2015 Annual Report

Strengthening Resilience for Sustainable Growth

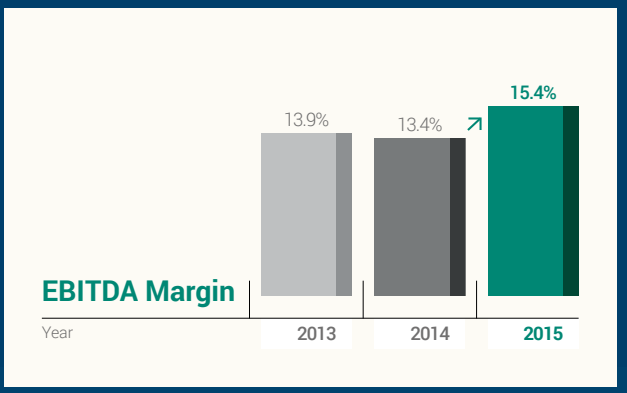
Toba Bara

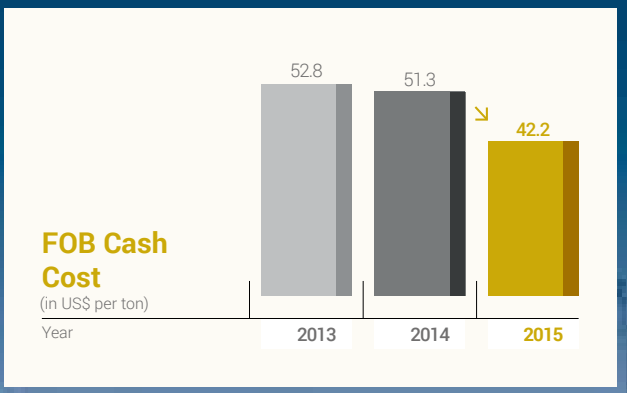
PT Toba Bara Sejahtra Tbk

2015 Performance Overview

The Company's EBITDA margin increased from 13.4% in 2014 to 15.4% in 2015. This is the result of the decrease in the FOB cash cost by 17.7% as well as the cost management initiative and good mine plan execution.

FOB : Free On Board





Strengthening Resilience for Sustainable Growth

In the midst of the very challenging conditions of the global coal industry, PT Toba Bara Sejahtra Tbk strives to put extra efforts to strengthen resources and synergies to develop a solid business foundation.

The implementation of accurate strategies allowed Toba Bara to obtain good market penetration, increase human resources competence, create efficiencies to improve cost structure, and develop mining facilities to maintain smooth production.

With all these resources and efforts, supported by a business diversification plan in the long term positive energy sector, Toba Bara has undertaken a variety of strategic initiatives to maintain the long run sustainability and resilience of the Company's business, as reflected in the theme of this Annual Report.

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Theme Continuity

2012

Grow and Develop

Toba Bara strives to be a competitive producer of coal, with a vision to achieve sustainable long-term growth through the development of coal assets in Indonesia.

2013

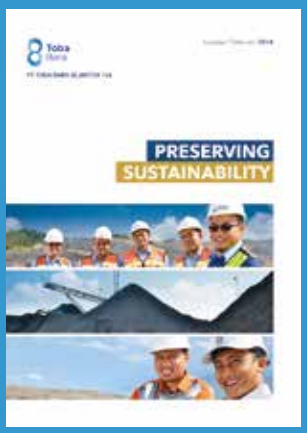
Consolidation and Integration

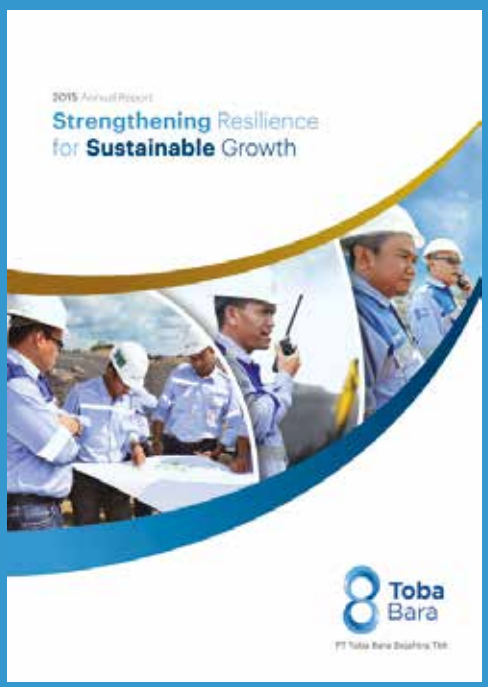
Toba Bara strives to conduct coal operations effectively in terms of production costs, particularly by consolidating the organization's resources and integrating the production resources in its mining concessions, as one of the strategies to respond to the less favorable conditions of the global coal market.

2014

Preserving Sustainability

Preserving Sustainability reflects the efforts of Toba Bara in maintaining performance and growth as a first step to contribute to meeting global energy needs in the future.





2015

Strengthening Resilience for Sustainable Growth

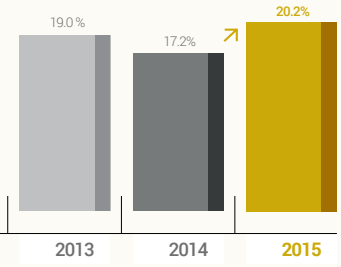
Toba Bara exerts efforts to strengthen the resources and synergies in order to build a solid business foundation. A comprehensive and balanced strategy plan, supported by the diversification plan in the stable energy sector is a stepping stone for Toba Bara to maintain business sustainability and resilience in the long run.

Financial Highlights

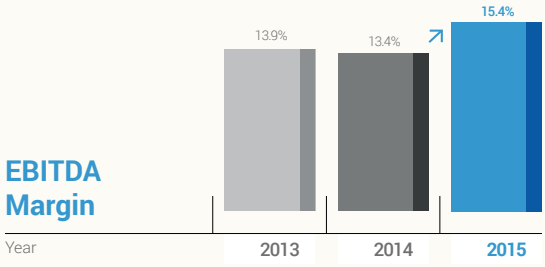
(in US$ unless stated otherwise)	2015	2014*	2013*
Profit (Loss) and Other Comprehensive Income			
Sales	348,662,183	499,965,642	421,849,737
Gross Profit	70,523,088	86,201,207	79,552,405
Operating Profit	42,312,571	55,696,401	50,017,615
Profit for the Year Attributable To:			
• Owners of the Parent	11,356,010	18,194,173	18,546,167
• Non-controlling Interest	14,368,085	17,354,501	16,059,382
Total Profit for the Year	25,724,095	35,548,674	34,605,549
Basic Earnings per Share Attributable to:			
• Owners of the Parent	0.0056	0.0090	0.0092
Total Comprehensive Income for the Year Attributable to:			
• Owners of the Parent	14,126,857	15,920,189	20,017,585
• Non-controlling Interest	15,690,765	15,756,835	16,172,506
Total Comprehensive Income for the Year	29,817,622	31,677,024	36,190,091
Financial Position	**2015**	**2014***	**2013***
Current Assets	96,509,176	111,494,756	129,230,555
Non-current Assets	185,862,461	189,246,002	182,442,545
Total Assets	282,371,637	300,740,758	311,673,100
Current Liabilities	68,957,698	90,822,175	145,553,893
Non-current Liabilities	58,295,740	67,973,451	35,580,594
Total Liabilities	127,253,438	158,795,626	181,134,487
Total Equity	155,118,199	141,945,132	130,538,613
Total Liabilities and Equity	282,371,637	300,740,758	311,673,100
Financial Ratio	**2015**	**2014***	**2013***
Gross Profit Margin (%)	20.2	17.2	19.0
Operating Profit Margin (%)	12.1	11.1	12.0
Net Profit Margin (%)	7.4	7.1	8.0
Return on Sales (x)	0.1	0.1	0.1
Return on Assets (x)	0.1	0.1	0.1
Return on Equity (x)	0.2	0.3	0.3
Current Ratio (x)	1.4	1.2	0.9
Total Liabilities to Total Equity (x)	0.8	1.1	1.4
Total Liabilities to Total Assets (x)	0.5	0.5	0.6
Operational Data			
Production Volume (in million of tons)	6.1	8.1	6.5
Stripping Ratio (x)	12.3	13.3	13.4
Sales Volume (in million of tons)	6.4	7.9	6.3

* Restated to adopt the implementation of Statement of Financial Accounting Standards (PSAK) No. 24 "Employee Benefit"

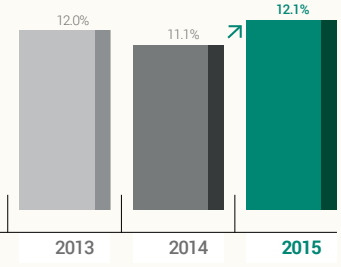
Gross Profit Margin



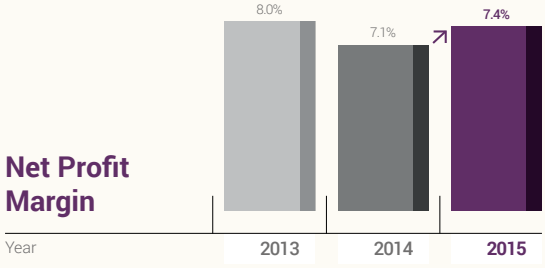
EBITDA Margin



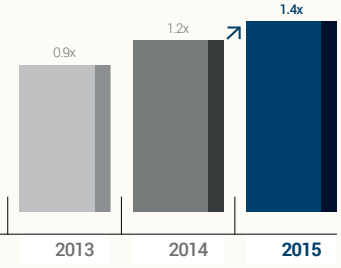
Operating Profit Margin



Net Profit Margin

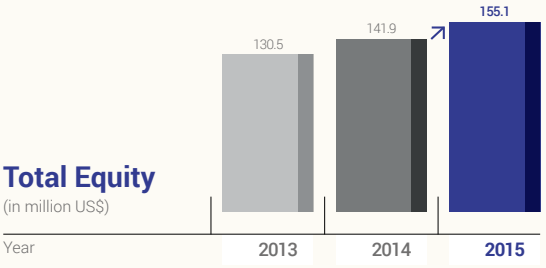


Current Ratio



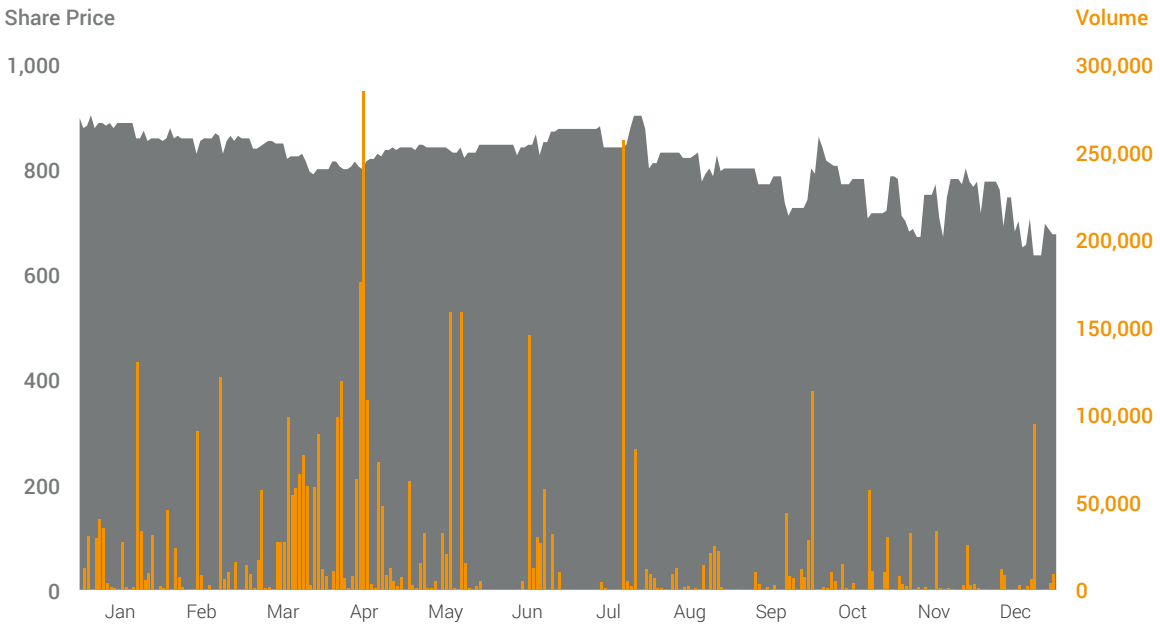
Total Equity

(in million US$)



Stock Highlights

Share Performance 2015



The Company's total issued shares amount to 2,012,491,000 shares and the total outstanding shares amount to 2,012,491,000 shares.

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
2014 Share Performance				
Highest Price (in Rp)	750	925	900	920
Lowest Price (in Rp)	630	650	800	750
Closing Price (in Rp)	650	835	845	920
Transaction Volume* (Unit)	369,800	16,711,600	5,041,500	7,197,800
Transaction Value* (in Rp)	259,986,734	13,416,843,785	4,308,572,841	6,192,289,152

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
2015 Share Performance				
Highest Price (in Rp)	925	875	900	860
Lowest Price (in Rp)	810	820	710	635
Closing Price (in Rp)	820	875	800	675
Transaction Volume* (Unit)	1,469,600	1,879,900	722,300	400,900
Transaction Value* (in Rp)	1,2691,103,000	1,569,960,000	591,095,000	284,864,500

* Cumulative Value
Market capitalization as of 31 December 2015 amounted to Rp 1,358 billion.

DIVIDEND POLICY

By law in Indonesia, the decision on dividend distribution is conducted through the approval of the General Meeting of Shareholders on the recommendation of the Board of Directors. The Company may declare dividends each year if income is positive. Before the end of a financial year, an interim dividend can be distributed as long as it is allowed by the Articles of Association and if the interim dividend distribution does not cause the amount of net assets to be less than the amount of issued and fully paid shares, as well as taking into consideration the provisions concerning the allowance for mandatory reserves as required under Law No. 40 of 2007 on Limited Liability Companies ("Company Law"). The interim dividend distribution is determined by the Board of Directors after prior approval by the Board of Commissioners.

In the last few years, the Company distributed dividends in cash at least once a year. The amount of the dividend is associated with the Company's profit in the fiscal year concerned, without prejudice to the health level of the Company and without prejudice to the rights of the Annual General Meeting of Shareholders (AGMS) of the Company to determine otherwise in accordance with the provisions of the Articles of Association and prevailing law.

Within the last 2 (two) years, the Company has paid dividends at a minimum amount of 30.0% of the consolidated current earnings (after deduction of non-controlling interests and other comprehensive income) as well as with due regards to the provisions for mandatory reserves as required under Company Law. The amount of dividends to be distributed by the Company depends on the cash flow, investment plans, liquidity conditions, future prospects of the business, and other factors considered relevant by the Board of Directors as well as provisions regarding the restrictions on payment of dividends based on relevant agreements.

Shareholders on the record date in accordance with applicable provisions are eligible for declared dividends, subject to income tax applicable in Indonesia.

DIVIDEND PAYMENT

Total outstanding shares before and after the dividend payment have remained unchanged, namely at 2,012,491,000 shares. While the share price prior to the dividend payment on 27 April 2015, or prior to the recording date, was Rp 835. After distribution of the dividend, or on 21 May 2015, the share price was Rp 830.

2015 Event Highlights

10-12 Feb

12th Annual Citi Asia Pacific Conference
The Company participated in meetings with investors in the 12th Annual Citi Asia Pacific Conference at the Marina Bay Sands, Singapore.

11-13 Mar

CLSA Asean Forum
The Company participated in meetings with investors at the Grand Hyatt Erawan Bangkok.

26 Mar

TMU AGMS
Annual General Meeting of Shareholders of PT Trisensa Mineral Utama (TMU) in Jakarta.

1 Apr

PKU AGMS
Annual General Meeting of Shareholders of PT Perkebunan Kaltim Utama I (PKU) in Jakarta.

6 Apr

ABN AGMS
Annual General Meeting of Shareholders of PT Adimitra Baratama Nusantara (ABN) in Jakarta.

8 Apr

IM AGMS
Annual General Meeting of Shareholders of PT Indomining (IM) in Jakarta.

16 Apr

TOBA AGMS
Annual General Meeting of Shareholders (AGMS) of PT Toba Bara Sejahtra Tbk in Jakarta.

29 Apr

PEI Investment Forum 2015
The Company participated in meetings with investors in the 2015 PEI Investment Forum at the Mandarin Oriental Jakarta.

26 May

Finance Asia Award
The Company obtained the 2015 ASIA'S BEST COMPANIES, ranking 7th as the Most Committed to Paying Good Dividends in the Finance Asia Award at Hotel Mulia, Jakarta.

7-9 Jun

Coaltrans Asia
The Company participated in the Coaltrans Asia conference and exhibition at the Westin Nusa Dua, Bali, which is the largest coal conference in Asia.

11 Jun

Cooperation Inauguration of ABN with CK
PT Adimitra Baratama Nusantara (ABN) and PT Cipta Kridatama (CK) inaugurated the coal mining cooperation contract.

11-12 Jun

CIMB 9th Annual Indonesia Conference
The Company participated in meetings with investors in the CIMB 9th Annual Indonesia Conference in Nusa Dua, Bali.

14-18 Sep

CLSA Annual Investor Forum
The Company attended the 22nd CLSA Annual Investor Forum in Hong Kong.

9 Nov

Public Expose
The Company organized the Public Expose event at the Indonesian Stock Exchange Building.

01

02

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04

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09

Awards and Certifications

01
PT Adimitra Baratama Nusantara obtained the Zero Accident Award from the Governor of East Kalimantan in February 2015.

02
Toba Bara obtained the ASIA'S BEST COMPANIES 2015 award, ranked 7th as the Most Committed to Paying Good Dividends from Finance Asia in May 2015.

03
PT Adimitra Baratama Nusantara acquired the ISO 9001 : 2008 Certification on Quality Management System in June 2015.

04
PT Adimitra Baratama Nusantara obtained the 2015 KUKAR CSR Award for the Innovative category from the Regent Head of Kutai Kartanegara in June 2015.

05
PT Adimitra Baratama Nusantara obtained the Gold Rating Certificate in the Company Performance Rating Assessment for the Management of the Environment from the Governor of East Kalimantan in June 2015.

06
PT Trisensa Mineral Utama acquired the ISO 14001: 2004 + Cor 1: 2009 Certification on Environmental Management System in August 2015.

07
PT Trisensa Mineral Utama acquired the BS OHSAS 18001: 2007 Certification on Health and Safety Management System in August 2015.

08
PT Trisensa Mineral Utama acquired the ISO 9001: 2008 Certification on Quality Management System in August 2015.

09
PT Adimitra Baratama Nusantara obtained the Zero Accident Award from the Minister of Manpower in August 2015.

Report of the President Commissioner

Jusman Syafii Djamal
President Commissioner

In the midst of difficult conditions in 2015, the Board of Commissioners appreciates the commitment and efforts of the Board of Directors in developing the business resilience strategy and maintaining the profitability of the Company.

Distinguished Shareholders,

First of all, we would like to express our gratitude for the blessings and grace of the Almighty God, so that PT Toba Bara Sejahtra Tbk in 2015 was able to overcome various challenges and still achieve a positive performance.

In 2015, the Company faced pressure due to the weakening of the global economy from 3.4% in 2014 to 3.1% in 2015. China, as the world's largest consumer of coal, decreased its coal demand by around 31.0%, which caused coal prices to correct lower as they are today.

The correction seen in the benchmark price of the Newcastle Index (NEWC) went from an average price of US$ 96.7 per ton in 2012 to US$ 59.2 per ton in 2015, making all coal mining companies become more cautious, anticipating possible future developments. One of the key efforts, among others, has been to find an efficient cost structure.

The Board of Commissioners appreciates the efforts of the Board of Directors to develop a strategy of resilience through efficiency and operational consolidation, in the midst of these very challenging external factors. We also support the business development plan to participate as an integrated company in the energy sector.

Assessment on the Performance of the Board of Directors

Measures taken by the Board of Directors in operational efficiency and consolidation, in our view, were an appropriate anticipatory actions. In addition, we observe that the Board of Directors continues to enhance organizational functions such as risk management and internal control, consequently assisting the Company in achieving good performance.

In terms of marketing, we assess that the appropriate strategy of the Board of Directors in predicting the market downtrend and maximizing sales of coal at fixed price helps ensure meeting sales volume targets. Efforts of the Board of Directors in maintaining the customer base, securing new markets, and pioneering market expansion in new countries have successfully improved the branding of the Company's products. In addition, the Company's ability to consistently supply the Japanese market with premium coal is an encouraging achievement.

We appreciate the commitment and measures made by the Board of Directors in improving business continuity with a business growth strategy through plans to increase coal reserves and resources. In addition, we appreciate the strategy implemented by the Board of Directors to develop a palm oil mill in the Sangasanga District, East Kalimantan, as a measure to manage the palm oil plantations owned by the Company.

The Board of Commissioners extends support and appreciation to all the Company's management on the positive achievement amid the mounting pressure in the coal industry during 2015. Cooperation and teamwork between the Board of Directors and the Subsidiaries, as well as all levels of management in the organization, are expected to address the challenges ahead, as well as creating opportunities and building a foundation for business sustainability.

The Company faced mounting pressure in 2015 due to the continued weakening coal market over the last three years.

Assessment on the Business Prospects Developed by the Board of Directors

The continuing decline in the global demand and prices of coal during the past few years demonstrates that the success of a mining company is the ability to produce with an efficient cost structure and optimum mine plan. In addition, the Company's ability to conduct business development and diversification into the downstream businesses is expected to provide added value. The Company's plans, which have been prepared by the Board

Report of the President Commissioner

of Directors, to develop an electricity generation business is a step towards sustaining business continuity. The Company's participation in the government program related to the accelerated development of 35,000 MW of power generation will be an opportunity for business development in the energy sector portfolio. The Board of Commissioners will continue to provide advice to the Board of Directors to plan carefully, while emphasizing prudence.

Based on input received from all stakeholders, the Board of Commissioners believes that opportunities should be assessed in-depth in order to provide optimal benefits to the Company and its stakeholders. We believe Toba Bara will be able to achieve sustainable growth in the future.

Implementation of the Supervisory Duty

Throughout 2015, the Board of Commissioners continued to conduct its supervisory function and actively provide guidance to support the management of the Company by the Board of Directors. Communication between the Board of Commissioners and Board of Directors was conducted in a sustainable manner through joint meetings held on a regular basis as well as via other communication media. The Board of Commissioners will continue to obtain the latest information regarding the Company, and be able to provide timely advice and input appropriate to the conditions.

Observing the coal market conditions and the results of the Company's operating performance, we have emphasized to the Board of Directors to continue on efforts to improve operational efficiencies and consolidation across organizational lines, so that the Company's margins and market share can be sustained.

Quality Improvement of Good Corporate Governance

The quality and effectiveness of the supervisory functions and the implementation of Good Corporate Governance (GCG) are a priority for the Board of Commissioners. The presence of the Audit Committee, whose members are individuals of integrity, has directly impacted on improving the quality of GCG implementation in the Company. This is achieved because the Audit Committee continuously monitors risk management policies, ensures compliance with the applicable laws and regulations, examines the Company's financial statements on a regular basis, as well as reviewing all mining activities. At the operational level, the Audit Committee is also a reference for the Internal Audit Unit, which is in charge of the preparation, execution, reporting, and follow-up of internal audit results.

As an increasingly complex business entity and organization with a growing scale of business, the Company has improved a number of standard procedures in accordance with the constantly changing conditions in 2015. This is particularly relevant to the field of Occupational Health and Safety (K3) as well as the Environment.

Change in the Composition of the Board of Commissioners

In 2015, there were no changes to the composition of the Board of Commissioners.

Conclusion

Finally, on behalf of the Board of Commissioners, I would like to express my gratitude and appreciation for the support and trust of the Shareholders and all stakeholders of the Company. In particular, we would like to congratulate the Board of Directors, the Boards of Directors of the Subsidiaries, all management and employees, who have worked and achieved the best results with the Company in 2015.

Jusman Syafii Djamal
President Commissioner

Management Report

Profile of the Board of Commissioners

1. **Jusman Syafii Djamal**
   President Commissioner
2. **Bacelius Ruru**
   Independent Commissioner
3. **Farid Harianto**
   Independent Commissioner

Profile of the Board of Commissioners

Jusman Syafii Djamal
President Commissioner

Born in Kota Langsa - Nangroe Aceh Darussalam, 28 July 1954, Jusman Syafii Djamal received his Bachelor of Mechanical Engineering Sub-Department of Aviation/ Aeronautics Engineering from Bandung Institute of Technology in 1982. He is a recipient of the Bintang Mahaputera Adiprana of the Republic of Indonesia on 13 October 2014 and the Bintang Jasa Nararya of the Republic of Indonesia on 17 August 1995, on the celebration of golden jubilee of the independence of the Republic of Indonesia. Jusman Syafii Djamal was appointed by the President of Indonesia Susilo Bambang Yudhoyono as a member of the National Innovation Committee from 2010 to 2015. He previously served as the President Commissioner of PT Telekomunikasi Indonesia Tbk from 2010 until 2014.

Since 2015, Mr. Jusman Syafii Djamal has been appointed as the President Commissioner of PT Toba Sejahtra. He has also served as the President Commissioner/ Independent Commissioner of PT Garuda Indonesia Tbk since December 2014. Currently, he serves as the President Commissioner of PT Cardig Aero Services Tbk (since July 2011) and Chairman of the Matsushita Gobel Foundation (since January 2005). He served as the Minister of Transportation in the First United Indonesia Cabinet (May 2007 - October 2009) and a member of the National Transportation Safety and Security Evaluation Team (2007), member of the BPPT Technology Incubator Center BPPT and Chief Engineer of the N250 Turboprop Aircraft of IPTN Indonesia (1989 - 1995).

As of 31 December 2015, he was 61 years old. He was first appointed as a Commissioner of PT Toba Bara Sejahtra on 1 October 2010 based on the Deed No. 1 dated 1 October 2010, made before Jimmy Tanal, SH, substitute of Hasbullah Abdul Rasyid, SH, M.Kn., Notary in South Jakarta. Furthermore, in accordance with the Deed No. 65 dated 30 March 2012, made before Dina Chozie, SH, Notary Candidate, substitute of Fathiah Helmi, SH, Notary in Jakarta, he was appointed as the President Commissioner of PT Toba Bara Sejahtra Tbk. He has no affiliations with other members of the Board of Commissioners or Board of Directors. He currently resides in Jakarta.

Bacelius Ruru
Independent Commissioner

Born in the village of Kakaskasen, Tomohon - North Sulawesi, 14 June 1948, Bacelius Ruru graduated from the Faculty of Law of the University of Indonesia in 1975 and obtained an LLM (Master of Laws) from Harvard Law School, USA, in 1981. He served as the President Commissioner of PT Perusahaan Pengelola Aset (Persero) (2004-2008), President Commissioner of PT Telekomunikasi Indonesia Tbk (2001-2004), President Commissioner of PT Bursa Efek Indonesia (2001-2008), Secretary of the Ministry of State-Owned Enterprises (SOE) (2001-2004), Deputy State Minister/ Deputy Head of Investment and Development of SOE Supervision and Control, Office of the Minister of SOE (2000 - 2001), Assistant of the Minister/ Deputy in the Mining and Agro-Industrial Business, Office of the Minister of State-Owned Enterprises Utilization (1999 - 2000), Assistant of the Minister of State-Owned Enterprises/ Deputy for SOE Competitive Management Board (1998 - 1999), the Director General of State Enterprises, the Department of Finance (1995 - 1998), and Chairman of the Capital Market Supervisory Agency, the Department of Finance (1993-1995).

He concurrently serves as an Independent Commissioner of PT Mitra Keluarga Sejahtera Tbk (since 2014), Independent Commissioner of PT Asuransi Mitra Maparya Tbk (since 2013), Independent Commissioner of PT Protelindo (since 2013), Independent Commissioner of PT Manulife Aset Manajemen Indonesia (since 2011), Independent Commissioner of PT Agung Podomoro Land Tbk (since 2010), President Commissioner of PT Axle Asia (insurance broker) (since 2008), Vice President Commissioner of PT Jababeka Tbk (since 2007), President Commissioner of PT Tuban Petrochemical Industries (since 2003), and President Commissioner of PT Polychem Indonesia (since 2003).

As of 31 December 2015, he was 67 years old. He was first appointed as an Independent Commissioner of the Company on 30 March 2012 based on the Deed No. 65 dated 30 March 2012, made before Dina Chozie, SH, Notary Candidate, substitute of Fathiah Helmi, SH, Notary in Jakarta. He has no affiliation with other members of the Board of Commissioners, Board of Directors and shareholders. He currently resides in Jakarta.

Farid Harianto
Independent Commissioner

Born in Madiun - East Java, 4 September 1952, Farid Harianto holds a Bachelor of Electrical Engineering from the Bandung Institute of Technology, a Masters degree in Applied Economics and Managerial Sciences as well as a Ph.D. in Applied Economics and Managerial Studies from The Wharton School at the University of Pennsylvania, United States. He served as Vice Chairman of the Indonesian Bank Restructuring Agency (1998 - 2000), President Director of PT Pemeringkat Efek Indonesia (1995 - 1998), Visiting Professor and Chairman of ASEAN Studies, University of Toronto, Canada (1993 - 1995), Director of the Post Graduate Program of the PPM Institute (1990 - 1993) and Special Staff of the Vice President of the Republic of Indonesia (2009-2014).

Concurrently he serves as an Independent Commissioner of PT Siloam International Hospital (since 2013), Member of the President's Advancement Advisory Council at the National University Singapore (since 2011), Independent Commissioner of PT BATA Indonesia Tbk (since 2011), Risk Oversight Committee of PT Bank Internasional Indonesia Tbk (since 2007), Independent Commissioner of PT Unggul Indah Cahaya Tbk (since 2005), Independent Commissioner of PT Lippo Karawaci Tbk (since 2004), and Member of the Asian Executive Board of the Wharton School of the University of Pennsylvania (since 2000).

As of 31 December 2015, he was 63 years. He was first appointed as an Independent Commissioner of the Company on 30 March 2012 based on the Deed No. 65 dated 30 March 2012, made before Dina Chozie, SH, Notary Candidate, substitute of Fathiah Helmi, SH, Notary in Jakarta. He has no affiliations with other members of the Board of Commissioners, Board of Directors and Shareholders. He currently resides in Jakarta.

Report of the President Director

Justarina S. M. Naiborhu
President Director

Global coal producers continued to encounter numerous business challenges in 2015, both economic conditions in general and the coal industry conditions in particular.

Distinguished Shareholders,

First of all, we, the Board of Directors, are grateful to the Almighty God, by virtue of His grace, PT Toba Bara Sejahtra Tbk was able to go through a variety of challenges faced during 2015, as well as being able to achieve good performance. On behalf of the Board of Directors, allow me to report a summary of the performance, activities and achievements of the Company for the fiscal year ended on 31 December 2015.

Conditions of the Global Economy and the Coal Market

In 2015, global coal producers continued to encounter many challenges, both economic conditions in general and coal industry conditions in particular. The global economy has experienced a slowdown from a GDP of 3.4% in 2014 to 3.1% in 2015, where emerging market economies generally weakened while the United States, EU, and Japan showed stabilizing growth rates. The pace of US economic growth in 2015 was in line with that of 2014 at 2.4%. The EU and Japan respectively recorded improved growth of 1.8% in 2015 compared with 1.4% in 2014 and 0.6% from 0.0% in the same period, respectively. China, as the world's second-largest economy, decreased from 7.3% in 2014 to 6.9% in 2015.

