Coal Transportation Services and the Amendment No. 3 to the Equipment Rental Agreement includes the changes in target total overburden volume of 223.85 million BCM and price adjustment for the period up to December 31, 2021. This amendment is effective starting on January 1, 2018.

r. 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.

s. On April 30, 2015, Petrosea and PT Maruwai Coal (BHP Billiton) have signed a contract for the construction of an access road to the Lampunut Coal Project in Central Kalimantan. The contract value is US$ 21.5 million for a period of one year.

On March 7, 2016, Petrosea and BHP Billiton entered into settlement agreement and revised the value of contract amounting to US$ 15 million. Petrosea has completed this contract in July 2016.

t. On July 26, 2012 the amount of bank guarantee facility from HSBC, Jakarta is increased to US$ 15 million from the beginning of US$ 9 million, to support Petrosea's plan to pursue substantial growth by securing new projects.

On August 10, 2015, Petrosea and HSBC, Jakarta agreed to extend the facility until June 30, 2018.

As of December 31, 2017 and 2016, Petrosea had outstanding used balance of bank guarantees from HSBC, Jakarta amounting to US$ 11,656 thousand and US$ 11,681 thousand, respectively

The facility above requires Petrosea to maintain certain covenants. As of December 31, 2017 and 2016, Petrosea has complied with these covenants.

u. On December 29, 2014, PT Bank Mandiri (Persero) Tbk agreed to provide the Non Cash Loan Facility with the aim to support oil and gas projects. Non-Cash Facility of up to US$ 30 million can be used in the bank guarantee opening, Standby Letter of Credit (SBLC) opening, opening of Letter of Credit import and Letter Credit Local (SKBDN) both denominated in U.S. Dollar or in Rupiah.

On December 29, 2016, PT Bank Mandiri (Persero) Tbk provides Treasury Line facility with a limit of US$ 5 million to Petrosea. This facility has no collateral.

As of December 31, 2017 and 2016, Petrosea had outstanding used balance of bank guarantees from PT Bank Mandiri (Persero) Tbk, amounting to US$ 23,671 thousand and US$ 4,042 thousand, respectively.

As of December 31, 2017 and 2016, Petrosea had various outstanding used bank guarantee facilities for Petrosea's operations amounting to US$ 35,327 thousand and US$ 17,098 thousand, respectively. As of December 31, 2017 and 2016, the bank guarantees were outstanding to Pertamina Hulu Energy Nunukan Company, Eni Muara Bakau B.V., Eni East Sepinggan, Eni Bulungan B.V., Eni Bukat Ltd, Eny Nort Ganal, Chevron Indonesia Company, Conoco Philips (Grissik) Ltd., Pearl Oil (Sebuku) Limited, BP Berau Ltd., PT Indonesia Bulk Terminal, PT Maruwai Coal and BP Berau Ltd.

On December 29, 2017, Petrosea signed approval to extend the existing facility and add credit investment facility, as follows:

1. Existing facility clause

   a. Non cash loan facility

      Add facility amounting to US$ 50 million to issue bank guarantee/SBLC and extend facility until December 29, 2018.

   b. Treasury line facility

      Add facility amounting to US$ 15 million and extend facility until December 29, 2018.

2. New facility clause

   a. Credit investment facility clause (PT Kideco Jaya Agung)

      To provide investment financing for machines and heavy vehicles to PT Kideco Jaya Agung project with limit facility amounting to US$ 56 million until December 23, 2022.

   b. Credit investment facility clause (PT Indonesia Pratama – Tabang)

      To provide investment financing for machines and heavy vehicles to PT Indonesia Pratama – Tabang project with facility amounting to US$ 19 million until December 23, 2021.

v. Petrosea has commitments under non-cancellable operating leases for land and buildings as follows:

	December 31, 2017	December 31, 2016
	US$	US$
Due:		
Less than 1 year	2,140,000	2,054,000
Within 1 - 2 years	3,252,000	3,270,000
Within 2 - 5 years	1,168,000	1,790,000
More than 5 years	1,507,000	-
Total	8,067,000	7,114,000

w. On March 9, 2015, Petrosea and Eni Muara Bakau B.V. entered into Storage Rental and Shore Base Services Contract. This contract is to support Eni Muara Bakau B.V. as an operator of Production Sharing Contract of Muara Bakau Block with SKK Migas and this contract will be executed through Petrosea Offshore Supply Base (POSB) facility at Tanjung Batu, East Kalimantan. Estimated value of the contract is US$ 10 million and effective for three years until year 2018.

x. On June 30, 2015, Petrosea and Eni East Sepinggan Limited entered into Provision of Shorebase Services Contract. This contract is to support Eni East Sepinggan Limited as an operator of Production Sharing Contract of East Sepinggan Block with SKK Migas and this contract will be executed through Petrosea Offshore Supply Base (POSB) facility at Tanjung Batu, East Kalimantan. Estimated value of the contract is US$ 5 million and effective for three years until year 2018.

y. On June 30, 2015 Petrosea and PT Freeport Indonesia have signed a Construction Service Agreement to provide PT Freeport Indonesia in Papua with assistance in the construction of levees. The contract has a value of up to US$ 158 million and effective for four years until year 2019. The first stage of the works to be undertaken is for US$ 109 million.

z. On October 16, 2015, Petrosea and PT Indoasia Cemerlang have entered into Overburden Removal Agreement at a site adjacent to Kintap in South Kalimantan. The contract value is Rp 313 billion for a period of one year.

On September 16, 2015, the Overburden Removal Agreement was amended under Addendum No.1, which include among others, the extension time of contract and revision on the Rise and Fall index value.

On March 21, 2017, Petrosea and PT Indoasia Cemerlang entered into mining equipment rental agreement. This agreement includes about minimum target production amounting to 150,000 metric tonnes, tariff and price adjustment for the period up to December 31, 2017 with extension option minimum of six months before the agreement period expires.

aa. On January 1, 2016, Petrosea and PT Saipem Indonesia entered into rental of logistics base and related services for Scarabeo 7 drilling project amounting to Rp 8.9 billion. This contract is executed through Petrosea Offshore Supply Base (POSB) facility at Tanjung Batu, East Kalimantan. This project was completed in June 2017.

bb. On January 11, 2016, Petrosea and PT Anzawara Satria entered into overburden removal agreement in Tanah Bumbu, South Kalimantan amounting to Rp 622 billion and for a period of three years. The scope encompasses overburden removal, hire of mobile plant and personnel and coal hauling in Tanah Bumbu, South Kalimantan.

cc. On March 8, 2016, the government has appointed Petrosea as the operator in Bonded Logistics Center (PLB). This is part of the first stage PLB in Indonesia.

dd. On March 18, 2016, Petrosea and PT Newmont Nusa Tenggara, entered into EPCM of Re-Feed Conveyor and Conveyor Extension at Sumbawa Island, West Nusa Tenggara. The contract value is Rp 29 billion for a period of nine months. This project was completed in 2016.

ee. On May 12, 2016, Petrosea and ConocoPhillips (Grissik) Ltd, entered into a Provision Earthwork Road and Drainage for Suban Compression Project agreement at South Sumatra. The contract value is Rp 40 billion for a period of eigth months. This project was completed in 2016.

ff. On May 13, 2016, Petrosea and PT Binuang Mitra Bersama Blok Dua entered into agreement mining services and rental of heavy equipment and personnel in area PT Binuang Mitra Bersama Blok Dua, Salam Barbaris, Tapin, South Kalimantan with production volume of 28 million BCM Overburden and 6.5 million ton Coal per annum. This agreement is effective on June 6, 2016 for a period of four years.

