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Growing and Evolving
Under Challenging Conditions

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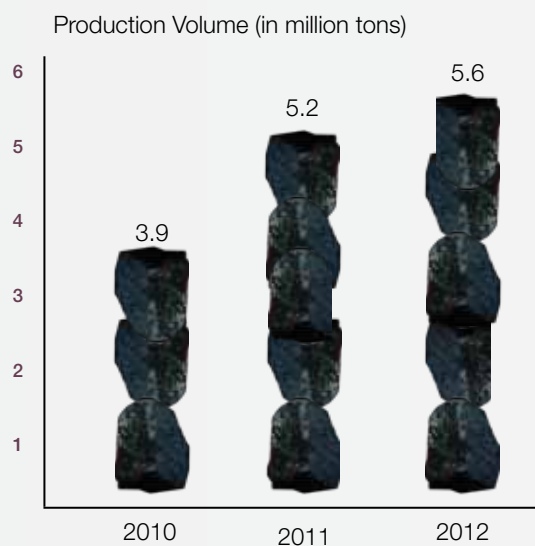
PT Toba Bara Sejahtera Tbk
(Toba Bara/the Company)
capped the year 2012 with
a successful share listing, a
committed drive to be one
of the most competitive coal
producers, as well as having
a vision to pursue long-term
sustainable growth through
the integrated development
of the Company's coal
assets.



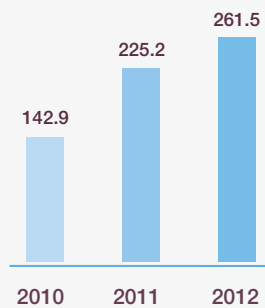
Financial Highlights

(in United States Dollar/US\$)

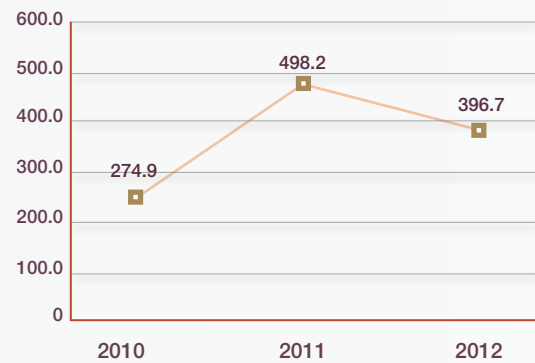
	2012	2011	2010
Sales	396,685,875	498,190,177	274,871,750
Gross Profit	48,150,372	190,202,268	99,836,057
Operating Profit	21,083,331	156,532,532	77,794,711
Total Comprehensive Income for the Year	12,003,100	115,144,894	58,148,077
Total Comprehensive Income Attributable to Equity Holders of the Parent Entity	3,269,250	57,639,973	858,132
Basic Earnings per Share	0.0032	427.5325	13.6660
Current Assets	106,512,473	110,747,014	71,464,126
Non-Current Assets	155,014,027	114,499,071	71,456,447
Total Assets	261,526,500	225,246,085	142,920,573
Current Liabilities	140,537,280	122,782,483	62,354,630
Non-Current Liabilities	10,044,913	43,340,683	35,706,795
Total Liabilities	150,582,193	166,123,166	98,061,425
Total Equity	110,944,307	59,122,919	44,859,148
Total Liabilities and Equity	261,526,500	225,246,085	142,920,573
Gross Profit Margin	12%	38%	36%
Operating Profit Margin	5%	31%	28%
Comprehensive Income for the Year Margin	3%	23%	21%
Return on Assets	0.0	0.5	0.4
Return on Equity	0.1	1.9	1.3
Current Ratio	0.8	0.9	1.1
Total Liabilities to Total Equity	1.4	2.8	2.2
Total Liabilities to Total Assets	0.6	0.7	0.7
Production Volume (in millions of tons)	5.6	5.2	3.9
Overburden (x)	14.9	12.7	10.0
Sales Volume (in millions of tons)	5.5	5.5	4.2



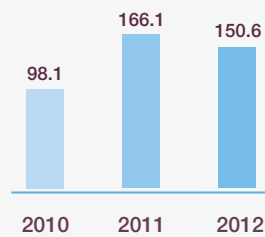
Total Assets (Million US\$)



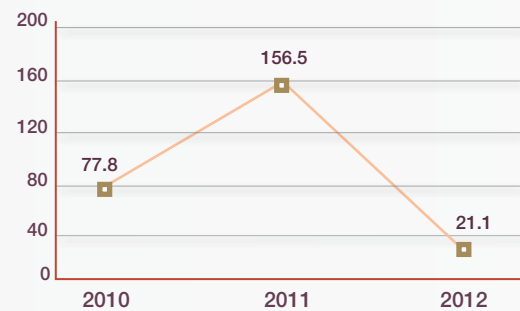
Sales (Million US\$)



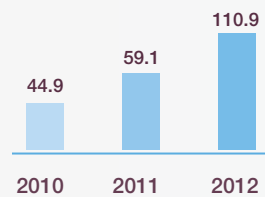
Total Liabilities (Million US\$)



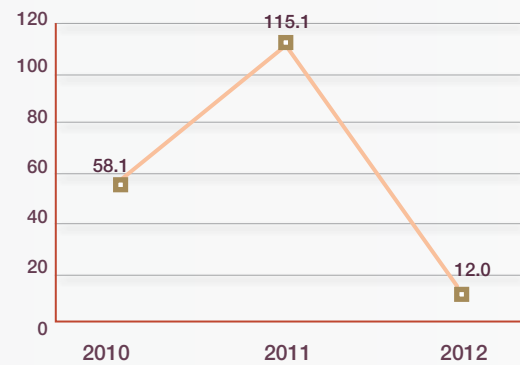
Operating Profit (Million US\$)



Total Equity (Million US\$)



Comprehensive Income (Million US\$)



Introduction

The Company is a holding company for PT Adimitra Baratama Nusantara (ABN), PT Indomining (IM) and PT Trisensa Mineral Utama (TMU), three coal companies with adjacent concession areas located in Sanga-Sanga, Loa Janan and Muara Jawa, respectively, Kutai Kartanegara regency in the province of East Kalimantan. The ABN and IM concession areas are situated less than 5 kilometers from their respective self-owned jetties on the Mahakam River delta, which provide access to transshipment points in Muara Jawa and Muara Berau. The total concession areas of all three mines are approximately 7,087 hectares.

B

ased on the JORC Reports, the Company's coal reserves are estimated to be 147 million tons and the Company's coal resources are estimated to be 236 million tons. The coal reserves and resources in the Company's concession areas include various grades of thermal coal.

To date, ABN produces coal with calorific value of 5,200 GAR and 5,800 GAR. In 2013, the plan is to have more than 80% of the coal produced by ABN with a calorific value above 5,600 GAR,

whereas coal production from the two other mines is expected to range between 4,700 GAR and 5,800 GAR.

Currently, a majority of the Company's coal is sold to coal trading companies, which in turn is primarily supplied to power companies in Asian countries including South Korea, Taiwan, China, India, Japan, Malaysia and others. In the future the Company will also actively market its coal to end users in various countries.



Solid growth record through production increase

From 2008 to 2012, coal production by the Company's three operating subsidiaries posted annual consolidated increases from 0.8 million tons in 2008 to 5.6 million tons in 2012. Going forward, the Company plans to continue increasing its coal production in line with market opportunities. The Company succeeded in increasing its annual coal production by 7.7% in 2012 under challenging coal market conditions. With the commencement of production by TMU in October 2011, TMU is expected to contribute more in the years to come.



Coal producer with a competitive operating cost.

The Company believes that the locations of the coal concessions of its three operating subsidiaries allow for the production of coal at a competitive cost.

The Company's coal concession areas are located adjacent to each other, enabling the Company to integrate joint mine plan collectively in the three concession areas. The Company can also compare mining contractors, mining operations, quality controls, maintenance planning, external relations and human resources between the three concession areas.

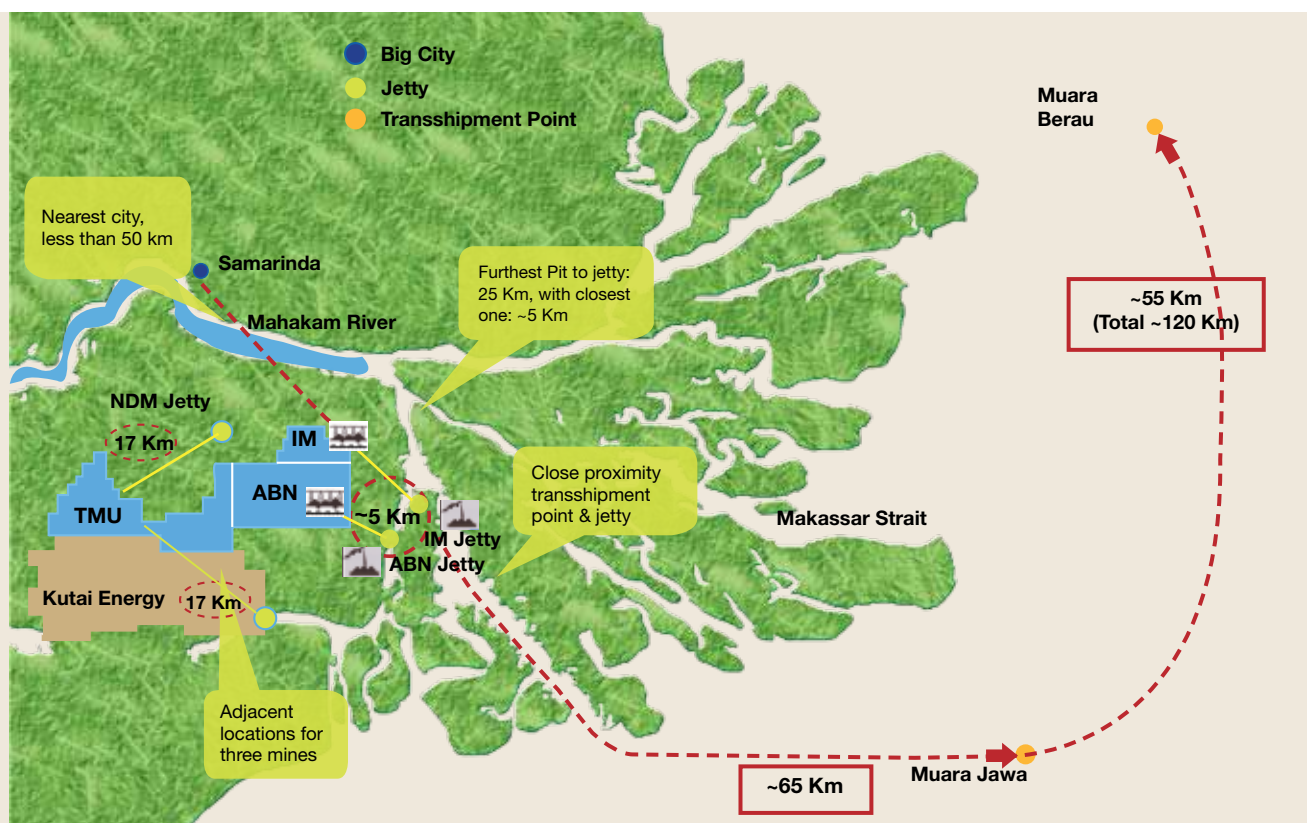
Through various synergies, the Company is able to progressively improve and optimize its operational systems gradually, which the Company believes have resulted in economies of scale and cost reductions, while also sharing infrastructures to reduce cost. TMU will be able to use the infrastructure of IM upon the completion of construction of the new haul road by early second semester 2013. Considering that the concession areas are near jetty and transshipment point, the Company can expect to reduce hauling cost.