Over the last 3 years, seaborne thermal coal has been characterized by higher supply compared to demand. Based on data released by Bloomberg in January 2016, supply in 2013 reached 955 million tons, while demand was 934 million tons. In 2014, supply amounted to 950 million tons, with demand at 913 million tons. In 2015, supply amounted to around 874 million tons while total demand amounted to around 864 million tons. The decline in coal demand is an impact of the decline in manufacturing, affecting utilization of coal as an energy source. In short and consistently, for three consecutive years coal demand has been lower than coal supply.

The largest decline in demand occurred in China, namely by around 31.0%, from 229 million tons in 2014 to approximately 158 million tons in 2015, while demand in European countries decreased by 5.9% from 135 million tons to around 127 million tons, and demand in the United States decreased by 14.3% from 28 million tons to approximately 24 million tons. Increases in 2015 demand occurred in India, Japan, South Korea, and Taiwan. Demand in India increased by 6.0% from 150 million tons to approximately 159 million tons, demand in Japan increased by 3.5% from 114 million tons to around 118 million tons, demand in South Korea improved by 9.3% from 97 million tons to around 106 million tons, and demand in Taiwan increased by 4.4% from 45 million tons to around 47 million tons. China imports nearly a quarter of the total world coal trade market, which is estimated at approximately 900-950 million tons per year and the decrease in demand amounted to approximately 31.0% from 2014 to 2015, impacting the world coal market.

The Company's performance achievements were a reflection of efforts to anticipate and respond to 2015 market conditions, thus, although production and sales decreased, the Company was able to maintain its EBITDA margin.

Report of the President Director

Challenges Faced

The Company had to manage three main challenges in 2015. The first challenge was the continued decline in global coal prices, the second challenge was the government's new regulations for the coal industry, and the third challenge originated from the need to use renewable energy.

In 2015, the world economy slowdown and lower coal demand continued to push downward trend in global coal prices. The Newcastle Index (NEWC) benchmark price decreased by approximately 38.8% over the last 4 years, from an average price of US$ 96.7 per ton in 2012, US$ 85.3 per ton in 2013, US$ 70.8 per ton in 2014, to US$ 59.2 per ton in 2015.

Another challenge came from the enactment of several government regulations related to the coal industry, namely the in-advance royalty payments, collection of Income Tax Article 22 on the sale of coal of 1.5%, and the use of Letters of Credit (L/C) in the sale of coal mine products. In-advance royalty payments is calculated based on the estimated amount of coal to be sold within the next 1 (one) month. The implementation of the in-advance royalty payments is intended to increase the industry's contribution to the state treasury income stream. The impact of this regulation affected cash flows, in which mining companies may make overpayments, which can only be settled in the following month.

Based on PMK Regulation No. 107/2015 related to the collection of Article 22 income tax associated with the Payment on the Delivery of Goods and Activities in the Field of Imports or Activities in Other Fields requiring on the sales of coal is subjected to a tax of 1.5%. This regulation is also intended as an effort to increase the industry's contribution to the state treasury income stream. This regulation may also result in overpayment of taxes by mining companies, in which the excess payment can only be settled after a tax audit has been conducted.

Changes to the payment system of coal mining product by using a L/C is intended to support the implementation of sound trading practices as it helps to minimize payment risks faced by mining companies. On the other hand, a mining company can only receive payment after the goods are shipped, bearing additional administrative costs and taking additional time to process the L/C.

Challenges to the coal industry in the future will come from pressure of developed countries related to implementation of cleaner emissions and increased use of alternative energy sources. Based on Bloomberg's data estimates, the demand for coal in the European countries in 2016 will decrease to approximately 120 million tons and will further decrease to approximately 110 million tons in 2017, the coal demand in China will decline to approximately 125 million tons and 100 million tons respectively, while the demand in the United States will decline to approximately 23 million tons and 21 million tons respectively.

Strategic Policy and Initiatives

Addressing the world coal market conditions under challenge since 2012, the Company has developed more flexible business strategies to anticipate continued fluctuating coal industry conditions. Development efforts are focused on sustainability strategies by exploiting existing opportunities through efficiency and business consolidations. Company efforts to maintain coal sales are focused on changing customer base composition. The Company's development strategy onwards emphasizes downstream business and the integrated energy sector.

The Company realizes that in a market with the current price fluctuations, the ability to compete will depend on cost structure excellence. To obtain an efficient cost structure, the Company continuously strives to optimize operational consolidations and an integration strategy for its three Subsidiaries.

Concession locations of the three Subsidiaries as adjoining each other provide a competitive advantage for the Company. The Company is continuing the implementation of joint mine plans as supported by optimization of infrastructure sharing by use of hauling road, coal processing plants (CPP) and the jetties since 2013. These advantages are a foundation for the Company's efforts to reduce mining operations cost and deliver positive performance.

In marketing activities, based on the price trends occurring in the global coal market, the Company has adapted through a sales diversification approach, both in terms of types of customers as well as destination countries. In the previous years, coal sales to international traders have been quite favorable for the Company. The 2014 sales composition comprised more than 90.0% to international traders. In 2015, based on the trend in the global coal market, the Company increased sales to end-users, resulting in numerous positive benefits for the Company.

In line with the sales strategy to end-users, the Company has conducted sales to end-users in countries with positive growth at competitive prices. In 2015, the Company's largest sales went to South Korea at 34.4% of total sales, replacing the position of sales to China held in the previous year at 32.9%. The Company also noticed good demand prospects in ASEAN countries other than Malaysia, namely the Philippines, Thailand, and Vietnam, where the energy mix policy of these countries still continues to support the utilization of coal as an important energy source.

The Company strives to maintain sustainable business growth. In managing its coal business, the Company plans to increase coal reserves and resources through the acquisition of mines, which allow for synergy as well as short and long term added value contributions. The Company is also looking for opportunities to increase added value by expanding its business into the downstream sector.

Performance of the Company in 2015

Company achieved solid financial performance in the midst of weakening coal prices. The EBITDA margin and operating profit margin increased, respectively, from 13.4% and 11.1% in 2014 to 15.4% and 12.1% in 2015. This solid margin achievement is one of the best in the Indonesian thermal coal industry.

In 2015, the Company recorded an Average Selling Price (ASP) of US$ 54.8 per ton, a decrease of 14.0% from US$ 63.7 per ton in 2014, better than the decline in the Newcastle Index (NEWC) benchmark price, which decreased by 16.4% from US$ 70.8 per ton in 2014 to US$ 59.2 per ton in 2015. This indicates that the Company has managed to maintain a good price level in the midst of the weak coal market conditions today.

In marketing activities, the Company continues to pursue the strategy of a more selective and intensive customer management to secure market share. The impact of the global economic downturn requires the Company to work harder in establishing a good reputation based on top of the line product quality to win the competition. Therefore, the Company continued to increase the efforts in fostering closer relationships with each customer, especially end-user customers.

Success was achieved because the Company was able to conduct sales under fixed price contracts to buyers at the end of 2014 for most of the production plan in 2015. In addition, the Company is also trying to get the optimal price by selling the coal to the end-users, ultimately increasing end-user numbers from 3.6% in 2014 to 36.8% in 2015.

In 2015, the Company posted an operating profit of US$ 42.3 million, decreasing by 24.0% from the US$ 55.7 million in 2014. Despite the decrease, the Company was able to achieve operating margin of 12.1% in 2015, increasing from 11.1% in 2014. The Company's EBITDA in 2015 was recorded at US$ 53.7 million. This amount decreased by 19.8% compared to the EBITDA in 2014, which reached US$ 67.0 million. Despite the decline in EBITDA, the Company managed to maintain a solid EBITDA margin. The company achieved an EBITDA margin of 15.4% in 2015, an increase from 13.4% in 2014. In the midst of the weak global coal market conditions and decreasing prices, the Company was able to maintain its operations through cost management strategy.

Report of the President Director

Prospects and Future Plans

In the midst of a challenging coal market conditions, the Company is still trying to grow and develop for the future. Measures taken by the Company for the future include taking advantage of the opportunities that exist in the coal business, as well as investing to acquire productive assets, which support sustainable business growth. The Company will actively focus on business development in the field of electricity as a strategy to become an integrated energy company.

The Company has participated in several tenders of power plant projects undertaken by PT Perusahaan Listrik Negara (PLN), through the Independent Power Producer (IPP) scheme as part of the national 35,000 megawatts (MW) electricity procurement program. In 2016, the Company is expected to obtain one IPP project from PLN.

In land overlapping settlement, in 2013, the Company acquired PT Perkebunan Kaltim Utama I (PKU). In 2014, the Company commenced preparation for the construction of a Palm Oil Mill and in 2015, the mill construction commenced. The plant, with a capacity of 30 tons of FFB (fresh fruit bunch) per hour, is scheduled to be completed in the first half of 2016.

Human Resources Development

The Company realizes that the competence of human resources (HR) is a competitive advantage in the coal industry and a crucial factor for the sustainability of the Company's business, seeking to facilitate employees in order to achieve optimal performance. This is conducted by the Company from the recruitment phase, which attracts excellent prospective employees. Employee development programs are conducted through various training activities in a consistent and continuous manner. Employees are encouraged to show their best performance and be able to face existing business challenges.

Most of Toba Bara's HR consists of eager and productive younger generations, between 18 and 35 years old, who are passionate about challenges. This composition, in turn, is supported by well-experienced human resources, with supervision and collaboration between the two providing maximum support for the growth of the Company's business.

Efforts to obtain the best HR has been conducted since the recruitment process. As the company continues to grow, the Company is committed to improving the quality of its HR through continuous and long-term oriented trainings and mentoring. The Company adopts the open door policy system to open the lines of communications and accommodate suggestions and recommendations from its human resources.

The interaction between employees and management takes place in a bonding manner. All employees have the same spirit, demonstrating good performance and teamwork for the progress of the Company. This is because they realize that in a challenging industry environment, the Company should not be stagnant. Toba Bara must continue to grow consistently to achieve business sustainability. In line with the efforts to develop and become an integrated energy company in the energy sector, the Company focused its recruitment activities in 2015 to obtain the best talent to meet the operational needs of new businesses.

Good Corporate Governance Implementation

As part of the fulfillment of obligations and compliance as a public company, the Company is committed to continuing the development of good governance practices.

The Company already has in place an adequate system and organizational structure that are in accordance with the line of business it conducts. Therefore, the functions of the organization, operations, and control can be conducted in accordance with their respective duties and responsibilities. The Company is also supported by the Internal Audit Unit (SKAI) that ensures compliance, guidelines, and social norms conform to prevailing regulations. All processes carried out by the Company are also evaluated based on the supervision and direction of the Audit Committee.

Going forward, the Company will continue to refine the guidelines, tools, and governance structure to be more comprehensive and intact to support the implementation of good work ethics and corporate governance practices.

The Company believes that the implementation of good governance practices will support the development of the Company's businesses and organization. Developments targeted by the Company are the current business resilience and operational capabilities as well as the ability to formulate and implement future business expansion plans. Such efforts will support business sustainability in the future to meet the expectations of shareholders and all stakeholders of the Company.

Change in the Composition of the Board of Directors

In 2015, there were no changes in the composition of the Board of Directors.

Appreciation

On behalf of the Board of Directors, I would like to express my gratitude and appreciation to all management and employees for their dedication and cooperation in supporting the success of the Company to maintain good performance in a challenging year.

Our appreciation also goes to the shareholders, the Board of Commissioners, all customers and business partners for their continuous support and trust.

I always hope that Toba Bara will continue to grow well and be able to contribute to the national and local governments, to all shareholders, providing welfare to employees, communities in the vicinity of the mines, and Indonesia as a whole.

Justarina S. M. Naiborhu
President Director

Management Report

Profile of the Board of Directors

1. **Justarina S. M. Naiborhu**
   President Director/ Unaffiliated Director
2. **Pandu P. Syahrir**
   Director
3. **Arthur M. E. Simatupang**
   Director
4. **Sudharmono Saragih**
   Director

Profile of the Board of Directors

Justarina S. M. Naiborhu
President Director/ Unaffiliated Director

Born in Jakarta, 27 October 1963, Justarina Sinta Marisi Naiborhu graduated from Bogor Agricultural University, Master in International Securities, Investment and Banking from Reading University, UK and a Master of Management from the University of Indonesia. She served as the President Director of PT CIMB-Principal Asset Management (2008 - 2011), Director of PT CIMB-GK Securities Indonesia (2003 - 2008), Vice President Institutional Business & Advisory PT Kuo Capital Raharja (2001 - 2003), Institutional Portfolio Manager, PT Danareksa Investment Management (1999 - 2001), and Research & Development Analyst, and as Assistant to the President Director of PT Bursa Efek Jakarta (1992-1997).

As of 31 December 2015, she was 52 years old. She was appointed as the President Director of PT Toba Bara Sejahtra Tbk on 5 May 2011 based on the Deed No. 88 dated 5 May 2011 made before Jimmy Tanal, SH, substitute of Hasbullah Abdul Rasyid, SH, M.Kn., Notary in South Jakarta. She has no affiliations with other members of the Board of Directors, Board of Commissioners, and shareholders. She currently resides in Jakarta.

Pandu P. Syahrir
Director

Born in Boston – United States, 17 May 1979, Pandu Patria Syahrir earned a BA from the University of Chicago, United States and a Master of Business Administration from Stanford Graduate School of Business, United States. Prior to joining the Company, he served as a Senior Analyst with specialization in the energy and mining sectors in MatlinPatterson from 2007 to 2010, as Principal at Byun & Co, Alternative Energy Fund Asia (2002-2005) and as an analyst at Lehman Brothers (2001-2002).

In 2014, he received the "Asian Society Young Leaders Award", which is an award for young leaders under the age of 40 by the Asia Society. Pandu P. Syahrir was elected as the Chairman of the Indonesian Coal Mining Association (ICMA) in 2015 for the leadership period until 2018.

As of 31 December 2015, he was 36 years old. He was appointed as a Director of PT Toba Bara Sejahtra Tbk on 1 October 2010 based on the Deed No. 1 dated 1 October 2010, made before Jimmy Tanal, SH, substitute of Hasbullah Abdul Rasyid, SH, M.Kn., Notary in South Jakarta. He currently resides in Jakarta.

Arthur M. E. Simatupang
Director

Born in Bandung - West Java, 12 February 1973, Arthur Mangaratua Ebenhaezer Simatupang graduated with a Bachelor Degree of International Business from Seattle University, United States and a Masters of Commerce in Finance and Accounting from the University of Sydney, Australia. He served as the Advertising and Promotion Supervisor at PT Indofood Sukses Makmur Tbk (1998 - 2004) and Director and Chief Financial Officer at PT Adimitra Baratama Nusantara since 2007. Since 2015, he has served as Deputy Chairman of the Independent Power Producers Association of Indonesia (APLSI).

As of 31 December 2015, he was 42 years old. He was appointed as a Director of PT Toba Bara Sejahtra Tbk on 5 May 2011 based on the Deed No. 88 dated 5 May 2011, made before Jimmy Tanal, SH, substitute of Hasbullah Abdul Rasyid, SH, M.Kn., Notary in South Jakarta. He currently resides in Jakarta.

Sudharmono Saragih
Director

Born in Siantar - North Sumatra, 2 August 1978, Sudharmono Saragih holds a Bachelor Degree in Mining Engineering sub-department General Mining from the Institute of Technology Bandung. He served as a Project Manager at PT Toba Sejahtra (2011-2012). He previously served as a Site Manager of PT Raja Kutai Baru Makmur, Ancora Group (2010 - 2011), Operations Manager of PT Wijaya Karya Aneka Mineral, Harita Group (2009 - 2010), Site General Manager of PT Agrabudi Jasa Bersama, Titan Mining Indonesia Group (2009) , Operations General Manager of PT Riau Bara Harum, Andaru Resources Group (2008 - 2009) and Production Superintendent at PT Kaltim Prima Coal (2004-2005).

As of 31 December 2015, he was 37 years old. He was appointed as a Director of PT Toba Bara Sejahtra Tbk on 20 June 2012 based on the Deed No. 9 dated 6 July 2012, made before Fathiah Helmi, SH, Notary in Jakarta. He currently resides in Samarinda.

2015 Annual Report

Company Profile

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Address of Company and Subsidiaries	41

Pursuant to the Articles of Association, the Company is engaged in the business of trade, construction, industry, transportation, and services. Currently, the Company's coal commodity product is mainly marketed to several countries: South Korea, Taiwan, Malaysia, India, China, and Japan.

Brief History of the Company

2004

ABN and TMU were established in 2004.

2005

IM was established in 2005.

2006

ABN and IM acquired exploration KP.

2007

- ABN and IM acquired exploitation KP.
- IM commenced production.

2008

- TMU acquired exploration KP.
- ABN commenced production.

2009

ABN changed the KP to IUP-OP.

2010

- IM and TMU changed the KP to IUP-OP.
- The Company acquired 51.0% of ABN, 52.5% of TBE (which owns IM), and 51.0% of TMU.
- The consolidated production of Toba Bara exceeded 3.9 million tons per year.

2011

- TMU commenced production.
- The consolidated production of Toba Bara exceeded 5 million tons per year.

2012

- The Company increased ownership in TBE and TMU, to 99.99% and 99.99%.
- The Company listed its shares on the Indonesian Stock Exchange (July).

2013

- Production of TMU increased to 80 – 100 thousand tons per month.
- IM constructed new coal processing plant.
- Operations of TMU – IM hauling road.
- Operations of underpass at ABN.
- The Company took over KPU as a resolution of land overlap.

2014

- Operations of overland conveyor.
- The consolidated production of Toba Bara reached 8 million tons per year.
- PKU commenced the process of the palm oil mill construction with a capacity of 30 tons of fresh fruit bunch (FFB) per hour.

2015

- Number of end-user customers increased to 36.8% from 3.6% in 2014.
- Increasing diversification to the sales of target countries.
- Continuing development of palm oil mill in PKU, reaching the 70.0% completion.

Toba Bara at a Glance

PT Toba Bara Sejahtra Tbk ("Toba Bara" or the "Company") is a thermal coal producer in Indonesia with concession area of approximately 7,087 hectares and a total estimated coal resources of 236 million tons*. The Company's mining sites are in Sangasanga, Kutai Kartanegara, East Kalimantan. The largest shareholder of the Company is PT Toba Sejahtera, a group of companies engaged in the energy and plantation sector.

The Company was established in Indonesia with the name PT Buana Persada Gemilang based on Deed No. 1 dated 3 August 2007 made before Tintin Surtini, S.H., M.H., M.Kn, in substitute of Surjadi SH, Notary in Jakarta. Change of the Company's name to PT Toba Bara Sejahtra was conducted based on Deed No. 173 dated 22 July 2010 made before a Notary Jimmy Tanal, S.H., in substitute of Hasbullah Abdul Rasyid S.H., M.Kn, Notary in South Jakarta. Then in preparation for listing shares of the Company, the Company's status was amended into a Public Company under the name of PT Toba Bara Sejahtra Tbk based on the Deed No. 65 dated 30 March 2012 made before Dina Chozie, S.H., a Notary candidates, in substitute of Fathiah Helmi, S.H., Notary in Jakarta.

The Company has 3 (three) adjacent coal mining concessions in East Kalimantan. These concessions are managed by 3 (three) Subsidiaries: PT Adimitra Baratama Nusantara (ABN), PT Indomining (IM), and PT Trisensa Mineral Utama (TMU). IM was developed as a greenfield asset in 2007, followed by ABN in 2008, and TMU in 2011. The three mining areas have strategic logistical advantages, in which the Company has integrated the supply chain and use of shared infrastructure to achieve optimal cost efficiencies. Since production commencement in 2007,

* Based on Runge report for ABN as at 31 December 2011, SMGC report for IM as at 1 January 2012, Marston report for TMU as at 30 October 2011

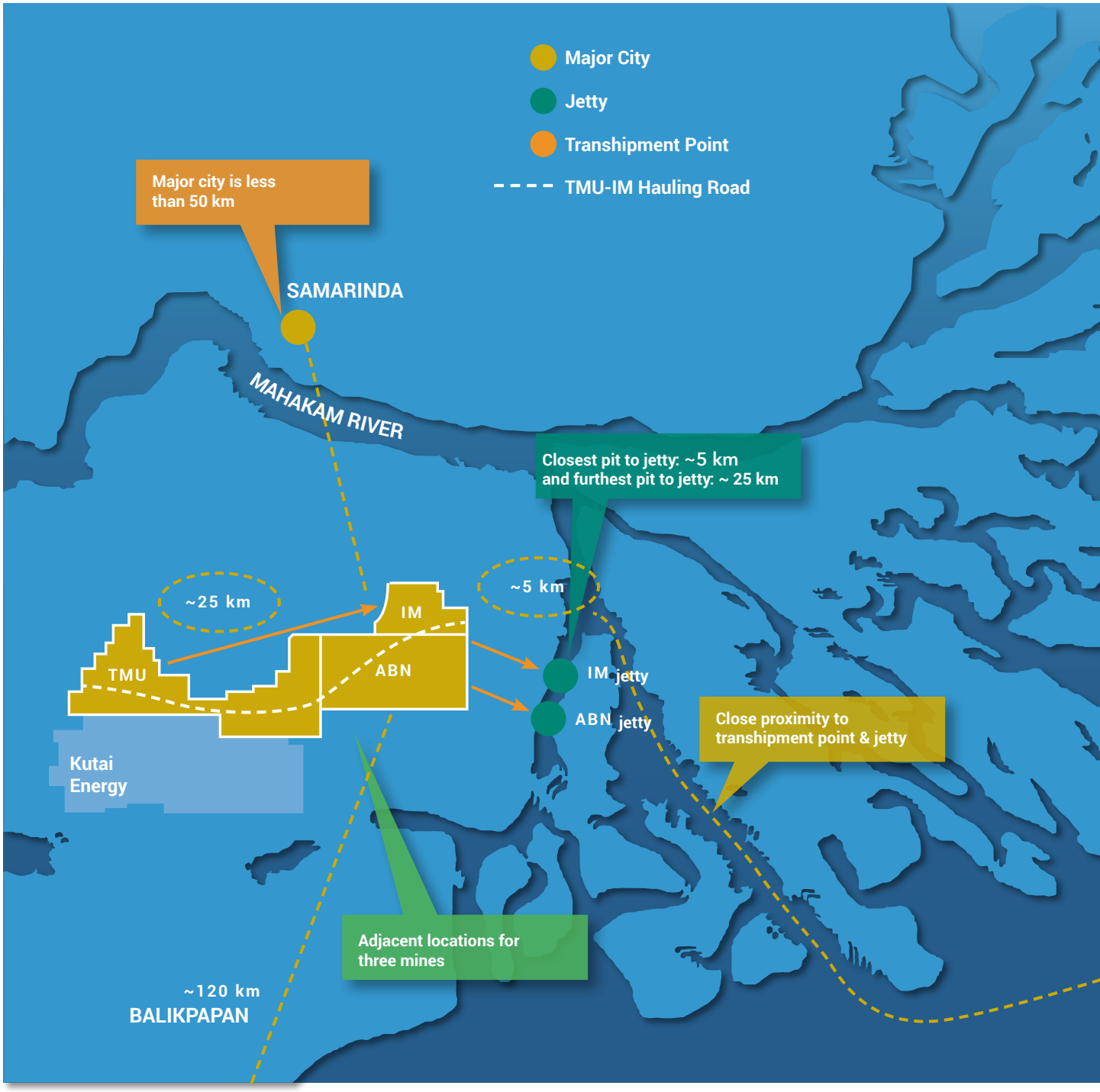
the performance of the mines has improved both in terms of growth and operational processes. Currently, the Company's coal products are marketed to several countries, primarily South Korea, Taiwan, Malaysia, India, China, and Japan.

In 2012, the Company conducted an initial public offering, changing the name to PT Toba Bara Sejahtra Tbk. The Company offered 210,681,000 shares, equivalent to 10.47% of the total issued and fully paid shares, to the public with an offering price of Rp 1,900 per share. On 6 July 2012, the Company listed total shares, amounting to 2,012,491,000 shares, on the Indonesian Stock Exchange (BEI), with code ticker TOBA.

The Company acquired PT Perkebunan Kaltim Utama I (PKU) in 2013 as a measure to resolve a land overlap. Furthermore, to maximize the oil palm plantation, at the end of 2014 plans were prepared for construction of a palm oil mill with processing capacity of 30 tons of fresh fruit bunch (FFB) per hour. The mill commenced construction in February 2015, with a completion target in the first semester of 2016.

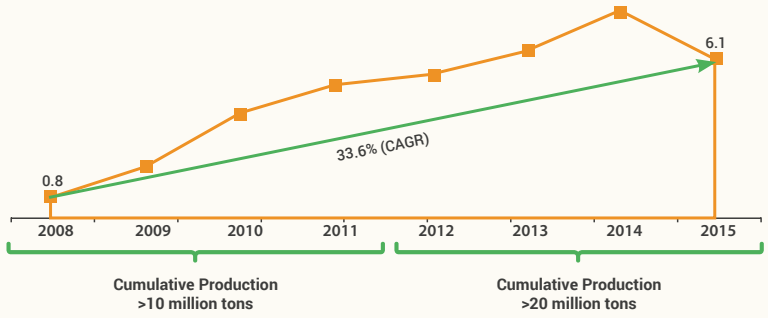
Up to the end of 2015, the total Human Resources of the Company amounted to 983 people. The development of human resources competencies is continuously performed among others through trainings and participations in various seminars and conferences.

Business Line



The Company has three Subsidiaries engaged in coal mining with adjacent concession areas and a Subsidiary engaged in palm oil plantation. The entire operational area of the four Subsidiaries is located in Sangasanga, Kutai Kartanegara Regency, East Kalimantan Province.

Production Achievement (million tons)



CAGR = Compounded Annual Growth Rate

Coal Reserves*

147 million tons

Coal Resources*

236 million tons

* Based on Runge report for ABN as at 31 December 2011, SMGC report for IM as at 1 January 2012, Marston report for TMU as at 30 October 2011

Vision & Mission

To be one of the best-managed world class mining companies in Indonesia with a focus on high growth by building competence through development of our employees, robust financial performance, and solid returns for our shareholders.

Vision

Mission

- Creating sustainable shareholder value from Indonesian mining.
- Developing a best-in-class pool of talent.
- Investing in our subsidiaries and other related businesses that will enhance value to shareholders.
- Managing competitiveness of mining operations effectively.
- Enhancing integration of coal supply chain to ensure reliability and efficiency.
- Building strong relationship with our business partners and the financial community.
- Being a responsible corporate citizen in promoting community development and implementing good corporate governance practices.

Business Strategy

The Company's strategy is a continuation of a strategic direction in place since 2012. The Company strives to overcome the challenging coal market conditions with the objective to maintain profitability and develop a better business growth foundation for the future.

In addressing the not-so-favorable development of the coal industry, the Company outlined efficiency measures by optimizing the available resources, in order to maintain sustainable performance. Optimization of the concession areas, that are adjacent to each other, is conducted through multiple mining operations consolidation and integration efforts, enabling the Company to effectively manage mining costs and maintain margins. The consolidation initiatives target improvements of human resources, work patterns, cost structure, and marketing strategies. Integration efforts are focused on optimizing the use of mine infrastructure and resources in the three mining concessions of Subsidiaries Adimitra Baratama Nusantara (ABN), Indomining (IM) and Trisensa Mineral Utama (TMU).

In terms of operations, the Company conducts efficiency programs through the joint mine plan and with infrastructure sharing including the following initiatives:

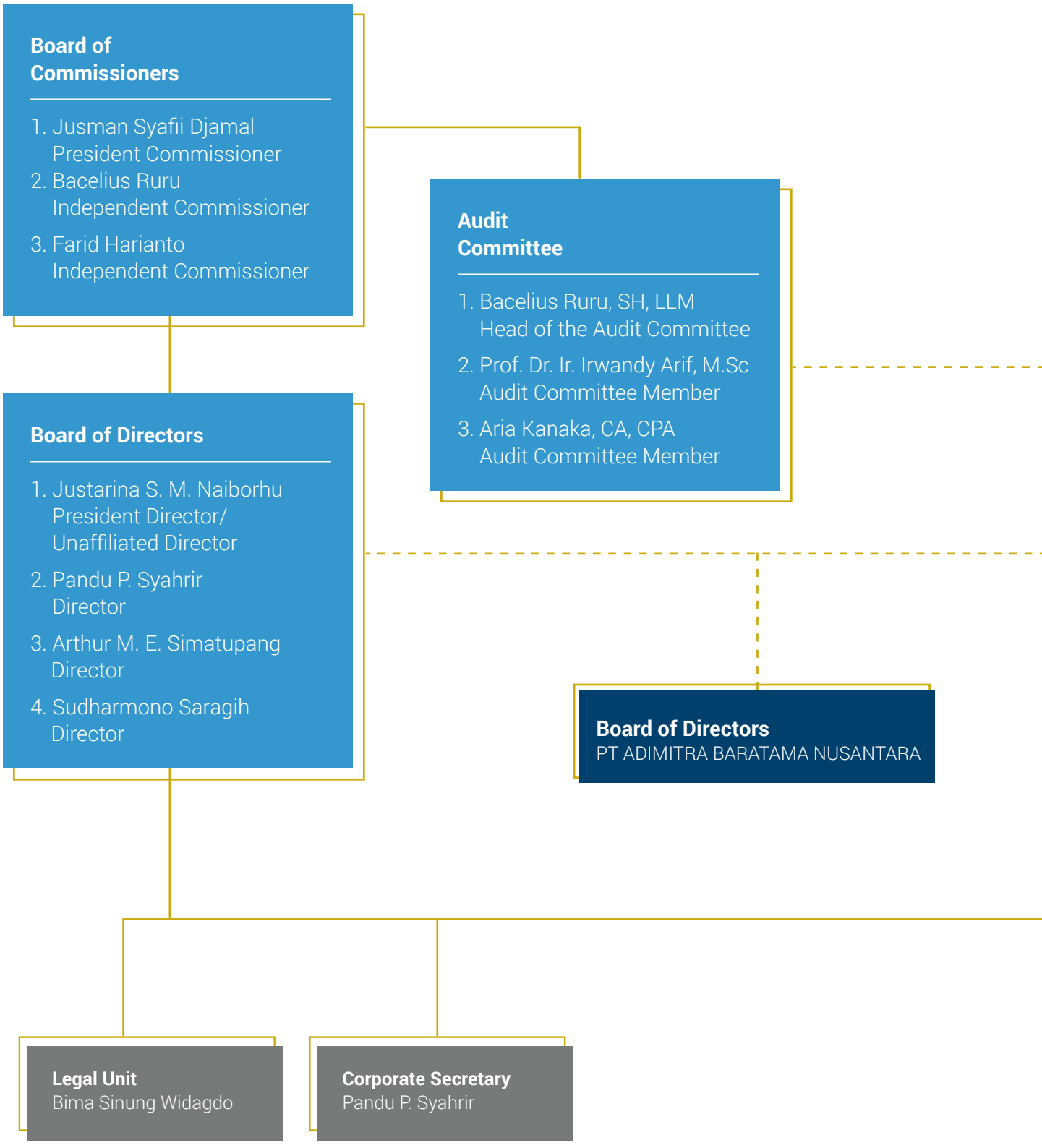
- Implementation of an integrated mine plan between the three mining Subsidiaries so as to encourage optimum management of stripping ratio (SR) and overburden (OB) travel distances.
- Maximizing utilization of shared infrastructure such as the coal processing plant (CPP) and jetty, as well as regular maintenance of the shared infrastructure.
- Adjustment of mining and logistics costs, including barging and floating crane.
- Coordination with mining contractors on mining and implementation of the mine plan.