On February 7, 2017, Petrosea and PT Binuang Mitra Bersama Blok Dua entered into additional agreement for mining services, additional of mining related to territory area and additional overburden volume production of 2,800 thousand BCM for a period 17 months with extention option of minimum of 2 years.

gg. On August 1, 2016, Petrosea and PT Indonesia Bulk Terminal entered into agreement assessment, repair, and construction of damaged coal export jetty in Pulau Laut, South Kalimantan. The contract value is Rp 53 billion. This project was completed in 2016.

hh. On November 25, 2016, Petrosea and BUT Pertamina Hulu Energi Nunukan Company, signed services contract for Provision of Onshore Base Support Services for Parang well drilling in North Kalimantan. The total contract value is Rp 21.3 billion with contract duration for 24 months until year 2018. This contract executed through Petrosea Offshore Supply Base (POSB) facility at Tanjung Batu, East Kalimantan and Tarakan facility, North Kalimantan. This project was completed in July 2017.

ii. On November 11, 2016, Petrosea and PT Kimco Armindo entered into Overburden Removal Mining Services Agreement amounting to Rp 1,566 billion with a duration of 3 years.

On November 13, 2017, Petrosea and PT Kimco Armindo signed the Termination of Overburden Removal Mining Services Agreement.

jj. On May 24, 2016, Petrosea and PT Lamurindo signed a contract for Provision of Shore Base Services. The total contract value is Rp 13.3 billion with contract duration for 36 months until year 2019. This contract was executed through Petrosea Offshore Supply Base (POSB) facility at Tanjung Batu, East Kalimantan.

kk. On June 16, 2017, Petrosea and PT Maruwai Coal entered into agreement for Construction Contract Lampunut Road, Bridge, and Earthworks Construction in East Kalimantan. The contract value is Rp 1,269 billion with contract duration of 2 years. Related to this transaction, Petrosea shall receive an advance payment from PT Maruwai Coal amounting to US$ 9,528 thousand. On July 6, 2017, Petrosea received such advance payment. As of December 31, 2017, the balance of unearned revenue amounted to US$ 8,268 thousand.

ll. On June 23, 2017, Petrosea and BP Berau Ltd entered into agreement for Sorong Supply Base in Sorong, Papua. The Contract value is Rp 734 billion with contract duration for 8 years until August 22, 2025.

mm. On June 9, 2017, Petrosea and PT Freeport Indonesia entered into agreement for Garsberg Wannagon Mining Services in Sorong, Papua. The contract duration is 25 months.

nn. On October 1, 2017, Petrosea and Ophir Energy Indonesia entered into agreement for Sorong Supply Base in Sorong, Papua. This contract was executed through Petrosea Offshore Supply Base (POSB) facility at Tanjung Batu, East Kalimantan. The contract value is Rp 51 billion with contract duration for 4 years until October 1, 2021.

oo. MBSS has commitments of coal transhipment service. Barging services shall be further subreclassified as freight charter, time charter and fixed and variable. The commitments are as follows:

Name of Project	Owner	Project Period	
		Start of project	End of Project
BARGING			
Coal Barging Agreement	PT Adaro Indonesia	October 1, 2010	October 31, 2018
Coal Transportation Contract	PT Cotrans Asia (Related party, Note 50)	March 1, 2014	February 28, 2019
Coal Transportation Contract	PT Indoasia Cemerlang	April 1, 2017	March 31, 2020
Coal Transportation Contract	PT Dutadharma Utama	April 1, 2017	March 31, 2020
Coal Transportation Contract	PT Atlas Resources Tbk	October 27, 2017	October 26, 2022

pp. MSC has commitment of coal transhipment service as follows:

Name of Project	Owner	Project period	
		Start of project	End of project
Time charter contract	CSTS Joint Operation	May 24, 2017	May 23, 2018

qq. MASS, a subsidiary through MBSS, has coal transhipment service commitment as follows:

Name of Project	Owner	Project period	
		Start of project	End of project
Coal Loading Services Agreement *)	PT Dian Ciptamas Agung	15 May, 2017	14 May, 2020
Time Charter Party for Offshore Service Vessels	PT Sinarmas LDA Maritime	19 January, 2017	18 January, 2018

*) Extension option of 2 years with several key perfomance indicators

rr. In relation with MBSS's Initial Public Offering, the Shareholders of MBSS 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 the Company after Initial Public Offering; and after the exercise of the Convertible Loan.

As of December 31, 2017, only Management and Employee Stock Option Program (MESOP) remains unrealized in relation with the above mentioned resolution.

ss. On June 15, 2015, KPI entered into an amendment to the service agreement with Freeport, which will mature on December 31, 2021. 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 reimbursable 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.

tt. On June 30, 2015, ICI obtained credit facility from Standard Chartered Bank, Singapore Branch, with combined credit limit of US$ 30 million. This loan agreement has been amended several times, most recently on March 28, 2017, with change of combined credit limit to US$ 40 million. Details of facilities after amendments are as follows:

Facility	Maximum facility	Interest rate or commission	Period
Import Invoice Financing I	US$ 40 million	3.25% above LIBOR per annum	12 months
Short-term loans	US$ 5 million	4% above LIBOR per annum	3 months
Import LCs - Unsecured	US$ 15 million	1% per year	90 days
Import LCs - Secured	US$ 15 million	1% per year	90 days
Import Loan	US$ 15 million	3.25% above LIBOR per annum	45 days
Loans against Trust Receipt	US$ 15 million	3.25% above LIBOR per annum	45 days
Acceptence against Trust Receipt	US$ 15 million	1% per year	45 days
Import Invoice Financing II	US$ 15 million	3.25% above LIBOR per annum	45 days

The above facility was secured by non-standard Comfort or Letter of Awareness provided by the Company.

The agreement covering the above facility contained certain covenants which required ICI to fulfill, among other things:

- ICI will not create or permit to subsist any security interest over any of its assets, other than those mentioned in the agreement.

- ICI will not dispose all or part of its assets or make acquisitions or investments in assets, except when made in ordinary course of trading.

- ICI will procure that no substantial change is made which will have an effect on the general nature of its business or that of its Group from the date of this agreement.

Related to the short-term loans facility provided, ICI's outstanding loan as of December 31, 2017 and 2016 amounted to US$ 8,960,000 and US$ 11,151,225, respectively (Note 25).

uu. On June 1, 2017, ICI obtained credit facility from PT Bank Negara Indonesia (Persero) Tbk, Singapore branch, with combined credit limit of US$ 5,000,000, the details of facilities are as follows:

Facility	Maximum facility	Interest rate	Period
Letter of Credit Facility	US$ 5 million	-	90 days
Trust Receipt Facility	US$ 5 million	3.25% above LIBOR per annum	45 days
Invoice Financing Facility	US$ 5 million	3.25% above LIBOR per annum	90 days

ICI has made drawdown of US$ 3,200,000 in September 2017 and has been fully paid in December 2017.

vv. MUTU, as a coal producer, has entered into a number of coal mining agreements. Under the agreements, MUTU is required to pay contractors a rental fee and a service fee, calculated on a monthly basis, based on a formula which includes the amount of raw coal transported and overburden mined and transported. The contractors will provide the equipment, machineries, appliances and other supplies necessary and also in some instances may use MUTU's own equipment for performing the mining and transportation services and are required to meet certain minimum production requirments.