Substantial reserves and resources to support future growth

The Company has concession areas at different stages of development which have significant growth potential. ABN and IM, which commenced their production in September 2008 and August 2007, respectively, have well-developed infrastructure in their concession areas. TMU commenced production in October 2011. The Company's concession areas have estimated JORC proved and probable reserves of 86 million tons and 61 million tons, respectively, and estimated JORC measured, indicated and inferred resources of 105 million tons, 88 million tons and 43 million tons, respectively.

The Company stands to increase the number of its proven and inferred reserves, since only around 52% of all its concession areas have been explored according to JORC standard.



Wide range of coal quality grades to meet customer requirements

The Company believes that its coal has been recognized by its customers in international markets for its high quality and reliable delivery. The Company has aggregate coal reserves of 147 million tons across its three concession areas, enabling it to produce various grades of coal to meet customer specifications. This provides the Company with an advantage in cost efficient blending of various coal products within its concession areas to enhance realized value per ton and to meet different customer requirements while optimizing utilization of its coal reserves and their inherent coal characteristics.



Strong relationships with multi-national customers

Toba Bara has developed strong ties with reputable coal traders including Vitol, Flame, Glencore, Peabody, Dragon Energy, Mercuria, Noble Group and Trafigura.

These coal traders help promote the Company's coal brands which are now recognized and pre-qualified to supply major power plants in Asia.



Strong sponsorship from an established major shareholder

Toba Sejahtra, the major shareholder of Toba Bara, has successful track records of acquiring and developing high quality coal assets, expanding operations and increasing production. Toba Sejahtra has succeeded in developing greenfield assets into productive assets at ABN. TMU was a company with a greenfield concession when it was acquired by Toba Bara in 2010 and it successfully commenced production in October 2011.

Coal Reserves and Resources

Based on the latest Joint Ore Reserves Committee (JORC), the coal reserves of the Company are estimated to reach 147 million tons, whereas its coal resources are estimated at 236 million tons. The coal reserves and resources throughout the Company's concession areas comprise of various thermal coal classes. The calorific values of the coal that is produced by the Company range from 4,700 GAR to 5,800 GAR. Currently, most of the Company's coal is sold to leading trading companies, although the Company also markets its coal to end-users in several Asian countries including Taiwan, India, China, South Korea and Japan.



The coal exploration activities at ABN and IM began in 2006, and at TMU in 2008. The area size that had been explored as of end 2012 using JORC standard amounted to 3,685 hectares, equivalent to 52% of total concession areas. This implies that the Company has the potential to increase its proven and inferred coal reserves based on JORC, as well as to expand its exploration activities to other parts of the concession areas.

Based on the latest JORC report, the Company has total coal reserves of 147 million tons, comprising of proven reserves of 86 million tons and inferred reserves of 61 million tons. The Company has also received JORC report stating measured resources of 105 million tons, indicated resources of 88 million tons, and inferred resources of 43 million tons.

Those coal reserve figures indicate that the Company has succeeded in transitioning greenfield projects to coal producing assets of considerable prospects.

The Company does not rely on exploration activities alone to increase the volume of reserves. To date, the Company has also proven its ability to acquire coal mine concessions that are eventually developed to produce coal in increasing volume within a relatively short period of time. The Company continues to evaluate available opportunities to acquire potential new reserves.

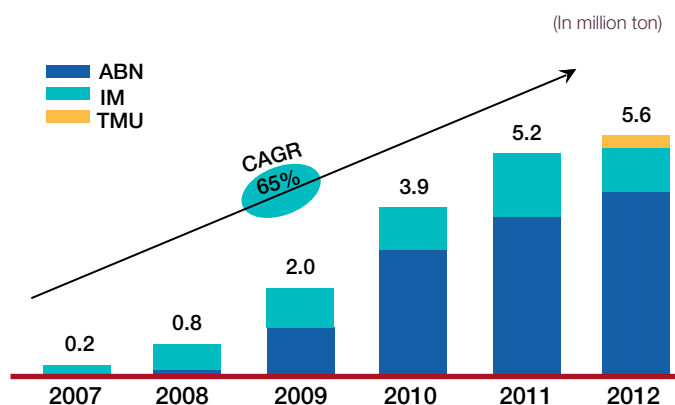
(Million ton)

Coal Reserves			
	Proven	Estimated	Total Reserves
ABN	70	47	117
Indomining	11	10	22
TMU	5	4	8
Total	86	61	147

(Million ton)

Coal Resources				
	Measured	Indicated	Inferred	Total Resources
ABN	73	70	13	156
Indomining	24	10	4	37
TMU	9	8	26	43
Total	105	88	43	236

Coal Production



In a relatively short period of time, the Company has successfully increased its coal production volume significantly, from 0.2 million tons in 2007 to 5.6 million tons in 2012, and expects to continue its growing production in the years ahead.

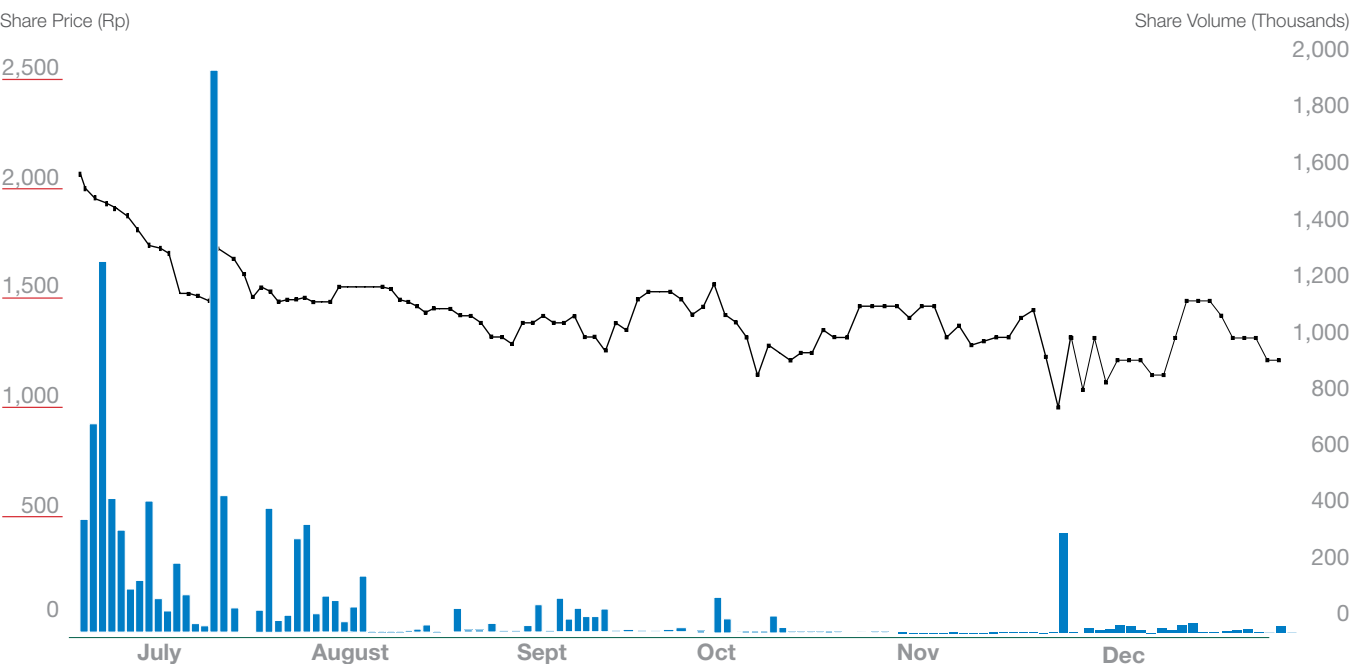


Coal Products

Concession Area	TM	Ash	TS	Calorific Value (kcal/kg)	
	(% GAR)	(% GAD)	(% GAD)	GAR	GAD
ABN					
ABN 52	25	7	0.8	5,200	5,800
ABN 55 - HS	20	6	1.8	5,500	6,000
ABN 55 - RS	20	6	0.8	5,500	6,000
ABN 58	19	6	0.9	5,800	6,250
IM					
Indomining	19	8	0.9	5,700	6,200
TMU					
Trisensa-47	28	5	0.4	4,700	5,400



Share Performance



Share Performance

	July-September	October-December
Highest Price (in Rp)	2,200	1,480
Lowest Price (in Rp)	1,350	1,060
Closing Price (in Rp)	1,460	1,270
Transaction Volume* (Unit)	59,628,000	2,382,000
Transaction Value* (in Rp)	118,443,462,320	3,123,300,000

Market capitalisation as of 28 December 2012 amounted to Rp2,556 billion.

* Cumulative Value

Dividend Policy

Based on Indonesian law, decision on dividend is made by shareholders through the General Meeting of Shareholders on the recommendation of the Board of Directors. The Company can announce the distribution of dividend annually if it has positive results. Prior to the closing of a financial year, interim dividend can be distributed, provided it is based on the Company's Articles of Association, and if the distribution of such interim dividend does not result in the Company's net assets to fall below the amount of fully subscribed and paid-in capital, and furthermore, the Company still meets the requirement for statutory reserves pursuant to the Limited Liability Company Law on compulsory reserve. The distribution of interim dividend is determined by the Board of Directors post securing approval from the Board of Commissioners.

The Company plans to pay cash dividend at least once a year. The amount of dividend is related to

the profit of the Company for the financial year, mindful of the financial condition of the Company, and without exempting the rights of the General Meeting of Shareholders of the Company to decide otherwise in accordance with the Company's Articles of Association and prevailing laws and regulations.

The Company aims to pay dividends in the amount of at least 30% of its consolidated profit for the year (less minority interests and other comprehensive income) since financial year 2012, while observing the compulsory reserve requirements pursuant to the Limited Liability Company Law. The amount of dividends to be distributed by the Company will depend on available cash flow, investment plans, liquidity condition, future business prospects and other factors that are deemed relevant by the Board of Directors and restrictions on the payment of dividends based on certain agreements.

The shareholders on the prevailing listing date have rights to certain full dividend that has been approved, subject to prevailing income tax law in Indonesia. Dividend payable to a shareholder of foreign national is subject to income tax of maximum 20% in Indonesia.

The Company's dividend policy constitutes a statement of intent at the present time, which is not binding by law, since the policy is subject to changes in line with the management policy of the Board of Directors.

2012 Event Highlights

June



The Company holds a public expose as part of a series of Company introduction to the public prior to its Initial Public Offering of Shares during the year.



Mr Pandu Syahrir, Director of the Company speaks at a Business Gathering organised by the Company.

June



ABN, a operating subsidiary, successfully achieves the Green rating in the PROPER assessment, a government sanctioned program on environmental conservation that is mandatory for all companies that have potential impact on the environment. A Green rating signifies that the company has exceeded the requirements for environmental conservation.

June



The Company actively participates in various international trade fairs, and acts as sponsor at the Coal Trans 2012 held in Bali, Indonesia.

July



The Company, represented by Mr. Luhut Pandjaitan as the Founding Shareholder, Mr. Jusman S. Djamal as the President Commissioner and Ms. Justarina Naiborhu as the President Director, receives the official listing charter from the Indonesia Stock Exchange, presented by its President Director, Mr. Ito Warsito.

September



The issue of land overlapping can hinder the operation of a mining concession. In 2012, the Company successfully settles the land overlapping dispute with PT Perkebunan Kaltim Utama I (PKU). This settlement eliminates a major risk factor facing the Company in terms of business sustainability.

November



The Company plays an active role at every opportunity to advance the coal sector industry in Indonesia and abroad. At the Indonesian Coal Investment Forum held in Jakarta on 6 November 2012, the Director of the Company, Mr. Pandu Syahrir, is one of the forum speakers.

Report of the Board of Commissioners

The year 2012 was a milestone year for PT Toba Bara Sejahtera Tbk. The Management and employees of Toba Bara and its three operating subsidiaries achieved a great deal in shaping the Group into a coal producing

“Any company with a rapid growth need to be supported with sound decisions, thorough planning, disciplined execution, and the appropriate checks and balances.”