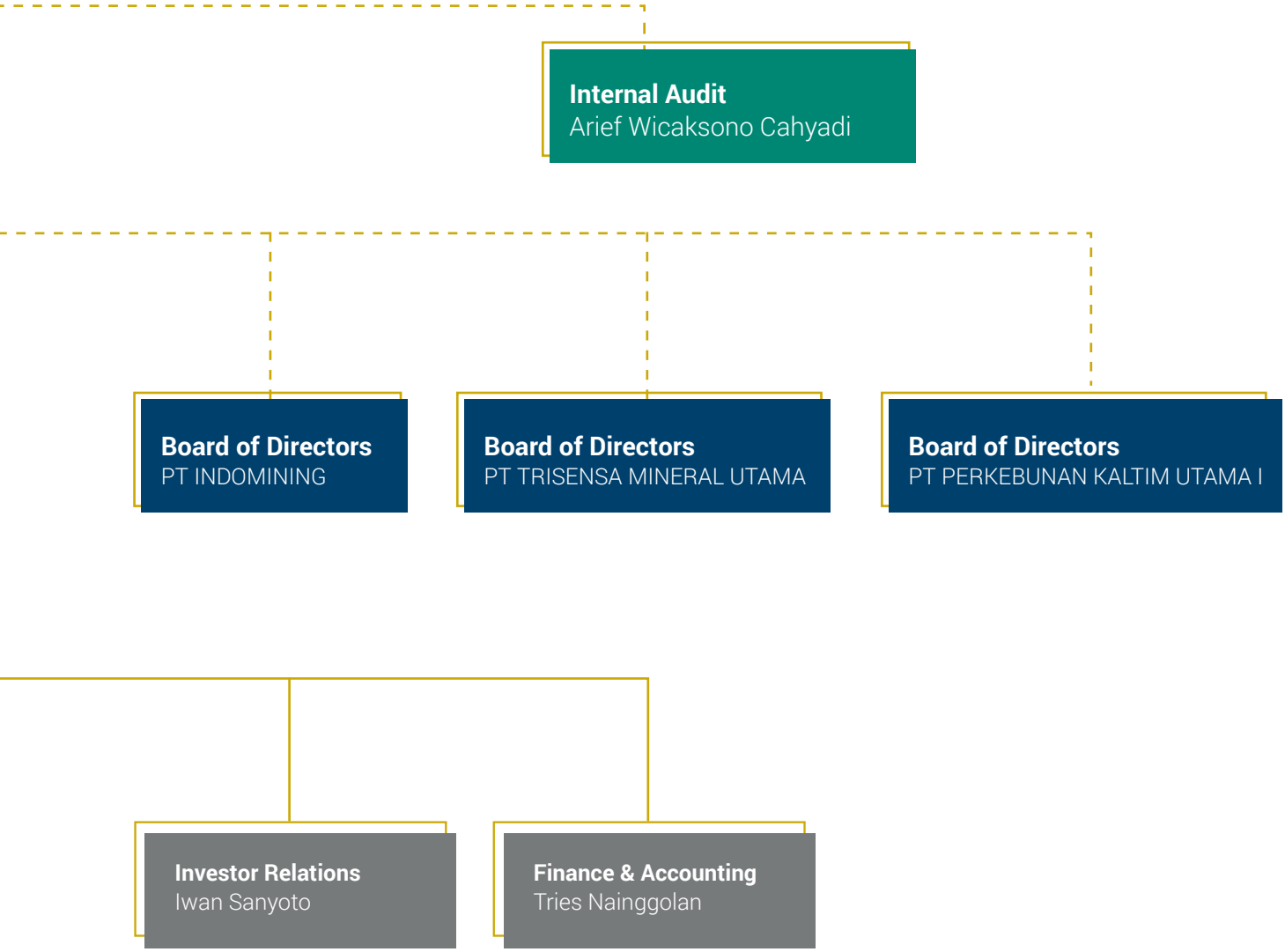
In terms of marketing, the Company has taken the following initiatives:

- Coordination of the marketing by Subsidiaries with the objective to expand the customer base.
- Increasing the composition of end-user customers and diversification of coal sales destination countries.
- Establishing fixed price for most coal sales with due regards to fluctuating price trends.
- Maintaining specifications of product quality and consistency as well as shipment times as part of the Company's product branding strategy within the global market.
- Active participation in seminars, conferences and tradeshows to increase the Company's profile.

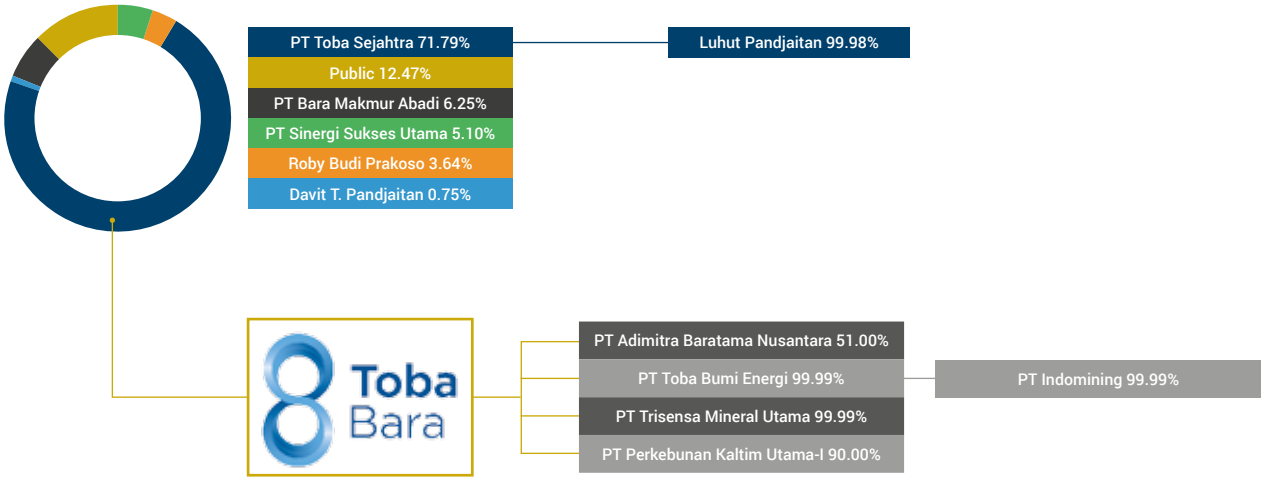
Through these initiatives, the Company has maintained a smooth production and product sale trend, resulting in a good profitability level and financial fundamentals, able to support business development and business sustainability in the long term.

Organization Structure




Internal Audit
Arief Wicaksono Cahyadi
Board of Directors
PT INDOMINING
Board of Directors
PT TRISENSA MINERAL UTAMA
Board of Directors
PT PERKEBUNAN KALTIM UTAMA I
Investor Relations
Iwan Sanyoto
Finance & Accounting
Tries Nainggolan

Shareholders Information



SHAREHOLDERS OWNING MORE THAN 5%

Name of Shareholders	Numbers of Shares	Share Ownership
PT Toba Sejahtra	1,444,750,000	71.79%
Bintang Bara B.V.	201,250,000	10.00%
PT Bara Makmur Abadi	125,755,000	6.25%
PT Sinergi Sukses Utama	102,700,000	5.10%

REPORT OF SHARE OWNERSHIP - DIRECTORS & COMMISSIONERS AS AT 31 DECEMBER 2015

Name	Position	Number of Shares	Percentage
Jusman Syafii Djamal	President Commissioner	0	0.00%
Bacelius Ruru	Independent Commissioner	0	0.00%
Farid Harianto	Independent Commissioner	0	0.00%
Justarina S. M. Naiborhu	President Director/Unaffiliated Director	0	0.00%
Pandu P. Syahrir	Director	0	0.00%
Arthur M. E. Simatupang	Director	0	0.00%
Sudharmono Saragih	Director	54,800	0.003%
Total		**54,800**	**0.003%**

INFORMATION ON THE MAJORITY CONTROLLING SHAREHOLDER

The Company is majority held by PT Toba Sejahtra (TS), which holds 71.79% shares of the Company, and indirectly owned by Mr. Luhut Pandjaitan, which holds 99.98% shares of Toba Sejahtra.

PT Toba Sejahtra is a limited liability company incorporated under Indonesian law on 6 August 2004, and is currently engaged in the mining, energy and plantation sector. The businesses of TS comprise of, among others, natural resources (thermal coal and oil and gas), power plants (as Independent Power Producer of coal-fired, gas-fired and geothermal power plants), as well as agricultural and plantation resources (oil palm and forestry).

Toba Sejahtra collaborates with leading companies from Indonesia and overseas in developing various assets and natural resources in Indonesia, with the aim of harnessing the Indonesian natural resources in the best possible way to improve the welfare of the Indonesian people.

CHRONOLOGY OF SHARE LISTING

The Company listed its shares on the Indonesia Stock Exchange on July 6, 2012, under challenging conditions for the coal market in general. A total of 210,681,000 common shares at a nominal value of Rp 200 per share were listed on the Exchange, representing 10.47% of the Company's fully paid and invested capital. The shares offered to the public at the IPO at a price of Rp 1,900 per share generated proceeds of Rp 400,293,900,000 for the Company. It is listed on IDX with the ticker code of TOBA.

Report of Use of Proceeds as at 31 December 2015 (in million Rp)

No	Type of Public Offering	Effective Date	Realization of Public Offering			Plan of Use of Proceeds as Disclosed in Prospectus				Realization of Use of Proceeds as Disclosed in Prospectus				Remaining Proceeds of IPO
			Total Proceeds from Public Offering	Expenses of Public Offering	Net Proceeds	Payment of Loan to BNP Paribas	Capital Expenditures	Acquisition of Coal Mining Concession, Working Capital and Operational, and Exploration Activities	Total	Payment of Loan to BNP Paribas	Capital Expenditures	Acquisition of Coal Mining Concession, Working Capital and Operational, and Exploration Activities	Total	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	IPO	6-Jul-12	400,294	38,871	361,423	94,476	189,711	77,236	361,423	94,116	179,396	77,236	350,748	10,675
	Total		**400,294**	**38,871**	**361,423**	**94,476**	**189,711**	**77,236**	**361,423**	**94,116**	**179,396**	**77,236**	**350,748**	**10,675**

Notes

a. (i) Plan of use of proceeds as disclosed in Prospectus:
   (7) More or less 26.14% from the net proceeds to be used to repay loan facilities from BNP Paribas.
   (8) More or less 52.49% from the net proceeds to be used for capital expenditure to support mining activities, infrastructure and facilities development in the concession areas of the subsidiaries.
   (9) More or less 21.37% from the net proceeds to be used as working capital for the Company and subsidiaries and to finance exploration activities in the subsidiaries' concession areas and to acquire coal mining concessions.

   (ii) Realisation of use of proceeds as disclosed in Prospectus:
   (11) Repayment of the loan principal to BNP Paribas amounting to US$ 9,946,782.69 equivalent to Rp 94,116 million.
   (12) Capital expenditures related to the procurement of fixed assets for the Company and the development of supporting facilities in the concession areas of subsidiaries.
   (13) Financing of working capital and exploration activities in the three subsidiaries' concessions through loans extended to the subsidiaries amounting to Rp18,485 million and financing of operations and working capital of the Company.

b. Fund from the proceeds of the IPO as at 31 December 2015 was deposited in Standard Chartered Bank (non affiliated) with a tenor of one month, earning a Rupiah interest rate of 7.5%.

Description of Subsidiaries

PT ADIMITRA BARATAMA NUSANTARA

51.00% Percentage Ownership of the Company

PT Adimitra Baratama Nusantara (ABN) is the largest producer of thermal coal among the Subsidiaries. The coal concession of ABN is located in Sangasanga, Kutai Kartanegara, East Kalimantan, Indonesia, with a concession area of 2,990 hectares. ABN was established in 2004 and in 2010 became a Subsidiary with the majority of its shares (51.00%) owned by the Company.

ABN has total coal resources of 156 million tons*. In 2015, ABN produced approximately 3.9 million tons of coal, with the main infrastructure consisting of coal stockpile, coal crusher, overland conveyor, and jetty. ABN transports the coal from the ROM stockpile through the overland conveyor, of approximately 5 km in length, which directly loads the coal on 300 foot-long barges at the jetty.

* Source: Based on the latest JORC

Board of Commissioners

Paulina Maria Dame Uli Pandjaitan	President Commissioner
Imelda The	Commissioner
Aurelia Marsaulina Simatupang	Commissioner
Soenggoel Pardamean Sitorus	Commissioner
Sintong Pandjaitan	Commissioner

Board of Directors

Hamid Awaluddin	President Director
Sudirdjo Widjaja	Director
Michael Soerijadji	Director
Pandu P. Syahrir	Director
Sudharmono Saragih	Director

PT INDOMINING

99.99% Percentage Ownership of the Company

PT Indomining is a Subsidiary of PT Toba Bumi Energi, which is fully (99.99%) and indirectly controlled by the Company. The coal concession of Indomining is located at Sangasanga, Kutai Kartanegara, East Kalimantan, and has an area of 683 hectares, next to the concession area of ABN.

IM has coal resources of 37 million tons*. Production at IM commenced in 2007, and produced approximately 1.2 million tons of coal in 2015. IM utilizes coal mining infrastructure facilities that include coal crusher, overland conveyor, and jetty. IM loads the crushed coal from the ROM stockpile through the overland conveyor directly on 300 foot-long barges at the jetty.

* Source: Based on the latest JORC

Board of Commissioners

Godlief Manangkak Timbul Silaen	President Commissioner
Roby Budi Prakoso	Commissioner
Saswinadi Sasmojo	Commissioner
Lutfi Ismail	Commissioner

Board of Directors

Arthur M. E. Simatupang	President Director
Alvin Sunanda	Director
Tries Nainggolan	Director

PT TRISENSA MINERAL UTAMA

99.99% Percentage Ownership of the Company

PT Trisensa Mineral Utama (TMU) is a Subsidiary fully (99.99%) owned by the Company. The concession of TMU is located in Kutai Kartanegara, East Kalimantan, and has an area of 3,414 hectares. TMU has completed the construction of the coal hauling road to IM through ABN, enabling it to utilize the mining infrastructure of IM.

TMU has total coal resources of 43 million tons*. TMU commenced initial production in October 2011 and in 2015 produced approximately 1.0 million tons of coal.

* Source: Based on the latest JORC

Board of Commissioners

Tjokro Saputrajaya	President Commissioner
Bok Maria Laurensia	Commissioner
Salikin Moenits	Commissioner
Eddy Kustiwa Koesma	Commissioner

Board of Directors

Suaidi Marasabessy	President Director
Elim Khiat	Director
Hartanto Saputrajaya Nyoto	Director

PT PERKEBUNAN KALTIM UTAMA I

90.00% Percentage Ownership of the Company

PT Perkebunan Kaltim Utama I (PKU) is a Subsidiary 90.00% owned by the Company. PKU is engaged in the palm oil plantation sector. PKU has a Palm Commodity Plantation Cultivation Business License valid for a period of thirty years. Palm plantation activities are conducted in the HGU area totaling 8,633 hectares in areas of Teluk Dalam Sub-district, Dondang, Pulau Seribu Village, Muara Jawa District, Jawa Sub-district, Sangasanga District, and Tani Bhakti Village, Batuah, Loa Janan District, Regency of Kutai Kartanegara, East Kalimantan.

Board of Commissioners

Lutfi Ibrahim Nasution	President Commissioner
Lutfi Ismail	Commissioner

Board of Directors

Suaidi Marasabessy	President Director
Elim Khiat	Director
Tries Nainggolan	Director

Capital Market Supporting Professionals

No	Supporting Institutions	Name of Institutions	Address	Period
1	Public Accountant	KAP Purwantono, Sungkoro & Surja	Gedung Bursa Efek Indonesia Tower 2, Lt. 7 Jl. Jend. Sudiman Kav. 52-53 Jakarta 12190 T: (021) 5289 5000 F: (021) 5289 4100	Since 2015
2	Notary	Aryanti Artisari, SH. M. Kn	Menara Sudirman, Lt.18 Jl. Jend. Sudirman Kav. 60 Jakarta 12190 T: (021) 520 4778 F: (021) 520 4780	Project Basis
3	Share Registrar	PT Datindo Entrycom	Wisma Diners Club Amex Jl. Jend. Sudirman Kav. 34-35 Jakarta 10220 T: (021) 570 8870 F: (021) 570 9026	Since 2012
4	Public Appraisal Firm	Jennywati, Kusnanto & Rekan	Plaza Bapindo Citibank Tower, Lt. 27 Jl. Jend. Sudirman Kav. 54-55 Jakarta 12190 T: (021) 526 0808 F: (021) 526 6006	Project Basis

Address of Company and Subsidiaries

PT TOBA BARA SEJAHTRA TBK
Wisma Bakrie 2, Lantai 16
Jl. H.R. Rasuna Said Kav. B-2
Jakarta 12920, Indonesia
T: (021) 5794 5779
F: (021) 5794 5778
corsec@tobabara.com
www.tobabara.com

Operating Subsidiaries	Office	Site
PT ADIMITRA BARATAMA NUSANTARA	Jakarta Office Wisma Bakrie 2, Lt. 11 Jl. H.R. Rasuna Said Kav. B-2 Jakarta 12920, Indonesia T: (021) 579 42103 F: (021) 579 42130	Jl. Habiba RT 04 Kelurahan Jawa, Sangasanga 75254 Kab. Kutai Kartanegara - Samarinda Kalimantan Timur Indonesia T/F: (0541) 671 259
PT INDOMINING	Jakarta Office Wisma Bakrie 2, Lt. 11 Jl. H.R. Rasuna Said Kav. B-2 Jakarta 12920, Indonesia T: (021) 579 30579 F: (021) 579 30580	District 5, Jl. Gajah Mada Kel. Sangasanga Dalam, Kec. Sangasanga, Kab. Kutai Kartanegara - Samarinda, Kalimantan Timur Indonesia T: (0541) 671 387 F: (0541) 671 310
PT TRISENSA MINERAL UTAMA	Jakarta Office Wisma Bakrie 2, Lt. 16 Jl. H.R. Rasuna Said Kav B-2 Jakarta 12920, Indonesia T: (021) 5793 0568/9 F: (021) 5793 0570	KM 23 Desa Tani Harapan Kecamatan Loa Janan Kab. Kutai Kartanegara - Samarinda Kalimantan Timur Indonesia T/F: (0541) 726 8231
PT PERKEBUNAN KALTIM UTAMA I	Jakarta Office Wisma Bakrie 2, Lt. 16 Jl. H.R. Rasuna Said Kav B-2 Jakarta 12920, Indonesia T: (021) 5793 0568/9 F: (021) 5793 0570	Desa Tani Harapan Kecamatan Loa Janan Kab. Kutai Kartanegara - Samarinda Kalimantan Timur Indonesia T/F: (0541) 796 4704

2015 Annual Report

Management Discussion and Analysis

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Entering 2015, the global coal industry had not indicated any improvements. The current coal market is still in over supply with a decline in demand. This condition began in 2013.

Industry Overview

The decline in the global coal prices occurred mainly due to the combination of weakening global demand growth, particularly in China, and the relatively high supply.

Total Production

6.1 million tons

Stripping Ratio

12.3x

Currently, Indonesia is one of the main producers and largest exporter of thermal coal in the world with advantages in cost structure and a strategic geographic location vis-à-vis the main export markets in the Asian region. The Asian region is the main market of Indonesia's exports, taking more than 90.0% of Indonesia's total coal exports. Most exported coal consists of low (calorific value) up to middle quality. Approximately 75.0% - 85.0% of the total Indonesian coal production is for exports, and the remaining is for domestic needs. Indonesia's coal exports reached approximately 40.0% of the global market total seaborne, which amounted to 900 – 950 million tons each year. Of this total export, 30.0% is for the Chinese market and approximately 35.0% - 40.0% to India. In the future, domestic needs are estimated to increase, reducing the exported composition.

Other countries that are producers and focus on exports include Australia, Russia, Colombia, and South Africa, respectively contributing 22.0%, 14.0%, 9.0%, and 8.0% of the global coal market total. The two countries with the largest economies in the region, namely China and India, are among the world's main producers and consumers of coal. Historically, both countries have coal consumption that is higher than their total productions, so both countries still rely on imports, particularly of low quality coal. This is to fulfill the energy source supply for electricity for large numbers of their citizens. With Indonesia's strategic geographical location, China and India import most of their coal from Indonesia.

COAL MARKET CONDITIONS IN 2015

Seaborne Thermal Coal Demand (million tons)

Country	2013	2014	2015*
China	252	229	158
India	141	150	159
Japan	114	114	118
South Korea	95	97	106
Taiwan	45	45	47
Others	287	278	276
Total	**934**	**913**	**864**

*estimate
Source: Bloomberg Intelligence

Seaborne Thermal Coal Supply (million tons)

Country	2013	2014	2015*
Indonesia	416	391	340
Australia	188	200	198
Rusia	116	130	125
Colombia	76	85	79
South Afrika	73	75	74
Others	86	69	58
Total	**955**	**950**	**874**

*estimate
Source: Bloomberg Intelligence

Industry Overview

In 2015, the global coal price trend remained downward. The average price of the Newcastle Index (NEWC) experienced a decrease of 16.7% from US$71.0 per ton to US$ 59.2 per ton during 2014. Meanwhile, the price at the end of 2015 was in the position of US$ 50.6 per ton.

The global coal market is experiencing over supply, along with a decrease in demand since 2013 due to the weakening of global economic conditions. The global economy declined from 3.4% in 2014 to 3.1% in 2015 having an impact on the weakening of industrial activities in general, consequently decreasing the need for electricity and coal. China is the largest consumer and importer of coal, and the weakened industrial activities nevertheless contributed to approximately 40.0% - 45.0% of that country's GDP contributing to the weakening of global coal demand.

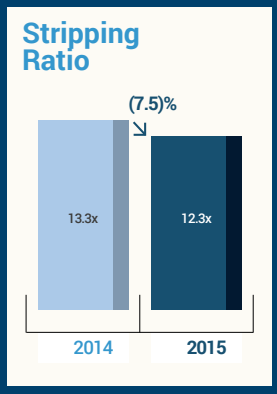
Based on the Bloomberg Intelligence data presented in the table above, China keeps reducing its volume of imports, which decreased by approximately 37.3% between 2013 to 2015. This changing trend in the coal supply to China has changed the trade flow of coal, impacting on global coal prices. The decrease in coal demand is also the impact of the pressure by developed countries to develop a more environmentally friendly power sources in the effort to suppress the effects of pollution and global warming.

The weakening price condition has also affected the coal industry in Indonesia. Coal mining companies generally performed various efforts to continue to produce in an efficient and effective manner. Efficiency efforts include adjustment of mining costs to logistics costs and investment and capital expenditure postponements, all in order to maintain the margin at a good level.

The Company still sees demand, especially from East Asia countries such as Japan, South Korea, and Taiwan who show stable demand. Meanwhile the energy mix policy in the ASEAN region still continues to support the use of coal as an important energy source, particularly for the power generation sector.

Demand for coal is also stable in Indonesia, in line with plans of the Government to develop approximately 20,000 MW of new steam (coal) power plants in the next 5 years. The Government Program is a solution in the effort to improve the coal industry in the country, in which the prospects of domestic demand increasing can be an income source for the industry. In addition, the coal industry is also taking this opportunity to perform diversification into the electricity power sector.

Operational Overview



Decrease in stripping ratio is one of the main factors of the decline of FOB cash cost by 17.7 % in 2015

PT Toba Bara Sejahtra Tbk is a coal mining company through 3 (three) Subsidiaries PT Adimitra Baratama Nusantara (ABN), PT Indomining (IM), and PT Trisensa Mineral Utama (TMU), and engaged in the palm oil sector through Subsidiary PT Perkebunan Kaltim Utama I (PKU).

The Company's coal products are in the sub-bituminous category with the following specifications:

Product Name	TM (Total Moisture) (%GAR)	IM (Inherent Moisture) (%adb)	Ash (%adb)	VM (Volatile Matter) (%adb)	HGI (Hardgrove Index)	TS (Total Sulphur) (%adb)	CV (Calorific Value) (kcal/kg) GAD	CV (Calorific Value) (kcal/kg) GAR
ABN								
ABN 56-HS	20	13	6	40	45	1.8	6,100	5,600
ABN 56-RS	20	13	5	40	45	0.8	6,100	5,600
ABN 58	19	11	5	40	45	0.8	6,250	5,800
ABN 59	18	11	2.5	40	45	0.4	6,300	5,900
Indomining								
Indomining-56	19	13	8	40	45	0.9	6,200	5,600
TMU								
Trisensa-48	28	15	7	42	42	0.6	5,500	4,800

OPERATIONAL AND PRODUCTION PERFORMANCE

In 2015, the Company's coal production was recorded at 6.1 million tons, from ABN at 3.9 million tons, IM at 1.2 million tons, and TMU at 1.0 million tons. Meanwhile, the stripping ratio (SR) was recorded at 12.3x. Total production and the SR were in accordance with targets, based on the joint mine plans mutually designed and agreed upon.

The main operational measures taken by the Company to achieve these targets were:

- Implementation of an accurate joint mine plan through good coordination and cooperation between the operational teams of the Company and the contractor teams, which supported by the utilizations of new heavy equipment.
- Optimizing the utilization of available infrastructure, such as hauling road, coal processing plants, and jetties (infrastructure sharing).
- Maintenance of the Company's infrastructure facilities, among others, the tripper column in ABN to ensure good productivity.

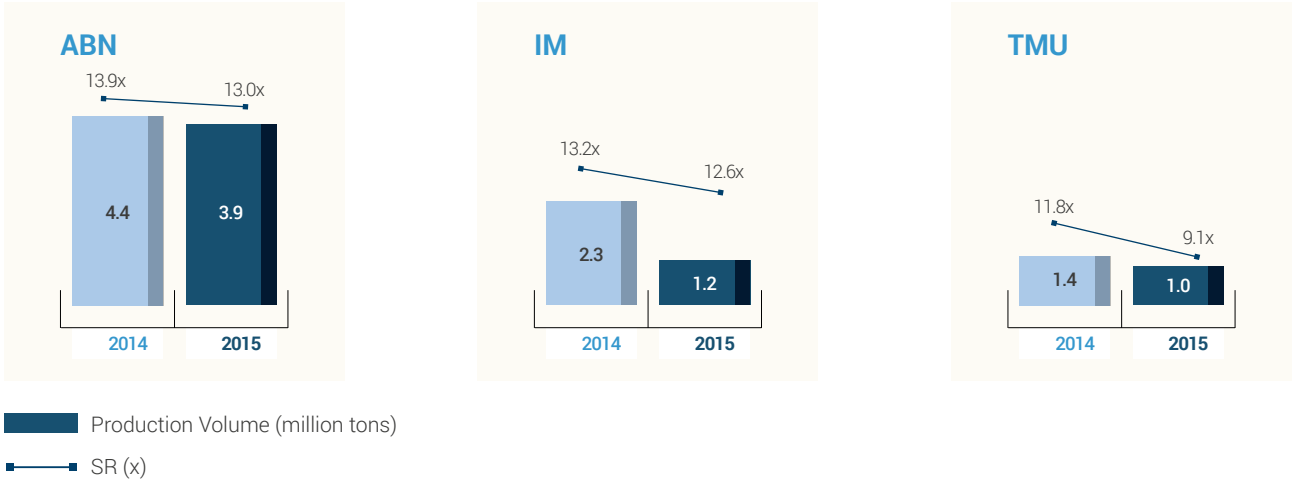
Up to the end of December 2015, total capital expenditures incurred by the Company amounted to US$ 12.1 million, primarily allocated for land acquisition, construction and maintenance of facilities and operational equipment in coal mines, as well as the development of the palm oil mill, still in progress and estimated to be completed in the first half of 2016.

There was a decrease in production volume from 8.1 million tons in 2014 to 6.1 million tons in 2015, or a decrease of 24.7%. This production volume decrease occurred in all the Company's Subsidiaries, with the greatest decline recorded by IM, from 2.3 million tons to 1.2 million tons, or a decrease of 47.8%. While the other two Subsidiaries, namely TMU and ABN, decreased respectively by 28.6% and 11.4%.

Among the three Subsidiaries, ABN is still the major contributor in terms of production volume at 63.9% of the Company's total production. This percentage increased compared to the percentage of the previous year at 54.3% of the Company's total production. While the contributions of IM and TMU, respectively recorded at 19.7% and 16.4% of the total production of the Company.

Measures implemented by the Company are intended to achieve sustainable cost efficiency and maintaining a healthy margin.

Production and Stripping Ratio in ABN, IM, and TMU



Operational Overview

PROFITABILITY

In 2015, the average benchmark prices of Newcastle decreased by 16.4% but the average sales price (ASP) only decreased by 14.0%. This was mainly because the Company was able to optimize pricing strategies based on fixed prices. With the implemented cost management initiatives, the Company was able to deliver an EBITDA margin of 15.4%.

MARKETING

The main customers of the Company during 2015 are international traders and end-user power plant companies. Over the past few years, the Company focused its efforts on developing the end-user customer base, as a marketing diversification strategy. The marketing team is extending the coverage of export markets to sustain coal sales to a more solid market and at good prices. The effort to diversify sales is way to mitigate the risk of sales concentration in only a few countries and certain customers.

Throughout 2015, the majority of the Company's coal sales were to countries in the Asian region, including South Korea, Taiwan, Malaysia and India. Given the dynamics of the coal market that occurred in 2015, the focus of the marketing team of the Company was to increase sales to end-user customers and this focus helped increase the number of end-user customers from approximately 3.6% in 2014 to around 36.8% in 2015. Amid the conditions in the coal market that occurred in 2015, sales to end-user customers provided benefits, such as better selling prices and commitment certainty of the buyer.

Sales Based on Countries of Destination

Country	Total (million tons)	Percentage (%)
South Korea	2.1	32.4
Taiwan	0.9	13.9
Malaysia	0.8	12.8
India	0.6	10.1
China	0.6	8.9
Japan	0.6	8.7
Vietnam	0.3	4.3
Thailand	0.2	4.0
Bangladesh	0.2	3.2
Others	0.1	1.7
Total*	6.4	100.0

* Rounding

INITIATIVES AND DEVELOPMENTS

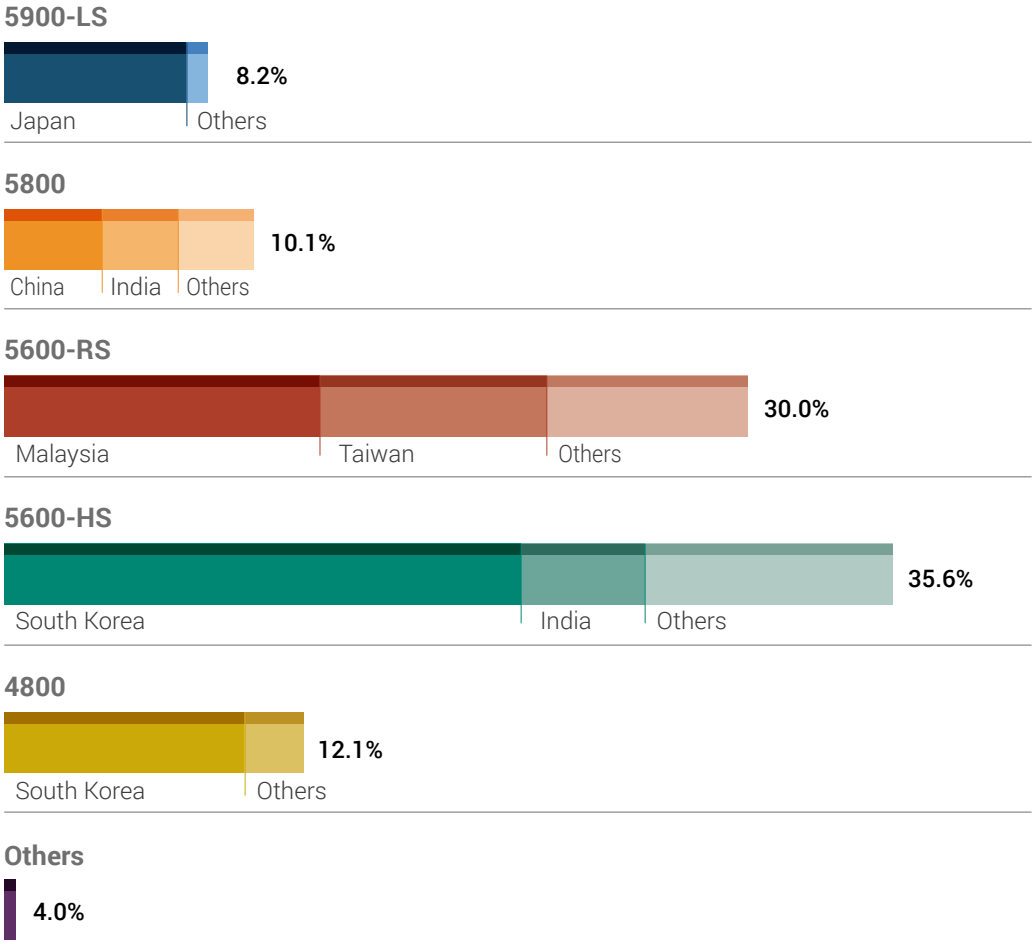
The Company has developed a variety of strategies to maintain the sustainability of the business, including an efficiency strategy conducted on an on-going basis starting a few years ago.