MUTU has also entered into coal barging, transport and transhipment agreements with contractors to provide coal transportation services from MUTU's main area to certain port destinations and to provide floating crane services from the contractors' barge to customer vessels. MUTU is required to pay contractors a service fee, calculated on a monthly basis, based on a formula which includes the amount of coal transported.

Contractor	Agreement type	Agreement date	Contract period end
PT Daya Pratama Mandiri	Coal hauling and road maintenance from raw coal stockpile to port stockpile	June 30, 2016	September 30, 2022
PT Trielang Jaya Maritim	Coal transport and transhipment	September 1, 2016	September 1, 2018
PT Handil Bhakti Persada	Coal loading	September 1, 2016	October 31, 2018
PT Madhani Talatah Nusantara	Stripping of overburden and mining of coal	March 31, 2017	December 31, 2021

MUTU, as a coal producer, has entered into a number of coal mining agreements. Under the agreements, the Company is required to pay contractors a rental fee and a service fee, calculated on a monthly basis, based on a formula which includes the amount of raw coal transported and overburden mined and transported. The contractors will provide the equipment, machineries, appliances and other supplies necessary and also in some instances may use MUTU's own equipment for performing the mining and transportation services and are required to meet certain minimum production requirments.

ww. CSTS Joint Operation as the contractor of BP Tangguh Expansion Project has appointed ILSS as its subcontractor for Marshalling Project in Gresik, Surabaya based on Letter of Award dated on December 5, 2016 after winning the tender process. The marshalling project duration is around 4 (four) years and has been started in mid January 2017. On October 5, 2017, the total of project value was changed from Rp 146 billion to Rp 98 billion.

xx. On September 9, 2016, ILSS entered into an agreement with PT Cikarang Listrindo Tbk (CL), a power plant company to provide coal handling management services for CL's power plant located in Babelan, Bekasi. Prior to signing the agreement, CL has conducted a tender process to select a contractor who can perform the works. ILSS has passed the process and was awarded by CL to manage its coal stock yard. The agreement will expire in 5 years.

yy. On November 22, 2016, IET entered into the Agreement with PT Anugrah Indonesia Resources (AIRO) for coal offtake and mining transaction. Based on the agreement, IET will pay certain amount as downpayment to AIRO and as compensation IET will offtake the coal amounting to 6 million metric tonnes within 3 years under certain terms. Until December 31, 2017, IET has paid US$ 200,000 and Rp 13 billion to AIRO which was recorded as part of advance purchase of coal to third party in the consolidated statement of financial position.

zz. On September 14, 2017, IETPL entered into a Coal Business Cooperation Agreement with Bellridge Holding Limited (BHL), where BHL plans to invest in coal bussiness industry on behalf of IETPL. Related to this transaction, on December 31, 2017, IETPL has paid to BHL amounting to US$ 18 million, which IETPL will obtain the profit sharing and respective principal amount from BHL.

aaa. As of December 31, 2017, KJA had an unused credit facility from PT Bank Woori Saudara Indonesia 1906 Tbk. ("Woori") amounting to US$ 5,000,000 and no facility has been used as at December 31, 2017. In addition, KJA has a bank guarantee with Woori in relation to sales contracts with a maximum credit limit amounted to Rp100 billion (equivalent to US$ 7,381,163), and US$ 400,000 of which Rp 9.7 billion (equivalent to US$ 714,474) and US$ 400,000 have been used by KJA, respectively.

KJA also has a bank guarantee in relation to sales contracts with Citibank N.A. ("Citibank") amounting to US$ 200,000 and PT Bank Rakyat Indonesia Tbk. ("BRI") amounting to Rp 47.9 billion (equivalent to US$ 3,536,114) as at December 31, 2017.

For the Woori, Citibank and BRI guarantees, KJA is required to maintain time deposits amounting to US$ 10,000,000, US$ 200,000 and Rp 47.9 billion (equivalent to US$ 3,536,114) respectively (December 31, 2016: US$ 11,200,000).

bbb. As at December 31, 2017 and 2016, KJA has outstanding purchase orders amounting to US$ 2,632,745 and US$ 1,167,197, respectively.

ccc. In June 2015, KJA filed a civil claim to the District Court of Balikpapan against PT Indo Karya Gema Sakti ("IKGS") as Defendant and Mr. Iskandar Hardjo as Co-defendant in connection with ownership of land title of 84,702 hectares, located in Kecamatan Batu Sopang, Kabupaten Pasir, East Kalimantan Province. The civil case is registered with the District Court of Balikpapan, under the registered number: 81/Pdt.G/2015.PN.Bpp. The land is used by KJA as the hauling road.

In October 2015, the Defendant and Co- defendant filed a response to the District Court of Balikpapan that IKGS and Mr. Iskandar Hardjo rejected the claim made by KJA arguing that the 1997 land title agreement (the "Land Agreement") is not in accordance with IKGS article of association and violates the Corporate Law. Furthermore, the Defendant and Co-defendant also made counter charges (reconvention) to KJA.

Management believes the counterclaim of the Defendant and the Co-defendant has no legal basis as KJA has fully paid the price of the land and complied with the Land Agreement requirements. Therefore, the Defendant shall convey the transfer of the land title to KJA.

As the Plaintiff, KJA has proved that the land title has been transferred from IKGS to KJA by way of fulfillment of requirements stated in the Land Agreement instead such legality claimed by IKGS. The verdict of this civil case no. 81/Pdt.G/2015/PN.Bpp has been concluded by the panel of judges of the District Court of Balikpapan on June 7, 2016 which decided to accept and approve the lawsuit claimed by Plaintiff a part and refused Defendant"s exceptions and refused all counter charges (reconvention) claimed by the Defendant. The Defendant and Co-defendant must convey the transfer of the land title to KJA.

As a result of the above decision, both the Plaintiff and the Defendants registered their appeals to the High Court of East Kalimantan. KJA's appeal was related to loss claimed due to hauling road blockaded by the Defendant. In August 2017, the High Court of East Kalimantan decided to strengthen the District Court of Balikpapan in favour of KJA.

The Plaintiff and the Defendants then filed their cassations to the Supreme Court. As at the issuance date of these consolidated financial statements, there is still no decision from the Supreme Court.

ddd. Forestry obligations

i. Use of Forestry Area Levy

Based on Government Regulation No. 2 ("GR No. 2/2008") dated February 4, 2008 which has been replaced by Government Regulation No. 33 ("GR No. 33/2014") dated May 21, 2014, all companies that have activities in production and protected forest areas but not related to forestry will have an obligation to pay a forestry fee ranging from Rp 3,500,000 to Rp 4,000,000 per hectare. This fee is effective from August 2014. In addition, the Ministry of Finance Regulation No. 91 of 2009, as one of the implementation regulations of GR No. 2/2008, indicates that this fee is payable by Companies holding a Borrow and Use License. However, KJA holds a Borrow and Use Agreement, rather than a license. Therefore, KJA has asked the Minister of Forestry for confirmation as to whether KJA as the holder of a Borrow and Use Agreement is also required to pay the fee set out in GR No. 33/2014. On January 20, 2012, KJA received a letter from the Ministry of Forestry which confirmed that KJA is required to pay the fee, although the amount of the fee was not stated in the letter.

In 2015, the Government of Indonesia issued Government Regulation No. 105/2015 ("GR No. 105/2015") related to the use of forest zones. Based on GR No. 105/2015, the existing Borrow and Use Agreement issued prior to GR No. 105/2015 will remain effective until its expiration.