Jusman S. Djamal
President Commissioner

enterprise that not only survived the extremely tough market conditions during the year, but also established a solid foundation for future long-term growth.



It took less than three years for Toba Bara to establish itself as a holding company, acquire coal mine concessions, develop infrastructures, engage coal mine contractors, secure coal sales contracts, produce 5.6 million tons of coal, and on top of everything else, listed its share on the Indonesia Stock Exchange. Taken altogether, those are extraordinary feats by any measure, and it is our impartial assessment that the employees of Toba Bara Group have acquitted themselves well over these past three years, and more so in 2012, with the extreme conditions of the coal market.

The Board of Commissioners of PT Toba Bara Sejahtera Tbk is wholly independent, in that all of its members are not affiliated to the controlling majority shareholder of the Company; and I share the Board with two distinguished colleagues, Bacelius Ruru and Farid Harianto, both of whom are highly experienced professionals in government, business, capital market and academia.

In Toba Bara, we have great pleasure overseeing the exciting development and growth of a youthful and dynamic company. But as in any company that is evolving rapidly, growth has to be supported with sound decisions, thorough planning, disciplined execution, and ultimately the appropriate checks and balances. This is where the Board of Commissioners lends its weight to the evolutionary process of Toba Bara.

In 2012, the Board of Commissioners worked closely with Management on a number of issues pertaining to oversight and control such as formulating risk management policies, establishing internal audit procedures, ensuring statutory compliance, and strengthening good corporate governance. By year-end 2012, the Board of Commissioners had finalised its selection for the Audit Committee, which was subsequently formed in January 2013. We also supervised and approved the formation of the Company's Internal Audit Unit by Management in 2012, and immediately set to work to chart the Audit Plan for financial year 2013. Obviously, much more need to

be done in 2013 and beyond as we continue to bolster the Company's transparency, accountability, responsibility, independence and fairness in all of our business dealings.

The Board of Commissioners has reviewed the audited financial statements of the Company for the year ending 31 December 2012 and deems that the Company has met most of its targets for 2012, and that furthermore, Management has performed well to the best of their abilities. Accordingly, the Board of Commissioners is pleased to endorse said financial statements for shareholders' approval.

We would also like to commend the successful efforts by Management to settle a long-standing land dispute between the Company's coal mine concessions (ABN and TMU) with PT Perkebunan Kaltim Utama I (PKU) in 2012. A final settlement of this dispute not only frees the Company from associated litigation risks, but also clears the way for planned development in the previously disputed area to proceed unhindered. In addition, the resolved matter also supports the plan for operational integration among Toba Bara's three operating subsidiaries.

We believe that the Company's journey has just begun, and that it is filled with great promise. Toba Bara and its subsidiaries have made substantial investments to ensure sustainable long-term growth, building their mining assets, people, customer bases, preserving the environment, providing job opportunities and contributing to community welfares in the areas where they operate. The Company strives to be a good and responsible corporate citizen at every opportunity. In 2012, one of the Company's operating subsidiaries, ABN, earned a Green rating for PROPER, the Indonesian government official supervision and control over industry-related environmental issues. A Green rating indicates that ABN has not only met, but also exceeded the minimum regulatory requirements for environmental safety and conservation.

**Board of Commissioners**

(from left to right):

Bacelius Ruru
Jusman S. Djamal
Farid Harianto

Toba Bara has the key factors to develop into a leading coal producing enterprise in the future - at a time when energy demand is expected to rise exponentially along with the booming economies of the Asia Pacific region. Those key factors include substantial coal reserves and coal concession areas that are adjacent to one another allowing the Group to benefit from an integrated coal mine infrastructures. While the Indonesian economy is estimated to continue to increase above 6% annually on the strength of its domestic consumption, according to a McKinsey Report, Indonesia could become the seventh largest economy in the world by 2030.

We look forward to the realization of those estimates, since economic growth is always synonymous with growing demand for energy consumption, including that for coal. Toba Bara is poised to partake in this growth opportunity in the interests of our shareholders, our employees, our communities and the nation.

There has not been any change in the composition of the Board of Commissioners since the last change to the Board's composition in March 2012. However, there was a change in the composition of the Company's Board of Directors in 2012. In June 2012, just prior to the Company's

IPO, the Company's general meeting of shareholders appointed Sudharmono Saragih as a Director of the Company. In another change to the BOD, in September 2012, the Company accepted the resignation of Catherine Warouw.

In closing, we wish to express our gratitude to all those who have been supportive in advancing the interest of Toba Bara. Our gratitude especially goes to both the central and provincial governments and the capital market authorities. Last but not least, we pay tribute to the communities in which we operate, without whose support we would not have achieved so much in such a short period of time.

God bless us all. And God bless Toba Bara in all of its future endeavours.

A handwritten signature in black ink, appearing to read 'Jusman S. Djamal'.

Jusman S. Djamal
President Commissioner


Letter from the President Director

Dear Shareholders,

It is with great pleasure that I report the results of operations and financial condition of the Company as of and for the year ending 31 December 2012.



The year 2012 was full of challenges for the coal-mining sector in Indonesia. The declining global coal price during the year adversely affected most coal producers in Indonesia, especially when the price of coal dipped below the production cost of coal.



“We have taken the strategic steps to capitalize on the synergy of the coal mine infrastructures of our three operating subsidiaries.”

Justarina S.M. Naiborhu
President Director

Board of Directors

(from left to right):

Sudharmono Saragih
Pandu Patria Syahrir
Justarina S.M. Naiborhu
Arthur M.E. Simatupang



The downward pressure on coal prices came largely as a result of a weakening global demand for coal, especially due to lower coal consumption in China and in many other countries in a global economy that was still gripped by the Eurozone debt crisis and fledging US economy. A new import duty imposed on Indonesian coal by China, in particular, exacerbated the already weak coal market during the year, and directly affected coal producers in Indonesia.

Against the extremely challenging market, I am pleased to report that PT Toba Bara Sejahtera Tbk, through our three operating coal mine subsidiaries, generated net consolidated profit (before controlling shareholder interest and other comprehensive income) of US\$11.9 million for the year ending 31 December 2012, on total consolidated sales of US\$396.7 million. Throughout 2012, the Company sold most of its coal to Asian market including Taiwan (28%), India (24%), China (23%), South Korea (11%) and others (14%). With balanced distribution of sales to several countries, the Company is not exposed to concentration risk on one or two market. This has enabled us to sustain our growth as well as profitability.

Another key achievement in 2012 was the settlement of land overlapping between ABN and TMU on one part, and PT Perkebunan Kaltim Utama I on the other. This settlement eliminated related litigation risks, while also enabling us to freely act on our plan to integrate operations among our three subsidiaries.

I am pleased to be able to report that the Company performed encouragingly under extremely challenging conditions. The challenges faced by the Company in 2012 were by no mean small. Nevertheless, we successfully listed our shares

on the Indonesia Stock Exchange on 6 July 2012, raising approximately Rp400 billion in equity capital.

Following our successful IPO, one of our operating subsidiaries, ABN, received an Unsecured Credit Revolving Facility of US\$15 million from Bank BNP Paribas Indonesia. Our successful equity and debt financing in 2012 underscored the excellent business prospects of Toba Bara and our three operating subsidiaries even under adverse market conditions. We believe that such a show of confidence among the financial and investment communities for our long-term business viability bodes well for Toba Bara's real growth prospects when times are good.

Based on the latest JORC (Joint Ore Reserves Committee) at year-end 2011, the Company has total resources of 236 million tons, of which an estimated 147 million tons are coal reserves. These reserves will support the Company's planned production growth for many years to come.

We count our blessings in that we have achieved consistent and continuous coal production growth since our first day of operations. Toba Bara produced total consolidated coal volume of 5.6 million tons in 2012, up by 7.7% from 5.2 million tons in 2011.

The coal was derived from ABN that produced 4.4 million tons of coal, IM that contributed 1.0 million tons and TMU with approximately 0.3 million tons of coal. In a market environment where the Newcastle Index coal price benchmark declined throughout 2012, Management revised the Group's consolidated production target in September to approximately 5.5 million tons.

The average selling price of our coal fell quite drastically in 2012, due to the falling global coal price benchmark, the Newcastle Index, from US\$121.2 per ton in 2011 to US\$96.6 per ton in 2012, in which in October 2012 alone the price dipped significantly to US\$80.8 per ton. This decline had a significant impact on the sales of the Company as well as our net profit achievement for the year.

Nevertheless, we were able to minimize further decline in net profit through aggressive cost efficiency measures and, more strategically, through integrated operations between and among our three operating subsidiaries. Because the locations of our three coal concessions are adjacent to one another, Toba Bara benefits greatly from joint-mine planning and infrastructure sharing among ABN, IM and TMU. This includes the use of overland conveyor, coal crusher, CPP (coal processing plant), haul road and barge-loading jetty. We believe that integrated mining operations represent a key strength of Toba Bara during challenging times in 2012, but will also be increasingly crucial to our long-term profitability and growth going forward. Currently, plan is underway to construct a haul road from TMU to IM through ABN. The new haul road will complement and serve existing and future shared facilities such as the coal processing plant. The Company plans to construct a new CPP in IM that will also process coal from TMU. Shared infrastructures and facilities lead to significant lower capital expenditures and operating expenses for the Company in the years to come.

We believe that our integration constitutes a key business value proposition that has the potential of increasing Toba Bara's competitiveness as one of the most competitive producers of coal in Indonesia today and the foreseeable future.

In addition to cost competitiveness, Toba Bara counts also on hardworking professionals and dedicated personnel to sustain its growth momentum and ensure continuous progress. Toba Bara itself is a growing and learning organization that is solely focused on achieving its goals one step at a time, and to build robust governance structure that is combined with nimble and innovative management in order to move forward with fortitude and resilience in good as well as bad times. Toba Bara Group is capably led and managed. Our business strategy and direction are clear. And a fully independent Board of Commissioners ensures professional and impartial oversight and control over management.

As we continue to grow our organization and lay down our foundations for growth, we are slowly

but surely adopting international best practices in corporate governance, risk management, internal control, corporate social responsibility, and not least of all, safety and health issues at work.

As part of our business growth strategy going forward, the Company will continue to look for opportunities to increase its coal resources whether through exploration or acquisition.

On this occasion, I would like to express our appreciation to Catherine Warouw who has contributed to managing the Company until September 2012. Aside from that, there has not been any change in the composition of the Board of Directors of the Company since our last annual general meeting of shareholders.

We also thank all our stakeholders who have supported us and have been part of our exciting developments.

We are grateful for the trust of our shareholders, customers, suppliers and business partners. We appreciate the support of our communities and governments, and we owe a great debt of gratitude to the men and women of Toba Bara and its subsidiaries, whose efforts and dedication have made our journey possible, with great expectations ahead of us.



Justarina S.M. Naiborhu
President Director

Founding Shareholder's Perspective



“Indonesian companies should think about efforts to develop downstream capabilities in order to increase the value added of the natural resources of Indonesia.”

Gen. (Ret.) Luhut B. Pandjaitan
Founding Shareholder



Developing the people and nation of Indonesia through competence over science and technology, honest and notable endeavours and a never-say-die spirit.

Throughout his adult life, General (retired) Luhut B. Pandjaitan dedicated most of his efforts to the advancement and welfare of the nation of Indonesia that he loves with all of his heart. This love propels him to serve as a soldier in the Indonesian National Army for more than three decades, before turning into a statesman and ultimately a successful business leader and entrepreneur driven by his strong humanitarian and philanthropic vision. This vision is realized through the DEL Foundation, a non profit foundation that is active in community development in North Sumatra, with a special focus on education through the establishment of PI DEL in the Toba Lake, North Sumatra.