The efficiency strategies implemented by Toba Bara are as follows:

1. Implementation of an efficient joint mine plan.
2. Optimization of shared infrastructure.
3. Adjustment of tariffs for contractors and other supporting services.

The location of the three concessions as adjacent to each other is a competitive advantage for the Company. The adjacent locations facilitate the Company to execute an efficient joint mine plan. Efficiency is also carried out through the optimization of the shared infrastructure owned by the Company, namely hauling road to transport coal, CPPs, and jetties to support the operations of the three Subsidiaries.

Sales Based on Product Categories



Description:
LS = Low Sulphur (maximum 0.6%)
RS = Regular Sulphur (maximum 1.0%)
HS = High Sulphur (maximum 2.0%)

The Company conducts mining in the border areas of ABN and IM with the objective to maximize reserves and increase the overburden disposal capacity. With the adjacent areas, the Company is able to shorten the overburden disposal distance between the two, reducing the transportation costs of overburden.

One of the most efficient initiatives is the replacement of a mining contractor. In June 2015, ABN changed its mining contractor to PT Cipta Kridatama (CK), a subsidiary of PT ABM Investama Tbk. The substitution of the contractor managed to reduce mining costs and improve efficiency with the use of new heavy mining equipment with high productivity.

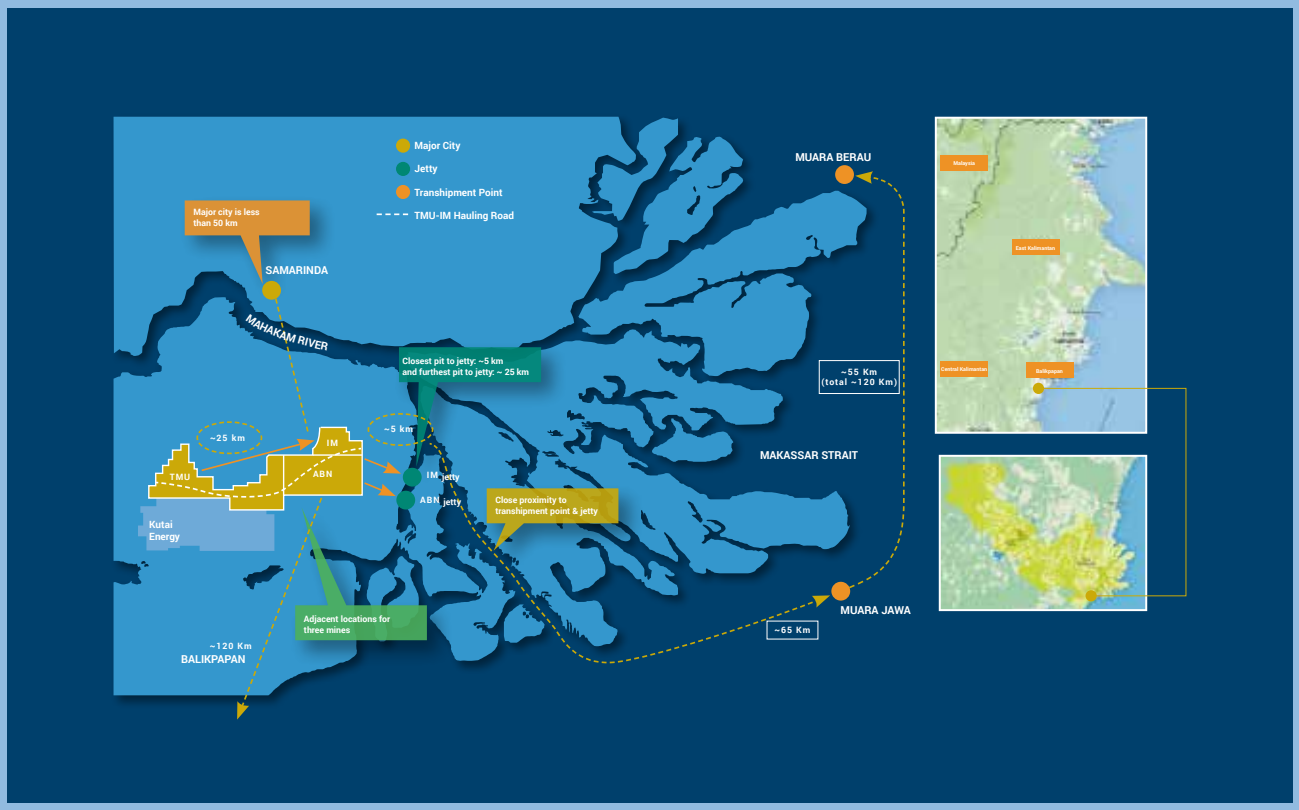
During 2015, all Subsidiaries conducted negotiations for the utilization of logistic services, namely barging, floating cranes and others. With our large scale of production volume from all three Subsidiaries, the Company managed to negotiate lower logistic costs.

PROJECT NEAR COMPLETION

Perkebunan Kaltim Utama I (PKU):

In the second half of 2014, PKU began preparation for a palm oil mill with production capacity of 30 tons of FFB (fresh fruit bunch) per hour, which was due to commence construction in 2015. The groundbreaking of the project was conducted in the first quarter of 2015, with construction completion target estimated in the first half of 2016.

Profiles of Subsidiaries



PT Toba Bara Sejahtra Tbk is a coal mining company that conducts mining operations in the area of Sangasanga, Kutai Kartanegara Regency, East Kalimantan Province. Mining facilities are supported by infrastructure including hauling road, offices, workshops, CPPs, and jetties.

The Company has Subsidiaries responsible for managing the Company's business activities. Three Subsidiaries are engaged in the adjacent coal mining concession areas in Sangasanga. Subsidiary PT Perkebunan Kaltim Utama I (PKU) is engaged in the palm oil plantation business and is completing construction of a palm oil mill to commence operations in 2016.

The three Subsidiaries in the field of coal mining are:

1. PT Adimitra Baratama Nusantara (ABN) is located in Sangasanga, Kutai Kartanegara, East Kalimantan. ABN has the IUP-OP permit and commenced operations in September 2008. ABN has land area of 2,990 ha, with approximate coal resources of 156 million tons*.
2. PT Indomining (IM) is located in Sangasanga, Kutai Kartanegera, East Kalimantan. IM has the IUP-OP permit and commenced operations in August 2007. IM has land area of 683 ha, with approximate coal resources of 37 million tons*.
3. PT Trisensa Mineral Utama (TMU) is located in Loa Janan, Muara Jawa and Sangasanga, Kutai Kartanegara, East Kalimantan. TMU has the IUP-OP permit and commenced operations in October 2011. TMU has land area of 3,414 ha, with approximate coal resources of 43 million tons*.

In total, the Company has estimated total coal resources of 236 million tons*.

* Based on Runge report for ABN as at 31 December 2011, SMGC report for IM as at 1 January 2012, Marston report for TMU as at 30 October 2011

PT ADIMITRA BARATAMA NUSANTARA

PT Adimitra Baratama Nusantara (ABN) was established in 2004 and manages mining areas covering an area of 2,990 ha located in the Kampung Jawa Village, Sangasanga District and Muara Kembang Village, Muara Jawa District, Regency of Kutai Kartanegara, or about 30 kilometers southeast of Samarinda, the capital of East Kalimantan. ABN has concessions in two different areas, ABN East and ABN West. ABN operates under Production Operation Mining Business License No. 540/1691/IUP-OP/ MB-PBAT/ XII/2009 dated 1 December 2009. Based on the latest JORC report, ABN has coal resources of approximately 156 million tons and coal reserves of approximately 117 million tons. ABN commenced exploration and infrastructure development in 2007 and commercial production in 2008.

Coal production in 2015 reached 3.9 million tons, a decrease of 11.4% from the 4.4 million tons in 2014. ABN's stripping ratio stood at 13.0x, relatively stable with 13.9x in 2014 and 14.0x in 2013. This is in line with the consolidation and cost-efficiency programs launched by the Company since 2012.

In 2015, labor involved in ABN operations reached approximately 2,006 people, consisting of 389 ABN employees and 1,617 contractor and sub-contractor employees. To support the empowerment of local communities, most, or approximately 61.0% of ABN's labor force as well as those of contractors and sub-contractors, are from the local communities of the Sangasanga District and the Muara Jawa District, Regency of Kutai Kartanegara, while the remaining 39.0% came from outside the two districts.

ABN's infrastructure capabilities include crusher, overland conveyor, and jetty, with a current capacity of approximately 10 million tons per year. Mining is conducted via the surface open pit mining system. Coal produced by ABN has a low ash content, so washing is not conducted, with only crushing carried out. ABN mining activities are carried out through contractor PT Cipta Kridatama (CK).

Coal produced by ABN is sub-bituminous and bituminous thermal coal groups with a quality of 5,200 GAR – 5,800 GAR. ABN markets the coal products to a number of countries, among others India, China, Japan, Thailand, and South Korea, as well as serving the domestic needs, particularly for the cement industry.

In the relatively short period of time since commencing operations in 2008, ABN for the three consecutive years in 2011, 2012, and 2013 successfully acquired the Green rating and acquired the Blue rating in 2014 for PROPER (Company Performance Rating Assessment Program in Environmental Management), the Government environmental ranking program for major industries with environmental impact. In 2015, ABN acquired the Gold rating.

Exploration Activity

A. Exploration Area

- In January and February, ABN did not conduct exploration activities, but regularly conducts geology model updates and preparation for exploration activity in 2015.
- In March to May 2015, stratigraphic drilling to the east of the Vico Pipe was conducted, with the objective to increase the confidence of the geological continuity of the planned Pit 6 seam and to determine the amount of resources to the east of the Vico Pipe.

Profiles of Subsidiaries

- In June 2015, ABN continued with the stratigraphic drilling to the east of the Vico Pipe. In addition, infill-drilling activities and the Megasari Pit plan were commenced to increase the confidence of the geological continuity of targeted seams. Examinations are being conducted on the continuity of the potential seams to the down dip of the planned pit and on the lateral continuity of several seams experiencing washouts or pinchouts. The existing drilling data is not adequate to represent the down dip of the planned pit with previous exploration drills already above current mine development.
- Drilling activities were carried out in the infill drilling area and Megasari Pit plan throughout the month of July, with the objective to increase confidence in the geological continuity of targeted seams in the mining sequence plan. Examinations are being conducted on the continuity of the potential seams to the down dip of the pit plan and on the lateral continuity of several seams experiencing washouts or pinchouts. In July 2015, ABN also conducted stratigraphic drilling to the east of the Vico Pipe. This exploration activity is set to increase confidence in the geological continuity of seams and determine the amount of resources in prospective areas east of the Vico Pipe.
- Drilling activity during the month of August was conducted in the Pit 7 C mining area, an area to the east of the Vico Pipe, and the West Block area, with the objective to increase confidence in the geological continuity of targeted seams in the mining sequence plan and determine prospective areas as well as coal resources.
- In September to November 2015, there were no exploration activities. In September, ABN started to summarize the results of drilling activities throughout 2015 as well as conduct routine geology model updating activities.
- In November 2015, ABN did not conduct exploration activities either for drilling or other exploration activities, but carried out south Pit 1 dewatering drilling to reduce saturation of groundwater and improve the stability of the slopes of the low wall seam 9 as well as routine geology model updating activities.
- In December 2015, ABN did not conduct any exploration activities, though routine geology model updating activities were conducted.

B. Measurement Method

Drilling is conducted by using the open hole and touch coring drilling methods with HQ and NQ hole diameters with a vertical drilling angle of 90˚. With the touch coring drilling, sampling of cores and geophysical logging data were taken, while in the open drilling, sampling of cuttings and geophysical logging data were taken.

C. Drilling Supervision

The drilling activity is carried out by drilling contractor PT Duta Jaya Putrapersada Mining, which operates 3 drilling machines, consisting of 2 Jacro 300 type and 1 Jacro 200 type used for infill drilling both for open hole and touch coring drilling. The drilling activity is directly supervised by ABN under the Geology Section, Department of Engineering.

D. Progress of Exploration

The ABN area consists of two main blocks, namely the East block and the West block, distinguished by the oil/ gas exclusion zone of PT Pertamina Asset V, Sangasanga site, within the concession area. During the period of April to July, drilling activities were conducted in both the East block and the West block. The Phase I infill drilling work completed 59 holes exceeding the planned total of 56 drilling holes, with a total depth of 5,897 meters from the 6,167 meters planned.

In August, Phase II infill drilling activities in the East block and the West block with total meters of 1,295 in 15 drilling holes, so overall, the drilling progress was completed with a total of 72 drilling holes, with total depth of 7,153 meters from the 7,167 meters planned.

In September there were no exploration activities, but focus was on verification and validation of exploration data results.

INDOMINING

PT INDOMINING

PT Indomining (IM) has a concession area covering approximately 683 hectares in the District of Sangasanga, Kutai Kartanegara regency, 38 kilometers southeast of Samarinda, the provincial capital of East Kalimantan. According to the latest JORC report, Indomining has total coal resources of approximately 37 million tons and coal reserves of approximately 22 million tons. IM operates under Mining Operation Production Business License No. 540/1410/IUP-OP/MB-PBAT/VI/2010 dated 22 June 2010 as extended by Mining Operation Production Business License No. 540/004/IUP-OP/MB -PBAT/III/2013 dated 15 March 2013. Production at IM commenced in August 2007, while commercial production commenced in September 2007.

Coal production in 2015 reached 1.2 million tons, or a decrease of 47.8% from the 2.3 million tons in 2014, with a stripping ratio that declined from 13.2x to 12.6x in 2015. Since 2014, IM has increased the coal production volume significantly by operating a new CPP, which has a coal production capacity of six million tons per year, and which is currently also utilized to process coal produced from the TMU mines.

In 2015, human resources that support IM operations reached approximately 695 people, including employees of contractors and sub-contractors. More than 80.0% of the workforce are derived from the local community as the implementation of community development program in order to support the welfare promotion of the communities in the vicinity of the mines. IM mining activities are conducted by mining contractor PT RPP Contractor Indonesia, using the surface open pit mining process with the truck and shovel method. Results of IM coal production has a quality between 5,600-5,800 GAR with total sulfur (TS) between 0.2% - 2.0%, so that this product has good competitiveness in the international and domestic markets.

In terms of environmental compliance, Indomining has received the Blue rating for PROPER from the Governor of East Kalimantan from 2012 to 2014 for compliance with the requirements of sound environmental management based on legislation. In 2015, IM successfully obtained the Blue rating from PROPER from the Ministry of the Environment, the environmental compliance ranking for major industry players with environmental impact.

Exploration Activity

A. Exploration Area

Exploration activities are prioritized in areas, which require detailed drilling to obtain geological, hydrological data and geotechnical test purposes.

In January - April 2015, exploration activities conducted included:

1. Measurement of actual coal thickness in PIT A and B for the renewal/ updating of geological models and mining control.
2. Testing of soil support in the high LoM of Pit AB 9 CPT drill points with the objective to evaluate the design of the LoM Pit and disposal related to failure issue.

In May - June 2015, IM conducted geotechnical drilling with the Standard Penetration Test (SPT) method around the OLC area, a swamp area. This exploration activity has the objective to determine the soil/ hard rock boundary layer to determine the height of overburden material stockpiling on the OPD1 and OPD2 disposals, so as not to result in movements of the OLC.

In July - December 2015, PT. Indomining had no exploration activity with focus on geotechnical studies of the LAPI ITB on Pit areas, disposal and OLC.

Profiles of Subsidiaries

B. Measurement Method

In January - April 2015 there were no drilling activities conducted. While in May-August 2015, the SPT placed a standard tube into a drill hole at a depth of 45 cm using a hammer with a weight of 63.5 kg, free falling from a height of 76 cm. What is calculated is the number of hits to obtain a penetration depth of 15 cm. The number of hits used is the penetration depth of the last 30 cm.

In July - December 2015, planned drilling used the Open Hole and Touch Coring methods.

C. Drilling Supervision

In May - June 2015, drilling activities were carried out by drilling contractor Samarinda State Polytechnic, which operates 1 piece of drilling equipment. The drilling activity was supervised directly by the Person in Charge of the Samarinda State Polytechnic under the Engineering Section, Department of Mine Operations.

Between July - December 2015, the Drilling activity was supervised by the Department of Engineering, Geologist Section.

D. Exploration Progress

Drilling activities in the OLC area commenced on 4 May 2015, and a total depth of 396 meters was achieved. Overall, the drilling activity progressed in four drilling points from a total 14 drilling holes, with a remaining total of 304 meters of the 700 meters planned.

Drilling activities in the OLC area was completed in June 2015 with a total depth of 700 meters with 14 points. After that, up to December, exploration activities focused on geotechnical studies for Pit areas, disposal, and OLC by LAPI ITB.

PT TRISENSA MINERAL UTAMA

PT Trisensa Mineral Utama (TMU) has a mining area that is administratively in the territory of three districts: Loa Janan, Sangasanga and Muara Jawa, Regency of Kutai Kartanegara, 40 kilometers southeast of Samarinda, the provincial capital of East Kalimantan. The total concession area is 3,414 hectares with area code KTN 2010 3133 OP. TMU received approval to conduct mining activities and the sale of furrows with the Decision of the Kutai

Kartanegara Regent Head No. 540/3133/IUP-OP/MB-PBAT/XII/2010 on the Mining Business License dated 14 December 2010. Based on the latest JORC report, which only covers a concession area of 680 hectares, TMU has coal resources of approximately 43 million tons and coal reserves of approximately 8.0 million tons.

Coal production in 2015 reached a total of 1.0 million tons, a decrease of 28.6% from the 1.4 million tons in 2014. By 2015, the stripping ratio decreased to 9.1x from 11.8x in 2014.

In 2015, the work conducted by TMU absorbed a workforce of 119 people, and a total of 929 employees of contractors and sub-contractors, divided into two work shifts. The mining contractor was PT Bina Sarana Sukses (BSS). Mining was conducted with the surface open pit mining method with the truck and shovel method. Coal products of TMU have an average calorific value of 4,700 GAR with total sulfur (TS) below 1.0%. The quality of this type of coal is attractive in a coal market with demand for low sulfur level.

Exploration Activity

A. Exploration Areas

1. The exploration area in January - March 2015 was via cropline drilling in the east anticline wing area in Block 3 with a seam concentration of 38-42 with 4,500 GAR.

2. The exploration area in April 2015 was via cropline drilling work in the east anticline wing in Block 3 East and Block 5B with a seam concentration of 38-42 with 4,500 GAR and seam 10, 11, and 12 at 5,400 GAR.
3. The exploration area in May 2015 was via cropline drilling in the east anticline wing area of Block 3 East and Block 5B with a seam concentration of 18 with 4,800 GAR and seam 41 at 4,400 GAR.
4. The exploration area in June 2015 was via cropline drilling in the east anticline wing area of Block 3 East and Block 5B with a seam concentration of 34 with 4,600 GAR and seam 41 at 4,400 GAR.
5. The exploration area in July 2015 was via cropline drilling in the east anticline wing area of Block 3 East and Block 5B with a seam concentration of 33 and seam 34 with 4,600 GAR.
6. The exploration area in August 2015 was via cropline drilling in the east anticline wing area of Block 3 East and Block 5B with a seam concentration of 37, 41, 42, and seam 44 with 4,500 GAR.
7. The exploration area in September - November 2015 was via cropline drilling in the east anticline wing area of Block 3 East and Block 5B with a seam concentration of 41, 42, 43, and seam 45 with 4,500 – 4,600 GAR.
8. The exploration area in December 2015 was via cropline drilling in the west syncline wing area, namely Block 6 with a concentration on soil thickness and quartz sandstones.

B. Measurement Method

Due to the slope of the rock/coal in the western areas, which ranges between 70˚- 85˚, exploration drilling activities in the West Block/ west anticline were conducted using slant drilling method with an 45 ˚ inclination, with 2 drilling systems, namely open hole and touch coring. Open hole determined the order/ stratigraphy and continuity of rocks, particularly coal seams, while touch coring gained sampling for coal quality analysis.

As for the geological structure condition in the east block, the slope of the rock is almost flat at 5 - 10˚; therefore, drilling activities in the east block used the vertical drilling method.

Hole drilling of size N (76.00 mm) and H (99.70 mm) was conducted with a 45 ˚ slant drilling. For penetration depth of the existing drill types, a Koken E-8 for the 45˚ slant condition reached 100 meters, reaching 150 meters vertically.

During 2015, only cropline drilling was utilized the vertical drilling system. Penetration of drilling was up to a depth of 30 meters. Rods used were the Aw type rods with a bore diameter of size N (76.00 mm).

C. Drilling Supervision

Drilling supervision of TMU's cropline drilling was conducted by TMU's wellsite geologists.

D. Exploration Progress

TMU's cropline drilling work progress:

- January: 230 meters with a total of 10 holes.
- February: 205.50 meters with a total of 11 holes.
- March: 216 meters with a total of 11 holes.
- April: 223 meters with a total of 11 holes.
- May: 103.50 meters with a total of 6 holes.
- June: 268 meters with a total of 10 holes.
- July: 252.50 meters with a total of 10 holes.
- August: 344.50 meters with a total of 18 holes.
- September: 328.0 meters with a total of 17 holes.
- October: 225 meters with a total of 10 holes.
- November: 189 meters with a total of 8 holes.
- December: 376.50 meters with a total of 17 holes.

Financial Review

The following financial discussion should be read together with operational data as well as Consolidated Financial Statements and notes to the financial statements contained in this Annual Report.

This discussion is based on the Consolidated Financial Statements of PT Toba Bara Sejahtra Tbk and Subsidiaries for the years ended 31 December 2015 and 2014, which were audited by the Public Accountant Office of Purwantono, Sungkoro & Surja (a member network of Ernst & Young Global). All numbers presented in this Financial Review are the consolidated financial figures of the Company and its Subsidiaries.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Statements of Profit or Loss and Other Comprehensive Income (in US$)	2015	2014*	Δ (%)
Sales	348,662,183	499,965,642	(30.3)
Cost of Goods Sold	(278,139,095)	(413,764,435)	(32.8)
Gross Profit	**70,523,088**	**86,201,207**	**(18.2)**
General and administrative expenses	(27,172,890)	(31,539,946)	(13.8)
Selling and marketing expenses	(946,133)	(364,698)	159.4
Foreign exchange (loss) gain	(654,575)	83,461	(884.3)
Loss on derivative instrument	(343,244)	(59,647)	475.5
Other Profit, net	906,325	1,376,024	(34.1)
Operating Income	**42,312,571**	**55,696,401**	**(24.0)**
Finance income	1,733,106	2,667,365	(35.0)
Final tax	(306,853)	(155,839)	96.9
Finance cost	(4,624,427)	(4,643,549)	(0.4)
Profit Before Tax Expense	**39,114,397**	**53,564,378**	**(27.0)**
Tax Expense	(13,390,302)	(18,015,704)	(25.7)
Profit for the Year	**25,724,095**	**35,548,674**	**(27.6)**
Other Comprehensive Income (Loss)	4,093,527	(3,871,650)	205.7
Total Comprehensive Income For the Year	**29,817,622**	**31,677,024**	**(5.9)**

* Restated to adopt the implementation of Statement of Financial Accounting Standards (PSAK) No. 24 "Employee Benefit"

A. Sales

The Company recorded an Average Selling Price (ASP) of US$ 54.8 per ton, a decrease of 14.0% from US$ 63.7 per ton in 2014. The decrease in the Company's average selling price is better however than the decrease in the average benchmark price of the Newcastle Index, which decreased by 16.4% from US$ 70.8 per ton in 2014 to US$ 59.2 per ton in 2015. This indicates that the Company has managed to maintain a good pricing in the midst of the current declining coal market conditions.

This achievement was made because the Company managed sales under contracts with a fixed price to buyers at the end of 2014 for most of its production plan in 2015. In addition, the Company was also seeking to obtain the optimal price by targetting end-users, in which the number of end-users increased compared to 2014, namely from 3.6%, to 36.8% in 2015.

In 2015, the Company recorded a sales volume of 6.4 million tons, a decrease of 19.0% from 2014 sales of 7.9 million tons. With the decrease in sales volume and average selling prices, the Company posted sales of US$ 348.7 million in 2015, or 30.3% lower compared to sales in the previous year of US$ 500.0 million. In 2015, coal sales were no longer centered on China, as the Company was able to sell it evenly to other countries, such as South Korea, Taiwan, India and Malaysia.

B. Cost of Goods Sold

In 2015, cost of goods sold decreased by 32.8% from US$ 413.8 million in 2014 to US$ 278.1 million. This was driven by a decrease in FOB cash cost by 17.7% from US$ 51.3 per ton in 2014 to US$ 42.2 per ton in 2015. This was supported by a series of cost management initiatives and better execution of mine plans. The components of FOB cash costs consist of cost of goods sold plus selling and marketing expenses less depreciation and amortization. Overall, the Company's production volume decreased by 24.7% from 8.1 million tons to 6.1 million tons as determined in the mine plan.

C. Gross Profit

In 2015, the Company posted a gross profit of US$ 70.5 million, a decrease of 18.2% compared to US$ 86.2 million in 2014. The weakening of gross profit was a result of a decrease in sales volume. However, the Company was able to increase the gross profit margin, from 17.2% in 2014 to 20.2%. This reflects the results of reduction in production costs due to cost management initiatives implemented in a sustainable manner.

D. EBITDA and EBITDA Margin

In 2015, the Company achieved an EBITDA of US$ 53.7 million. This figure decreased by approximately 19.8% from the EBITDA in 2014 of US$ 67.0 million. Despite the decline in EBITDA, the Company managed to maintain a solid EBITDA margin. The company achieved an EBITDA margin of 15.4% in 2015, an increase from 13.4% in 2014. In the midst of weak global coal market conditions and declining prices, the Company was able to maintain its operations through cost management strategy.

The Company achieved solid financial performance in the midst of weakening coal prices. Various cost management initiatives, improved operational performance, and marketing strategy enabled the Company to record an increase in EBITDA margin and operating profit margin. The EBITDA margin and operating profit margin increased from 13.4% and 11.1% in 2014 to 15.4% and 12.1% in 2015, respectively. These solid margin improvements are one of the best in the coal industry in Indonesia.

Financial Review

E. Selling and Marketing, General and Administrative Expenses

Selling and marketing expenses increased by 159.4% from US$ 0.4 million to US$ 0.9 million in 2015. This was due to an increase in commission costs.

General and administrative expenses decreased by 13.8% from US$ 31.5 million in 2014 to US$ 27.2 million in 2015. Cost management initiatives in the business lines were also performed at the general and administrative sections, including cost efficiency in office equipment, a variety of general and administrative expenses, as well as several other expenses.

F. Other Income, net

Other income, net is primarily derived from the difference between the dispatch time and other income amounting to US$ 2.0 million, which were offset by other expenses, amounting to US$ 1.1 million.

G. Operating Profit and Operating Profit Margin

In 2015, the Company posted an operating profit of US$ 42.3 million, a decrease of 24.0% from US$ 55.7 million in 2014. Despite the decline, the Company achieved Operating Profit Margin of 12.1% in 2015, an increase from 11.1% in 2014.

H. Profit for the Year

After taking into account the financial expenses, which amounted to US$ 4.6 million, financial income, which amounted to US$ 1.4 million, and net tax expense which amounted to US$ 13.4 million for 2015, the Company posted a profit for the year in the amount of US$ 25.7 million, decreasing by 27.6% from US$ 35.5 million in 2014.

I. Other Comprehensive Income

For 2015, the Company posted other comprehensive income in the amount of US$ 4.1 million, mainly derived from the effective portion of changes in fair value of derivative instruments.

J. Total Comprehensive Income for the Year

Total comprehensive income for the year of 2015 amounted to US$ 29.8 million, stable compared with the figure in 2014 of US$ 31.7 million.

CASH FLOW STATEMENTS

Cash Flow (in US$)	2015	2014	Δ (%)
Net cash provided by operating activities	19,732,229	18,897,029	4.4
Net cash used in investing activities	(10,018,753)	(13,122,972)	(23.7)
Net cash used in financing activities	(11,901,199)	(21,077,976)	(43.5)
Net decrease in cash and cash equivalents	(2,187,723)	(15,303,919)	(85.7)
Cash and cash equivalents at the beginning of the year	47,838,787	63,301,639	(24.4)
Effect of foreign exchange rate changes on cash and cash equivalents	(107,273)	(158,933)	(32.5)
Cash and cash equivalents at the end of the year	45,543,791	47,838,787	(4.8)

Net cash provided by operating activities

Net cash provided by operating activities increased by 4.4% from US$ 18.9 million in 2014 to US$ 19.7 million. This is mainly due to a decrease in payments to suppliers by 36.7% from US$ 413.0 million in 2014 to US$ 261.3 million and a decrease in payment of royalties by 39.4% from US$ 28.3 million in 2014 to US$ 17.1 million.

Net cash used in investing activities

Net cash flows used in investing activities during 2015 amounted to US$ 10.0 million. The net cash flow consists primarily of cash expenditures for the Company's investment in the amount of US$ 12.1 million and receipt of payment of loans from related parties amounting to US$ 1.9 million. Throughout 2015, cash disbursement for investments amounted to US$ 12.1 million, primarily used for the addition of fixed assets - mainly for the development of the Palm Oil Mill, the addition of exploration and evaluation assets, as well as mine properties and advances for the purchase of fixed assets.

Net cash used in financing activities

Net cash flows used in financing activities during 2015 amounted to US$ 11.9 million. In 2015, cash used in financing activities was primarily used for the payment of dividends.

Overall, the balance of cash and cash equivalents decreased by 4.8% or a total of US$ 2.3 million in 2015. After taking into account the effect of foreign exchange rates loss of US$ 0.1 million on cash and cash equivalents denominated in Rupiah, cash and cash equivalents at the end of 2015 amounted to US$ 45.5 million compared to the balance as at 31 December 2014, which amounted to US$ 47.8 million.