Management believes that KJA is not a subject to the forestry fee since KJA is a Borrow and Use Agreement holder, which has different provisions from the Borrow and Use License.

ii. Guarantee for timber utilisation permit

In accordance with Ministerial Regulation No. P.14/Menhut-II/2011 dated May 10, 2011, KJA has placed bank guarantee in the form of time deposit amounting to US$ 18,426 and Rp 144,662,564 in relation to a timber utilisation permit for the Samu and Pinang Jatus areas.

iii. Watershed/ Daerah Aliran Sungai ("DAS") rehabilitation obligation

On August 28, 2013, KJA received a letter from the Ministry of Forestry relating to DAS rehabilitation obligation as regulated in the transitory provision of Ministry of Forestry Regulation No. P.18 of 2011 ("MR No. P.18/2011"). The regulation stipulates that existing Borrow and Use Agreement will be considered as a Borrow and Use License, which is a subject to an obligation to provide reforested land as compensation. The area of reforested land should be measured at the same width of the Borrow and Use License area and be located outside the Borrow and Use License area. Furthermore, the Ministry of Forestry Regulation No. P.16 of 2014 ("MR No. P.16/2014") also asserts that existing Borrow and Use Agreement will be considered as a Borrow and Use License and all of its obligations will conform to the provisions stipulated in MR No. P.16/2014, which includes the DAS rehabilitation obligation.

On April 1, 2016, KJA received the first Warning Letter from the Ministry of Environment and Forestry relating to the DAS rehabilitation obligation. The letter requires KJA to submit their application for DAS rehabilitation area locations at the latest 30 days after the date of the Warning Letter. KJA submitted their response on May 26, 2016 by referring to GR No. 105/2015, which stipulates that the existing Borrow and Use Agreement issued prior to GR No. 105/2015 will remain effective until its expiration.

The management believes that KJA is not a subject to the DAS rehabilitation obligation since KJA is a Borrow and Use Agreement holder, which has different provisions from the Borrow and Use License.

In running the mining operation, KJA has entered into a number of agreements with contractors to provide mining services to KJA such as overburden removal, coal loading, coal hauling and coal transport. Under the agreements, the KJA is required to pay contractors a service fee and contractors will provide all plant, equipment, machinery, appliances and other items necessary for performing the mining services.

In addition to that, KJA has also entered into barging and coal handling agreements with contractors in relation to floating cranes and coal transhipment services from KJA's coal terminal to customer vessels. The mining equipment and coal handling service contracts extend for periods of between one to nine years.

On December 16, 2008, the Indonesian Parliament passed Mining Law No. 4/2009 which received the assent of the President on January 12, 2009. The Contract of Work ("CoW") system under which the KJA operates will no longer be available to investors. While Mining Law No. 4/2009 indicates that existing CoWs, such as KJA"s Coal Agreement, will be honoured, the transition provisions are unclear and will require clarification in Government Regulations. There are a number of issues which existing CoW holders, including KJA, are currently analysing. Among others, these include:

- The CoW transition provisions. Mining Law No. 4/2009 notes that existing CoWs will be honoured until their expiration. However, it also states that existing CoWs must be amended within one year to conform with the provisions of Mining Law No. 4/2009 (other than terms related to State Revenue – which is not defined, but presumably includes royalties and taxes); and

- The requirement for CoW holders who have already commenced some form of activity to, within one year of enactment of Mining Law No. 4/2009, submit a mining activity plan for the entire contract area. If this requirement is not fulfilled, the contract area may be reduced to the allowed limit for licences under Mining Law No. 4/2009 (which is significantly smaller than KJA"s current area).

In February 2010, the Government of Indonesia released two implementing regulations for Mining Law No. 4/2009, i.e. Government Regulations No. 22/2010 and 23/2010 ("GR No. 22" and "GR No. 23"). GR No. 22 deals with the establishment of mining areas under the new mining business licence ("Izin Usaha Pertambangan" or "IUP"). GR No. 23 provides clarifications surrounding the procedures to obtain new IUPs. GR No. 23 indicates that existing CoWs will be honoured by the Government although any extension of existing CoWs will be through the issuance of an IUP.

The Government of Indonesia further amended GR No. 23 by issuing, among others, Government Regulation No. 24/2012 on February 21, 2012 ("GR No. 24/2012") and later by issuing Government Regulation No. 1/2014 dated January 11, 2014 ("GR No. 1/2014"), Government Regulation No. 77/2014 dated October 14, 2014 ("GR No. 77/2014"), and Government Regulation No. 1/2017 dated January 11, 2017 ("GR No. 1/2017") which regulates the mechanism of extension IUP, the mandatory of any coal sale (export and local) to refer the coal benchmark price, transfer of IUPs, divestments and mining areas. Pursuant to the amendment, foreign capital controlling shareholder must divest up to 51% of its interest in a mining concession company by the end of the tenth year of production.

On September 13, 2013, the MoEMR issued Ministerial Regulation No. 27/2013 ("MR No. 27/2013") on the procedures and determination of the divestment price, as well as changes in capital investment in mineral and coal mining businesses. This regulation governs foreign shares divestment, partially whereby the tenth year, 51% of shares at the minimum will be owned by Indonesian participant. This regulation also governs the changes in capital investment, which consists of (a) changes in investment and financing sources, (b) changes in KJA status from foreign investment to domestic investment or vice versa, (c) changes in Article of Association, (d) changes in the Board of Directors and Commissioners and (e) changes in shareholders" composition.

The KJA is closely monitoring the progress of the implementing regulations for Mining Law No. 4/2009 and will consider the impact on its operations, if any, as these regulations are issued.

On November 14, 2017, KJA and the Government of the Republic of Indonesia represented by MoEMR has signed the second amendment of the Coal Agreement.

eee. In December 2009, the MoEMR issued Ministerial Regulation No. 34/2009 ("MR No. 34"), which provides a legal framework to require mining companies to sell a portion of their output to domestic customers ("Domestic Market Obligation" or "DMO").

On June 5, 2017, MoEMR issued decision No. 2183K/30/MEM/2017 regarding the DMO implementation for 2017. The new DMO requirement amounts to 108 million MT which represents 26.1% from the expected total production in 2017. In particular, KJA is required to sell 5,996,343 tons of coal to domestic market. In 2017, KJA has sold 9,776,660 MT of coal to domestic market.

The KJA has fulfilled the DMO requirement for year of 2017.

fff. In September 2010, the MoEMR issued Ministerial Regulation No. 17/2010 ("MR No. 17/2010") on the Procedures for the Setting of Benchmark Prices for Mineral and Coal Sales, which regulates that the sale of coal shall be conducted with reference to the benchmark price issued by the Government.

On March 3, 2011, the MoEMR issued Ministerial Decision No. 0617.K/32/MEM/2011 on the Benchmark Price for PT Perusahaan Listrik Negara ("PLN") for the Operation of Fired Power Plants.

On March 24, 2011, the DGMCG issued Director General Regulation No. 515.K/32/DJB/2011 on the Formula for Setting the Coal Benchmark Price.

On August 26, 2011, the DGMCG issued Director General Regulation No. 999.K/30/DJB/2011 on the Procedures for Determining the Adjustment Coal Benchmark Price.

On March 21, 2013, DGMCG issued Regulation No. 644.K/30/DJB/2013 for the amendment of DGMCG Regulation No. 999.K/30/DJB/2011 for Determining the Adjustment Coal Benchmark Price.