PI DEL is a leading national university in the field of information technology that has been

accredited by the Ministry of Education of the Republic of Indonesia. Since its founding in 2003, virtually all of its students have been receiving a full scholarship from the DEL Foundation. Graduates of this university are accepted by major institutions and corporations such as Microsoft and other leading information technology companies.

Small wonder that he was acknowledged the Social Entrepreneur of the Year in the annual Ernst & Young Global Entrepreneurship Award 2012.

Gen. (Ret.) Luhut B. Pandjaitan is the founder of PT Toba Sejahtra that holds 73.79% shares of PT Toba Bara Sejahtra Tbk.



Three pictures clockwise from top left depict the social activities of the DEL Foundation, including the establishment and management of a high school and technology oriented university for future leaders of Indonesia. Whereas the last picture on bottom left shows Gen (Ret.) Luhut B. Pandjaitan addressing the audience at a public expose in connection with the IPO of PT Toba Bara Sejahtra Tbk, as the first company in the Toba Sejahtra Group to have 'gone public'.

Company Profile

Brief History of the Company

PT Toba Bara Sejahtera Tbk (Toba Bara) was incorporated in 2007 and acquired its legal entity status based on the approval of the Minister of Justice and Human Rights of the Republic of Indonesia number AHU-04084.AH.01.01 dated 28 January 2008. TBS is structured as a holding company and, through its operating subsidiaries, operates three coal mines.

The Company is a holding company for PT Adimitra Baratama Nusantara (ABN), PT Indomining (IM) and PT Trisensa Mineral Utama (TMU). The following timeline describes the major events that have transpired in the Company's corporate history:

Subsidiary Companies



PT ADIMITRA BARATAMA
NUSANTARA

Jakarta Office:
Wisma Bakrie 2, Lt. 11
Jl. H.R. Rasuna Said Kav. B-2
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T: (62-21) 579 42103
F: (62-21) 579 42130
marketing@adimitra-baratama.co.id



PT INDOMINING

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PT TRISENSA MINERAL
UTAMA

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2004	2005	2006	2007	2008
	IM was incorporated in 2005.	ABN and IM were granted mining authorization for exploration.	ABN and IM were granted KP for exploitation.	TMU was granted KP for exploration.
ABN and TMU were incorporated in 2004			IM began production.	ABN began production.



The Company has coal mining infrastructures that are continuously enhanced to support sustainable coal production.



2009

ABN converted its KP to IUPOP

2010

IM and TMU converted their KP to IUPOP.

2011

TMU began production. Consolidated production of TBS surpassed 5 million tons.

2012

TBS acquired additional shares of TBE and TMU to 99.99% each.

TBS acquired 51.0% of ABN, 52.5% of TBE (that controlled IM) and 51.0% of TMU. Consolidated production of TBS reached more than 4 million tons.

TBS listed its shares on the Indonesia Stock Exchange (July).

TBS settled the land overlapping issue with PKU.

Business Line

The Company is currently engaged in coal production and sales through three operating subsidiaries. The three subsidiary companies have adjacent concession areas located in Sanga-Sanga, Loa Janan and Muara Jawa in the province of East Kalimantan. The ABN and Indomining concession areas are situated within 5 kilometers of their respective self-owned jetties on the Mahakam River delta, which provide access to transshipment points in Muara Jawa and Muara Berau. The Company's concession areas total approximately 7,087 hectares.

Based on the JORC Reports, the Company's coal reserves are estimated to be 147 million tons and the Company's coal resources are

estimated to be 236 million tons. The reserves and resources in the Company's concession areas include various grades of thermal coal. The calorific values of the coal produced by the operating subsidiaries range from 4,700 GAR to 5,800 GAR. Currently, majority of the Company's coal is sold to coal trading companies, which primarily supply the coal to power generating companies in South Korea and Taiwan, with additional sales to other countries in Asia such as China, India and Malaysia.

Business Strategy

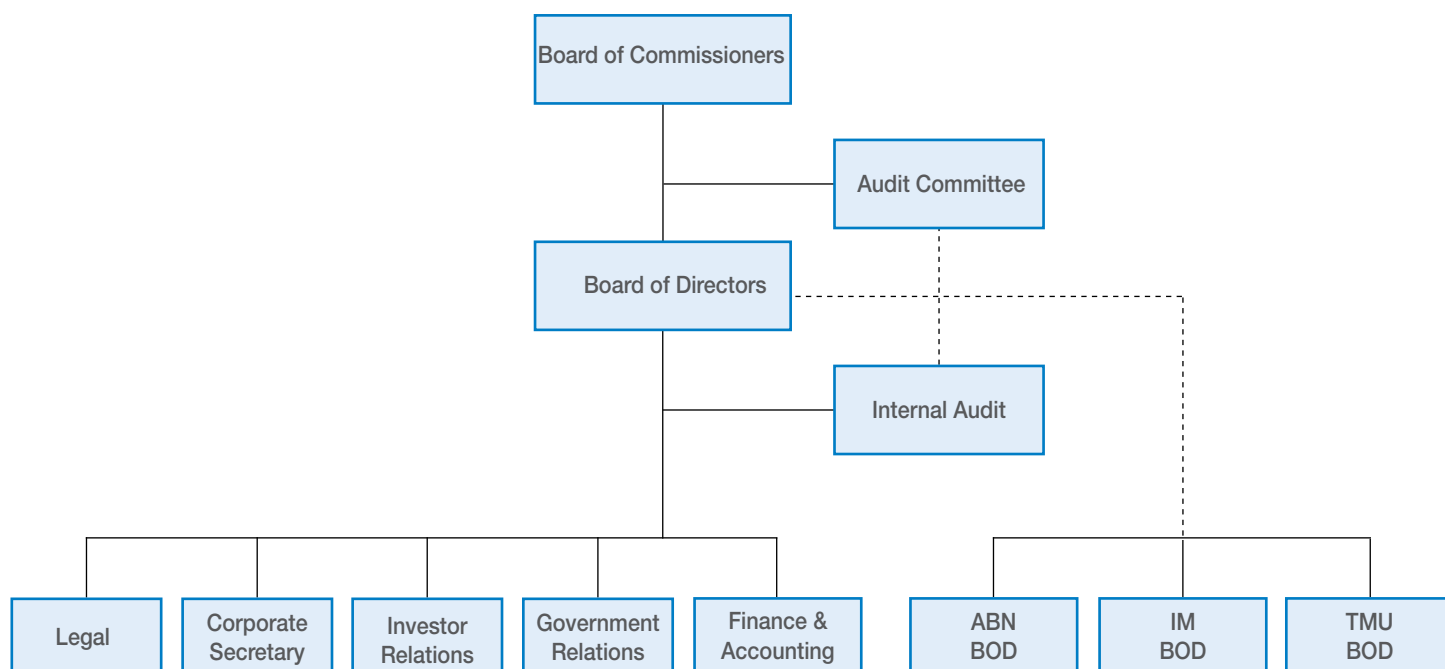
The Company's business strategy in maintaining sustainable growth rests upon the coal mining concession locations of the three operating subsidiaries that are adjacent to one another. This allows the Company to undertake a collective mine planning on a group-wide basis that integrates the mining operations of ABN, IM and TMU. Through this integration strategy, there are many benefits that accrue to the Company and the Group, such as joint infrastructure development, the construction of hauling road that cuts through a operating subsidiary into the barge-loading jetty, in addition to cost efficiency that can be derived from integrated operation.

To that end, the Company has formulated five strategic steps to support sustainable long term growth, as follows:

- Maintain growth of coal production on a sustainable basis.
- Maximize efficiency and manage mining operating cost competitively.
- Increase coal resources and reserves based on enhanced exploration and acquisition.
- Further integration with supply chains.
- Develop and retain human resources.



Organisation Structure



Vision

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.

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.

Profiles of the Board of Commissioners



Jusman S. Djamal
President Commissioner, 58

Mr. Jusman Syafii Djamal has been President Commissioner of the company since October 1, 2010. Currently he also serves as the President Commissioner of PT Cardig Aero Services Tbk (July 2011 – present), President Commissioner of PT Telkom Indonesia Tbk (January 2011 – present), Member of National Innovation Committee (May 2010 – present), Chairman of the Advisory Council of Entrepreneur of Land Transportation Organization (January

2010 – present), and Chairman of Matsushita Gobel Foundation January 2005 – present).

Previously, he served, among others, as the Minister of Transportation of the First United Indonesia Cabinet (May 2007 – October 2009), Member of the National Evaluation Team of Transportation Safety and Security (January - May 2007), Member of Incubator Technology of BPPT (2003), and Chief Project Engineer of 50

seaters Advanced Turboprop Fly by Wire Airplane, IPTN Indonesia (1990 – 1995). He graduated with a Bachelors Degree in Technical Aviation from Institut Teknologi Bandung.



Bacelius Ruru
Independent Commissioner, 64

Mr. Bacelius Ruru has been a Commissioner of the Company since March 30, 2012. Currently he also serves as Independent Commissioner of PT Manulife Aset Manajemen Indonesia (2011 – present), Independent Commissioner of PT Agung Podomoro Land Tbk (2010 – present), President Commissioner of PT Axle Asia (insurance broker) (2008 – present), President Commissioner of PT Jababeka Tbk (2007 – present), President Commissioner of PT Tuban Petrochemical Industries (2003 – present) and President Commissioner of PT Polychem Indonesia (2003

– present). Previously, he served, among others, as 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 (2001 – 2004), Deputy of State Minister/Deputy of Head of Investment and State-Owned Enterprises Development, Division of Supervision and Control, Ministry of State-Owned Enterprise (2000 – 2001), Assistant of Minister/

Deputy of Mining Business and Agro Industry, State Ministry of Utilization (1999 – 2000), Deputy of Competitive Business Sector, Management Board of State-Owned Enterprises (1998 – 1999), Director General of State-Owned Enterprises Development, Ministry of Finance (1995 – 1998), and Head of the Indonesian Capital Markets Supervisory Agency, Ministry of Finance (1993 – 1995).

He holds a law degree from the University of Indonesia, Indonesia and a Masters of Law Degree from Harvard Law School, United States.



Farid Harianto
Independent Commissioner, 60

Mr. Farid Harianto has been a Commissioner of the Company since 2011. Currently he also serves as a Member of the President's Advancement Advisory Council in the National University of Singapore (2011 – present), Independent Commissioner of PT BATA Indonesia Tbk (2011 – present),

He is Special Staff of the Vice President of the Republic of Indonesia (2009 – present), Risk Oversight Committee of PT Bank International Indonesia Tbk (2007 – present), Independent

Commissioner of PT Unggul Indah Cahaya Tbk (2005 – present), Independent Commissioner of PT Lippo Karawaci Tbk (2004 – present), and Member of Asian Executive Advisory Board, the Wharton School, University of Pennsylvania (2000 – present).

Previously, he served, among others, as Deputy Chairman of the Indonesian Bank Restructuring Agency (1998 – 2000), President Director of PT Pemeringkat Efek Indonesia (1995 – 1998), Visiting Professor and

Chairman, ASEAN Studies, University of Toronto, Canada (1993 – 1995), and Director, Graduate Programs, Institute PPM (1990 – 1993). He graduated with a Bachelors Degree in Electrical Engineering from Institut Teknologi Bandung, Indonesia.

He also holds a Masters in Applied Economics and Managerial Science and a Ph.D in Applied Economics and Managerial Science from The Wharton School at the University of Pennsylvania, United States.

Profiles of the Board of Directors



Justarina S.M. Naiborhu
President Director/Unaffiliated Director, 49

Ms. Justarina Sinta Marisi Naiborhu has been the President Director of the Company since May 5, 2011. Prior to this she was the President Director of PT CIMB-Principal Asset Management (2008 – 2011), Director of PT CIMB-GK Securities Indonesia (2003 – 2008), Vice President of Institutional Business & Advisory PT Kuo Capital Raharja

(2001 – 2003), Portfolio Manager of Institutional Asset Management of PT Danareksa Investment Management (1999 – 2001), and Research & Development Analyst and Assistant to the President Director of PT Bursa Efek Jakarta (1992 – 1997).