Assets (in US$)	2015	2014*	Δ (%)
Current Assets			
Cash and cash equivalents	**45,543,791**	47,838,787	(4.8)
Trade receivables			
• Third parties	**20,902,469**	10,721,711	95.0
• Related parties	**-**	578,709	(100.0)
Other receivables			
• Third party	**5,625,019**	5,968,015	(5.7)
Inventories	**21,711,466**	41,963,307	(48.3)
Prepaid taxes	**497,842**	12,422	3,907.7
Prepaid expenses	**686,201**	1,387,687	(50.6)
Advances	**1,333,324**	2,471,810	(46.1)
Derivative receivables	**209,064**	552,308	(62.1)
Total Current Assets	**96,509,176**	**111,494,756**	**(13.4)**
Non-current Assets			
Other receivables			
• Third parties	**414,771**	-	100.0
• Related parties	**27,925,531**	29,627,761	(5.7)
Prepaid expenses	**838,607**	903,418	(7.2)
Advances	**7,983,047**	4,533,238	76.1
Estimated claims for tax refund	**630,861**	-	100.0
Plantations			
• Immature plantations	**60,554**	67,150	(9.8)
• Mature plantations	**14,071,696**	15,889,338	(11.4)
Fixed assets	**48,848,826**	47,921,110	1.9
Exploration and evaluation assets	**4,846,532**	4,846,532	-
Mine properties	**70,541,243**	74,830,632	(5.7)
Goodwill	**3,523,795**	3,523,795	-
Deferred tax assets	**2,780,163**	3,388,474	(18.0)
Other non-current assets	**3,396,835**	3,714,554	(8.6)
Total Non-Current Assets	**185,862,461**	**189,246,002**	(1.8)
TOTAL ASSETS	**282,371,637**	**300,740,758**	**(6.1)**

* Restated to adopt the implementation of Statement of Financial Accounting Standards (PSAK) No. 24 "Employee Benefit"

Financial Review

STATEMENTS OF FINANCIAL POSITION

A. Assets

At the end of 2015, the Company's total assets amounted to US$ 282.4 million, a decrease of 6.1% from US$ 300.7 million. Current assets decreased by 13.4% to US$ 96.5 million from US$ 111.5 million, primarily due to a decrease in inventory balances in the amount of US$ 20.3 million offset by the increase in third party receivables amounting to US$ 10.2 million. Non-current assets decreased by 1.8% from US$ 189.2 million in 2014 to US$ 185.9 million, primarily due to a decrease in mine properties in the amount of US$ 4.3 million offset by the increase in advances, especially for the purchase of fixed assets amounting to US$ 3.5 million.

- **Current Assets**

  Cash and cash equivalents decreased by 4.8% from US$ 47.8 million in 2014 to US$ 45.5 million. During 2015, the Company experienced an increase in net cash from operating activities and conducted capital expenditures and dividend payments.

  Third party receivables at the end of 2015 amounted to US$ 20.9 million, an increase of 95.0% from US$ 10.7 million in 2014. The Company began to implement the government's policy relating to the use of L/C for business activities, since mid 2015. In line with the balance of trade receivable at the end of 2015, the period of collection of trade receivable at the end of 2015 was 22 days compared to the end of 2014 of 8 days.

  The Company posted a decrease in inventories of 48.3% from US$ 42.0 million at the end of 2014 to US$ 21.7 million. This occurred because most of the inventories at the end of 2014 were sales commitments, which were realized in early 2015.

  Prepaid taxes increased from US$ 12.4 thousand at the end of 2014 to US$ 0.5 million. This is for the prepaid tax of Value Added Tax amounting to US$ 0.5 million. These taxes are related to the construction of the Palm Oil Mill of the Subsidiary.

- **Non-Current Assets**

  Non-current assets decreased by 1.8% from US$ 189.2 million in 2014 to US$ 185.9 million, primarily due to a decrease in mine properties in the amount of US$ 4.3 million, which was offset by the increase in advances mainly for the purchases of fixed assets amounting to US$ 3.5 million. The movement of mine properties during 2015 reflects an increased investment in mine properties in the amount of US$ 2.0 million to support operations, and which was offset by a decrease in the balance due to the amortization of mine properties balance.

Current Liabilities (in US$)	2015	2014*	Δ (%)
Trade payables – third parties	40,337,151	64,087,323	(37.1)
Other payables – third parties	23,412	3,709	531.2
Dividend payables	275,516	288,289	(4.4)
Accrued expenses	4,330,523	4,935,975	(12.3)
Derivatives payable	1,828,495	5,532,509	(66.9)
Short term employee benefit liabilities	4,308,923	3,298,596	30.6
Taxes payable	1,463,072	5,326,115	(72.5)
Advances from customer	473,290	6,387,209	(92.6)
Current maturities of long term liabilities:			
• Bank loans	14,939,431	-	100.0
• Finance leases	977,885	962,450	1.6
Total Current Liabilities	68,957,698	**90,822,175**	**(24.1)**

* Restated to adopt the implementation of Statement of Financial Accounting Standards (PSAK) No. 24 "Employee Benefit"

B. Liabilities and Equity

At the end of 2015, the Company recorded a decrease of 19.9% of total liabilities from US$ 158.8 million in 2014 to US$ 127.3 million. Current liabilities decreased by 24.1% from US$ 90.8 million in 2014 to US$ 69.0 million and the decrease in non-current liabilities reached 14.2% from US$ 68.0 million in 2014 to US$ 58.3 million.

Liabilities

Non-Current Liabilities	2015	2014*	Δ (%)
Long term liabilities – net of current maturities:			
• Bank loans	47,749,251	56,114,739	(14.9)
• Finance leases	309,750	1,062,270	(70.8)
Other payables – related party	2,022,270	2,242,526	(9.8)
Provision for reclamation and mine closure	4,287,720	4,496,413	(4.6)
Long term employee benefit liabilities	3,544,316	3,196,925	10.9
Deferred tax liabilities	382,433	860,578	(55.6)
Total Non-Current Liabilities	**58,295,740**	**67,973,451**	**(14.2)**
Total Liabilities	**127,253,438**	**158,795,626**	**(19.9)**

* Restated to adopt the implementation of Statement of Financial Accounting Standards (PSAK) No. 24 "Employee Benefit"

- **Current Liabilities**

  The decrease in current liabilities is mainly due to a decrease in the amount of trade payables of the Company by 37.1% from US$ 64.1 million at the end of 2014 to US$ 40.3 million – in line with a combination of decreased levels of the Company's production and decrease of FOB cash cost in 2015.

  A decrease in current liabilities was also observed in the balance of advances from customers and balance of taxes payables. Advances from customers decreased by US$ 5.9 million to $ 0.5 million, which reflects the realization of sales in 2015 and due to changes in payment methods in accordance with changes in government regulation related to payment obligations using the L/C. The Company's taxes payable decreased from US$ 5.3 million at the end of 2014 to US$ 1.5 million, due to the realization of corporate income tax payments made each month during 2015.

- **Non-Current Liabilities**

  During 2015, the Company through Subsidiary PKU withdrew loans from PT Bank Rakyat Indonesia Tbk for the construction of the Palm Oil Mill.

  The provision for reclamation and mine closure is the amount accrued for estimated costs of environmental management during the mining period and mine closure, which will occur at the maturity of the mine. The estimates for this cost is calculated internally by the management by taking into consideration the prevailing legislation, namely the Law of the Republic of Indonesia No. 4 of 2009 dated 12 January 2009 on Mineral and Coal Mining, and other relevant regulations. The amount of this provision in 2015 decreased by 4.6% from US$ 4.5 million in 2014 to US$ 4.3 million.

  Long term employee benefits liabilities increased by 10.9% from US$ 3.2 million in 2014 to US$ 3.5 million. The increase in the balance of Long term employee benefits liabilities is determined based on the calculation performed by an independent actuary using the projected unit credit method. The method uses assumptions, including, among others, discount rate, annual salary increases, annual employee resignation, disability, retirement age and mortality.

- **Equity**

  The Company posted total equity at the end of 2015 of US$ 155.1 million, an increase of 9.3% from US$ 141.9 million in the previous year. The increase in equity is mainly derived from net profit in 2015 recorded in unappropriated retained earnings.

Financial Review

ABILITY TO PAY DEBTS

Analysis on the Company's ability to pay debts is performed through three indicators: the ratio of interest-bearing debt to total assets, the ratio of net debt to EBITDA, and EBITDA to interest coverage.

Description	2015	2014
Interest bearing debt to total assets (x)	0.2	0.2
Net debt to EBITDA ratio (x)	0.3	0.2
EBITDA to interest coverage ratio (x)	11.6	14.4

INTEREST BEARING DEBT TO TOTAL ASSETS RATIO

The ratio of interest bearing debt to total assets in 2015 was 0.2x, which shows that 20.0% of total assets are financed by debt. The Company has a stable ratio of interest bearing debt to total assets.

NET DEBT TO EBITDA RATIO

On 31 December 2015, the ratio of net debt to EBITDA amounted to 0.3x, or only 30.0% of total EBITDA in 2015.

EBITDA TO INTEREST COVERAGE RATIO

The ratio of EBITDA to interest coverage in 2015 amounted to 11.6x, or slightly decreased compared to 2014, which was 14.4x.

LEVEL OF RECEIVABLES COLLECTIBILITY

Collectibility of trade receivable is influenced by the Company's ability to collect receivables. At the end of 2015, the collectibility of trade receivables showed an increase in the receivables collection period to 22 days compared to 8 days achieved in 2014. This was largely due to changes in payment methods in the sale of coal in accordance with Government Regulation regarding the use of L/C.

CAPITAL STRUCTURE

The Company strives to maintain a healthy capital structure and capital ratios to support sustainable business growth, as well as to meet its maturing financial obligations.

The Company manages the capital structure and makes adjustments based on changes in economic conditions. To maintain or adjust the capital structure, management can adjust dividend payments to shareholders, issue new shares or seek financing through loans.

Basically, the Company strives to maintain the ratio of liabilities to equity below 1.5x. The ratio of liabilities to equity was 0.8x for 2015 and 1.1x for 2014.

Description	2015	2014*
Total Liabilities (US$)	127.253.438	158.795.626
Total Equity (US$)	155.118.199	141.945.132
Ratio of Total Liabilities to Total Equity (x)	0.8	1.1

* Restated to adopt the implementation of Statement of Financial Accounting Standards (PSAK) No. 24 "Employee Benefit"

Capital structure and composition of shareholders of the Company on 31 December 2015 is as follows:

Description	Number of Shares	Value (Rp'000)	Value (US$)	Ownership (%)
Authorized Capital (Rp 200 per share)	6,000,000,000	1,200,000,000,000		
Issued and Fully Paid Capital				
PT Toba Sejahtra	1,444,750,000	288,950,000	31,795,873	71.8
Bintang Bara B.V.	201,250,000	40,250,000	4,317,555	10.0
PT Bara Makmur Abadi	125,755,000	25,151,000	2,739,760	6.2
PT Sinergi Sukses Utama	102,700,000	20,540,000	2,237,473	5.1
Roby Budi Prakoso	73,355,000	14,671,000	1,598,148	3.6
Davit Togar Pandjaitan	15,000,000	3,000,000	330,118	0.8
Public	49,681,000	9,936,200	1,058,958	2.5
Authorized Capital (Rp 200 per share)	2,012,491,000	402,498,200	44,077,885	100.0

MATERIAL CONTRACT FOR CAPITAL GOODS INVESTMENT

In 2015, the Company had no material contract for capital goods investment.

DISCLOSURE OF MATERIAL INCREASE/ DECREASE FROM SALES/ NET INCOME

Although the benchmark price of coal Newcastle Index continued to decrease in 2015, the Company did not record a significant increase or decrease in the value of coal sales, which could have a material impact on the Company's business sustainability.

MATERIAL INFORMATION AND FACT AFTER THE DATE OF ACCOUNTANT'S REPORT

There is no material information or fact of the Company that occurred after the date of the Company's Consolidated Financial Statement issued on 23 March 2016.

DIVIDEND POLICY – IN THE LAST 2 YEARS

The Company has paid a dividend in the minimum amount of 30.0% of the Company's consolidated annual earnings since the 2012 fiscal year with regard to the provisions regarding the mandatory reserve allowance as required in the Limited Liability Company Act (UUPT). The amount of dividends disbursed depends on the cash flow, investment plans, liquidity, future prospects of the business, and other factors considered relevant by the Board of Directors and the provisions regarding the restrictions on payment of dividends based on relevant agreements. If the decision has been made to pay a dividend, the dividend will be paid in Rupiah. The Company's dividend policy is a statement of intent at this time and is not legally binding because this policy depends on any change at the discretion of the Board of Directors.

Based on the decision of the Annual General Meeting of Shareholders (AGMS) dated 16 April 2015, the shareholders approved the utilization of the Company's net profit attributable to owners of the Parent Entity for the year ended 31 December 2014 in the amount of US$ 18,327,272.00 with the following details:

a. A sum of US$ 183,273.00 was used for appropriation of retained earnings, in accordance with the provisions of Article 70 of Law No. 40 of 2007 on Limited Liability Companies.
b. A sum of US$ 6,414,545.00, or 35.0% of the net income in 2014, was utilized for the payment of a final cash dividend, in which a sum of US$ 3,000,000.00 is an interim dividend that had been paid to each shareholder on 9 October 2014 and the remaining amount of US$ 3,414,545.00 to paid to the shareholders in accordance with the schedule. The cash dividend payment schedule will be announced in 1 (one) national daily newspaper with due regards to applicable regulations.
c. The remaining amount of US$ 11,729,454.00 was recorded as retained earnings.

In addition, based on the decision of the Annual General Meeting of Shareholders (AGMS) dated 21 May 2014, the shareholders approved the utilization of the Company's net income attributable to owners of the Parent Entity

Financial Review

for the year ended 31 December 2013 amounting to US$ 18,543,538 with the following details:

a. A sum of US$ 1,500,000.00 was used for appropriation of retained earnings.
b. A sum of US$ 6,490,238 or 35.0% of the Company's profit, was distributed as cash dividends.
c. The remaining amount of US$ 10,553,299 was recorded as retained earnings.

Therefore the dividends distribution to each shareholder by the Company of the net income for 2013 and 2014 are as follows:

Description	2014	2013
Distributed Cash Dividends (US$)	6,414,545	6,490,238
Dividends per Share (US$)	0.0032	0.0032
Dividends Distribution Ratio (%)	35	35
Date of Notification	20 April 2015	9 June 2014
Date of Payment	20 May 2015	16 July 2014

USE OF PROCEEDS FROM PUBLIC OFFERING

Realization reports of proceeds from Initial Public Offering (IPO) of the Company dated 6 July 2012 is presented in the "Shareholder Information" segment on page 37 of this Annual Report.

INVESTMENT, EXPANSION, DIVESTMENT, ACQUISITION, DEBT RESTRUCTURING

In 2015, there were no activities related to Investment, Expansion, Divestment, Acquisition, or Debt Restructuring.

MATERIAL TRANSACTION CONTAINING CONFLICT OF INTEREST

During 2015, there were no transactions containing conflict of interest.

IMPACT OF CHANGES IN LEGISLATION OR REGULATIONS

In 2015, there were no changes legislation or regulations with significant impact to the operational or financial activities or reporting on the consolidated financial statements of the Company.

IMPACT OF CHANGES IN ACCOUNTING POLICY

The Company prepares the consolidated financial statements based on the Financial Accounting Standards in Indonesia and the Regulation of Bapepam-LK No. VIII.G.7 on the Presentation and Disclosure of Financial Statements of Issuer and Public Company as an annex to Decision No. KEP-347/BL/ 2012. The Company has explained the significant accounting policies that were applied as described in the notes to the consolidated financial statements for the years ended 31 December 2015 and 2014 that are part of this Annual Report. Effective 1 January 2015, the Company retrospectively adopted the Indonesian Statement of Financial Accounting Standards (PSAK) No. 24 (2013 revision) related to employee benefits. In Note 4 on the Consolidated Financial Statements details on the impacts of the adoption of the PSAK No. 24 (2013 revision) has been presented. Other significant accounting policies implemented by the Company are described in the Notes to the Consolidated Financial Statements 31 December 2015 and for the year ended on that date, as part of this Annual Report.

BUSINESS PROSPECTS

The Company anticipates the coal industry to be stable in 2016. The Company remains optimistic for the long-term improvements in the industry with a number of coal-fired power plants soon to operate, especially in Indonesia. Government programs related to the accelerated development of power generation of 35,000 MW will focus on coal-fired power plants. In the future, the operation of plants is expected to increase the demand for domestic coal.

The Company still has the optimism to grow and develop in the future. The Company assesses and attempts to acquire coal mine assets that have synergies with the Subsidiaries as part of the business development strategy.

In 2013, the Company conducted an acquisition of palm oil plantation as a resolution effort of land overlapping with the Subsidiaries. The plantation, which was acquired, namely PT Perkebunan Kaltim Utama I (PKU), has performed downstreaming strategies and commenced construction of a Palm Oil Mill in 2015. The mill with the capacity of 30 Fresh Fruit Bunch (FFB) tons per hour is scheduled to be completed in the first semester of 2016.

The Company has formulated its business development plans through diversification into the energy sector. Within the strategy is participation in the electricity procurement bidding process organized by PT Perusahaan Listrik Negara (PLN), through the Independent Power Producer (IPP) scheme. The government program for the procurement of 35,000 MW of electricity provides business expansion opportunities. Since 2014, the Company has participated in the bidding process of several power plants in various regions in Indonesia.

The efforts to manage business growth are expected to support sustainable business growth of the Company into the future.

Profile of the Head of Finance and Accounting

Tries Nainggolan
Tries Nainggolan joined as the GM-Finance of the Company in 2012. Previously, he served as a Business and Financial Planning Analyst in the heath services sector (Siloam Hospitals Group) and the retail sector (Limited Brands, Inc. and Foot Locker, Inc.) Tries completed his Bachelor in Finance from Pennsylvania State University and a Masters Degree in Public Policy and Management from Ohio State University, United States. In 2015, Tries was appointed as a Director in Company Subsidiaries PT Indomining and PT Perkebunan Kaltim Utama I.

Location Development of Palm Oil Mill PKU

Fresh Fruit Bunch

Human Resources

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In line with the vision of becoming one of the best coal mining companies in the country, one of the initiatives undertaken by the Company to continue its growth is through the sustainable development of quality human resources.

Human Resources

Human resources (HR) is a major asset for the success and sustainability of the Company's business. In line with the Company's plan to become one of the best energy companies, sustainable development of HR is a main factor that contributes to the accomplishment of this plan. Expertise in the natural resources sector, both the mining and plantation industries, and electricity in the future, is the key to success for achieving the goals and going concern of the Company. HR with a variety of competencies is a prerequisite to support the Company's readiness to face the challenges in commodity markets to be a mining and energy industry player in Indonesia.

PROFILE OF HUMAN RESOURCES

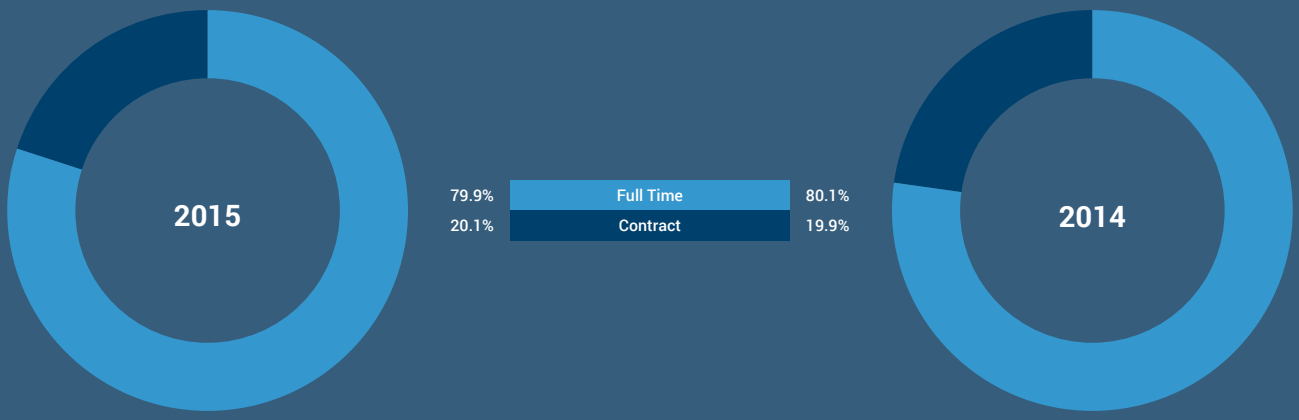
Up to the end of 2015, the Company and Subsidiaries had a total of 983 employees. The amount increased compared to 2014 at 979 people, working in both Jakarta and the mining areas in Sangasanga, Regency of Kutai Kartanegara. The HR expertise of the Company includes mining engineering, finance, marketing, coal processing and transportation monitoring, logistics, administration, technical service, occupational health and safety, environment, and community development.

More than half of the human resources of the Company are in the age range of 18 to 35 years, an energetic group, with high work ethics and productive, liking the challenge of a younger generation. This composition is supported by the presence of experienced HR, with solid monitoring and collaboration between the two in order to provide maximum support for business growth.

Up to the end of 2015, the Company and Subsidiaries employed 983 people, an increase compared to 2014 of 979 people.

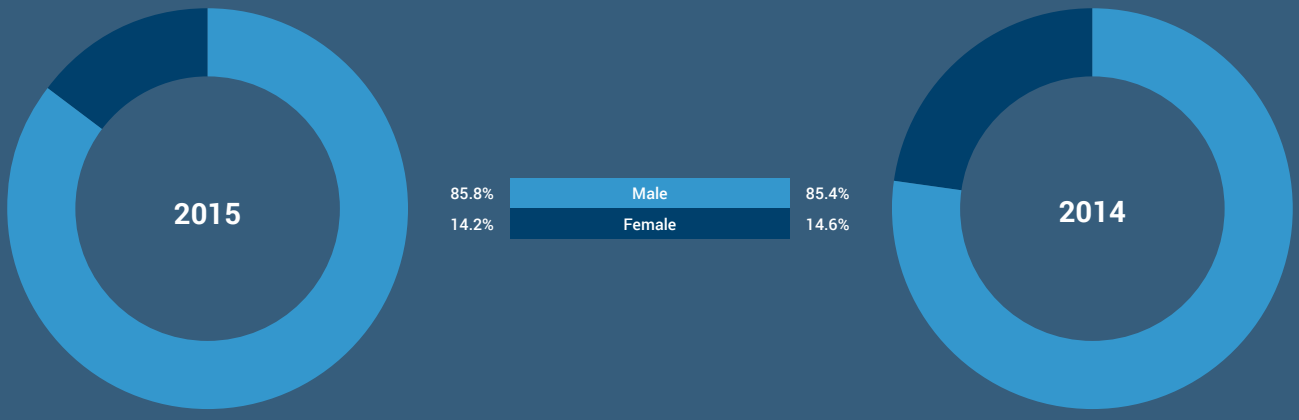
Employee composition based on employment status

Employment Status	2015	2014
Full Time	785	784
Contract	198	195
Total	983	979



Employee composition based on gender

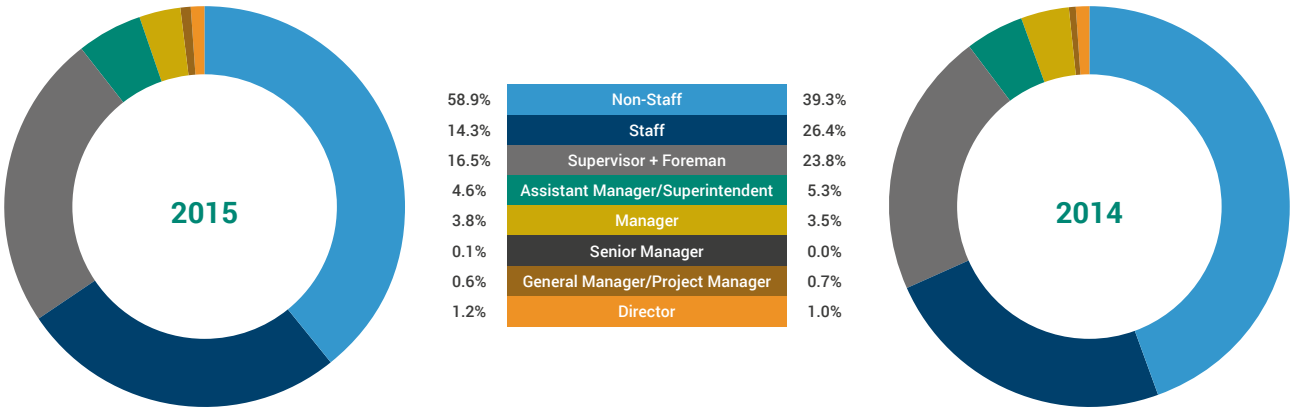
Gender	2015	2014
Male	843	836
Female	140	143
Total	983	979



Human Resources

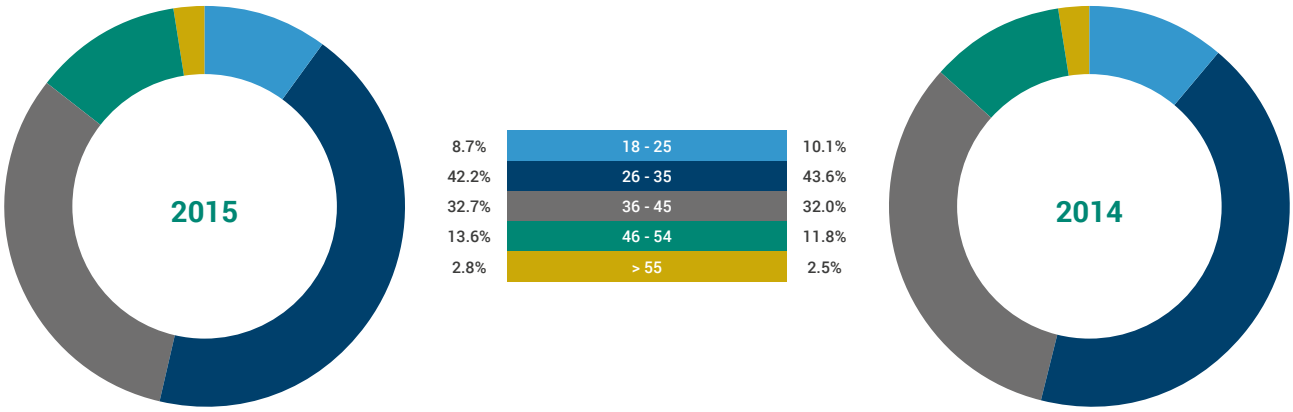
Employee composition based on position

Position	2015	2014
Non-Staff	579	385
Staff	141	258
Supervisor + Foreman	162	233
Assistant Manager/Superintendent	45	52
Manager	37	34
Senior Manager	1	-
General Manager/Project Manager	6	7
Director	12	10
Total	983	979



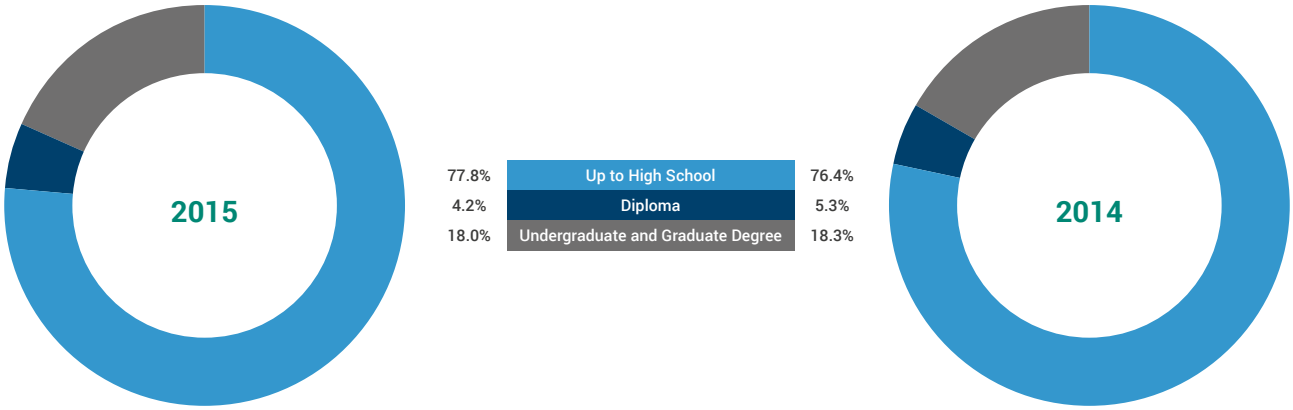
Employee composition based on age group

Age (Year)	2015	2014
18 - 25	85	99
26 - 35	414	427
36 - 45	323	313
46 - 54	133	116
> 55	28	24
Total	983	979



Employee composition based on education level

Education level	2015	2014
Up to High School	765	748
Diploma	41	52
Undergraduate and Graduate Degree	177	179
Total	983	979



HR MANAGEMENT CONCEPT

Efforts to obtain the best HR are conducted starting at the recruitment process. As a company that continues to grow, the Company is committed to improving the quality of human resources through continuous and long-term oriented coaching and training.

The Company adopts an open door policy to open the lines of communication and accommodate suggestions and input from its human resources. The Company is implementing a relatively simple organizational structure, by emphasizing a clear chain of command and coordination. This is also an attempt to develop close team work with the whole team always ready to face and address challenging coal industry developments.

RECRUITMENT

Toba Bara organizes a selective recruitment process to acquire the best talents and meet the needs of human resources in line with the organization's growth and its business expansion plans.

In the recruitment process, the Company maps HR needs, including fresh graduates as well as professionals with the competencies in their fields, to fill various positions in the organization. The Company enforces prioritization for candidates from operational areas of the mine site as a form of concern and part of social responsibility to support the improvement of the welfare of communities in the vicinity of mine operations.

COMPETENCY TRAINING AND DEVELOPMENT

Management supports the continuous training and competence development for its HR in accordance with the individual needs and demands for expertise in the field. Regular training is organized internally through cooperation with qualified training providers for programs related to mine operations. Such programs include the environment, occupational health and safety (LK3). For work of a special nature, personnel are provided with training and certifications through government recognized competency certification institutions. Development of HR competencies also include the development in other fields such as accounting, finance and taxation, law, technology, and HR development through participations and associations relevant to the energy and plantation sectors. Participation in external training is also carried out for programs that have strategic value for the Company.