On January 11, 2017, MoEMR issued Ministerial Regulation No. 7/2017 ("MR No. 7/2017"), as amended by Ministerial Regulation No. 44/2017 which regulates the Procedures for the Setting of Benchmark Prices for Metal Mineral and Coal Sales. Any provision on MR No. 17/2010, relating to benchmark prices for metal mineral and coal sales was revoked since the effective date of MR No. 7/2017.

Management believes that the KJA has complied with the requirements of the regulations mentioned above.

ggg. On December 20, 2010, the Government of Indonesia released an implementing regulation for Law No. 4/2009, i.e. Government Regulation No. 78/2010 ("GR No. 78") that deals with reclamation and post-mining activities for both IUP-Exploration and IUP-Production Operation holders. This regulation updates Ministerial Regulation No. 18/2008 issued by the MoEMR on May 29, 2008.

An IUP-Exploration holder, among other requirements, must include a reclamation plan in its exploration work plan and budget and provide a reclamation guarantee in the form of a time deposit placed at a state-owned bank.

An IUP-Production Operation holder, among other requirements, must (1) prepare a five-year reclamation plan; (2) prepare a post- mining plan; (3) provide a reclamation guarantee that may be in the form of a joint account or time deposit placed at a state-owned bank, a bank guarantee, or an accounting reserve (if eligible); and (4) provide a post-mine guarantee in the form of a time deposit at a state-owned bank.

The requirement to provide reclamation and post-mine guarantees does not release the IUP holder from the requirement to perform reclamation and post-mine activities.

The transitional provisions in GR No. 78 make it clear that Coal Cooperation Agreement holders are also required to comply with this regulation.

In 2012, KJA received several letters from DGMCG which approved KJA"s mine closure plan. Based on a letter from DGMCG No. 558/30/DJB/2012 dated February 7, 2012, KJA should provide a post-mine guarantee for Roto and Samarangau Area starting from 2014 to 2023. As of December 31, 2017 and 2016, the KJA has placed a post-mine guarantee in the form of time deposit amounting to US$ 6,706,866 and US$ 3,277,219, respectively, for Roto and Samarangau Area.

In addition, based on letter No. 3164/30/DJB/2012 dated September 18, 2012, KJA should provide a post-mine guarantee for the Susubang-Uko Area starting from 2013 to 2016. As of December 31, 2017 and 2016, the KJA has placed a post-mine guarantee in the form of time deposits amounting to US$ 1,781,862 for Susubang-Uko Area.

On February 28, 2014, the MoEMR released implementing regulation No. 7/2014 on reclamation and post-mining activities for mineral and coal mining companies which further regulates the aspect of reclamation plan, consideration of future value from the post- mining costs and accounting reserve determination.

Prior to KJA"s implementation of the regulation No. 7/2014, the reclamation guarantee reserve in the form of accounting reserve has been recorded at equity with a total amount of US$ 4,519,201.

As of December 31 2017 and 2016, KJA has placed a time deposit in relation to reclamation guarantee amounting to US$ 7,130,774 and US$ 5,600,289, respectively.

hhh. Ministerial Regulation No. 194/2012
On December 6, 2012, the Ministry of Finance issued Ministerial Regulation No. 194/2012 ("PMK-194") that governs procedures for the collection, remittance and reporting of Sales Tax and treatment of VAT and/or luxury-goods sales tax ("LST") on first generation of CCoW contractors which become effective starting on January 1, 2013.

PMK-194 stipulates that the contractors must collect, remit and report Sales Tax on the utilisation of services. PMK-194 reinforces Sales Tax on first generation of CCoW based on VAT Law No. 8/1983. Previously, this Sales Tax obligation was only mentioned in each CCoW. PMK-194 also stipulates that VAT and/or LST is not collected on the delivery of VAT-able goods and/or services by a VAT-able entrepreneur to the CCoW contractors.

The Sales Tax collection base is the sales price or reimbursement value. A list of the types of services and/or goods subject to Sales Tax along with the applicable Sales Tax rate is provided in PMK-194.

KJA has complied with the requirements of this regulation.

iii. On October 16, 2017, MUTU entered the Sale-Purchase Agreement of coal with Rex Commodities Pte. Ltd, (REX), MUTU commit to deliver approximately 500,000 metric tonnes of coal to REX subject to price agreements, The coal will be delivered periodically from January until October 2018. Related with this transaction, MUTU has been received advance from REX amounted to US$ 10 million and recorded in advance received from customer in the consolidated statement of financial statement as of December 31, 2017.

jjj. On October 20, 2017, ICI obtained credit facility from PT Bank Mandiri (Persero) Tbk, Singapore Branch, with combined credit limit of US$ 30 million, Details of facilities after amendments are as follows:

Facility	Maximum facility	Interest rate or commission	Period
Working capital facility	US$ 30 million	3.25% di atas LIBOR per year	180 days
Irrevocable Sight Import Letters of Credit Facility	US$ 10 million	1/8% per month or US$ 40, whichever is higher	-
Trust Receipt Financing Facility	US$ 10 million	3.25% di atas LIBOR per year	45 days

The agreement covering the above facility obtained certain covenant which required ICI to fulfill, among other things:

a. ICI is not allowed to change the composition of shareholders without approval from the Bank

b. ICI submits a copy of the agreement with respect to the contract of purchase and sale with the supplier and the seller within 30 days from the effective date of the agreement

c. Debt Equity Ratio ICI shall not exceed 3: 1 of the ratio of EBITDA to interest expense shall not be less than 1: 5: 1

Related to the short-term loan facility, ICI has drawn a loan of US$ 25 million on November 10, 2017. This loan will mature within 180 days. Installment payments were made monthly and the outstanding amount as of December 31, 2017 is US$ 16,666,666.

53. MONETARY ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

At December 31, 2017 and 2016, the Company and its subsidiaries had monetary assets and liabilities in foreign currencies as follows:

		December 31, 2017		December 31, 2016	
		Foreign Currency	Equivalent in US$	Foreign Currency	Equivalent in US$
Assets					
Cash and cash equivalents	IDR	1,175,704,747,476	86,780,687	793,592,543,348	59,836,580
	EUR	6,823,126	8,145,454	3,207,986	3,381,219
	SGD	2,027,597	1,516,586	2,956,214	2,045,965
	AUD	32,983	25,702	33,430	24,195
	JPY	218,065	1,935	83,477	717
Other financial assets	IDR	18,390,475,188	1,357,431	12,826,825,196	954,661
Trade accounts receivable	IDR	2,290,737,581,388	169,083,081	538,144,052,446	40,052,401
	SGD	15,601	11,669	126,062	87,246
Other accounts receivable	IDR	49,334,697,136	3,641,475	8,984,921,920	668,720
Unbilled receivable	IDR	21,587,491,584	1,593,408	-	-
Other current assets	IDR	3,010,826,232	222,234	6,367,898,148	473,943
	AUD	23,099	18,000	37,306	27,000
	SGD	97,597	73,000	96,808	67,000
	EUR	82,928	99,000	-	-
Advances and other noncurrent assets	IDR	74,004,188,760	5,462,370	62,750,000,048	5,504,619
Prepaid taxes	IDR	648,893,815,776	47,895,912	801,260,871,628	59,501,235
Claim for tax refund	IDR	107,025,474,300	7,899,725	159,764,990,340	12,024,952
Total Assets			333,827,669		184,650,453