She graduated with a Bachelors Degree from the Bogor Institute of Agriculture, Indonesia. She also holds a Masters Degree in International Securities, Investment and Banking from Reading University, United Kingdom and a Masters Degree in Management from the University of Indonesia, Indonesia.



Pandu P. Syahrir
Director, 33

Mr. Pandu Patria Syahrir has been a Director of the Company since October 1, 2010. Prior to this, he was a Senior Analyst focusing on the energy and mining sectors at Matlin Patterson from 2007. Additionally, he previously served as Principal

at Byun & Co., an Asian alternative energy fund (2002 – 2005) and as an Analyst at Lehman Brothers (2001 – 2002). He graduated with a Bachelors Degree from the University of Chicago, United States and holds a Masters of Business Administration

Degree from the Stanford Graduate School of Business, United States.



Arthur M.E. Simatupang
Director, 40

Mr. Arthur Mangaratua Ebenhaezer Simatupang has been a Director of the Company since May 5, 2011. Prior to this, he was a Director and Chief Financial Officer of ABN since 2007. Additionally, he previously served as

Advertising and Promotion Supervisor at PT Indofood Sukses Makmur Tbk (1998 -2004). He graduated with a Bachelors Degree in International Business from Seattle University, United

States and a Masters of Commerce Degree in Finance and Accounting from The University of Sydney, Australia.



Sudharmono Saragih
Director, 34

Mr. Sudharmono Saragih has been a Director of the Company since June 20, 2012. Prior to this, he was the Company's General Manager of Operations since April 2012.

He previously served as a Project Manager at PT Toba Sejahtra (2011 – 2012). Prior to that, he was the Site Manager of PT Raja Kutai Baru

Makmur, Ancora Group (2010 – 2011), Operations Manager of PT Karya Wijaya 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). He graduated with a Bachelors Degree from Bandung Institute of Technology in Mining Engineering – General Mining, Indonesia.

Human Resources

As of 31 December 2012 the Company and its operating subsidiaries employ a total of 786 people of which 613 are permanent employees. A total of 28 employees worked at Head Office in Jakarta with the remaining employees assigned in field offices and sites working in various capacities that include administration, technical services, supervision of coal processing and barging, logistics, safety and health, the environment and community development.

In 2012, the Company added a total of 66 personnel, an increase of 7% bringing the total number of employees in the Company and the three operating subsidiaries to 786 people.

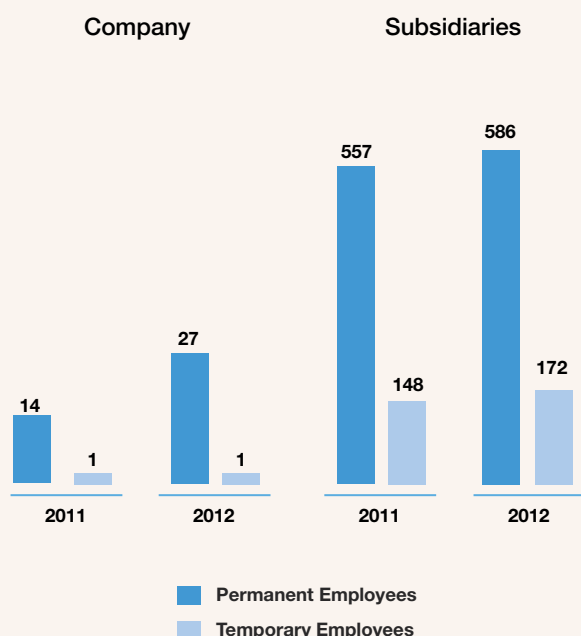
As a growing organization the Company sees human capital as a critical factor to achieving sustainable long term growth. As such, the Company places a great emphasis on recruiting, training and retaining professionals and top talents in the coal mining industry. In 2012 the Company developed Key Performance Indicator (KPI) in the three operating subsidiaries. This is aimed at enhancing the performance of each operating subsidiary in a more measured and sustained manner. In addition, the Company continues to develop its strategic human capital policy, including identifying skills and capabilities, setting remuneration standards,

establishing career path programs, and devising new method of performance evaluation for the Company and its three operating subsidiaries.

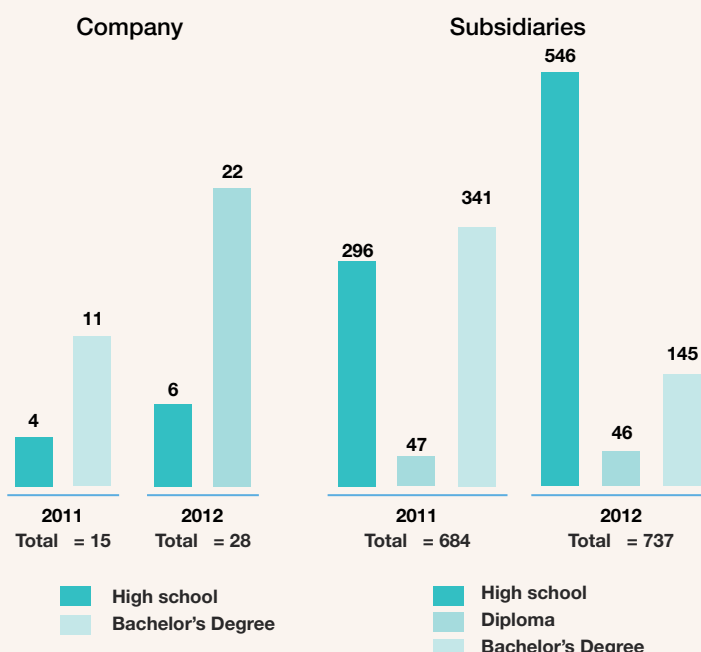
The Company has a relatively young human resources composition, in which the largest group of employees are between the ages 26 years to 45 years.

This youthful composition provides dynamism to the Company and its three operating subsidiaries. One of the enduring features of the Group's human capital is their **'can do'** spirit that underlines the work ethics of the Toba Bara business group. This fact plays a key role in the ability of the Company to increase its coal production consistently over the past four years.

Employees by Status



Education



In addition to dynamic human resources, the Company is also experiencing encouraging growth in the quality of its personnel, seen from their educational profile, in which the number of college graduates in the parent company has increased from 73% (of the total number of employees) in 2011 to 79% in 2012.

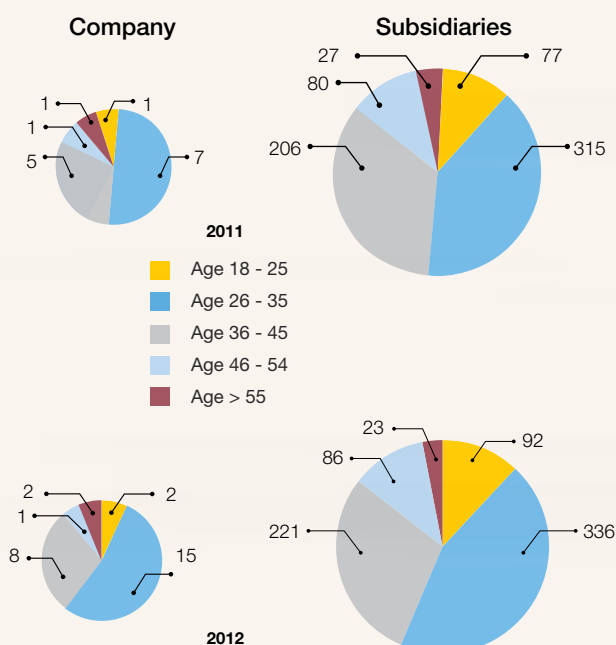
The Company also places a strong emphasis on the value of training and education in human resources development.

As a relatively young coal mining company, in 2012 the Company carried out intensive training program, attended by employees of various seniority levels. The list of training program is presented on the following page.

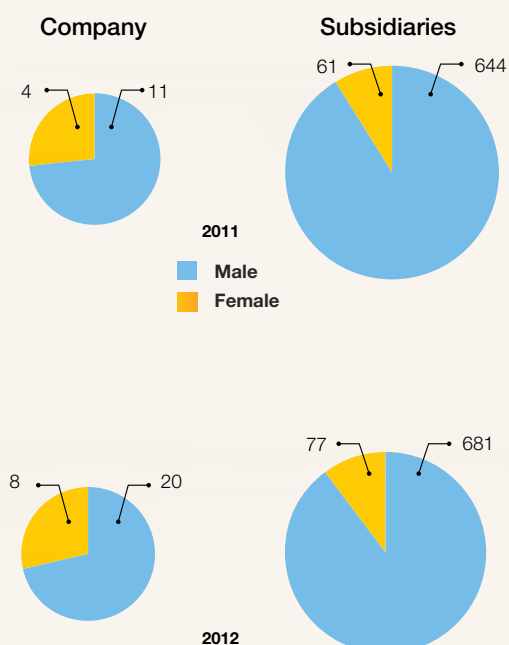
The following tables set forth the distribution of employees by age group, education and position.