Human Resources

In 2015, Company personnel participated in training as follows:

No	Type of Training	Organizer	Time	Location
1	Awareness ISO 9001:2008	PT Phitagoras Global Duta	14-Jan-15	Sangasanga
2	FAI	HSE ABN	01-Feb-15	Sangasanga
3	APAR	HSE ABN	02-Feb-15	Sangasanga
4	APAR	HSE ABN	03-Feb-15	Sangasanga
5	Environmental Monitoring and Evaluation as well as Biodiversity Conservation Management	Ecositrop	13-14 Feb 2015	Sangasanga
6	Utilization of Lab Equipment	HSE ABN	23-Feb-15	Sangasanga
7	Introduction to ISO 14001:2015	HSE ABN	28-Feb-15	Sangasanga
8	K3 of Generator Operator	Indonesian Management Centre (IMAC)	February	Balikpapan
9	ISO 9001:2008 Internal Audit	PT Phitagoras Global Duta	3-4 Mar 2015	Sangasanga
10	Confined Space	HSE ABN	23-Mar-15	Sangasanga
11	Drafting Commercial Contracts in English	Hukum Online Forum	24-25 Mar 2015	Jakarta
12	Bimtek "Conveyor Safety, Preventive Maintenance and Troubleshooting"	Indonesian Management Centre (IMAC)	March	Balikpapan
13	Confined Space	HSE ABN	13-Apr-15	Sangasanga
14	Confined Space	HSE ABN	15-Apr-15	Sangasanga
15	Confined Space	HSE ABN	25-Apr-15	Sangasanga
16	Inhouse Training "Creative Thinking and Action in the Work Place"	PT Yellow Energy Selaras	April	Sangasanga
17	Training "General K3 Expert "	PT Indo Training	April	Balikpapan
18	Inhouse Training "Mining for Non Miners & Finance for Non Finance"	PT Indomining	April	Sangasanga
19	Minescape Open Cut	PT. Mitrais	3-5 Jun 2015	Jakarta
20	Electricity Technician K3 Certification	Megatrian Indonesia	3-6 Jun 2015	Balikpapan
21	Public Relation, Media Relation, Corporate Communication	Expertindo	22-24 Jun 2015	Yogyakarta
22	Working in heights	HSE ABN	30-Jun-15	Sangasanga
23	General regulation of traffic in mines	HSE ABN	11-Jul-15	Sangasanga
24	K3 Basics	HSE ABN	25-Jul-15	Sangasanga
25	*Fire Rescue*	HSE ABN	31-Jul-15	Sangasanga
26	Blind Spot	HSE ABN	31-Jul-15	Sangasanga
27	SMKP Training	APKPI	3-7 Aug 2015	Balikpapan
28	P3K	Disnaker Kukar	5-6 Aug 2015	Sangasanga
29	Symposium Borneo Gastrology Update 2015	Simposium & Workshop	8-9 Aug 2015	Balikpapan
30	Fire Rescue	Disnaker Kukar	12-13 Aug 2015	Sangasanga
31	Manual Handling	HSE ABN	31-Aug-15	Sangasanga
32	POP	Pusdiklat Minerba	18-23 Aug 2015	Bandung
33	First Operational Supervisor (POP) Training in Mining	Minerba Bandung	August	Bandung
34	Inhouse Training "HR for non HR, Marketing and Management Conflict"	PT Indomining	August	Sangasanga
35	P2K3	Balai K3 Samarinda	14-15 Sep 2015	Samarinda
36	P3K	Balai K3 Samarinda	16-17 Sep 2015	Samarinda
37	HIRADC	HSE ABN	21-Sep-15	Sangasanga
38	HIRADC & HSE Management System	HSE ABN	27-Sep-15	Sangasanga
39	Fatigue Management	HSE ABN	30-Sep-15	Sangasanga

No	Type of Training	Organizer	Time	Location
40	Environmental Awareness	HSE ABN	21-Oct-15	Sangasanga
41	Drafting of HIRADC	HSE ABN	07-Nov-15	Sangasanga
42	Fatigue Management	HSE ABN	12-Nov-15	Sangasanga
43	Significant Hazard	HSE ABN	13-Nov-15	Sangasanga
44	Health Seminar	HSE ABN	14-Nov-15	Sangasanga
45	Danger of Electricity	HSE ABN	20-Nov-15	Sangasanga
46	Basic Confined Space & WAH (ARB employee)	HSE ABN	25-Nov-15	Sangasanga
47	Mechanical Awareness LV 4WD	HSE ABN	27-Nov-15	Sangasanga
48	Root Cause Analyses	HSE ABN	3-4 Dec 2015	Sangasanga
49	Pre POP ABN Examination	HSE ABN	12-Dec-15	Sangasanga
50	First Aid (P3K) Training	PMI Kota Samarinda	Periodic	Sangasanga
51	Internal Audit ISO Training	PT Allsys Solution	Periodic	Sangasanga
52	Education and Training of Implementation Strategy of SKMP Minerba	PT Allsys Solution	Periodic	Sangasanga
53	Basic Fire Extinguishing Training	PT ISS Security Services	Periodic	Sangasanga
54	Internal Training (Job Safety Analysis)	PT Trisensa Mineral Utama	Periodic	Sangasanga
55	Hino Truck Knowledge Sharing	PT Admitra Baratama Nusantara	Periodic	Sangasanga
56	Training on Industrial Relations Dispute Settlement	Disnakertrans DKI Jakarta	Periodic	Sangasanga

During 2015, total investment by the Company for HR training and development programs amounted to US$52 thousand.

PERFORMANCE MANAGEMENT

The Company supports its HR to achieve the best performance by using a performance appraisal system based on Key Performance Indicators (KPI). The achievement of the KPI score is determined based on the achievement of agreed indicators as a reference work plan with measurable performance targets that refer to and are aligned with the Company's business plan. In addition to technical assessments, the Company also conducted assessments on work ethics.

HR REMUNERATION

The Company is implementing a competence and performance-based remuneration system for its HR. Therefore, the level of HR remuneration is determined by the position of office, work functions, as well as performance achievement based on the KPI assessment results of each employee.

To maintain a competitive remuneration system, Toba Bara takes into account the level of salary in similar industries, labor laws, minimum regional and provincial wage regulations (UMR and UMP), as well as the Company's financial capability. Overall, the remuneration received by the HR consists of compensation along with benefits and other facilities in accordance with the employment status. In addition to basic salary, the Company provides various types of allowances, among others, Religious Day Allowance and Social Securities (BPJS).

2015 Annual Report

Corporate Governance

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Gradually, the Company is developing governance guidelines and other policies to complete the codification of its GCG.

Corporate Governance

Toba Bara is committed to implementing good corporate governance practices in its business and organizational activities in a comprehensive manner, in order to achieve the Company's vision and mission as well as to be a corporate citizen known to have high integrity and dignity.

The principles, policies and implementation of Toba Bara's corporate governance refers to Limited Liability Company Law No. 40 of 2007 , General Guidelines of Good Corporate Governance Indonesia issued by the National Committee on Governance, regulation of the Financial Services Authority, as well as best practices applicable in the business world. In practice, GCG implementation in Toba Bara refers to the five main principles, namely transparency, accountability, responsibility, independence and fairness, directed at the achievement of continuous performance improvements in the interest of shareholders and all internal and external stakeholders.

As guidelines of GCG implementation in the work environment, the Company has developed procedures and policies, which must be obeyed by stakeholders. The guidelines and policies include:

- Company Regulations
- Audit Committee Charter
- Internal Audit Charter
- Standard Operating Procedures in the field of Accounting, Production, and Civil Construction

Gradually, the Company is developing the guidelines for governance and other policies to complete the codification of its GCG, in order to improve compliance of GCG implementation at all levels of the organization on an ongoing basis. In addition, the Company periodically makes improvements to the guidelines in line with changes in applicable legislation, as well as the dynamics of the industry and the Company's business. To optimize effectiveness of application, the process is combined with the socialization process to communicate changes that occur as well as to remind of the important role of GCG in all work activities.

CORPORATE GOVERNANCE ACTIVITIES IN 2015

The implementation of Toba Bara's GCG activities in 2015 was conducted on an ongoing basis with reference to established guidelines.

The commitment to a high GCG standard is applied through a strong, comprehensive and balanced control system for the work functions. At Head Office, the business management activities are conducted through continuous planning and monitoring activities, particularly through regular meetings. These meetings consist of Finance Director meetings to discuss issues in the financial sector, Marketing Director meetings for the marketing field and Operations Director meetings for the operational field. Therefore, the development of and compliance to regulations of all work functions in the Company are always maintained, providing superior operational standards and business ethics for sustainable optimization of performance and growth.

At the mine sites, Toba Bara runs safe mining operations based on the standards applicable at the national and international levels. This is based on awareness that the mines' operational activities of production have the potential risk of workplace accidents and occupational health problems. So as to mitigate the negative impacts, prevention strategies are proactively implemented through superior occupational health and safety (K3) standards, supported by continuous training and dissemination programs to increase the awareness and behaviors that put occupational health and safety first. The implementation

of the safety programs includes, safety campaigns, K3 training, Safety Committee Meetings on a regular basis, simulated emergency responses, monitoring activities as well as investigations and analysis of accidents. Commitment to the best mining practices are reflected in the success of ABN to achieve K3 management system standards (SMK3) OHSAS 18001:2007 in 2014. This was followed by TMU which gained the BS OHSAS 18001: 2007 standards in 2015.

GOVERNANCE STRUCTURE

Pursuant to the Limited Liability Company Act, Toba Bara's governance structure consists of three (3) Company organs, namely the General Meeting of Shareholders (GMS), the Board of Commissioners and the Board of Directors. The GMS is the highest decision making forum for shareholders. The Board of Commissioners has the duty to supervise the management of the Company, and the Board of Directors is in charge of managing the Company. The Board of Commissioners and the Board of Directors have separate authority and responsibility in accordance with their function as stipulated in the legislation and the Company's Articles of Association.

The Board of Commissioners has established the Audit Committee to assist in the implementation of its duties and responsibilities, including empowering the implementation of its supervisory functions and formulating Board of Commissioners policies to be in accordance with its scope of work.

The Board of Directors has the supporting organs that are in charge to control, supervise and be responsible for the implementation of GCG, namely the Internal Audit and Corporate Secretary.

General Meeting of Shareholders

The General Meeting of Shareholders (GMS) is a forum for shareholders to make decisions related to the capital invested in the Company. The GMS has the authority not granted to the Board of Directors or the Board of Commissioners within the limits prescribed by legislation and the Articles of Association.

The rights and authorities of the shareholders at the GMS as stipulated in the Articles of Association and legislation are, among others:

- To receive and ratify the Company's Annual Reports;
- To determine the utilization of the Company's profits including the distribution of dividends to the shareholders;
- To determine the remuneration for members of the Boards of Commissioners and Directors;
- To appoint and dismiss members of the Boards of Commissioners and Directors;
- To approve corporate actions of the Company in relation to the management of the Company.

Decisions taken at the GMS are based on the interests of the Company's business in the long term. Without prejudice to the powers and authority held by the GMS, shareholders are not able to intervene in the implementation of the duties, functions and authorizations of the Boards of Commissioners and Directors in exercising their rights and obligations according to the Articles of Association and legislation.

The GMS consists of the Annual GMS and the Extraordinary GMS. The Annual GMS shall be held no later than six months after the end of the Company's book-year, while an Extraordinary GMS may be held at any time based on the needs in accordance with the provisions of the Articles of Association and legislation.

In 2015, Toba Bara implemented one Annual GMS and no Extraordinary GMS. The following is the description of the GMS, which was implemented in 2015.

Annual General Meeting of Shareholders in 2015

The Annual GMS was implemented on Thursday, 16 April 2015, at the Seminar Room of the Indonesian Stock Exchange.

Prior to the implementation of the Annual General Meeting of Shareholders, the Company complied with all obligations related to the implementation procedures of the GMS in accordance with the regulations of the Financial Services Authority (OJK), namely:

a) Notification of the Annual GMS was announced through the newspaper Investor Daily on 10 March 2015, as well as on the website of the Stock Exchange and website of the Company.
b) Submission of the GMS notification advertisement proof to the OJK on 10 March 2015.

c) Annual GMS summons announced through the Investor Daily newspaper on 25 March 2015, as well as on the website of the Stock Exchange and website of the Company.
d) Submission of the GMS summons advertisement proof to the OJK on 25 March 2015.

Summary of the Annual GMS decisions dated 16 April 2015 is as follows:

First Agenda Item
Received the Annual Report, which included the Consolidated Financial Statements of the Company for the financial year ended on 31 December 2014 and ratified the Balance Sheet and Profit and Loss Statements for the fiscal year ended 31 December 2014, which was audited by the Public Accountant Office of Purwantono, Suherman and Surja (member firm of Ernst & Young Global Limited) with Unqualified Opinion as stated in the Independent Auditor's Report dated 9 March 2015 No. RPC-6751/PSS/2015.

With the receipt of the Annual Report as well as the ratification of the Balance Sheet and Profit and Loss Statements for the fiscal year ended 31 December 2014, provided full release and discharge (Acquit et de Charge) to the Boards of Directors and Commissioners for the management and supervision actions conducted during 2014 so far as the actions of management and supervision are reflected in the Company's Annual Report.

Second Agenda Item
Determined the utilization of the 2014 net income attributable to owners of the Parent Entity amounting to US$ 18,327,272 with the following details:
a. A sum of US$ 183,273 utilized as an allowance reserve, in accordance with provisions of Article 70 of Limited Liability Company Law No. 40 of 2007.
b. A sum of US$ 6,414,545, or 35% of the net income in 2014, will be utilized for the final payment of cash dividends, of which an amount of US$ 3,000,000 was interim dividend paid to each shareholder on 9 October 2014 and the remaining balance of US$ 3,414, 545 will be paid to shareholders according to the schedule. The cash dividend payment schedule will be announced in 1 (one) national daily newspaper with due regard to the applicable regulations.
c. Determined the remaining balance of US$ 11,729,454 as retained earnings.

Third Agenda Item
Granted the power and authority to the Board of Commissioners to appoint a Public Accountant Office registered with the Financial Services Authority to conduct an audit on the Consolidated Financial Statements of the Company for the current financial year ending on 31 December 2015, furthermore, agreed to grant the power and authority to the Board of Commissioners to determine the honorarium of the Public Accounting Office as well as other requirements.

Fourth Agenda Item
Granted the authority to the Board of Commissioners to determine the honorarium and/or other benefits for members of the Board of Commissioners for the 2015 financial year as well as the details of the distribution for each member of the Board of Commissioners.

Fifth Agenda Item
Granted the authority to the Board of Commissioners to determine the honorarium and other benefits for members of the Board of Directors for the 2015 financial year as well as the details of the distribution for each member of the Board of Directors.

Sixth Agenda Item
Received reports on realization of proceeds from the Initial Public Offering ("IPO") up to 31 December 2014 as conveyed by the Company to the Financial Services Authority and Indonesia Stock Exchange, that the net proceeds of the IPO amounting to Rp 361,423,000,000 were utilized with details as follows:
a. Loan payment to BNP Paribas in the amount of Rp 94,116,000,000.-
b. Capital Expenditure in the amount of Rp 179,396,000,000.-
c. Coal Mining Concession acquisitions, Working capital and Operations, and Exploration Activities in the amount of Rp 77,236,000,000.-
d. The remaining balance of Rp 10,675,000,000.- in accordance with the provisions, are kept in the form of deposits.

Seventh Agenda Item
Amended the Articles of Association in order to be in line with the provisions stipulated in OJK regulation.

Decisions taken at the Annual GMS were published in Investor Daily newspaper on 20 April 2015.

Realization and Implementation of the GMS Decisions

Up to 31 December 2015, all decisions taken in the Annual GMS on 16 April 2015 had been realized, namely:
1. As decided in the Annual GMS, the Company distributed the final cash dividend in the amount of US$ 6,414,545, which was paid in October 2014 in the amount of US$ 3,000,000 and the remaining balance of US$ 3,414,545 was paid May of 2015. The dividend payment was made in Rupiah.

2. The GMS granted the power and authority to the Board of Commissioners to appoint a public accountant to audit the 2015 Consolidated Financial Statements. Pursuant to the decision, the Board of Commissioners, based on the Circular Decision of 1 November 2015 of the Board of Commissioners of PT Toba Bara Sejahtra Tbk in lieu of a Board of Commissioners Meeting appointed the Public Accountant Office of Purwantono, Sungkoro & Surja, member of Ernst & Young (EY) global network, as the public accounting office to audit the Company's Consolidated Financial Statements for the fiscal year ended 31 December 2015 and granted the authority to the Board of Directors to determine the honorarium of the Public Accounting Office as well as other terms of appointment of the public accounting firms, provided they do not exceed the amount specified by the Board of Commissioners.
3. The GMS approved the amendments to the Articles of Association to align with the provisions stipulated in OJK regulation. The amendments were made based on Deed No. 56 dated 16 April 2015 and notification on the amendments to the Articles of Association were accepted by the Minister of Justice and Human Rights of the Republic of Indonesia through Letter No. AHU-AH.d.01-0932267 dated 15 May 2015.

Description of the Board of Commissioners

The Board of Commissioners is in charge and responsible collectively in overseeing the implementation of the tasks and responsibilities of the Board of Directors and in providing advice to the Board of Directors as well as ensuring that the Company implements GCG principles. The Board of Commissioners has a President Commissioner, whose job is to coordinate the activities of the Board of Commissioners. However, the position of each member of the Board of Commissioners, including the President Commissioner, is equal.

In accordance with the Articles of Association, Commissioners are appointed and dismissed by the shareholders through the GMS mechanism. The term of office of Commissioners is from the date of the GMS, which appointed them up to the close of the fourth GMS after the date of appointment, without prejudice to the right of the GMS to dismiss at any time before the term of office has ended.

The GMS has the authority to dismiss Commissioners before the term of office expires, if the Commissioner in question no longer qualifies as a Commissioner, which among considerations means taking actions that are detrimental to the Company or any other reason considered appropriate by the GMS.

Composition of the Board of Commissioners

At the end of 2015, the composition of the Board of Commissioners is as follows:

Name	Position
Jusman Syafii Djamal	President Commissioner
Bacelius Ruru	Independent Commissioner
Farid Harianto	Independent Commissioner

Diversity in the Composition of the Board of Commissioners

The Board of Commissioners has a diversity in composition, both in terms of age, skills and work experience as well as educational backgrounds.

Profiles of Commissioners can be found in the Profiles of the Board of Commissioners section in this Annual Report.

Information on Independent Commissioners

Pursuant to OJK Regulation No. 33/POJK.04/2014 on the Boards of Directors and Commissioners of Issuer or Public Company dated 8 December 2014, as well as OJK Regulation No. 55/POJK.04/2015 dated 23 December 2015 on the Establishment and Working Implementation Guidelines of the Audit Committee, an Independent Commissioner is a member of the Board of Commissioners originating from the outside of the Issuer or Public Company. An Independent Commissioner has an important role as they represent the interests of the general public as well as minority shareholders in monitoring the performance of the Company.

Independent Commissioners must meet the following requirements:

1. Not a person who worked or had the authority and responsibility to plan, direct, control, or supervise the activities of the Company within the last 6 (six) months;
2. Has no shares either directly or indirectly to the Company;
3. Has no affiliations with the Company, the Board of Commissioners, Board of Directors, or Main Shareholders of the Company; and
4. Has no business relationships, either directly or indirectly related to the Company's business activities.

Corporate Governance

Most of the members of the Board of Commissioners of the Company are currently Independent Commissioners not affiliated with the shareholders, and have met the relevant requirements of independence stipulated in the above mentioned regulations.

Accordingly, the composition of the Board of Commissioners complies with OJK provisions regarding the number of Independent Commissioners of at least 30.0% (thirty percent) of members of the Board of Commissioners in office. One of the Independent Commissioners also serves as the Chairman of the Audit Committee of the Company.

Duties and Responsibilities of the Board of Commissioners

The duty of the Board of Commissioners is as a supervisor and advisor to the Board of Directors. The entire Board of Commissioners acted in good faith and full responsibility for the interests of the Company. In carrying out its functions, the Board of Commissioners conducts the following matters:

- Supervision on the policies of the Board of Directors in carrying out the management of the Company, including taking preventive action, improvement and temporary dismissal measures;
- Supervision of the Company's business risks and the adequacy of the management's efforts in implementing internal control;
- Supervision on GCG implementation in the business activities of the Company;
- Provide advice to the Board of Directors related to the duties and responsibilities of the Board of Directors;
- Provide feedback and recommendations on proposals and the Company's strategic development plans submitted by the Board of Directors;
- Ensuring that the Board of Directors has taken into consideration the interests of all stakeholders.

Unlike the Board of Directors, members of the Board of Commissioners cannot act by themselves, rather by a decision of the Board of Commissioners. In performing its duties, the Board of Commissioners is prohibited from participating in making operational decisions. Decisions of the Board of Commissioners regarding matters established in the Articles of Association and regulations are carried out in its oversight function, therefore operational decisions remain the responsibility of the Board of Directors.

Remuneration and Remuneration Determination Procedures of the Board of Commissioners

In accordance with the applicable rules and regulations, salaries, honorarium, and other benefits provided to members of the Board of Commissioners are determined in the GMS with regards to the recommendation of the Nomination and Remuneration Committee, if it has been established. Since the Nomination and Remuneration Committee has not been established, the amount of remuneration for members of the Board of Commissioners is determined by the GMS, with the GMS granting the authorization to the Board of Commissioners to determine the honorarium and/ or other benefits for members of the Board of Commissioners as well as the details of the allocation distribution for each member of the Board of Commissioners.

The amount of honorarium and tantiem to members of the Board of Commissioners is determined by taking into account the achievement of the business, financial conditions, and other relevant factors.

Meetings of the Board of Commissioners

Meetings of the Board of Commissioners are held regularly and can be held at any time if deemed necessary upon the request of one or more Commissioners. The meeting is held for internal consolidation, especially with regard to discussion on reports submitted by the Board of Directors. Agenda items are discussed including on monthly performance, annual performance, budgeting, financing, discussions on the progress of projects and discussions on the subsidiaries' business. Depending on the agenda, the Board of Directors may be invited to attend Board of Commissioners meetings.

Throughout 2015, the Board of Commissioners held 5 (five) meetings, in which all five were joint meetings of the Board of Commissioners and Board of Directors. The level of attendance of the Board of Commissioners and the Board of Directors in the meeting of the Board of Commissioners is as follows:

Attendance of Commissioners in Board of Commissioners Meetings

Meeting Participant	Position	Attendance	
		Number of Attendance	%
Jusman Syafii Djamal	President Commissioner	5	100
Bacelius Ruru	Independent Commissioner	4	80
Farid Harianto	Independent Commissioner	4	80

Attendance of Directors in the Board of Commissioners Meetings

Meeting Participant	Position	Attendance	
		Number of Attendance	%
Justarina Naiborhu	President Director/ Unaffiliated Director	5	100
Pandu Syahrir	Director	4	80
Arthur Simatupang	Director	5	100
Sudharmono Saragih	Director	2	40

Note: The attendance of Mr. Sudharmono is lower, considering his position as the Director of Operations where he spends most of his time on site. However, matters related to operations have been discussed earlier in the Board of Directors Meetings which are held separately from Board of Commissioners' Meetings.

Agenda of the Board of Commissioners' Meeting in 2015 include:

- 2014 Financial Statements
- The Company's Work Plan and Budget (RKAP)
- Discussion on operational and financial performance of subsidiaries and monthly consolidations
- Discussion on operational and financial performance of subsidiaries and quarterly consolidations
- Quarterly report from the Audit Committee
- GMS plan and dividends distribution
- Discussion on the progress of the Company's projects
- Discussion on the progress of the Palm Oil Mill

Duty Implementation of the Board of Commissioners

During 2015, the Board of Commissioners conducted its oversight functions and provided advice to the Board of Directors on the following matters:

- The management of the Company's performance to be maintained in line with the decline in global coal prices.
- The implementation of best GCG principles in all activities conducted by the Company.
- The allocation of part of the profit acquired by the Company to all shareholders.
- Business development plan.

Responsibilities of the Board of Commissioners and Performance Assessment of the Board of Commissioners

Implementation of duties of the Board of Commissioners is reported to the shareholders in the GMS.

The Board of Commissioners conveys its oversight accountability report on the management of the Company as carried out by the Board of Directors. This responsibility is a realization of oversight accountability for the management of the Company in the implementation of GCG principles. The report is submitted for approval by the GMS on the performance of the Board of Commissioners.

BoC performance is determined by the implementation of duties, authorization, and responsibilities contained in Articles of Association and the applicable legislation

Description of the Board of Directors

The Board of Directors is in charge as well as collectively and collegially responsible for the management of the Company. Based on the Articles of Association, the President Director and one other Director, or in the event the President Director is not present or absent for any reason, not necessary to be proven to a third party, two (2) Directors are entitled and authorized to represent the Company in and outside of court on all matters and in any event, binding the Company with other parties as well as to execute all actions of the Company management.

In accordance with the Articles of Association, Directors are appointed and dismissed by the shareholders through the GMS mechanism. The term of office of the Board of Directors is in effect from the date of the GMS, which appointed them up to the close of the fifth Annual General Meeting after the date of their appointment, without prejudice to the right of the GMS to dismiss at any time before their term of office ends.

The GMS has the authority to dismiss a Director before his/her term of office expires if the relevant Director no longer qualifies as a Director.

Composition of the Board of Directors

The Board of Directors of the Company consists of four people, including one Independent Director as required in Annex I to the Decision of the Board of Directors of the Indonesia Stock Exchange No. Kep-00001/BEI/01-2014 dated 20 January 2014. Independent Directors are not affiliated with the controlling shareholders of the Company.

Corporate Governance

Based on the decision of the Annual GMS dated 28 June 2013, the composition of the Board of Directors of the Company is as follows:

Name	Position
Justarina Naiborhu	President Director/ Unaffiliated Director
Pandu Syahrir	Director
Arthur Simatupang	Director
Sudharmono Saragih	Director

Duties of the Board of Directors

In accordance with the Articles of Association, the Board of Directors shall conduct all activities related to the management of the Company in the interest of the Company and in accordance with the aims and objectives of the Company. The Board of Directors represents the Company both in and out of court in all matters and events with certain exceptions as set out in legislation or the Articles of Association.

Duties of the Board of Directors include to:

- Ensure all activities of the Company are conducted in accordance with its business objectives.
- Formulate the Company's Long Term Business Plan and prepare the Annual Budget to obtain the approval of the Board of Commissioners.
- Implement the Company's business plan as well as possible in order to achieve the goals and objectives.
- Prepare the annual report as a form of performance accountability of the Board of Directors, and the Company's financial statements as set forth in the Limited Liability Company Act.
- Prepare the Company's financial statements in accordance with generally accepted accounting standards and submit a report to the Public Accountant for financial audit.
- Establish the organizational structure of the Company, and fill each position with employees who have expertise in accordance with the job description.
- Provide reports and explanations upon the request of the Board of Commissioners.
- Perform other responsibilities in accordance with the provision set forth in the Articles of Association and decisions of the GMS based on the applicable laws and regulations.

In carrying out its duties and responsibilities, the Board of Directors upholds the principles of GCG, including corporate social responsibility.

Scope of Work and Responsibility of the Board of Directors

In order to carry out its duties to manage the Company more effectively and efficiently, the Board of Directors based on agreement among the members of the Board of Directors distributes tasks in accordance with Director's fields and competence. However, to obtain a balanced result in any decision-making, the division of functions and tasks does not limit their authority as a Director who must perform cross field duties.

Remuneration and Remuneration Determination Procedures of the Board of Directors

In accordance with the applicable rules and regulations, salaries, honorarium, and other benefits provided to members of the Board of Directors are determined in the GMS with regards to the recommendation of the Nomination and Remuneration Committee, if it has been established. Since the Nomination and Remuneration Committee has not been established, the amount of remuneration for members of the Board of Directors was determined by the GMS in that the GMS granted the authorization to the Board of Commissioners to determine the honorarium and/or other benefits for members of the Board of Directors as well as the details of the distribution for each member of the Board of Directors.

The amount of remuneration to members of the Board of Directors including salary, tantiem, and other benefits are determined by taking into account the achievement of the business targets, the Company's financial conditions, and other relevant factors.

Meetings of the Board of Directors

Meetings of the Board of Directors are held regularly at least once a month and can be held at any time if deemed necessary upon the request of one or more Directors. In general, meetings of the Board of Directors discuss business issues and ensure that the Company is on the right track in implementing its established business strategies.

In 2015, the Board of Directors held 11 (eleven) meetings. The attendance of Directors in the meetings is as follows:

Attendance of Directors in Meetings of the Board of Directors

Meeting Participant	Position	Attendance	
		Number of Attendance	%
Justarina Naiborhu	President Director/ Unaffiliated Director	11	100
Pandu Syahrir	Director	11	100
Arthur Simatupang	Director	11	100
Sudharmono Saragih	Director	11	100

Note: Meetings of Board of Directors also include meeting of the Director of Finance, Director of Operations, and Director of Marketing involving the Management of the Subsidiaries

Agenda of the Board of Directors meetings in 2015 included:

- Discussion on the operational and financial performance of subsidiaries and 2014 year end consolidation
- The Company's Work Plan & Budget (RKAP)
- Discussion on the operational and financial performance of subsidiaries and monthly consolidation
- Discussion on the operational and financial performance of subsidiaries and quarterly consolidation
- GMS and dividends distribution plans
- Public expose plan
- Discussion on the development of other projects
- Discussion on the progress of the Palm Oil Mill construction plan

Responsibility of the Board of Directors and Performance Assessment of the Board of Directors

The Board of Directors conducts management responsibility of the Company in the form of an annual report, which includes, among other matters, financial statements, the Company's activity report and the Company's GCG implementation report to be submitted to the GMS. The annual report must be approved by the GMS, while the financial statements must be ratified by the GMS. The responsibility of Board of Directors to the GMS is a manifestation of the Company's management accountability in the implementation of GCG.

The performance of the Board of Directors is evaluated by the Board of Commissioners. The result of the Board of Directors' performance evaluation is submitted to the shareholders and will be taken into consideration in awarding compensation and incentives for the Board of Directors.

Training and Competence Development of the Boards of Commissioners and Directors

Members of the Boards of Commissioners and Directors keep track of developments in the industry, as well as the general developments in various fields such as management, technology, human resources, finance and Occupational Health and Safety (K3). Competency development for members of the Boards of Commissioners and Directors needs to be carried out on an ongoing basis to improve the knowledge and support the implementation of duties. In 2015, seminars, workshops, and conferences attended by the Board of Directors included the following:

1. 10 – 12 February 2015, 12th Annual Citi Asia Pacific Conference, Singapore
2. 29 April 2015, PEI Investment Forum, Jakarta
3. 7 – 9 June 2015, Coaltrans Asia, Denpasar
4. 14 – 18 September 2015, 22nd CLSA Annual Investor Forum, Hong Kong

Introduction Program for the Boards of Commissioners and Directors

In 2015, there was no introduction program for the Boards of Commissioners or Directors since there were no appointments of new members to the Boards of Commissioners or Directors.

Disclosure on the Board of Commissioners and Directors Guidelines

Currently the Company is developing the Boards of Commissioners' and Directors' guidelines.

Disclosure on Affiliate Relationship between the Board of Commissioners and Directors

Independence and Affiliate Relationships of the Board of Commissioners

Each Commissioner shall act in an independent manner, have no conflict of interest, and be free from intervention of any party related to the Company that can interfere and influence the actions taken as a member of the Board of Commissioners.

All members of the Board of Commissioners have no financial, management, share ownership and/ or family relationship to the second degree, either vertically or horizontally or by marriage with other members of the Board of Commissioners and/or the shareholders and/ or with members of the Board of Directors, enabling independent implementation of duties.

Corporate Governance

Independence and Affiliate Relationships of the Board of Directors

All members of the Board of Directors have no affiliate relationships with the Board of Commissioners. The independence of the Board of Directors is established to carry out all acts of management of the Company or relationships with other parties independently without interference from other parties or contrary to the laws and Articles of Association that could materially interfere with the objectivity and independence of the duties of Directors which is carried out in the interest of the Company.

Members of the Board of Directors and the Board of Commissioners have no family relationship to the second degree, either vertically or horizontally including relationship arising from marriage.

Disclosure of Share Ownership of the Board of Commissioners and Directors

Referring to OJK Regulation No. 60/POJK.04/2015 dated 23 December 2015 on Information Disclosure of Certain Shareholders, up to the end of 2015, no Commissioner has shares in the Company. One Director, Sudharmono Saragih, owns shares in the Company within the allowable amount by legislation. The shares were acquired through the Employee Stock Allocation (ESA) program at the time the concerned did not serve as a Director of the Company.

Audit Committee

The Board of Commissioners established the Audit Committee based on Board of Commissioners Decision 25 January 2013, to assist the Board of Commissioners in fulfilling its oversight responsibility. The Audit Committee consists of one Independent Commissioner and two independent external parties. The current membership of the Audit Committee has a term of office from the effective date of the Board of Commissioners decision up to the close of the Company's GMS for the 2015 fiscal year, which will be held in 2016. The establishment and procedures of the Company's Audit Committee in all respects comply with provisions set forth in OJK Regulation No. 55/POJK.04/2015 dated 29 December 2015 on the Establishment and Implementation Guidelines of the Audit Committee.