		December 31, 2017		December 31, 2016	
		Foreign Currency	Equivalent in US$	Foreign Currency	Equivalent in US$
Liabilities					
Trade accounts payable	IDR	2,289,087,882,072	168,961,314	753,890,117,304	56,109,714
	EUR	491,512	586,767	167,823	176,886
	GBP	-	-	28,045	34,456
	SGD	191,317	143,100	53,701	37,166
	AUD	99,660	77,660	107,040	77,470
	MYR	3,676	905	-	-
Other accounts payable	IDR	121,493,398,275	8,967,626	36,671,976,552	2,729,382
	SGD	81,742	61,141	194,986	134,948
Taxes payable	IDR	116,438,042,136	8,594,482	59,693,662,340	4,422,484
Accrued expenses	IDR	72,083,930,425	5,320,633	210,188,359,660	24,370,772
	SGD	-	-	7,511	5,198
Dividend payable	IDR	2,606,621,652	192,399	3,059,607,824	226,772
Long-term loans	IDR	234,990,060	17,345	2,585,782,276	191,653
Lease liabilities	IDR	-	-	958,997,868	71,079
Employment benefit obligation	IDR	566,757,954,840	41,833,330	369,165,014,332	27,361,771
Total Liabilities			234,756,702		115,949,751
Total Net Assets (Liabilities)			99,070,967		68,700,702

The conversion rates used by the Company and its subsidiaries on December 31, 2017 and 2016 and the prevailing rates on March 12, 2018 are as follows:

	March 12, 2018	December 31, 2017	December 31, 2016
	US$	US$	US$
Foreign currency			
IDR 1	0.0001	0.0001	0.0001
SGD 1	0.7609	0.7480	0.6921
AUD 1	0.7868	0.7793	0.7238
EUR 1	1.2317	1.1938	1.0540
GBP 1	1.3857	1.3447	1.2286
MYR 1	0.2560	0.2462	0.2230
PHP 1	0.0192	0.0200	0.0202
JPY 1	0.0093	0.0089	0.0086

In relation with fluctuation of US$ against foreign currencies, the Company and its subsidiaries recorded net loss on foreign exchange of US$ 613,988 in 2017 and US$ 711,362 in 2016.

54. NON CASH TRANSACTIONS

The Company and its subsidiaries have non-cash investing activity that were not presented in the consolidated statements of cash flows for the years ended December 31, 2017 and 2016 with details as follows:

	December 31, 2017	December 31, 2016
	US$	US$
Proceeds from bank loans through:		
Invoice financing	76,551,233	-
Additions to property, plant and equipment through:		
Other accounts payable	27,821,834	6,056,230
Lease liabilities	7,399,146	-
Additions to intangible assets through:		
Reclassification of prepaid expenses	-	366,955

55. CURRENT ECONOMIC CONDITION

The global economic growth has been slowing down for the past few years due to the impact of crisis in Europe and lower growth in China and India. Coal prices remained depressed through most of 2016, affecting prices and related industries. During 2017, the prices have gradually increased and appear to be more stable given the develpoment in China and India.

However, continued fluctuation of coal price in the future may 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 economic condition is dependent on resolution of the economic crisis, which is beyond the Company and its subsidiaries' control. 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.

56. IMPAIRMENT OF ASSETS

	2017 US$	2016 US$
Intangible assets (Note 23)		
MUTU	93,676,883	-
MBSS	-	23,398,183
Goodwill (Note 24)	56,745,431	-
Property, plant and equipment (Note 21)		
MUTU	10,047,384	-
MBSS	-	4,757,845
Mining properties (Note 17)	9,924,444	-
Assets held for sale (Note 22)		
MBSS	-	2,145,403
Others	-	6,111
Total	170,394,142	30,307,542

Starting from the acquisition at 2012, MUTU has resumed its coal production only during the second quarter of year 2016. In 2017, management of IIR has reconsidered its strategies on MUTU's coal productions for both thermal and coking coal, by putting into considerations the coal prices, stripping ratios, expected capital expenditures, and the related coal licenses, and has therefore decided to postpone the coking coal production and recomputed its expected recoverable amount from its cash generating unit, MUTU.

The recoverable amount of this cash generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a period until 2031, and a discount rate of 11% per annum. Major assumptions in developing the cash flow projections are fuel price and coal selling price, referenced to certain benchmark in line with coal quality of MUTU, and assumed to grow steadily at 2.23% per annum.

The recoverable amount of the cash-generating unit is less than its carrying amount as of December 31, 2017, hence an impairment loss of US$ 170,394,142 was recognized. The impairment loss is allocated first to reduce the carrying amount of 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. Details of impairment allocation to goodwill and other assets is as follows:

	December 31, 2017
	US$
Goodwill	56,745,431
Intangible assets	93,676,883
Mining properties	9,924,444
Property, plant and equipment	10,047,384
Total	170,394,142

57. EVENTS AFTER THE REPORTING PERIOD

a. On January 17, 2018, MBSS has entered into coal barging agreement with PT Muji Line, a third party, for 5 (five) years with estimate contract value of US$ 78 million which will be adjusted based on service level rendered. Management believes this new significant contract will improve the Group financial performance in the future.

b. On February 21, 2018, MBSS as lessor and PT PDN Atrind Marina Graha (PDN) as lessee have entered into Bareboat Charter Agreement which is to charter 4 sets of tug boat and barge (vessels) for 3 years for total value amounting to Rp 67.2 billion. Furthermore, on February 23, 2018, MBSS and PDN have entered into loan agreement whereas MBSS has agreed to lend the amount of Rp 28.8 billion to PDN. The loan is intended to repay PDN existing loan secured by the vessels. Based on the loan agreement, MBSS was granted the right to manage and control over the vessels so as purchase option to own the vessels at the end of the agreement.

c. On January 25, 2018, PT Indika Multi Energi has changed its name into PT Tripatra Multi Energi ("TIME") as evidenced by Deed No. 44 dated 22 January 2018 which approved by the MOLHR under its Decree No. AHU-0001792.AH.01.02.Tahun 2018 dated 25 January 2018.

Referring to notional deeds No. 06, dated January 31, 2018 of Ungke Mulanawati, S.H., M.Kn. as to statement of PT Tripatra Engineers and Constructors shareholders resolutions, the shareholders agreed to increase paid-up capital from Rp 532,400,000,000 consisting of 532,400 shares to Rp 1,092,554,000,000 consisting of 1,092,554 shares. The shareholders approved TIME to take over the entire new 560,154 shares issued and outstanding.

Referring to notarial deeds no 05, dated January 31, 2018 of Ungke Mulanawati, S.H., M.Kn. as to statement of PT Tripatra Engineering shareholders resolutions, the shareholders agreed to increase capital stock from Rp 50,000,000 to Rp 5,540,000,000. The changes were approved by the Minister of Law and Human Rights of the Republic of Indonesia in his decision letter No. AHU-0004951.AH.01.02 Tahun 2018 dated March 3, 2018. Shareholders agreed to increase paid-up-capital from Rp 25,000,000 consisting of 25,000 shares to Rp 1,385,000,000 consisting of 1,385,000 shares. The shareholders approve TIME to take over the entire new 1,360,000 shares issued and outstanding.

Additional shares issued by TPE and TPEC as well as IIC's minority ownership in TPE and TPEC are included as collateral to bondholders of the outstanding bonds payable.

d. On January 25, 2018, Petrosea and PT Sarana Multi Infrastruktur (Persero) signed approval of investment financing facility to finance construction and to refinance for the increase in capacity (addition infrastructure facility) of Petrosea with total project value amounting to Rp 256,634 million. The limit of financing facility is up to 73% of total project value amounting to Rp 187,343 million. The facility has a grace period of 5 months since approval of the financing facility. Term of financing facility is 60 months from approval including grace period with interest rate of JIBOR 1 month plus margin per annum.

e. On January 17, 2018, MUTU entered into an Amendment of Work Agreement on Coal Mining Concession with the Government of the Republic of Indonesia. As for some of the changes contained in the Amendment are as follows:

- Fixed Fees or Deadrent follows the applicable regulations (PP No. 9 of 2012), for the production phase is US $ 4 per hectare.