By Age



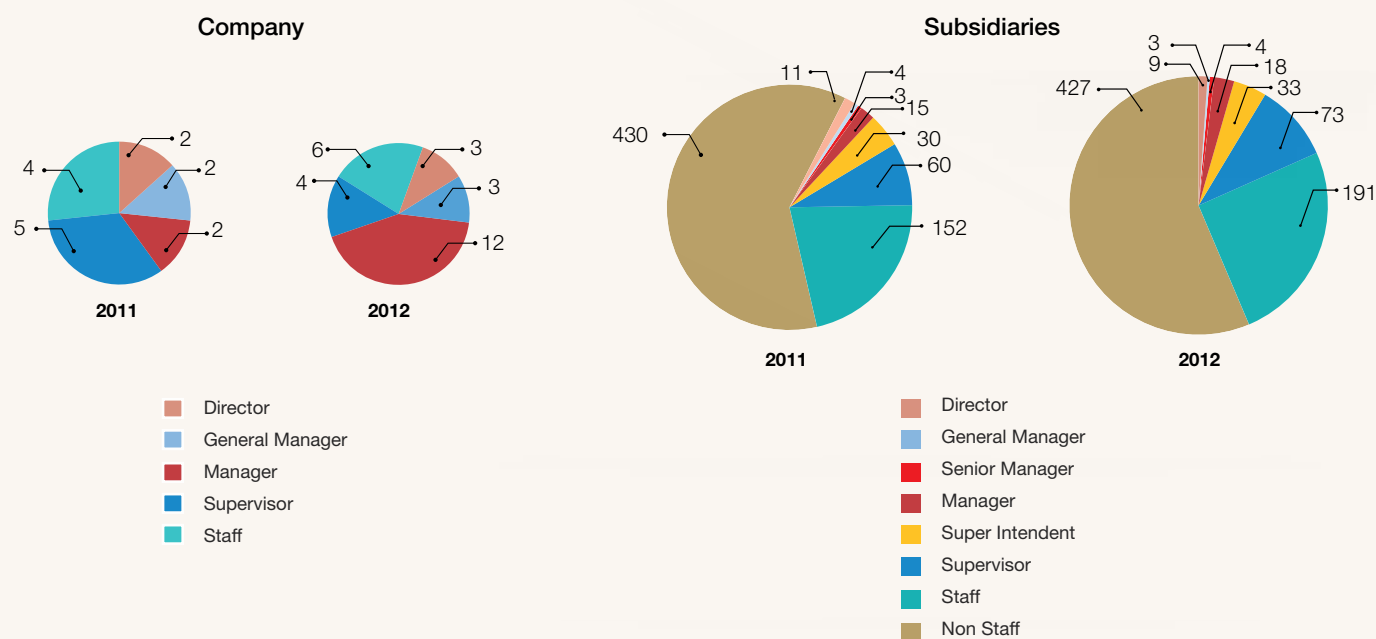
By Gender



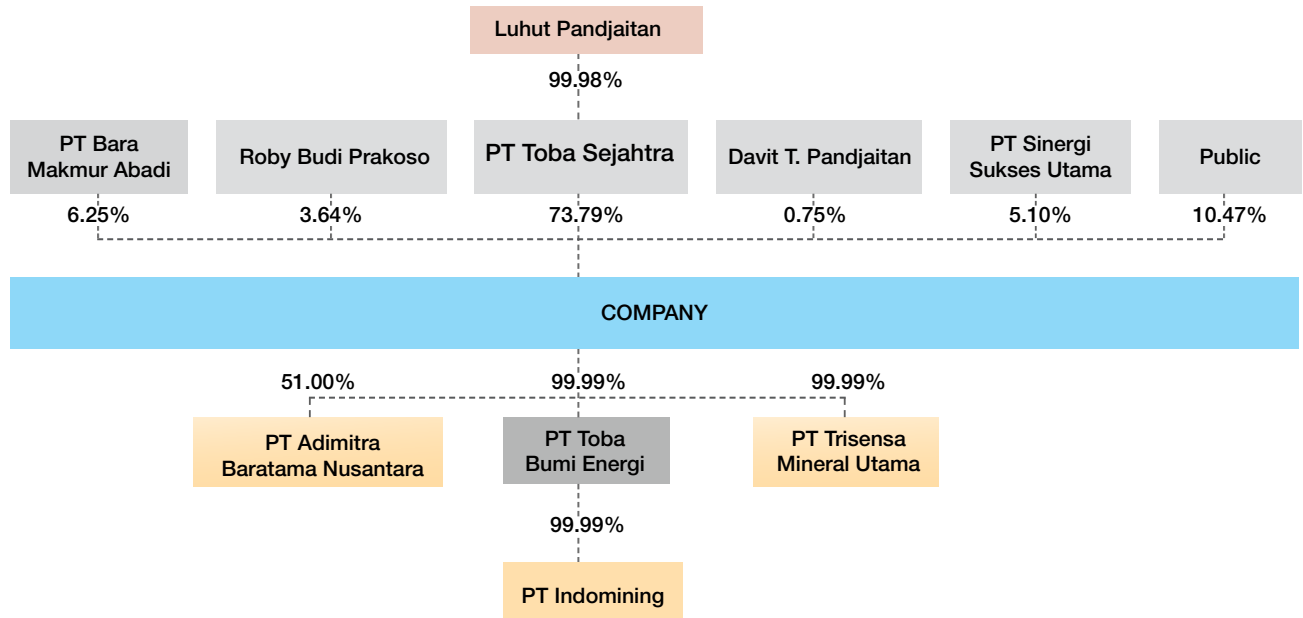
Training Programs in 2012

Training	Organizer
Refresh Driving & K3	HSE
Integrating QHSE Management System (ISO 9001-ISO 14001-OHSAS)	PT Phitagoras Global Duta
Certified Human Resources Professional	Unika Atma Jaya
Mineral and Coal Mining Legal and Business	Indonesia Center for Business Law Studies
Fit for Service	Trueventus
Socialisation of the Decision of the Constitutional Court on outsourcing and part-time employment.	Lembaga Pelatihan Bina SDM Profesional
First Operational Supervisor.	Pusdiklat MINERBA
Leadership	Internal
Training Emergency Response Team (ERT)	Indotrain
Middle Operational Supervisor,	Pusdiklat MINERBA
Training and Competency Test for First Operational Supervisor.	Dinas Pertambangan Propinsi & Pusat
LC Transaction based on UCP 600 & Structure of International Financing.	Human Capitalindo
Rescue Training: High, Water, Confine Space, Jungle, First Aid	PT SIS & Basarnas
Middle Operational Supervisor,	Pusdiklat MINERBA
Resolution of Conflicts in Mining areas.	Pusdiklat MINERBA
Fulfilment and Competency Test for POU.	Pusdiklat ESDM dan LSP
Environmental Protection Expert on Safety, Health at Work.	Centra Safety
Designing Salary Structure & Remuneration	Tempo Komunitas
Financial Model for Mining Industry	Deloitte
Workshop of Upstream and Downstream Marketing of Coal.	Kontan
Excel Advance	Deloitte
System Application and Products in Data Purchasing	
Soil Amendment and Assessment for Re-vegetation	PT Green Earth Indonesia
Minex Geology	GEMCO

Employees Composition by Title



Composition of Shareholders



Shareholders Owning More Than 5%

Name of Shareholders	Share Ownership
PT Bara Makmur Abadi	6.249%
Bintang Bara B.V	8.000%
PT Sinergi Sukses Utama	5.103%
PT Toba Sejahtera	73.789%

Report of Share Ownership - Directors & Commissioners per 31 December 2012

No.	Name	Position	Number of Shares	Percentage
1	Jusman S. Djamal	President Commissioner	0	0.0000000
2	Bacelius Ruru	Independent Commissioner	0	0.0000000
3	Farid Harianto	Independent Commissioner	0	0.0000000
4	Justarina S.M. Naiborhu	President Director	0	0.0000000
5	Pandu P. Syahrir	Director	0	0.0000000
6	Arthur M.E. Simatupang	Director	0	0.0000000
7	Sudharmono Saragih	Director	45,000	0.0022360
8	Total		45,000	0.0022360

Information on the Majority Controlling Shareholder

The Company is majority held by PT Toba Sejahtra (TS), which hold 73.79% share of the Company. Mr. Luhut Pandjaitan holds 99.98% share 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 business of mining, energy and plantation. The businesses of Toba Sejahtra comprise of among other things natural resources (thermal coal and oil and gas), power generating plants (as Independent Power Producer of coal-fired, gas-fired and geothermal power plants), as well as agricultural and plantation resources (oil palm, rubber, sugar cane, and forestry). In addition to Toba Sejahtra itself, the TS Group currently comprises of 16 other affiliated companies that are engaged in wide ranging industry sectors.

Toba Sejahtra works with several leading companies from Indonesia and overseas in developing various assets and natural resources in Indonesia, with the aim of harnessing the natural resources of Indonesia to their full capacity for the benefit of the Indonesian people.



Brief Description of Operating Subsidiaries



PT Adimitra Baratama Nusantara (ABN)

PT Adimitra Baratama Nusantara (ABN) is a fast-growing thermal coal producer located in Sanga-Sanga, Kutai Kartanegara, East Kalimantan, Indonesia and covers 2990 hectares. First set up in 2004, ABN has been a majority-owned subsidiary of the Company since 2010.

ABN has a total estimated resources of 156 million tons of coal. Currently, ABN produces two varieties of blended thermal coal, ABN 52 and ABN 58. In 2012 it produced 4.4 million tons of these coal, with main infrastructures that comprise of coal stockpile, crusher, overland conveyor and jetty. In 2013, more than 80% of ABN production are estimated to be higher than 5,600 GAR. ABN transports its coal from ROM stockpile through the overland conveyor stretches less than 5 kilometers which directly loads the coal to 300-feet barge at the jetty



PT Indomining (IM)

PT Indomining is a subsidiary company of PT Toba Bumi Energi, which is wholly controlled by the Company. The Indomining coal concession is located in Sanga-Sanga, Kutai Kartanegara, East Kalimantan, and covers 683 hectares, adjacent to the concession of ABN.

IM has a total estimated coal resources amounting to 37 million tons, and has its own coal mining infrastructures that include a crusher, land conveyor and jetty. IM can transport crushed coal from the ROM stockpile through the overland conveyor directly onto docked barges in the jetty. IM began production in 2007 and in 2012 produced a total of 1 million tons of coal.



PT Trisensa Mineral Utama (TMU)

PT Trisensa Mineral Utama (TMU) is a wholly owned (99.99%) subsidiary of the Company. The TMU concession is located in Kutai Kartanegara, East Kalimantan, and covers 3,414 hectares. Trisensa is still focused on building up infrastructures that include hauling road to IM through ABN in order to use IM's infrastructures. The road construction is estimated to be completed by early second semester of 2013.

TMU has a total estimated resources of 43 million tons. TMU commenced production in October 2011, and in 2012 produced a total of 300 thousands tons of coal.

Cronology of Share Listing

The Company successfully listed its shares on the Indonesia Stock Exchange on 6 July 2012, under challenging conditions for the coal market in general. A total of 210,681,000 common shares at a nominal value of Rp200 per share, was listed on the Exchange, representing 10.47% of

the Company fully paid and subscribed capital. The number of shares that was offered to the public at a price of Rp1,900 per share generated an IPO proceed of Rp400,293,900,000 for the Company. It is listed on the Exchange with the ticker code of TOBA.

Report of Use of Proceeds Per December 2012

(in millions of 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	Initial Public Offering (IPO)	6-Jul-12	400,294	38,871	361,423	94,476	189,711	77,236	361,423	94,116	6,578	43,377	144,071	217,352	
	Amount		400,294	38,871	361,423	94,476	189,711	77,236	361,423	94,116	6,578	43,377	144,071	217,352	

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 operating subsidiaries.
 - 9 More or less 21.37% from the net proceeds to be used as working capital for the Company and operating subsidiaries and to finance exploration activities in the operating 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 Rp94,116 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 operating subsidiaries.
 - 13 Financing of working capital and exploration activities in the three operating subsidiaries concession through loans extended to the operating subsidiaries amounting to Rp18,485 million.
Financing of operations and working capital of the Company amounting to Rp24,892 million.
- b. Fund from proceeds of Public Offering deposited as of 31 December 2012 as follows:

No	Bank	Terms	Interest Rate %		Affiliation
			US\$	IDR	
1	PT Bank Mandiri (Persero) Tbk	6 months	N/A	6.00	Non affiliated
2	PT Bank CIMB Niaga Tbk	1 week to 1 month	N/A	4.75 - 6.25	Non affiliated



Awards and Recognitions



PT Adimitra Baratama Nusantara achieved the Green rating in the Environmental Conservation Program of PROPER under the auspices of the Ministry of Environment of the Republic of Indonesia.

The Green rating signifies an environmental management that exceeds requirements.



PT Indomining achieved the Blue rating in PROPER, which signifies that the company has complied with all environmental conservation requirements – one rating below Green.

Capital Market Supporting Professionals

At the time of the Company's Initial Public Offering of Shares.

Public Accountant
KAP Purwantono, Suherman & Surja

Gedung Bursa Efek Indonesia, Tower 2, 7 fl.
Jl. Jend. Sudirman Kav. 52-53, Jakarta 12190
Tel.: 06221 5289 5000
Fax: 06221 5289 4100

Notary
Fathiah Helmi, S.H.