Composition of the Audit Committee

As at 31 December 2015, membership of the Company's Audit Committee was as follows:

Name	Position
Bacelius Ruru, SH, LLM	Chairman
Prof. Dr. Ir. Irwandy Arif, M.Sc	Member
Aria Kanaka, CA, CPA	Member

Profile of Members of the Audit Committee

Bacelius Ruru, SH, LLM – Chairman of the Audit Committee and Independent Commissioner

His profile is presented in the Profile of the Board of Commissioners section of this Annual Report.

Prof. Dr. Ir. Irwandy Arif, M.Sc – Member of the Audit Committee

Doctorate from the Ecole des Mines de Nancy, France, Undergraduate in Mining Engineering and Graduate Studies in Industrial Engineering from the Bandung Institute of Technology. He has expertise in the Indonesian mining industry. Appointed as a Member of the Audit Committee in January 2013. Positions he currently and has served in are, Member of the Audit Committee of PT Adaro Energy Tbk (since 2008), Chairman of the Audit Committee of PT Aneka Tambang (Persero) (2004-2009),

Independent Commissioner in a number of companies, and Expert/Researcher in various scientific institutions in the field of mining and mineral technology. He lectures at the Department of Mining Engineering of ITB and conducts research as well as writing mining and geotechnical journals.

Aria Kanaka, CA, CPA – Member of the Audit Committee
Bachelor of Accounting and Master of Accounting graduate of the University of Indonesia. He earned a State Register for Accounting from the Department of Finance of the Republic of Indonesia in 2000 and passed the certified public accountant exam (USAP) of the Institute of the Indonesian Chartered Accountants in 2003. Appointed as a Member of the Audit Committee in January 2013. Concurrent positions are Member of the Audit Committee of PT Tower Bersama Infrastructure Tbk (since 2010), PT Metrodata Electronics Tbk (since 2010), PT Total Bangun Persada Tbk (since 2014). He is a partner in the public accounting office of Aria Kanaka & Partners (member firm of Mazars SCRL) and lectures at the Faculty of Economics, University of Indonesia.

Independence of Members of the Audit Committee

The Audit Committee is chaired by an Independent Commissioner with independent members from outside the Company. This is in line with the OJK Regulation No. 55/POJK.04/2015 on the Establishment and Implementation Guidelines of the Audit Committee. The Audit Committee carries out its duties and responsibilities professionally and independently.

Duties and Responsibilities of the Audit Committee

The main function of the Audit Committee is to assist the Board of Commissioners in fulfilling its oversight responsibility. The duties and responsibilities of the Audit Committee are set out in the Audit Committee Charter.

Responsibilities of the Audit Committee include to:

- Perform the duties and responsibilities of the Audit Committee based on the OJK Regulation No. 55/POJK.04/2015 dated 29 December 2015 on the Establishment and Implementation Guidelines of the Audit Committee.
- Oversee the Company's internal and external audit activities, among others, from the planning, implementation, findings and follow-up actions.
- Provide advice to the Board of Commissioners in ensuring the integrity of the financial statements of the Company.
- Provide professional and independent opinion to the Board of Commissioners on reports or matters submitted by the Board of Directors to the Board of Commissioners and other tasks related to the duties of the Board of Commissioners.

Duties carried out by the Audit Committee include to:

a. Review the financial information to be published by the Company to the public and/or authorities, including financial reports, projections and other statements relating to the Company's financial information;
b. Review adherence to the laws and regulations relating to the Company's activities;
c. Provide independent opinion in the event of disagreements between management and public accountants for services rendered;
d. Provide recommendations to the Board of Commissioners on the appointment of public accountant that is based on independence, scope of work, and costs for services provided;
e. Review the implementation of audits by internal auditors and supervise the implementation of the follow-up by the Board of Directors on the findings of the internal auditor;
f. Review the effectiveness of risk management conducted by the Board of Directors;
g. Review complaints relating to accounting processes and financial reporting of the Company;
h. Review and provide advice to the Board of Commissioners in relation to potential conflicts of interest; and
i. Maintain the confidentiality of documents, data and information of the Company.

Audit Committee Meetings

In accordance with the Audit Committee Charter, the Audit Committee hold regular meetings at least once in three months. An Audit Committee meeting can only be held if attended by more than 2/3 of the members of the Audit Committee. Audit Committee Meetings are chaired by the Chairman of the Audit Committee or the most senior member of the Audit Committee, in the event the Chairman of the Audit Committee is unable to attend. In 2015, the Audit Committee held 8 (eight) meetings. The attendance of members in the meetings is as follows:

Attendance of Members of the Audit Committee in Audit Committee Meetings:

Meeting Participant	Position	Attendance	
		Number of Attendance	%
Bacelius Ruru, SH, LLM	Chairman	8	100
Prof. Dr. Ir. Irwandy Arif, M.Sc.	Member	8	100
Aria Kanaka, CA, CPA	Member	8	100

Summary of Audit Committee Activities in 2015

In accordance with its duties and responsibilities, the Audit Committee provides professional and independent opinion to the Board of Commissioners on reports or matters submitted by the Board of Directors to the Board of Commissioners, as well as carrying out other tasks related to the duties of the Board of Commissioners. This is conducted through regular meetings and/or working visits to the coal mines. The focus of the Audit Committee's work program is on the business of the Company in maintaining added value improvements, risk prevention, and increased operational productivity.

The implementation of the Audit Committee's activities in 2015 includes developing the Audit Committee work program, discussing the Company's Budget in 2015, studying the reports of Internal Audit, discussing the implementation of new provisions related to the preparation of financial statements with external auditors, and discussing the progress of the subsidiaries.

The Audit Committee also reviewed the 2014 financial statements as well as the first, second, and third quarter interim financial statements of 2015, and provided notes if required by the Board of Commissioners.

In addition to these activities, the Audit Committee also keeps the implementation of audit schedules in a timely manner, maintains operational and financial performance, identifies risks concerning the Company's finances, and evaluates the implementation of the Company's legal compliance during 2015.

Related to the operational aspects of the Company, the Audit Committee evaluates systems and the coal marketing strategy regarding the products of the three subsidiaries, evaluates efforts to increase productivity of the subsidiaries, including the smooth implementation of supply chain and logistics systems for exports, as well as monitors the implementation of Occupational Health and Safety (K3) improvements.

The Audit Committee was involved in discussion of the implementation of a new accounting system, particularly the ISAK 29 as a substitute of the PSAK 33 in the preparation process of financial statements in conformity with the new accounting policy and new provisions concerning the preparation of financial statements. In addition, together with the Internal Audit, the Audit Committee discussed the 2015 audit implementation strategy which includes monitoring of developments that have an impact on the business of the Company, supervised the preparation of standard operating procedures (SOP) of Internal Audit and the 2016 Internal Audit work plan.

Function of Remuneration and Nomination

The Board of Commissioners has not established a Nomination and Remuneration Committee. Therefore, the remuneration and nomination function is associated with members of the Boards of Commissioners and Directors as authorized by the Board of Commissioners.

Duties and Responsibilities

Related to the functions of remuneration and nomination, the Board of Commissioners has the following duties, responsibilities and authorities:

1. In terms of remuneration, providing recommendations for:
   - Remuneration policy;
   - Policy to evaluate the performance of members of the Boards of Commissioners and Directors;
   - Structure and amount of remuneration; and
   - Monitoring of performance and conformity of remuneration amount received by each member of the Boards of Commissioners and Directors

2. In terms of nomination, providing recommendations for:
   - Membership composition of the Boards of Commissioners and Directors;
   - Policy provisions and criteria for the nomination process;
   - Candidates with qualifications as members of the Boards of Commissioners and Directors to be submitted to the shareholders in the GMS

Corporate Secretary

The Corporate Secretary is appointed and is directly responsible to the President Director. The duty of the Corporate Secretary is to ensure the implementation of effective communication between the Company's organs, between the Company and OJK and the capital market, with the shareholders, and between the Company and its shareholders and other stakeholders. The Corporate Secretary must also ensure compliance with the provisions of applicable legislation including the regulations of the capital markets.

The Corporate Secretary is responsible for the administration of documents and information relating to Company compliance with laws and regulations of the capital market. The activities of the Corporate Secretary also support the Company's responsibility and performance reporting accountability to the stakeholders.

The Corporate Secretary assists the Company to meet the principle of disclosure of information by ensuring the availability of information regarding the Company's performance in a fair, accurate and timely manner to the stakeholders and the general public, including providing quarterly reports, annual reports, and other reports/news regarding the Company.

Pandu P. Syahrir
Since 27 September 2013, the Corporate Secretary position has been held by Pandu P. Syahrir, who is also a Director of the Company. The profile of the Corporate Secretary is presented in the Profiles of the Board of Directors section in this Annual Report.

Duty Implementation in 2015

In 2015, activities of the Corporate Secretary were, among others, to coordinate the implementation of the Annual GMS for the 2014 financial year, coordinate the payment of dividends of the 2014 financial year, organize Annual Public Expose, oversee the preparation of the 2014 Annual Report, manage the Company's website, and coordinate regular reports to the OJK and IDX, such as exploration activity reports, reports on realization of the utilization of proceeds and quarterly financial statements.

Training Program

In 2015, the Corporate Secretary also attended training and education programs in order to improve the ability of the Corporate Secretary:

1. 29 January 2015; Workshop "The Socialization of Financial Services Authority Regulation"; organized by the Indonesia Corporate Secretary Association (ICSA); in Jakarta.
2. 13 – 14 February 2015; Corporate Secretary Training "Optimizing the Role and Performance of Corporate Secretary"; organized by MarkAsia in Jakarta.
3. 24 February 2015; Seminar "Implementation of the New Regulation of the Financial Services Authority (OJK) in the GMS and Articles of Association of Issuer"; organized by the Association of the Capital Market Legal Consultant in Jakarta.
4. 3 March 2015; Workshop "Code of Ethics for BOC BOD"; organized by the Indonesia Corporate Secretary Association (ICSA); in Jakarta.
5. 31 July 2015; Workshop "The Making of BOC-BOD Charter by Optimizing Organizational Knowledge"; organized by Indonesia Corporate Secretary Association (ICSA); in Jakarta.
6. 10 September 2015; Workshop "Employee Stock Option Program (ESOP) and Management Stock Option Program (MSOP)"; organized by the Indonesia Corporate Secretary Association (ICSA); in Jakarta.
7. 15 October 2015; Workshop "Economy Outlook 2016"; organized by the Indonesia Corporate Secretary Association (ICSA); in Jakarta.

Investor Relations

The Company believes that the increase in value for shareholders originates from the application of GCG principles, including the principle of transparency. Therefore, the Company is committed to communicating the Company's business strategy and activities clearly to stakeholders. To achieve these objectives, the Company carries out active communications with investors through planned investor relations activities.

Corporate Governance

The Company has the Investor Relations unit, and has appointed Iwan Sanyoto as the Head of Investor Relations in February 2013. A variety of investor relations activities have been carried out in order to meet the Company's responsibility to provide timely and accurate information to shareholders and the capital market community.

Throughout 2015, the Company actively conducted analyst meetings and company presentations. The Company met with capital market analysts, particularly those beginning to review the Company.

The Company is committed to facilitating a two-way communication with the capital market community, due to the feedback from the investment community to open the opportunity for the Company to improve relations and to improve the implementation of better governance principles. For this purpose, Investor Relations handles and manages information and feedback through active interactions with investors and analysts. The Investor Relations team can be contacted via e-mail: iwan.sanyoto@tobabara.com.

Profile of the Head of Investor Relations

Iwan Sanyoto
Iwan Sanyoto was appointed as the Head of Investor Relations in February 2013. Since 1993, he is experienced in the field of international trade, capital markets and investment with J.M Didier Asia s.c. Belgium, PT Vickers Ballas Tamara Indonesia, Cargill Financial Services Asia Pte Ltd Singapore, PT DBS Vickers Indonesia, PT Kuo Capital Raharja, and PT CIMB-Principal Asset Management. Iwan holds a degree in management from the University of Maryland (European Division), Belgium, and an MBA from the Vrije Universiteit Brussel (VUB), Belgium.

Investor Relations Activities in 2015

Date	Courtesy Visit/Conference Call	Analyst	Location
9 January	Company Update	Goldman Sachs	Jakarta
13 January	Company Update	Bahana Securities	Jakarta
21 April	Company Update	Credit Suisse	Jakarta
1 May	Company Update	CIMB	Jakarta
25 May	Company Update	DBS Vickers	Jakarta
16 June	Company Update	Credit Suisse	Jakarta
26 June	Company Update	JP Morgan	Jakarta
7 August	Company Update	Macquarie	Jakarta
23 September	Company Update	Bank of America	Jakarta
2 December	Company Update	Macquarie	Jakarta

Date	Conference/Seminar/Focus Group Discussion	Agency	Location
22 January	ANZ Economic Outlook	ANZ	Jakarta
8 - 14 February	12th Annual Citi Asia Pacific Investor Conference	Citi	Singapore
7 May	Roundtable Discussion with the IMF - Economic Outlook	Bank Indonesia	Jakarta
11 - 13 May	12th CLSA ASEAN Forum	CLSA	Bangkok
28 - 30 May	Focus Group Discussion - Rupiah Transactions	Bank Indonesia	Balikpapan
4 June	3rd Asiamoney - CIMB ASEAN Domestic Bond Markets Round Table	CIMB	Jakarta
11 - 12 June	CIMB 9th Annual Indonesia Conference	CIMB	Bali
14 - 18 September	22nd CLSA Investors' Forum	CLSA	Hong Kong
21 September	Macquarie Annual Infra/Commodities Conference	Macquarie	Jakarta
22 September	4th Indonesia Fixed Income & High Yield Bonds Forum	Euromoney Asia	Jakarta
3 December	BNP Paribas Economic Seminar	BNP Paribas	Jakarta
7 December	Economic and Capital Market Outlook 2016	Bursa Efek Indonesia	Jakarta
15 December	Indonesia Economic Quarterly	World Bank	Jakarta

Legal Affairs

The Company has a Legal Affairs unit which has the duty and responsibility, among others, in ensuring compliance with the applicable provisions of the legislation. Duties and responsibilities of the Legal Affairs unit include to:

- Ensure that all activities of the Company avoid risks that may arise as a result of transactions conducted by the Company;
- Ensure that in conducting transactions as well as running its operational activities, the Company always observes the applicable provisions of the legislation, both in terms of the provisions of the capital market, mining, and other provisions;
- Resolve disputes as well as anticipate the possibility of a dispute between the Company and third parties.

Profile of the Head of Legal Affairs

Bima Sinung Widagdo

Currently, the Head of Legal Affairs is chaired by Bima Sinung Widagdo, who has held this position since March 2011. Previously, Bima served in the energy and banking sectors, namely in PT Adaro Energy Tbk and PT Bank CIMB Niaga Tbk, after completing his education with a Bachelor of Law from the University of Indonesia.

Information Access and Company Data

Disclosure of Information Policy

In order to comply with the principle of transparency and the implementation of GCG, the Company opens access to information that is non-confidential for the public through adequate and sufficient means and facilities. Therefore, stakeholders can obtain this information easily. The information that must be immediately informed to the shareholders and other stakeholders is conveyed through various means of communication to allow a quick decision-making process.

Referring to OJK Regulation and IDX Rules, the Company is committed to announcing information and material facts, which can influence share price or shareholders' investment decisions as soon as possible, no later than two days after obtaining the information or material facts.

Corporate Governance

Information Access

The Company publishes an annual report that provides information regarding the operational and financial performance of the Company. Shareholders, investors and the general public can also access the Company's website through www.tobabara.com to obtain important information and the latest developments regarding the Company, including the annual financial statements, quarterly financial statements, summary of the financial performance, stock performance, GCG and CSR activities report, as well as other activities.

The Company also opens up various means of communication flow to convey opinions, complaints and questions by contacting:

PT TOBA BARA SEJAHTRA Tbk
Wisma Bakrie 2, 16th Floor
Jl. H. R. Rasuna Said Kav. B-2
Jakarta 12920 – Indonesia
Sekretaris Perusahaan/ Corporate Secretary
Tel: (62 21) 5794 5779
Fax: (61 21) 5794 5778
E-mail: corsec@tobabara.com

The following is a list of information published by the Company related with transparency to the public throughout 2015:

Submission of Material Information to the Public in 2015

No.	Letter No.	Date	Subject	Regulation No.
1	004/TBS/I/15	12 January 2015	Exploration Activity Monthly Report December 2014 Period	Regulation No I.E on Disclosure of Information Obligation and Annex to the Decision of the Board of Directors of PT Bursa Efek Jakarta No. Kep-306/BEJ/07-2004
2	006/TBS/I/15	15 January 2015	Report on the Realization Utilization of IPO Proceeds as of 31 December 2014	Regulation No. X.K.4, Annex to the Decision of the Chairman of the Capital Market Supervisory Board No. KEP-27/PM/2003
3	021/TBS/II/15	12 February 2015	Exploration Activity Monthly Report January 2015 Period	Regulation No I.E on Disclosure of Information Obligation and Annex to the Decision of the Board of Directors of PT Bursa Efek Jakarta No. Kep-306/BEJ/07-2004
4	031/TBS/III/15	2 March 2015	Notification of Annual GMS Plan	OJK Regulation No. 32/POJK.04/2014 on the Plan and Implementation of General Meeting of Shareholders of Public Company
5	034/TBS/III/15	10 March 2015	Advertisement Proof of Notification of the Annual GMS	OJK Regulation No. 32/POJK.04/2014 on the Plan and Implementation of General Meeting of Shareholders of Public Company
6	036/TBS/III/15	12 March 2015	Exploration Activity Monthly Report February 2015 Period	Regulation No I.E on Disclosure of Information Obligation and Annex to the Decision of the Board of Directors of PT Bursa Efek Jakarta No. Kep-306/BEJ/07-2004
7	039/TBS/III/15	13 March 2015	Financial Statements 31 December 2014	Regulation No. X.K.2 Annex to the Decision of the Chairman of Bapepam-LK No. Kep-346/BL/2011 dated 5 July 2011 on the Submission of Periodic Financial Statements of Issuer or Public Company and Provision III.1.6.1.4. Regulation No. I-E Annex to the Decision of the Board of Directors of PT Bursa Efek Jakarta No. Kep-306/BEJ/07-2004
8	042/TBS/III/15	18 March 2015	Advertisement Proof of the 2014 Financial Statements	Regulation No. X.K.2 Annex to the Decision of the Chairman of Bapepam-LK No. Kep-346/BL/2011 dated 5 July 2011 on the Submission of Periodic Financial Statements of Issuer or Public Company and Provision III.1.6.1.4. Regulation No. I-E Annex to the Decision of the Board of Directors of PT Bursa Efek Jakarta No. Kep-306/BEJ/07-2004
9	046/TBS/III/15	25 March 2015	2014 Annual Report	Regulation No. X.K.VI on Submission of Annual Report Obligation for Issuer of Public Company, Annex the Decision of the Chairman of the Capital Market and Financial Institution Supervisory Board No. KEP-431/BL/2012
10	047/TBS/III/15	26 March 2015	Submission of Advertisement Proof of Annual GMS Notification	OJK Regulation No. 32/POJK.04/2014 on the Plan and Implementation of General Meeting of Shareholders of Public Company
11	056/TBS/IV/15	15 April 2015	Report on the Utilization of IPO Proceeds as of 30 March 2015	Regulation No. X.K.4, Annex the Decision of the Chairman of the Capital Market Supervisory Board No. KEP-27/PM/2003

Submission of Material Information to the Public in 2015

No.	Letter No.	Date	Subject	Regulation No.
12	059/TBS/IV/15	20 April 2015	Submission of Annual GMS Decisions	OJK Regulation No. 32/POJK.04/2014 on the Plan and Implementation of General Meeting of Shareholders of Public Company
13	062/TBS/IV/15	28 April 2015	Interim Consolidated Financial Statements	Regulation No. X.K.2 Annex the Decision of the Chairman of Bapepam-LK No. Kep-346/BL/2011 dated 5 July 2011 on the Submission of Periodic Financial Statements of Issuer or Public Company and Provision III.1.6.1.4. Regulation No. I-E Anenx the Decision of the Board of Directors of PT Bursa Efek Jakarta No. Kep-306/BEJ/07-2004
14	064/TBS/IV/15	29 April 2015	Summary of Management Financial Discussion and Analysis (MDNA)	None
15	074/TBS/V/15	12 May 2015	Exploration Activity Monthly Report April 2015 Period	Regulation No I.E on Disclosure of Information Obligation and Annex to the Decision of the Board of Directors of PT Bursa Efek Jakarta No. Kep-306/BEJ/07-2004
16	078/TBS/VI/15	1 June 2015	Information Disclosure	Regulation X.K.1 Annex the Decision of Chairman of BAPEPAM No. Kep-86/PM/1996 on Disclosure of Information Which Must Be Immediately Submitted to the Public as well as Regulation No. I-E, Annex the Decision of the Board of Directors of PT Bursa Efek Jakarta No. Kep-306/BEJ/07-2004 on Information Disclosure Obligation
17	084/TBS/VI/15	11 June 2015	Exploration Activity Monthly Report April 2015 Period	Regulation No I.E on Disclosure of Information Obligation and Annex to the Decision of the Board of Directors of PT Bursa Efek Jakarta No. Kep-306/BEJ/07-2004
18	089/TBS/VII/15	10 July 2015	Exploration Activity Monthly Report June 2015 Period	Regulation No I.E on Disclosure of Information Obligation and Annex to the Decision of the Board of Directors of PT Bursa Efek Jakarta No. Kep-306/BEJ/07-2004
19	090/TBS/VII/15	13July 2015	Report on the Utilization of IPO Proceeds as of 30 June 2015	Regulation No. X.K.4, Annex the Decision of the Chairman of the Capital Market Supervisory Board No. KEP-27/PM/2003
20	091/TBS/VII/15	28 July 2015	Interim Consolidated Financial Statements	Regulation No I.E on Disclosure of Information Obligation and Annex to the Decision of the Board of Directors of PT Bursa Efek Jakarta No. Kep-306/BEJ/07-2004
21	092/TBS/VII/15	29 July 2015	Summary of Management Financial Discussion and Analysis (MDNA)	None
22	093/TBS/VII/15	30 July 2015	Advertisement Proof of the Interim Consolidated Financial Statements	Regulation No I.E on Disclosure of Information Obligation and Annex to the Decision of the Board of Directors of PT Bursa Efek Jakarta No. Kep-306/BEJ/07-2004
23	096/TBS/VIII/15	11 August 2015	Exploration Activity Monthly Report July 2015 Period	Regulation No I.E on Disclosure of Information Obligation and Annex to the Decision of the Board of Directors of PT Bursa Efek Jakarta No. Kep-306/BEJ/07-2004
24	102/TBS/IX/15	10 September 2015	Exploration Activity Monthly Report August 2015 Period	Regulation No I.E on Disclosure of Information Obligation and Annex to the Decision of the Board of Directors of PT Bursa Efek Jakarta No. Kep-306/BEJ/07-2004
25	108/TBS/X/15	9 October 2015	Exploration Activity Monthly Report September 2015 Period	Regulation No I.E on Disclosure of Information Obligation and Annex to the Decision of the Board of Directors of PT Bursa Efek Jakarta No. Kep-306/BEJ/07-2004
26	109/TBS/X/15	15 October 2015	Report on the Utilization of IPO Proceeds as of 30 September 2015	Peraturan No. X.K.4, Lampiran Keputusan Ketua Badan Pengawas Pasar Modal No. KEP-27/PM/2003
27	112/TBS/X/15	26 October 2015	Implementation Plan of Annual Public Expose	Regulation No I.E on Disclosure of Information Obligation and Annex to the Decision of the Board of Directors of PT Bursa Efek Jakarta No. Kep-306/BEJ/07-2004
28	113/TBS/X/15	28 October 2015	Interim Consolidated Financial Statements	Regulation No I.E on Disclosure of Information Obligation and Annex to the Decision of the Board of Directors of PT Bursa Efek Jakarta No. Kep-306/BEJ/07-2004
29	114/TBS/X/15	28 October 2015	Summary of Management Financial Discussion and Analysis (MDNA)	None
30	124/TBS/XI/15	13 November 2015	Report on the Results of the Annual Public Expose Implementation	Regulation No I.E on Disclosure of Information Obligation and Annex to the Decision of the Board of Directors of PT Bursa Efek Jakarta No. Kep-306/BEJ/07-2004

Corporate Governance

Submission of Material Information to the Public in 2015

No.	Letter No.	Date	Subject	Regulation No.
31	125/TBS/XI/15	13 November 2015	Exploration Activity Monthly Report October 2015 Period	Regulation No I.E on Disclosure of Information Obligation and Annex to the Decision of the Board of Directors of PT Bursa Efek Jakarta No. Kep-306/BEJ/07-2004
32	137/TBS/XII/15	10 December 2015	Exploration Activity Monthly Report November 2015 Period	Regulation No I.E on Disclosure of Information Obligation and Annex to the Decision of the Board of Directors of PT Bursa Efek Jakarta No. Kep-306/BEJ/07-2004

Internal Control System

In the implementation of good corporate governance, the Company continues to strive to ensure that the internal control system is effective. The implementation of the internal control system, which includes financial and operational controls, is directed to ensure that the Company has reliable reporting of financial information, compliance with the applicable regulations, as well as efficiency and effectiveness of operations.

In order to implement an effective and comprehensive internal control system, the Company has engaged the Board of Commissioners, the Audit Committee, the Board of Directors, and all employees, by referring to the principles of the Internal Control Framework.

The Company also evaluates the effectiveness of internal control at both the corporate and operational levels. Internal Audit contributes to provide the confidence regarding the presence of a good and proper working coordination between the functions of control in the Company.

Internal Audit Unit

Internal Audit is a partner of the management that supports the achievement of the Company's objectives through the implementation of the audit and consultation function in an independent and objective manner.

Structurally, the Internal Audit Unit is under the President Director and reports directly to the President Director. The Head of Internal Audit is appointed by the President Director, with the approval of the Board of Commissioners. Functionally, Internal Audit works under the direction and supervision of the Audit Committee. Audit Reports issued by Internal Audit are submitted to the President Director and the Audit Committee, to be forwarded to the Board of Commissioners, accompanied with the professional opinion of the Audit Committee.

Internal Audit carries out audits activities in accordance with the Annual Audit Plan, which had been developed comprehensively by taking into account the risks of each aspect of the matters being audited. The implementation of a risk-based internal audit is conducted to ensure compliance with applicable standard operating procedures and regulations, as well as the internal control system which has been implemented in accordance with the guidelines that have been set.

Internal Audit reviews all the activities of the Company and its subsidiaries related to financial and operational activities as well as compliance with the laws and regulations applicable to the Company and its subsidiaries.

Internal Audit Charter

Internal Audit has the Internal Audit Charter as a guideline for work implementation. The Internal Audit Charter establishes the organizational structure and the position, duties and responsibilities, authorities, and code of ethics of internal auditors, internal audit standards and requirements for auditor personnel.

The Internal Audit Charter was established by the Decision of the Board of Directors dated 14 May 2012 and was approved by the Board of Commissioners by Circular Decision dated 14 May 2012 of the Board of Commissioners in lieu of Board of Commissioners meeting.

Profile of the Head of Internal Audit

Arief Wicaksono Cahyadi
Arief was appointed as the Head of Internal Audit in March 2015, based on the Board of Directors Circular dated 24 February 2015 in lieu of Board of Directors meeting and Board of Commissioners Decision dated 25 February 2015 in lieu of Board of Commissioners meeting. He completed his Bachelor of Economics at the University of Brawijaya (2006) and Professional Accounting Program at the University of Indonesia (2009).

Prior to serving as the Head of Internal Audit, Arief served at Internal Audit at PT Indomining, a subsidiary of PT Toba Bara Sejahtra Tbk.

Arief served in the Public Accountant Office of Tanudiredja, Wibisana & Partners (PriceWaterhouseCoopers Indonesia) with last position as Assistant Manager, with an audit specialization in Energy, Mining & Utilities. In addition, Arief also served at PT Pharos Indonesia as a Medical Representative. He has also been a guest lecturer at the Polytechnic University of Brawijaya in 2014.

Duties and Responsibilities

Based on the Internal Audit Charter, duties and responsibilities of Internal Audit include to:

a. Develop and implement the annual plan of Internal Audit.
b. Test and evaluate the implementation of internal control and risk management system in accordance with Company policy.
c. Perform examination and assessment on the efficiency and effectiveness of finance, accounting, operations, human resources, marketing, information technology, and other activities.
d. Provide objective suggestions and information for improvements on examined activities at all levels of management.
e. Prepare audit reports and submit the reports to the President Director and the Audit Committee.
f. Monitor, analyze and report the implementation of follow-up improvements.
g. Work closely with the Audit Committee and External Auditors.
h. Conduct special inspections if necessary.

Internal Audit Activities

The Internal Audit Unit conducts the following activities:

- Developing the annual audit plan using a risk-based methodology, and submitting the audit plan to the Audit Committee and the President Director.
- Observing, testing, and implementing internal control in accordance with the existing Standard Operating Procedures ("SOP").
- Examining and assessing the efficiency and effectiveness in the fields of accounting and finance, procurement, operations, and human resources.
- Providing recommendations to the management of the subsidiaries ("ABN, IM, TMU, and PKU") to implement cost efficiency in every department.
- Reporting the results of audit findings and recommendations to be presented to the Audit Committee and the President Director.

During 2015, the Internal Audit Unit has performed its duties and responsibilities, among others as follows:

Accounting and Finance
- Reviewed the financial statements to conform to the generally accepted accounting principles.
- Conducted test of detail and test of control, which was organized in several subsidiaries.

Procurement & Logistics
- Reviewed the bidding processes for employee housing, electrical, water, and mining contractors. The review included examination on the completeness of documents during the bidding process, the application of bidding SOP, and payment procedures of the contracts.
- Conducted observation of heavy equipment, diesel, and farm equipment inventory taking.

HRD
- Reviewed employee master data related to the calculation of overtime and resignation procedures (resignation process, exit clearance, etc).
- Reviewed and provided advice on employee health insurance.

Operations
- Investigated the mud swelling and its handling procedures.
- Reviewed the efficiency and accuracy of light vehicle utilization at all subsidiaries.
- Conducted review on fuel consumption on heavy equipment, light vehicles, as well as fuel efficiency of generators.

2016 Audit Plan

Activities, which will be carried out by the Internal Audit in 2016 include the three subsidiaries engaged in coal mining, namely ABN, IM and TMU with an addition of PKU, which is engaged in palm plantations.

Public Accountant

The appointment of the Public Accountant refers to the decision of the Annual GMS dated 16 April 2015, which granted the authority to the Board of Commissioners to appoint a Public Accountant registered with OJK to audit the financial statements of the Company for the fiscal year ended on 31 December 2015. Based on this authority, in accordance with Board of Commissioners Circular Decision dated 1 November 2015 in lieu of Board of Commissioners Meeting, the Board of Commissioners appointed the Public Accountant Office of Purwantoro, Sungkoro & Surja, a member firm of Ernst & Young Global Limited, to conduct an audit on the Consolidated Annual Financial Statements for the fiscal year ended 31 December 2015.

The following table presents the details of information related to Public Accountant in the last three years:

Year	Public Accountant Office	Accountant	Cost of Audit (in US$)	Audit Services and Others
2015	KAP Purwantoro, Sungkoro & Surja	Susanti	101,667	Audit of Annual Financial Statements
2014	KAP Purwantoro, Suherman & Surja	E. Batara Manurung	128,000	Audit of Annual Financial Statements
2013	KAP Purwantoro, Suherman & Surja	Agung Purwanto	135,000	

Risk Management

The dynamics of the world coal market demands the Company to always be anticipatory and adapt to the changes and challenges that affect its business activities. The Company faces a greater risk exposure, requiring a careful plan to mitigate those risks.