- Land and Building Tax using the applicable law with the following tax base (PER 32 Year 2012).

  Sales Value of Tax Object (NJOP) x 40% x 0.5%.

  The NJOP classification for earth and buildings is determined by the Minister of Finance Regulation while the determination of NJOP at the mine site is based on comparison with the price around the mine.

  NJOP Production Earth is determined by multiplying the net proceeds of the mine production by the Capitalization Figures determined by the Decree of the Director General of Taxes (For the Year 2014 in accordance with Kepep Dirjen No. 33 Year 2014 of 10.25).

- Local Taxes and Levies in accordance with the provisions of laws and regulations in the field of Local Taxes and Levies, as well as changes, additions, and / or substitutes.

- The Operation Period may be extended by the Minister in the form of a Special Mining Operation Operation Permit, may be renewed twice and ten years by applying for the continuation of mining operations at the earliest 2 years and no later than 6 months before the expiration of the production operation period.

58. SUPPLEMENTARY INFORMATION

The supplementary information of the parent company only on pages 133 to 137 presented the statements of financial position, statements of profit or loss and other comprehensive income, statements of changes in equity, statements of cash flows and note on parent entity's investments in subsidiaries in which investments in subsidiaries were accounted for using the cost method.

59. MANAGEMENT RESPONSIBILITY AND APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The preparation and fair presentation of the consolidated financial statements on pages 1 to 132 were the responsibilities of the management, and were approved by the Company's Directors and authorized for issue on March 12, 2018.

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PT. INDIKA ENERGY Tbk
STATEMENTS OF FINANCIAL POSITION
(PARENT ENTITY ONLY)
DECEMBER 31, 2017 AND 2016

	December 31, 2017	December 31, 2016
	US$	US$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	173,787,332	36,509,810
Trade accounts receivable		
Related parties	2,900,547	1,930,044
Third parties	12,035	34,275
Other accounts receivable		
Related parties	42,667,547	30,897,871
Third parties	270,201	68,166
Loan to a related party	-	21,071,268
Prepaid taxes	459,780	182,016
Other current assets	723,434	329,730
Total Current Assets	220,820,876	91,023,180
NONCURRENT ASSETS		
Other accounts receivable		
Related parties	1,211,399	10,754,140
Third parties	28,923	559,058
Investments in subsidiaries	1,373,415,441	782,615,523
Advances and other noncurrent assets	17,045,647	8,812,438
Property, plant and equipment - net of accumulated depreciation of US$ 21,501,080 as of December 31, 2017 and US$ 19,356,102 as of December 31, 2016	42,430,193	44,766,912
Intangible assets - net	492,777	933,222
Refundable deposits	235,400	312,398
Total Noncurrent Assets	1,434,859,780	848,753,691
TOTAL ASSETS	1,655,680,656	939,776,871
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Bank loans	30,028,566	-
Trade accounts payable		
Third parties	-	86,809
Other accounts payable		
Related parties	474	2,594
Third parties	677,111	275,958
Taxes payable	1,594,956	550,330
Loans from related parties	4,630,408	-
Accrued expenses	13,744,074	9,391,148
Accrued interest	19,681,495	15,692,485
Advances from customers	2,812,359	143,058
Total Current Liabilities	73,169,443	26,142,382
NONCURRENT LIABILITIES		
Loans from related parties	881,192,273	435,990,365
Long-term loans	-	37,289
Contingent consideration obligation	127,460,308	-
Employment benefits	5,038,312	4,487,336
Other long-term liabilities	575,528	575,528
Total Liabilities	1,087,435,864	467,232,900
EQUITY		
Capital stock - Rp 100 par value per share		
Authorized - 17,000 million shares		
Subscribed and paid-up - 5,210,192,000 shares at December 31, 2017 and 2016	56,892,154	56,892,154
Additional paid-in capital	250,921,612	250,921,612
Other components of equity	65,783,467	65,561,100
Retained earnings		
Appropriated	5,312,496	5,312,496
Unappropriated	189,335,063	93,856,609
Total Equity	568,244,792	472,543,971
TOTAL LIABILITIES AND EQUITY	1,655,680,656	939,776,871

PT. INDIKA ENERGY Tbk
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(PARENT ENTITY ONLY)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
	US$	US$
REVENUES	6,961,067	3,707,742
COST OF REVENUES	2,076,575	2,355,073
GROSS PROFIT	4,884,492	1,352,669
Dividend income	140,173,497	92,657,471
Investment income	872,585	1,785,054
Finance costs	(42,506,182)	(38,420,293)
General and administrative expenses	(18,108,232)	(28,634,549)
Final tax	(439,421)	(337,436)
Others - net	10,601,715	(12,631,940)
PROFIT FOR THE YEAR	95,478,454	15,770,976
OTHER COMPREHENSIVE INCOME		
Item that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefits obligation	222,367	(303,556)
TOTAL COMPREHENSIVE INCOME	95,700,821	15,467,420

PT. INDIKA ENERGY Tbk
STATEMENTS OF CHANGES IN EQUITY
(PARENT ENTITY ONLY)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

			Other Components of Equity		
	Capital stock	Additional paid-in capital	Other capital - employee stock option	Remeasurement of defined benefit liability in accordance with PSAK 24, Employee Benefits	Other equity
	US$	US$	US$	US$	US$
Balance as of January 1, 2016	56,892,154	250,847,921	7,816,296	864,000	57,184,3
Profit for the year	-	-	-	-	-
Other comprehensive income					
Actuarial gains on defined benefits obligation	-	-	-	(303,556)	-
Total comprehensive income	-	-	-	(303,556)	-
Other paid-in capital	-	73,691	-	-	-
Balance as of December 31, 2016	56,892,154	250,921,612	7,816,296	560,444	57,184,3
Profit for the year	-	-	-	-	-
Other comprehensive income					
Actuarial loss on defined benefits obligation	-	-	-	222,367	-
Total comprehensive income	-	-	-	222,367	-
Balance as of December 31, 2017	56,892,154	250,921,612	7,816,296	782,811	57,184,3

PT. INDIKA ENERGY Tbk
STATEMENTS OF CASH FLOWS
(PARENT ENTITY ONLY)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017 US$	2016 US$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	8,713,126	7,849,351
Cash paid to suppliers	(5,585,736)	(5,391,087)
Cash paid to directors and employees	(6,302,140)	(11,898,184)
Cash used in operations	(3,174,750)	(9,439,920)
Interest received	1,177,369	1,715,662
Payment of finance cost	(30,671,742)	(27,352,628)
Placement of claim for tax refund	-	(3,849,207)
Payment of income taxes	(1,692,737)	(3,175,453)
Net Cash Used in Operating Activities	(34,361,860)	(42,101,546)
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received	140,173,497	96,403,124
Receipt of payment of loan to related party	31,380,000	76,056,236
Receipt of advances and other noncurrent assets	-	2,517,611
Proceeds from sale of property, plant and equipment	37,908	1,546,705
Withdrawal (placement) of other financial assets	-	1,087,350
Loan to related parties	(10,000,000)	(32,125,479)
Payment of advances and other noncurrent assets	(8,151,883)	(419,560)
Acquisition of property, plant and equipment	(75,851)	(265,223)
Payment for investment in subsidaries	(13,339,615)	-
Acquisition of an associate	(450,000,000)	-
Payment to related parties	10,835,611	-
Net Cash Provided by (Used in) Investing Activities	(299,140,333)	144,800,764
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank loans	30,000,000	86,000,000
Payment of bank loans and long-term loans	-	(178,556,912)
Payment of transaction costs related to bond issuance	(5,221,723)	
Proceeds from loan from related parties	659,023,232	-
Payment of loan from related parties	(212,966,670)	-
Net Cash Provided by (Used in) Financing Activities	470,834,839	(92,556,912)
NET INCREASE IN CASH AND CASH EQUIVALENTS	137,332,646	10,142,306
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	36,509,810	29,618,713
Effects of foreign exchange rate changes	(55,124)	(3,251,210)
CASH AND CASH EQUIVALENTS AT END OF YEAR	173,787,332	36,509,810