Graha Irama, 6 fl suite C
Jl. H.R. Rasuna Said Blok X-1 Kav. 1-2
Jakarta 12950
Tel.: 06221 5290 7304/6
Fax: 06221 5261 136

Legal Consultant

Ali Budiardjo, Nugroho, Reksodiputro
Graha CIMB Niaga, 24 fl.
Jl. Jend. Sudirman Kav. 58, Jakarta
12190
Tel.: 06221 250 5125/5136
Fax: 06221 250 5001/512

Share Registrar

PT Datindo Entrycom
Wisma Diners Club Amex
Jl. Jend. Sudirman, Kav. 34-35
Jakarta 10220
Tel.: 06221 570 8870
Fax: 06221 570 9026

Public Appraisal Firm
Nirboyo A., Dewi A. & Rekan

Jl. Pejompongan V Dalam no. 1,
Jakarta 10210
Tel.: 06221 5708 540, 5712 696
Fax: 06221 5708 537

Public Appraisal Firm
Jennywati, Kusnanto & Rekan

Plaza Bapindo Citibank Tower, Lt. 27
Jl. Jend. Sudirman Kav. 54-55,
Jakarta 12190
Tel.: 06221 526 0808
Fax: 06221 526 6006

Board of Commissioners and Board of Directors of Operating Subsidiaries, and Senior Officers of Toba Bara



Board of Commissioners

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

Directors

Johny Lumintang	: President Director
Sudirdjo Widjaja	: Director
Michael Soerijadji	: Director
Pandu P. Syahrir	: Director *
Sudharmono Saragih	: Director *

Ketua Teknik Tambang

Hasyim Mustofa

* Effective May 2013



Board of Commissioners

Godlief Manangkak Timbul Silaen	: President Commissioner
Syamsir Siregar	: Commissioner
Erwin Sutanto	: Commissioner
Roby Budi Prakoso	: Commissioner
Saswinadi Sasmojo	: Commissioner

Directors

Arthur Simatupang	: President Director
Alvin Sunanda	: Director
Syarlisman	: Director

Ketua Teknik Tambang

Syarlisman



Board of Commissioners

Tjokro Saputrajaya	: President Commissioner
Bok Maria Laurensia	: Commissioner
Utomo Santoso	: Commissioner
Suadi Atma	: Commissioner
Salikin Moenits	: Commissioner
Eddy Kustiwa Koesma	: Commissioner

Directors

Suaiddi Marasabessy	: President Director
Elim Khiat	: Director
Hartanto Saputrajaya Nyoto	: Director

Ketua Teknik Tambang

Teuku Muda Seutia



Senior Manager:

Bima Sinung W.	: Head of Legal
Perry B. Slangor	: Corporate Secretary
Pria Dinar	: Head of Internal Audit
Tries Nainggolan	: GM Finance
Iwan Sanyoto	: Head of Investor Relations

Address of Operating Subsidiaries

PT ADIMITRA BARATAMA NUSANTARA

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marketing@adimitra-baratama.co.id

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Kelurahan Jawa, Sanga-Sanga 75254
Kab. Kutai Kartanegara - Samarinda
Kalimantan Timur
Indonesia
T/F: (62-541) 671 259

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Kab. Kutai Kartanegara - Samarinda
Kalimantan Timur
Indonesia
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F: (62-541) 671 310

PT TRISENSA MINERAL UTAMA

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Site:
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Kecamatan Loa Janan
Kab. Kutai Kartanegara - Samarinda
Kalimantan Timur
Indonesia
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Management's Discussion and Analysis

The year 2012 was an extremely challenging year for coal producers in Indonesia as the global coal price index fell below US\$81 per ton, as predicted by the industry for 2012. Several factors contributed to this decline, chief of which were lower global demands, a slowing Chinese economy and a surprising rise in the use of hydro and other forms of energy in a number of coal consuming countries including China. The following is a broad description on the global coal seaborne-traded thermal coal market and its effect on the Indonesian coal producers, including the Company.

Industry Overview

Weaker price despite consumption growth

Global consumption of seaborne-traded thermal coal grew in 2012 by 7.1% year-on-year, although this was driven more by declining price of coal. While imports rose to their highest level in a decade in Europe and Japan, largely due to increasing restriction on nuclear power generation in those markets, this growth could not compensate for much slower demand from the China market.

Certain features of the China market in 2012 were not favorable to the growth of seaborne thermal coal export. A primary factor affecting a decline in China coal demand was a slowing down of the Chinese economy that had reduced the demand for power generation, and therefore thermal coal consumption. Another factor, China has made tremendous improvements to its railway systems, connecting its coal-rich regions in the West to its industrial centers in the East, as well as those of the resource-rich North and the industrial South regions.



The Company has adequate coal mining infrastructures to support coal mining operations that are reliable, responsible and quality-driven.



Prior to the service of these new railway systems, coals have had to be transported in meager loads on trucks travelling thousands of kilometers. Today, the railway systems transport these coals in much larger volume at significantly lower cost. In other words, China's industrial sectors now have access to cheaper coal supplies from their own domestic market. Although this factor does not influence China's coal consumption demand, it does have an impact on global coal price.

If these two factors persist, we will likely see a continuing pressure on the price for seaborne-traded thermal coal going to the China market. Nevertheless, it is not unlikely for coal price to recover above US\$100 per ton, considering that thermal coal will remain a major source of energy in many parts of the world for some time to come, and growing economies in the Asia Pacific regions will continue to drive the demand for energy. These conditions will continue to affect Indonesia as the largest seaborne thermal coal exporter to date.

Challenges for the Indonesian coal industry

Indonesia has been the largest exporter of thermal coal in the world since 2007 when it took over that distinction from Australia. In the past five years, Indonesia's coal production has had a Compounded Annual Growth Rate of 11%, higher than China's CAGR of 7%, India's 6%, Australia's 2%, Asia Pacific's aggregate rate of 6% and the World's 4%. However, since 2012 this growth has declined mainly due to the China market factor which remains a key market for Indonesian coal, and down-scaling of production by numerous producers in light of declining and unfavorable market prices.

The Company believes that we are now seeing a profound and significant shift in the Indonesian coal mining industry. While previously the industry's emphasis has been on increasing operating strip ratio, and therefore production output, recent market price realities have forced Indonesian coal producers to shift its focus on profit margins instead of production growth.

This means that only those mines that are efficiently and cost-effectively managed that will be able to meet market challenges in the foreseeable future.

Recent industry data has shown that the growth of aggregate strip ratio of the largest coal mines in Indonesia have been flat in 2012 and is expected to decline slightly over the next several years as companies focus more on improving profitability over growth. In a condition where, the top ten major producers of coal in Indonesia can still expect a CAGR of around 9% going forward, albeit down from 11%, the Company believes that it can manage its operating costs more efficiently, and that more importantly, it can expect higher production growth in the future due to infrastructure improvements and shared facilities in its three operating coal mines.

The Company continues to strive to increase coal production in 2013 with a consolidated target of 5.8 - 6.4 million tons. This target assumes an Newcastle Coal Price Index of approximately US\$90 per ton.

World's Largest Coal Exporter

(million tons)

	2009	2010	2011	2012	2013*
Indonesia	200	242	273	283	292
Australia	134	137	146	159	174
China	22	19	11	8	5
Others Asia	24	26	28	33	35
South Africa	67	71	69	75	77
Rusia	91	85	75	77	80
USA	19	23	34	48	50
Colombia	63	69	76	80	84
Others	101	115	130	135	130

Data Industry, Sources

*Estimated



Operational Review

The following discussion describes the Company's operations in 2012.

Toba Bara Operations in 2012

The Company is the controlling majority shareholder of three subsidiary mining companies, namely ABN, IM and TMU.

In 2012, coal production from those three mining companies totaled 5.6 million tons, up by 7.7% from 5.2 million tons in 2011. These were derived from ABN (4.4 million tons), IM (1.0 million tons) and TMU (0.3 million tons). The Company's results of operations are totally dependent on the volume and quality of coal produced. Through its subsidiaries, the Company produces a broad range

of coal products with varying calorific values. These products are the results of the blending of coal from different seams within their respective concession areas of varying calorific value in order to produce an end product with specific characteristics that meet with customer specifications. The following discussion describes the operations, initiatives and developments in the respective operating subsidiaries in 2012.

ABN. The ABN concession area covers approximately 2,990 hectares and is located approximately 30 kilometers Southeast of Samarinda, the capital of East Kalimantan.



Coal transportation activities in one of the Company's mine site, reflecting the high demand for thermal coal in the Asia Pacific region, and the fact that Indonesia is currently the largest sea-borne thermal coal exporter in the world to date.

The ABN concession area comprises of two distinct areas, ABN East and ABN West, both of which is currently being mined.

Based on its latest JORC report, ABN has an estimated coal resources of 156 million tons and coal reserves of 117 million tons. ABN transports its coal from the ROM stockpile to the barge loading facility via a 4.7 km conveyor that unloads the coal directly onto barges at the jetty.

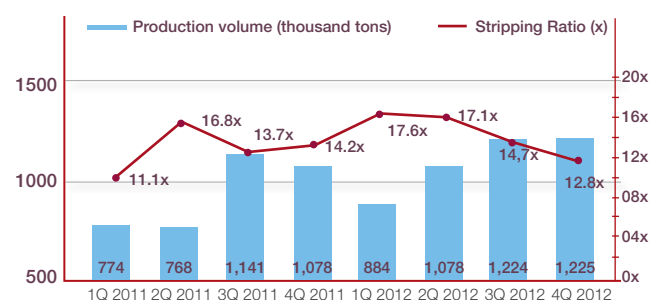
ABN's infrastructure capabilities include a crusher, overland conveyor and jetty, with current capacity of approximately 10 million tons per annum. In conducting its mining operations, ABN engages PT Petrosea Tbk and PT Arkananta Apta Pratisa as mining contractors.

In 2012, ABN's coal production reached a total 4.4 million tons, an increase of 17% from 3.8 million tons in 2011. On a quarterly basis, coal production in 4Q 2012 was flat at 1.2 million tons compared to that of the previous quarter. ABN's coal sales volume increased 13% in 2012 to 4.1 million tons compared to 3.7 million tons the previous year. Meanwhile, coal sales volume surged 40% to 1.4 million tons in 4Q 2012 compared to 973 thousand tons in 3Q 2012.

During the first half of 2012, ABN conducted pre-stripping activities that resulted in higher SR in 1Q 2012 (17.6x) and 2Q 2012 (17.1x).

However, in 3Q and 4Q 2012, ABN's SR declined to 14.7x and 12.8x, respectively, reflecting the initiatives to adjust the Stripping Ratio in order to manage cost better. Throughout 2012, the Stripping Ratio of ABN reached 15.3x, an increase of 10% from that of 2011.

In the relatively short period of time since commencing operations in 2008, ABN



has earned a Green rating for Proper, a government environmental compliance rating program for industries, from the Governor of East Kalimantan for two consecutive years. A Green rating signifies environmental management that exceeds mere compliance requirements, which ABN has been able to achieve among other things by optimizing resources management through 4R (Reduce, Reuse, Recycle and Recovery), as well as its implementation of effective CSR programs.

Trisensa Mineral Utama



Adimitra Baratama Nusantara



Indomining





Indomining. The IM concession area covers approximately 683 hectares and is located approximately 38 kilometers Southeast of Samarinda. According to its latest JORC report, IM has a total estimated coal resources of 37 million tons and coal reserves of 22 million tons. IM also transports its coals from ROM through its overland conveyor that stretches 4.4 km to the jetty for barge loading. IM produces coals with calorific value of around 5,800 GAR. Its infrastructure capabilities include crusher, overland conveyor, and jetty, with a capacity of approximately three million tons per annum.

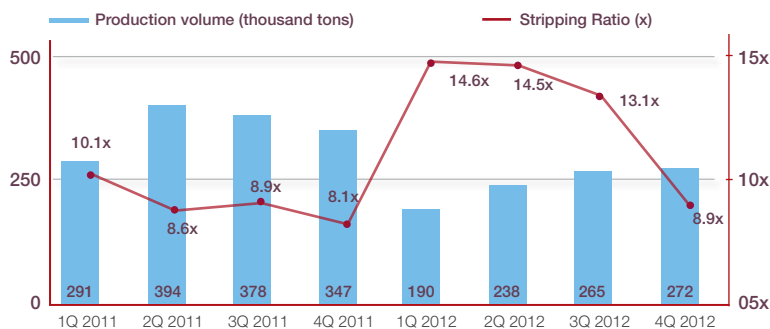
In 2012, IM's coal production reached a total of 963,000 tons, a decrease of 32% from that of 2011. However, on a quarterly basis, coal production in 4Q 2012 increased by 3% to 272 thousand tons compared to 3Q 2012.

Stripping ratio rose 47% to 1x year-on-year in 2012. However, SR in 4Q 2012 fell by 20% to 10.5x from 13.1x in 3Q 2012, which in turn declined by 28% from 14.5x in 2Q 2012.