Risk management initiatives within the Company seek the latest and comprehensive information for the Board of Directors and the management teams to anticipate risks as early as possible and take the appropriate mitigations. In implementation, the risk management function in the Company and the three subsidiaries is conducted by each division including for operational and non-operational activities, through a coordinated and integrated system that includes the identification, assessment, management, and monitoring of risk.

The Company has identified several major risks that must be managed properly so as not to open up negative and material impact on the business, financial, performance, and prospects of the Company. These risks are:

1. **Coal price fluctuation risk**
   The Company's operating income depends on the coal sales price, which refers to a fluctuating world coal price.

   The Company sells most of its coal production plans to quality buyers based on fixed price contracts.

2. **Fuel price risk**
   The Company faces the risk of fuel prices as a result of fuel price fluctuations and fluctuations in the cost of fuel supplied by the Company to the mining contractors. The increase in fuel prices could potentially have a detrimental impact on operating profit and operating margin of the Company.

The Company manages the fuel price risk due to fluctuations in world oil prices by hedging transactions on the projected amount of fuel required.

3. **Interest rate risk**
   Interest rate risk on cash flow is a risk in which the future cash flows of a financial instrument will fluctuate due to changes in the market interest rates. Exposures that exist today are mainly derived from long-term liabilities from syndicated bank loans with a floating interest rate, so it has the potential to incur cash flow risk for the Company.

   The Company manages the interest rate risk by using interest rate cap swap instruments during the syndicated bank loan period. With this instrument, the Company limits its exposure to the floating interest rates at a certain interest rate.

4. **Weather risk**
   Weather conditions in mining concession areas of the Company may affect the Company's mining activities significantly. All concession areas of the Company are located in East Kalimantan, which is an area strongly influenced by seasonal weather conditions. In general, dry weather conditions occur in the second and third quarter, more favorable for mining activity, whereas high levels of rainfall occurs between November and March.

   In general, the Company generally temporarily suspends the production process in the concession area during rain, for safety reasons.

Significant Legal Process

In 2015, there were no significant criminal/ civil cases or administrative sanctions faced by the Company, the Board of Commissioners, and the Board of Directors.

Whistleblowing System

The Company is still assessing the level of need for the enactment of a whistleblowing system as a means of delivering reports in the event someone find matters or actions that allegedly violate the law or the code of ethics of the Company. During this time, the Company has implemented an open door policy where the Board of Directors and the management teams are open to receive the complaints of employees and discuss the problems. In essence, the Company wishes to build a favorable working atmosphere by enforcing good work ethics.

2015 Annual Report

Corporate Social & Environmental Responsibility

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The Company's CSR policy, among others, opens opportunities for the community to be the workforces in the mines and plantations, allowing the presence of the Company to provide direct benefits to the communities. This also aids in the creation of self sufficiency and improvement in the communities' quality of living.

Corporate Social & Environmental Responsibility

The commitment of the Company to implement Corporate Social and Environmental Responsibility is in line with established plans and within the framework of sustainable development guidelines. The Company realizes that long-term sustainability will not be achieved only through the fulfillment of financial targets and financial performance, rather, business success will be realized if the Company is able to maintain a balance between the achievement of economic performance, social performance, and environmental performance (Profit, People, Planet). Economic value appropriately brings benefits to improve the quality of life of the surrounding communities as well as preserving the environment of the Company's operational mining areas.

As a mining company with a concession area of more than 7,000 hectares that adjoins communities in three districts in the Regency of Kutai Kartanegara, East Kalimantan, the Company is committed to encouraging economic empowerment of the communities in the vicinity of the mining locations. The Company wants to continue to grow and develop with the community, and develop a harmonious relationship. The Company also has the responsibility to restore the function of the environment and the ecosystem post-mining activities and to ensure that mined land can be planted with productive crops for the welfare of the community. Therefore, the presence of the Company will provide benefits and meet the expectations of the stakeholders, including the public.

The Company's CSR activities are carried out directly with the communities in the vicinity of the mine concessions of the subsidiaries, namely of PT Adimitra Baratama Nusantara (ABN), PT Indomining (IM), and PT Trisensa Mineral Utama (TMU), and palm oil Subsidiary PT Perkebunan Kaltim Utama I (PKU). CSR policies and directions are determined with due regard to the priority needs of the local communities and the ability of the Subsidiaries.

The Company's CSR policy includes providing the opportunity for the community to become the workforce in the mining and plantation areas so that the presence of the Company in the region can provide direct benefits to the people. This is to encourage the creation of self-sufficiency and the improvement of living standards of the community. Along with the contractors and sub-contractors, in 2015 the Company employed local workforces from the Districts of Sangasanga, Loa Janan, and Muara Jawa, the Regency of Kutai Kartanegara, meeting approximately 65.0% of employment needs, while the remaining 35.0% are from outside of those districts.

CSR ACTIVITIES IN 2015

The Company's CSR activities during 2015 are categorized into four fields, namely:

1. The Environment, including the Company's efforts for the preservation and management of the environment, including rehabilitation of mined out area and revegetation, monitoring the quality of water, dirt, noise, and waste.
2. Social, including efforts to improve the quality of education, public health, improvement of infrastructure, as well as community empowerment.
3. Employment practice, including efforts to address the concerns and develop employee skills to avoid and minimize employees' health risks and work accidents.
4. Product responsibility.

Total cost of CSR activities disbursed by the Company and Subsidiaries in 2015 amounted to US$ 4.9 million, a decrease of 21.0% compared to the US$ 6.2 million for CSR activities in 2014.

1. Environment

Policy

The Company always prioritizes environmental preservation in all mining activities. Mining and operational activities refer to the appropriate technical rules or "green mining", starting from the planning stage that internalizes safety and environmental preservation prerequisites.

Corporate Social & Environmental Responsibility

This is managed in the environmental management system, for which ABN has met the ISO14001:2004 standards certified from independent institution Lloyd's Register Quality Assurance Ltd on 28 August 2014. TMU has met the ISO14001:2004 + Cor 1:2009 Certification standards from independent institution DQS GmbH on 23 August 2015.

The Company's commitment towards environmental protection is expressed in the Health, Safety and Environment (K3LH) Policy, which was issued by the Subsidiaries to declare their commitment to implement the K3LH system in an integrated and planned manner so as to minimize risks of all activities. One way to achieve that objective is by striving to preserve the environment and to minimize environmental damage and pollution.

Activity Implementation
Environmental assessment and monitoring activities conducted by the Subsidiaries during 2015 were carried out at all monitoring and management points. as outlined in the daily, monthly, quarterly, and biannual plan, namely:

- Monitoring of pH and waste water debit of settling pond (daily).
- Examination of waste water of settling pond (monthly).
- Soil fertility test (quarterly).
- Ambient air test (quarterly).
- Exhaust emission test (quarterly).
- Noise test (quarterly).
- Bodies of water/ River test (quarterly).

All assessment and monitoring activities in 2015 were implemented as planned.

Reclamation (arrangement of areas under cultivation) and revegetation (planting) activities performed at mine sites include the revegetation of mined-out areas, out-pit dump areas, in-pit dump areas, and top soil-stock areas. Replanting can be in the form of planting standing trees or cover crops, depending on the condition of each region being restored. Up to 2015, the Company and its Subsidiaries have planted more than 119,900 trees.

Award
PROPER is an award for environmental management granted by the Ministry of Environment in order to encourage performance by the people in charge of the business, which includes the legality and permits of the Company (AMDAL, HGU, and others), efforts to control air, water and soil pollution, B3 waste management, and the Company's CSR activities.

In 2015, ABN successfully received the Gold Rating Certificate in Performance Rating Program in Environmental Management (PROPER), which was granted by the Governor of East Kalimantan on 5 June 2015. The Gold Rating is the highest rating in PROPER.

In the same year, IM and TMU obtained the Blue Rating Certificate in PROPER. The Blue Rating has been achieved for 4 consecutive times by IM since 2012. The Blue Rating is "good level", granted to companies that have implemented control efforts to curb pollution and prevent damage to the environment and implements clean production and have achieved results in line with the minimum requirements as set out in the prevailing regulations.

2. Social

Policy
CSR programs in the social field are being continuously improved for the activities that encourage community empowerment and enabling them to work independently.

Activity Implementation
a. Community Empowerment
In 2015, ABN implemented various activities related to community empowerment, among others:

- Development Business Group (KUB) Sub-district of Java and Pendingin through the construction and operations of the UKM Center shop, next to the Sangasanga district office, as a place to sell souvenirs and KUB products. Proceeds from product sales by the women of KUB have become an additional source of family income.
- KUB product marketing promotions through UKM Product Exhibitions of the Kutai Kartanegara Regency in 2015 obtained the 1st place award for the booth and product of "Gula Gait".
- Development of Digital Printing Kiosk for HIPENSA members by producing souvenirs such as screen-printing, pins, and mugs, marketed through the UKM Center.
- Development of integrated farm businesses, including cattle, breeding of ducks and chickens, as well as fish breeding with tarp pools, through coordination and cooperation with the Department of Animal Husbandry.
- Business development of dragon fruit plantations and vegetable crops with the verticulture methods, among others by

utilizing Company land already made available. Simultaneously, the planting of green plants for animal feed in the form of elephant grass also continues to be carried out.

In 2015, IM designed a program for "etawa" hybrid goat raising on a rolling basis. This program is implemented gradually by involving the community in the Pendingin Village actively, as follows:

- Breeding of 53 "etawa" hybrid goats, with 4 male goats and 39 female.
  Oversight goats by the Department of Animal Husbandry, making goat manure for crop fertilization purposes in the reclamation and revegetation areas, provision of herd concentrates and routine monthly meetings for the breeders.
- Arrangement of animal treatment system, in collaboration with the Department of Animal Husbandry and Animal Health and livestock groups, minimizing livestock deaths due to illness.
- Monthly reports on the number and conditions of livestock.

In addition, catfish farming with the tarp pool method has also been commenced for fisheries groups located in RT 5 located in the Sangasanga Dalam Village, with the following stages:

- Procurement of 2 tarp pools sized 3x5 meters each, and acquiring 3,000 sangkuriang catfish fry per group.
- Cooperate with the Marine and Fisheries Agency to help monitor water quality and fish health.
- Conduct fish harvesting with results sold directly, as well as the manufacture of snack food products made from catfish, in cooperation with the PKK of Sangasanga Dalam village.
- Organize catfish processing training into chips and shredded fish for the PKK of Sangasanga Dalam village.

A program also developed in 2015 is the community farmland program, namely composting training for farmers and the manufacturing of agricultural land trials with the following details:

- Recipients of the program are the farmer groups in the Sangasanga Dalam Village and Pendingin Village.
- After acquiring ability to perform composting independently, and as the compost has been tested to the crops, the farmers managed to harvest 600 kg of cucumbers.
- Farmers sell the compost that has been packed with the price of Rp 12,000/5 kg.
- Compost products manufactured by the farmers have been exhibited at the 2015 Kaltim Expo.

b. Education

The activity of ABN in the education sector emphasizes increasing outside of school skills. ABN activities in the education sector include:

- Community skills development program through entrepreneurship training for youth and alumni of BLK.
- Increased creativity of early childhood/ kindergarten teachers, among others through training materials, Komik Pancasila fairytale activity, and participation in the celebration of Mother's Day.
- Establishment of the Scholars Development Program as a forum for guidance and support to students with outstanding achievement and high potential to participate in various contests and competitions at the district/provincial level.
- Provision of scholarships for employees' children who excel in college.

In the education sector, the IM college scholarship program, which has been implemented since 2011, continued and ended in 2015. The number of students receiving the program from 2011 amounted to 6 people, all citizens of the Sangasanga District. The Rp 3,000,000 scholarship was granted each semester on the condition that the recipients obtained a minimum GPA of 3.00.

Other educational assistance programs continued by IM in 2015 are:

- Routine operational assistance for the Mulia Playgroup, Pendingin Village in the amount of Rp 1,125,000 per month and salary assistance for the teachers of Al Falah Islamic Elementary School of the Pendingin Village, which amounted to Rp 750,000 each for 2 teachers.
- Kindergarten teacher training in April 2015 for all kindergarten and playgroup teachers in the District of Sangasanga. Speakers came from the Noah School Jakarta on classroom management (model class center) and early childhood teaching techniques.
- 5 outdoor game coaching for the Aisyiyah Bustanul Athfal (ABA) kindergarten, which is located in the Village of Sangasanga Dalam.

Corporate Social & Environmental Responsibility

- School bus transportation facilities for students, who live in the Pendingin Village to their respective schools outside the Pendingin Village area. The vehicles are provided and operated by local entrepreneurs, in which IM then pays the rent of the buses, including fuel, maintenance and driver.

c. Health

ABN:
In 2015, ABN activities in the sector of health that were carried out in a routine and sustainable manner were:

- Free treatment for the residents in the village of Jawa, Pendingin, Sangasanga Dalam, and Muara Kembang. The treatment was organized regularly every month, including the checking of blood pressure, blood sugar, cholesterol, and uric acid, as well as the provision of free medications in accordance with the check results.
- Posyandu revitalization program through medical examinations and the regular provision of supplementary food to 16 infant and toddler Posyandus as well as at 4 elderly Posyandus.

IM:
In 2015, IM continued to support the fulfillment of nutritional needs of infants and toddlers in the areas surrounding the Company. The assistance is in the form of supplementary food (biscuits) for infants and toddlers as well as milk boxes that are channeled through the Harapan Ibu Posyandu in RT 22 and Teratai Posyandu in RT 23, Sangasanga Dalam Village.

TMU:
In 2015, TMU activities in the health sector were the provision of an ambulance for the people in the Tani Harapan Village and Batuah Village, District of Loa Janan, Sangasanga, as well as the provision of Help Center (Pusban) as a health services center for the local residents.

d. Public Facilities and Infrastructures
In 2015, ABN assisted in a sustainable clean water management program to meet the primary needs of the community, including through:

- Provision of clean water that is given every month for the duration of the assistance period in the form of prepaid electricity vouchers for a water pump at RT 8 in the Jawa Village.
- Construction of wellbore for RT 7 in the Jawa Village through the provision of boreholes and water installation while the installation was carried out collaboratively with the community in order to develop a sense of ownership and responsibility.

In 2015, IM provided clean water assistance facilities and infrastructure for the the residents of the Pendingin and Sangasanga Dalam Village. This included among others, a water reservoir in

accordance to the needs of the society, as well as routine assistance for the operation of water pumps for the residents of RT 02 in the form of prepaid electricity vouchers in the amount of Rp 350,000 per month.

For the prevention of floods in the residential area, IM continued with trench repair and maintenance program in RT12/ 12A, 19, 20, 21, 22, 23 of the Sangasanga Dalam Village, with a labor-intensive scheme for residents in the vicinity of the Company, also beneficial in forming a sense of responsibility for the cleanliness in their respective environments.

In 2015, TMU assisted in the provision of a spectator tribune in the community's football field in Batuah Village, which serves as a public facility for the people at sporting activities, particularly football.

3. Employment Practice

Policy

Occupational Health and Safety (K3) is one of the factors for the success of the mining operations. The Company seeks to create a safe working environment in order to achieve optimal productivity. To that end, each employee must adhere to the policies and standard operating procedures relating to K3 to minimize the occurrence of incidents, work accidents, nearmisses, and occupational diseases. Every employee is required to create and maintain job security, wear Personal Protective Equipment (APD), and Work Safety Equipment (APK) in accordance with requirements. The procurement of APD is conducted continuously, as well as periodic replacement for damaged APD.

To ensure the implementation of the K3 standards in a disciplined manner and to demonstrate the commitment to the implementation of safe mining activities, ABN adopted K3 management system standard (SMK3) OHSAS 18001: 2007, which was accredited by independent body Lloyd's Register Quality Assurance on 28 August 2014. In the case of TMU, as a result of the established coal mining K3 management system quality improvement, TMU has successfully met the BS OHSAS 18001: 2007 standards, which was certified by independent agency DQS GmbH, received on 23 August 2015.

Activity Implementation

In 2015, TMU carried out various safety programs, among others, safety campaigns, namely the installation of signs in areas prone to accidents, fatigue monitoring, as well as accident investigation and analysis. Safety Committee Meetings are organized regularly every week to raise awareness and change behavior to put occupational safety and health as first priority. Emergency response simulations and various training to support K3 for supervisors are also conducted.

Corporate Social & Environmental Responsibility

To ensure equipment safety, the K3 team participated in commissioning heavy equipment units as a preventive measure to prevent operational disruptions. Meanwhile, to ensure safety, the K3 Team periodically performs the SIM-PER (Permit to Operate Company Unit) examination to ensure that equipment operators operating at the mine have the SIM-PER

4. Product Responsibility

Policy

The Company does not produce consumer products that are consumed by the public. Therefore, the Company has no responsibility for product safety features generally applied to consumer goods with respect to the safety and well-being of consumers. However, the Company is committed to delivering high-quality thermal coal to the customers, based on the specifications as per the contract with the buyer.

Activity Implementation

Similar to the previous year, in 2015, the coal was analyzed by an independent laboratory located in each concession area and in stockpiles as well as the barge facilities to ensure that the Company's products conform to the specifications listed in contracts and is free from impurities. The Company's laboratory also conducts testing on proximate analysis, total water content, total sulfur content, calorific value, ash content, and relative density tests.

Quality control and sampling is supervised by PT Sucofindo (Persero), a surveyor and independent laboratory service provider whose services are generally used by major coal producers in Indonesia. The Company's coal supply contracts generally specify coal specification targets.

Success Story of PT Indomining CSR Team Business Group's Coaching

One of the CSR programs of PT Indomining for the local communities living in the vicinity of the mining area has yielded benefits, namely by the Business Group (KUB), in the Etawa Goat Ranch. KUB is chaired by Mr. Supajar for one year, a breeder farmer from Sangasanga, Kutai Kartanegara, East Kalimantan. Initiated from a visit by a group of livestock farmers to offer ranch products to Mr. Tommy Z.S. of the Community Development Division of PT Indomining, Mr. Tommy, on the contrary, offered to contribute a total of 6 goats and then added another 19 goats to a total of 24 goats for breeding by the KUB. Indeed, the farmers were delighted and agreed to be KUB under the guidance of PT Indomining.

The benefits received by farmers after being coached by PT Indomining, namely include the manure produced from the etawa goats, which can be used as fertilizer for local farmers' crops. Prior to the presence of the etawa goat farm, farmers had to pay for the purchase of plant fertilizers. In addition, manure also serves as another source of income because it can be sold to farmers outside of the KUB. Marketing of the fertilizer is assisted by the Indomining Community Development Team.

In addition to manure that is used for crops belonging to the KUB livestock farmers, the manure is also used by the Community Development Team of PT Indomining for the crops in the areas of mine reclamation. Another benefit received is the addition of income for the KUB livestock farmers through pure milk from the etawa goats. The farmer sells the goat milk per 300 ml at a price of Rp 50.000, -. This adds the income of the coached livestock farmers, helping to improve the livelihoods of communities around the mining areas.

Responsibility for Annual Report

STATEMENT LETTER
Of the Board of Commissioners' and the Board of Directors' Responsibilities on the Annual Report 2015 of PT Toba Bara Sejahtra Tbk.

We, the undersigned, hereby declare that all information in this Annual Report of PT TOBA BARA SEJAHTRA Tbk. for the year 2015 is presented in full and we attest to the integrity of the contents of the Annual Report of the Company. In witness thereof, this statement is made truthfully.

Jakarta, March, 2016

Board of Commissioners

Jusman Syafii Djamal
President Commissioner

Bacelius Ruru
Independent Commissioner

Farid Harianto
Independent Commissioner

Board of Directors

Justarina S. M. Naiborhu
President Director/Director Unaffiliated

Pandu P. Syahrir
Director

Arthur M. E. Simatupang
Director

Sudharmono Saragih
Director

2015 Annual Report

Financial Report

PT TOBA BARA SEJAHTRA TBK
and its subsidiaries

Consolidated financial statements as of December 31, 2015 and for the year then ended with independent auditors' report

PT TOBA BARA SEJAHTRA TBK

SURAT PERNYATAAN DIREKSI
TENTANG
TANGGUNG JAWAB ATAS
LAPORAN KEUANGAN KONSOLIDASIAN
TANGGAL 31 DESEMBER 2015 DAN 2014
DAN 1 JANUARI 2014/31 DESEMBER 2013
PT TOBA BARA SEJAHTRA TBK
DAN ENTITAS ANAK

DIRECTORS' STATEMENT LETTER
RELATING TO
THE RESPONSIBILITY ON
THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2015 AND 2014
AND JANUARY 1, 2014/DECEMBER 31, 2013
PT TOBA BARA SEJAHTRA TBK
AND SUBSIDIARIES

Kami yang bertanda tangan di bawah ini: *We, the undersigned:*

Nama	Justarina Naiborhu	*Name*
Alamat Kantor	Gedung Wisma Bakrie 2 Lt. 16 Jl. HR. Rasuna Said Kav. B-2 Jakarta 12920, Indonesia	*Office Address*
Alamat Domisili	Jl. Cibulan 8016 RT.004/RW.006 Kebayoran Baru Jakarta Selatan	*Residential Address*
Nomor Telepon	+62 21 57945779	*Telephone*
Jabatan	Direktur Utama/President Director	*Title*

dan/and

Nama	Pandu Patria Syahrir	*Name*
Alamat Kantor	Gedung Wisma Bakrie 2 Lt. 16 Jl. HR. Rasuna Said Kav. B-2 Jakarta 12920, Indonesia	*Office Address*
Alamat Domisili	Jl. Sukabumi No. 15 RT 002/RW 007 Menteng Jakarta Pusat	*Residential Address*
Nomor Telepon	+62 21 57945779	*Telephone*
Jabatan	Direktur/Director	*Title*

menyatakan bahwa: *Declare that:*

1. Kami bertanggung jawab atas penyusunan dan penyajian laporan keuangan konsolidasian;
2. Laporan keuangan konsolidasian telah disusun dan disajikan sesuai dengan Standar Akuntansi Keuangan di Indonesia; dan
   a. Semua informasi dalam laporan keuangan konsolidasian Perusahaan telah dimuat secara lengkap dan benar.
   b. Laporan keuangan konsolidasian Perusahaan tidak mengandung informasi atau fakta material yang tidak benar, dan tidak menghilangkan informasi atau fakta material.
4. Kami bertanggung jawab atas sistem pengendalian intern Perusahaan dan Entitas Anak.

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 Standards; and*
   a. *All information has been fully and correctly disclosed in the Company's consolidated financial statements;*
   b. *The Company's consolidated financial statements do not contain false material information or facts, nor do they omit material information or facts.*
4. *We are responsible for the Company's and Subsidiaries' internal control system.*

PT TOBA BARA SEJAHTRA TBK

Demikian pernyataan ini dibuat dengan sebenarnya. *This statement is made truthfully.*

Atas nama dan mewakili Direksi/For and on behalf of the Board of Directors

Justarina Naiborhu
Presiden Direktur/*President Director*

Pandu Patria Syahrir
Direktur/*Director*

Jakarta
23 Maret/March 2016

Purwantono, Sungkoro & Surja

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Tower 2, PT Ltd.
Jl. Jend. Sudirman Kav. 52-53
Jakarta 12190, Indonesia

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Fax. +62 21 5289 [illegible]
ey.com/id

The original report included herein is in Indonesian language.

Laporan Auditor Independen

Laporan No. RPC-603/PSS/2016

Pemegang Saham, Dewan Komisaris dan Direksi
PT Toba Bara Sejahtra Tbk

Kami telah mengaudit laporan keuangan konsolidasian PT Toba Bara Sejahtra Tbk dan entitas anaknya terlampir, yang terdiri dari laporan posisi keuangan konsolidasian tanggal 31 Desember 2015, serta laporan laba rugi dan penghasilan komprehensif lain, laporan perubahan ekuitas, dan laporan arus kas konsolidasian untuk tahun yang berakhir pada tanggal tersebut, dan suatu ikhtisar kebijakan akuntansi signifikan dan informasi penjelasan lainnya.

Tanggung jawab manajemen atas laporan keuangan

Manajemen bertanggung jawab atas penyusunan dan penyajian wajar laporan keuangan konsolidasian tersebut sesuai dengan Standar Akuntansi Keuangan di Indonesia, dan atas pengendalian internal yang dianggap perlu oleh manajemen untuk memungkinkan penyusunan laporan keuangan konsolidasian yang bebas dari kesalahan penyajian material, baik yang disebabkan oleh kecurangan maupun kesalahan.

Tanggung jawab auditor

Tanggung jawab kami adalah untuk menyatakan suatu opini atas laporan keuangan konsolidasian tersebut berdasarkan audit kami. Kami melaksanakan audit kami berdasarkan Standar Audit yang ditetapkan oleh Institut Akuntan Publik Indonesia. Standar tersebut mengharuskan kami untuk mematuhi ketentuan etika serta merencanakan dan melaksanakan audit untuk memperoleh keyakinan memadai tentang apakah laporan keuangan konsolidasian tersebut bebas dari kesalahan penyajian material.

Independent Auditors' Report

Report No. RPC-603/PSS/2016

The Shareholders, Boards of Commissioners and Directors
PT Toba Bara Sejahtra Tbk

We have audited the accompanying consolidated financial statements of PT Toba Bara Sejahtra Tbk and its subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2015, and the consolidated statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on such consolidated financial statements based on our audit. We conducted our audit in accordance with Standards on Auditing established by the Indonesian Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether such consolidated financial statements are free from material misstatement.

[illegible]

The original report included herein is in Indonesian language.

Laporan Auditor Independen (lanjutan)

Laporan No. RPC-603/PSS/2016 (lanjutan)

Tanggung jawab auditor (lanjutan)

Suatu audit melibatkan pelaksanaan prosedur untuk memperoleh bukti audit tentang angka-angka dan pengungkapan dalam laporan keuangan. Prosedur yang dipilih bergantung pada pertimbangan auditor, termasuk penilaian atas risiko kesalahan penyajian material dalam laporan keuangan, baik yang disebabkan oleh kecurangan maupun kesalahan. Dalam melakukan penilaian risiko tersebut, auditor mempertimbangkan pengendalian internal yang relevan dengan penyusunan dan penyajian wajar laporan keuangan entitas untuk merancang prosedur audit yang tepat sesuai dengan kondisinya, tetapi bukan untuk tujuan menyatakan opini atas keefektivitasan pengendalian internal entitas. Suatu audit juga mencakup pengevaluasian atas kelepatan kebijakan akuntansi yang digunakan dan kewajaran estimasi akuntansi yang dibuat oleh manajemen, serta pengevaluasian atas penyajian laporan keuangan secara keseluruhan.

Kami yakin bahwa bukti audit yang telah kami peroleh adalah cukup dan tepat untuk menyediakan suatu basis bagi opini audit kami.

Opini

Menurut opini kami, laporan keuangan konsolidasian terlampir menyajikan secara wajar, dalam semua hal yang material, posisi keuangan konsolidasian PT Toba Bara Sejahtra Tbk dan entitas anaknya tanggal 31 Desember 2015, serta kinerja keuangan dan arus kas konsolidasiannya untuk tahun yang berakhir pada tanggal tersebut, sesuai dengan Standar Akuntansi Keuangan di Indonesia.

Independent Auditors' Report (continued)

Report No. RPC-603/PSS/2016 (continued)

Auditors' responsibility (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the 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 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 consolidated financial position of PT Toba Bara Sejahtra Tbk and its subsidiaries as of December 31, 2015, and their consolidated financial performance and cash flows for the year then ended, in accordance with Indonesian Financial Accounting Standards.

Purwantono, Sungkoro & Surja

Susanti
Registrasi Akuntan Publik No. AP.0705/*Public Accountant Registration No. AP.0705*

23 Maret 2016/*March 23, 2016*

PT TOBA BARA SEJAHTRA Tbk
DAN ENTITAS ANAKNYA
LAPORAN POSISI KEUANGAN
KONSOLIDASIAN
Tanggal 31 Desember 2015
(Disajikan dalam Dolar Amerika Serikat,
kecuali dinyatakan lain)

PT TOBA BARA SEJAHTRA Tbk
AND ITS SUBSIDIARIES
CONSOLIDATED *STATEMENT OF*
FINANCIAL POSITION
As of December 31, 2015
(Expressed in United States Dollar,
unless otherwise stated)

	Catatan/ Notes	31 Desember/ *December 31,* 2015	31 Desember (Disajikan kembali - Catatan 4)/ *December 31, (As restated - Note 4)* 2014	1 Januari (Disajikan kembali - Catatan 4)/ *January 1, (As restated - Note 4)* 2014	
ASET					**ASSETS**
ASET LANCAR					***CURRENT ASSETS***
Kas dan setara kas	2f,2h,5	45.543.791	47.838.767	63.301.639	*Cash and cash equivalents*
Piutang usaha					*Trade receivables*
Pihak ketiga	2f,2v,3,6	20.902.469	10.721.711	16.596.657	*Third parties*
Pihak berelasi	2g,2f,2v,6,36a	–	576.709	1.157.419	*Related parties*
Piutang lain-lain					*Other receivables*
Pihak ketiga	2f,2v,7	5.625.019	5.968.015	6.396.865	*Third party*
Persediaan	2j,8	21.711.466	41.963.307	32.389.958	*Inventories*
Pajak dibayar di muka	2u,18a	497.842	12.422	6.791.548	*Prepaid taxes*
Biaya dibayar di muka	2l,9a	696.201	1.387.867	1.197.432	*Prepaid expenses*
Uang muka	2l,9b	1.333.324	2.471.810	1.395.027	*Advances*
Piutang derivatif	2e,2v,35	209.064	552.308	–	*Derivative receivables*
Total Aset Lancar		96.509.176	111.494.756	129.230.555	***Total Current Assets***
ASET TIDAK LANCAR					***NON-CURRENT ASSETS***
Piutang lain-lain –	2f,2g,2v,7,36b				*Other receivables -*
Pihak berelasi		27.925.531	29.627.761	30.789.323	*Related parties*
Pihak ketiga		414.771	–	–	*Third parties*
Biaya dibayar di muka	2l,9a	888.607	903.418	968.229	*Prepaid expenses*
Uang muka	2l, 9b,36c	7.983.047	4.533.238	807.083	*Advances*
Estimasi tagihan pajak	2u,18a	630.861	–	748.385	*Estimated claims for tax refund*
Tanaman perkebunan					*Plantations*
Tanaman menghasilkan	2n,10	14.071.695	15.889.338	13.105.673	*Mature plantations*
Tanaman belum menghasilkan	2n,10	80.554	67.150	3.710.340	*Immature plantations*
Aset tetap	2k,11	48.848.826	47.921.110	49.052.780	*Fixed asset*
Aset eksplorasi dan evaluasi	2n,12	4.846.532	4.846.532	4.842.009	*Exploration and evaluation assets*
Aset pertambangan	2n,2r,13	70.541.243	74.630.632	71.904.619	*Mine properties*
Goodwill	2c,2d,14	3.523.795	3.523.795	3.523.795	*Goodwill*
Aset pajak tangguhan	2u,18d	2.780.163	3.388.474	1.521.125	*Deferred tax assets*
Aset tidak lancar lainnya	22	3.396.835	3.714.554	1.489.364	*Other non-current assets*
Total Aset Tidak Lancar		185.862.461	189.246.002	182.442.545	***Total Non-current Assets***
TOTAL ASET		282.371.637	300.740.758	311.673.100	***TOTAL ASSETS***

Catatan atas laporan keuangan konsolidasian terlampir merupakan bagian yang tidak terpisahkan dari laporan keuangan konsolidasian secara keseluruhan.

The accompanying notes to the consolidated financial statements here are integral part of these consolidated financial statements taken as a whole.

Strengthening Resilience for Sustainable Growth

2015 Annual Report

PT TOBA BARA SEJAHTRA TBK
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