PT INDIKA ENERGY Tbk
SUPPLEMENTARY INFORMATION
NOTE ON PARENT ENTITY'S INVESTMENTS IN SUBSIDIARIES
DECEMBER 31, 2017 AND 2016

Details of investments in subsidiaries at cost are as follows:

Entity Name	Domicile	Nature of Business	Percentage of Ownership		Acquisition cost	
			31/12/2017	31/12/2016	31/12/2017	31/12/2016
					US$	US$
PT Kideco Jaya Agung (KJA)	Jakarta	Mining	40.00%	0.00%	577,460,308	-
PT Indika Indonesia Resources (IIR)	Jakarta	Mining and trading	90.00%	90.00%	405,100,722	405,100,722
PT Indika Inti Corpindo (IIC)	Jakarta	Investment and general trading	99.99%	99.99%	51,532,960	51,532,960
PT Indika Infrastruktur Investindo (III)	Jakarta	Investment	99.97%	99.97%	12,474,452	12,474,452
PT Indika Power Investments Pte. Ltd., Singapore (IPI)	Singapore	Investment	100.00%	100.00%	63,056	63,056
Indo Integrated Energy B.V. (IIE BV)	Netherlands	Financing	100.00%	100.00%	2,595,811	2,595,811
Indo Integrated Energy II B.V. (IIE BV II)	Netherlands	Financing	100.00%	100.00%	2,321,853	2,321,853
Indo Energy Finance B.V. (IEF BV)	Netherlands	Financing	100.00%	100.00%	4,056,382	3,968,735
Indo Energy Finance II B.V. (IEF BV II)	Netherlands	Financing	100.00%	100.00%	4,252,712	3,037,922
PT Indika Multi Energi (IME)	Jakarta	Trading, development, industrial, agriculture, printing,workshop, transportation and services	99.60%	99.60%	7,044,867	7,044,867
PT Tripatra Engineering (TPE)	Jakarta	Consultation services for construction, industry and infrastructure	99.99%	99.99%	60,241	60,241
PT Tripatra Engineers and Constructors (TPEC)	Jakarta	Provision of consultancy services, construction business and trading	99.99%	99.99%	52,720,913	40,683,740
PT Indika Energy Infrastructure (IEI)	Jakarta	Trading, development	99.99%	99.99%	182,070,590	182,070,590
PT Petrosea Tbk (Petrosea)	Jakarta	Engineering, construction, mining and other services	69.80%	69.80%	71,639,936	71,639,936
PT Indy Properti Indonesia (IPY)	Jakarta	Development, services and trading	99.60%	99.60%	20,638	20,638
Total					1,373,415,441	782,615,523





Corporate Information

CORPORATE INFORMATION





COMPANY NAME

PT INDIKA ENERGY TBK.

DATE OF ESTABLISHMENT

19 October 2000

SHAREHOLDER COMPOSITION

(as of 31 December 2017)

SHAREHOLDER	SHARES	%
PT Indika Inti Investindo	1,968,882,699	37.79
PT Teladan Resources	1,596,977,091	30.65
Eddy Junaedy Danu	82,130,500	1.58
PT Indika Mitra Holdiko	10	0.00
Publik	1,562,201,700	29.98

DOMICILE

PT Indika Energy Tbk.

Graha Mitra, 11th Floor
Jl. Jend. Gatot Subroto Kav. 21
Jakarta 12930, Indonesia

TICKER CODE

INDY

LISTED EXCHANGE

Bursa Efek Indonesia (BEI)

BUSINESS ACTIVITIES

Operating and investing in energy resources, energy services and energy infrastructure through subsidiaries and associate companies.

PUBLIC ACCOUNTANT FIRM

Satrio Bing Eny & Rekan

(Member of Deloitte Touche Tohmatsu)

The Plaza Office Tower, 32th 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

Jl. Hayam Wuruk No.28, 2nd Floor
Jakarta 10120, Indonesia

Tel.: (+62-21) 350 8077
Fax: (+62-21) 350 8078
Email: corporatesecretary@datindo.com

RATING 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

COMPANY ADDRESSES

PT INDIKA ENERGY TBK.

Graha Mitra, 3rd 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

Corporate Secretary: Dian Paramita
corporate.secretary@indikaenergy.co.id

Investor Relationsr: Retina Rosabai
investor.relations@indikaenergy.co.id

ICI

Indika Capital Investments Pte. Ltd.

9 Temasek Boulevard #08 – 02
Suntec Tower Two
Singapore 038989

Website: www.indikaenergy.co.id

IIR

PT Indika Indonesia Resources

Graha Mitra, 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

Graha Mitra, 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

MUTU

PT Multi Tambangjaya Utama

Graha Mitra, 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

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)

Indy Bintaro Office Park, Building A
Jl. Boulevard Bintaro Jaya Blok B7/A6
Sektor VII, CBD Bintaro Jaya
Tangerang Selatan 15224, Indonesia

Tel.: (+62-21) 2977 0700
Fax: (+62-21) 2977 0701
Website: www.tripatra.com

PETROSEA

PT Petrosea Tbk.

Indy Bintaro Office Park, Building B
Jl. Boulevard Bintaro Jaya Blok B7/A6
Sektor VII, CBD Bintaro Jaya
Tangerang Selatan 15224, Indonesia

Tel.: (+62-21) 2977 0999
Fax: (+62-21) 2977 0988
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 755/ 5794 4766
Fax: (+62-21) 5794 4767/ 5794 4768
Website: www.mbss.co.id

Ticker Code: **MBSS**

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STATEMENT LETTER

BOARD OF DIRECTORS AND BOARD OF COMMISSIONERS **REGARDING RESPONSIBILITY FOR THE 2017 ANNUAL REPORT OF PT INDIKA ENERGY TBK.**

We undersigned hereby state that the information contained in the 2017 Annual Report of PT INDIKA ENERGY TBK. is complete and we are fully responsible for the veracity of the contents of this Annual Report.

The statement has been made truthfully.

Jakarta, 4 April 2018

BOARD OF DIRECTORS

M. ARSJAD RASJID P.M.
President Director

AZIS ARMAND
Director

EDDY JUNAEDY DANU
Independent Director

BOARD OF COMMISSIONERS

AGUS LASMONO
President Commissioner

M. CHATIB BASRI
Independent Commissioner

BOYKE W. MUKIYAT
Independent Commissioner

RICHARD BRUCE NESS
Commissioner

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PT INDIKA ENERGY TBK.
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investor.relations@indikaenergy.co.id

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