The rise in SR during the 1st half of 2012 was due to pre-stripping activities resulting from opening a new pit (see chart on page 44).

Along with the production decline, coal sales volume by IM decreased by 37% to 1.1 million tons year-on-year in 2012. Nevertheless, on a quarterly basis, coal sales volume soared by 76% to 353,000 tons in 4Q 2012 compared to that of 3Q 2012. Sales volume reached a record level in 4Q 2012 as the best quarterly result by IM in 2012.

Subsequent to year-end 2012, on 28 January 2013, IM signed a contract with PT RPP Contractors Indonesia (RCI) to undertake the mining operations in the IM concession. Previously, the mining contracting company for IM was PT Saptaindra Sejati (SIS). With the expiry of the working contract with SIS, IM has appointed RCI as the new mining contractor. The new contract with RCI extends for up to five years with an estimated contract value of USD115 million. The mining scope of work of RCI covers land clearing, overburden removal, ripping, loading, waste management, construction and maintenance of hauling road for overburden as well as water management.



A Blue rating indicates compliance to requirements for sound environmental management based on prevailing laws and regulations.

IM had renewed its IUP-OP that will extend its license until 2023. The extension of an IUP-OP reflects the trust that the Regional Government places on the Company, enabling Indomining to focus on the sustainability of its mining operations.

As a coal-mining contractor, RCI has concentrated its work in concession areas located in the East Kalimantan Province, particularly in the Kutai Kartanegara region where the Company's concessions are based. This allows RCI to place more focus on quality work and supervision. Today, RCI has considerable and reliable mining fleet with heavy equipment units that include both mid-range and high-range machines with capacities above 100 tons. Meanwhile, IM has also appointed a contractor to build a new CPP (coal processing plant) that will add to its production capacity significantly.

In terms of environmental compliance, IM has earned a Blue rating in Proper from the East Kalimantan Governor in 2012.



Indomining New CPP Location



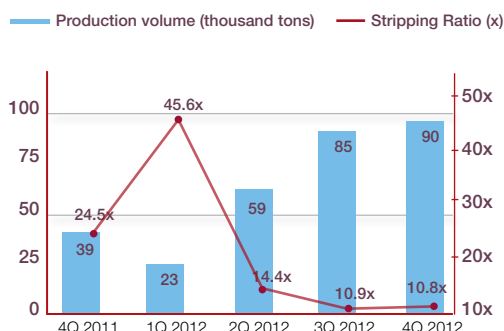
TMU Hauling road being built

TMU. The TMU concession area covers approximately 3,414 hectares and is located approximately 40 kilometers Southeast of Samarinda. Based on its latest JORC report that only covers an area of 680 hectares of its concession, it has an estimated coal resources of 43 million tons and coal reserves of 8 million tons. Commencing operations in October 2011, TMU currently produces coal with a calorific value of around 4,700 GAR. TMU engages PT Surya Teknik Anugerah (STA) as its mining contractor.

Coal production in 2012 reached a total of 257,000 tons, significantly up from 39,000 tons in 2011. On a quarterly basis, TMU

recorded its highest coal production growth in 4Q 2012 at 90,000 tons, a growth of 6% from 85 thousand tons in the previous quarter. Total coal sales volume in 2012 amounted to 230 thousand tons. On a quarterly basis, TMU posted the highest coal sales volume growth in 4Q 2012 at 108 thousand tons, substantially growing by 140% from 45 thousand tons in 3Q 2012.

Considering that TMU commenced operations only recently in October 2011, TMU conducted its pre-stripping activities particularly in 1Q 2012. TMU's SR in 2012 registered at 14.8x, a decrease from 24.5x in 2011.



Overland Conveyor

TMU expects to increase its production capacity significantly, by sharing infrastructures and facilities with the Company's two other operating subsidiaries, and resulting in greater cost efficiencies for the Company.

Exploration

Throughout 2012, the Company's operating subsidiaries undertook several exploration activities.

IM

IM carried out geotechnical drilling that was aimed at understanding the technical features of the stability of the mining ledge and hydrology. The drilling was carried out using the open hole drilling and core hole drilling methods.

On a quarterly basis, SR has steadily declined to its lowest point to 10.8x in 2012. Going forward, TMU's SR is expected to stabilize at around 10-11x.

TMU has carried out exploration activities in certain locations in the Northwest area of its concession, where it has not been included in the JORC calculation reserves. Of these exploration activities, and based on the Company's internal estimation, the incremental increase of the reserves could reach up to 7 million tons of coal.

TMU is constructing a coal haul road into the IM concession via ABN, thus enabling TMU to access and use the IM jetty facility. This project is set for completion by early second half of 2013.



Jetty facilities

Geophysical logging was undertaken in both open hole and core hole drilling. The geotechnical drilling were carried out through core hole drilling followed by the Standard Penetration Test (SPT) every 1.5 meter. IM also carried out a depressurising drilling on ground water in order to relieve ground water pressure.

The total length of completed drilling reached 11,919 meters deep and total logging geophysical depth of 11,919 meters with the following details:

Total	Total Overall Depth		
Drill holes	Open holes	Core hole	Logging
92	8,812 m	3,106 m	11,919 m

The total exploration coverage area are as follow:

Area	Area Size	Percentage	Status
Active Pit	374.3 ha	54.80%	Explored
Non Active Pit	308.7 ha	45.20%	Infrastructure, etc.

ABN

ABN undertook an infill drilling and ground water depressurising. The infill drilling is aimed at increasing the amount of exploration drilling data of previous drilling in order to shape a more accurate geological model. Whereas the ground water depressurising is to reduce the amount of ground water pressure to stabilize the mine.

Drilling are carried out by using the open hole drilling method, and taking samples of cutting and data on geophysical logging.

The number of infill drilling holes and dewatering and total depths are presented in the following table:

Description	Number of Drill Holes	Total Depth (meters)
Infill Drilling	92	9,104
Dewatering drilling	12	787

The total exploration coverage area are as follow:

Area	Area Size (hectare)	Percentage	Status
East & West blocks	1,840	61.53%	Explored
Non Pit Aktif	1,150	38.47%	Infrastructure, etc.

TMU

TMU undertook a geotechnical exploration drilling and production exploration drilling activities. The geotechnical drilling was carried out to test the stability of the mine's ledge as well as hydrogeological conditions. Whereas the production drilling aimed at increasing the amount of data for the purpose of reserves calculation.

Since the slope of rocks/coins in the West area of TMU ranges between 70 degrees and 80 degrees, the exploration drilling modes in the West Block used the sloping drilling method of up to 45 degree slope. Two systems of drilling were used, namely the open hole system and the touch coring system. The open hole system sought to determine the sequence or stratigraphy and



Exploration Activities



TMU stockpile



the continuity of the coal seams.

Whereas the touch coring system takes coal samples for analysis on the quality of the coals.

The exploration works reached a total depth of 10,027.49 meters comprising of open holes amounting to 9,636.02 meters and coring of 391.47 meters numbering 119 holes. In addition, the activities of cropline drilling reached a total depth of 6,377.6 meters in 244 holes. With respect to logging works, there were a total of 59 core holes and 60 coring holes, for a total depth of 9,603.49

Area	Area Size (hectare)	Percentage	Status
West Block	1,580	53.72%	Explored
Eastern Block	1,834	46.28%	Green Field

meters.

Marketing

The Company produces coal of varying characteristics for power plants and other coal users in major overseas markets, particularly in the Asia-Pacific region. To date, the Company does not experience significant difficulties in marketing its products, as the existence of a number of major customers have historically provided a stable base for the marketing of the Company's coal products.



Arthur Simatupang addresses the audience during the christening ceremony of the floating crane in Nanjing, China, where he also meets with potential end-user coal buyers in China.

These major customers include some of the world's leading coal traders such as Vitol, Flame, Glencore, Noble Group, Peabody, Dragon Energy Group, Mercuria and Trafigura.

The Company maintains a centralized marketing team for its three subsidiaries, allowing for efficiencies in marketing costs through its own internal marketing. This, in turn, serves to enhance the competitiveness of the Company's coal products in the overseas markets.

Aside from centralized marketing activities, the Company also derive additional benefits from a variety of marketing initiatives, which include:

- Reduction of marketing costs through the use of internally developed customer base.
- A balanced mix of long-term contract sales, short-term contract sales, and spot market sales.
- Active participation in international trade expos to promote Toba Bara coal products.

The Company also continues to expand its customer base by marketing and selling its coal directly to end-users, in order to prevent over-reliance on certain groups of major customers.

Initiatives and Developments

Operations wise, the Company successfully adjusted its mining plan in response to weak market prices throughout the year, and to focus more on profitability. Stripping ratios increased by 17% to 14.9x year-on-year in 2012. The increase was among other things due to the growth of SR in ABN, IM and TMU as a result of pre-stripping activities in the first and second quarters of 2012. However, on a quarterly basis, SR has declined in the third quarter of 2012 to 14.2x or a reduction of 14% from that of the previous quarter. The quarterly reduction of SR continued in the fourth quarter of 2012 to a level of 12.1x or a decline of 15% quarter-to-quarter.

The Company's other strategic initiatives in facing up to challenges of the coal market primarily include enhancing profitability through effectively managing cost by capitalizing the competitive advantages of having three adjacent mine sites and optimizing the coal sales and prices.

joint mine plan (integrated mining operations) of the three operating subsidiaries and infrastructure sharing of ABN, IM and TMU such as in the use of conveyors, crusher, coal hauling and jetties. In the joint mine plan program, the Company intends to initiate mining at the border of ABN and IM with the aim of maximizing reserves and increasing the capacity of overburden removal. Furthermore, the adjacent location of ABN and IM allows room to shorten the OB disposal distance, thus enabling lower production cost. These joint mine plan activities have commenced since the fourth quarter of 2012.

At present, the Company is constructing a coal-hauling road from TMU to IM through ABN primarily to maximize infrastructure sharing such as Coal Processing Plant (CPP), jetty owned by ABN or IM. This initiative would also facilitate the efforts to optimize coal quality through blending between coals produced by TMU, ABN and IM where TMU's coal has lower sulfur value. Maximizing infrastructure sharing also helps reduce capital expenditures to build CPP at TMU. And through shared hauling roads, the Company believes it will also lower future operating costs.



In managing its coal facilities, the Company is building a new CPP at IM. The new CPP is expected to enhance IM's coal processing capacity, accommodate TMU's coal, increase OB disposal capacity, lower cost and add stockpile capacity for raw coal and coal products. The Company plans to construct an underpass within the ABN's site. The main objective of constructing such underpass is to shorten OB removal distance.

Currently, the Company is preparing several mine plan options to manage SR effectively in anticipation of fluctuating coal prices. Land compensation and drilling activities are

In 2012, the Company posted capital expenditure amounting to US\$17 million, which among other things were used to purchase fixed assets, develop infrastructures, pay for exploration activities and land. Meanwhile, the Company has budgeted a capex of US\$27 million for 2013, mainly for expenditures related to the construction of haul roads (from TMU to IM), the construction of the new coal processing plant at IM, conveyer improvement and the construction of underpass at ABN, as well as exploration activities and land compensation.



undertaken to improve mine sequencing. As part of the efforts to optimize coal sales and prices, the Company is considering hedging initiatives and expanding its coal sales market. In 2012, the Company carried out simple swap hedging both in coal prices and fuel. The coal sales volume and fuel that were hedged reached approximately 752 thousand tons and 114 thousand barrels, respectively. Although most of the Company's coals are sold to coal traders, the Company continues to promote its coals directly to end-users with the aim to diversify its customer base and expand its target market.

Financial Review



Tries Nainggolan **GM Finance**

Tries Nainggolan joined the Company on November 2012 as GM-Finance. Previously he served as Business Analyst and Financial Planning in health sector (Siloam Hospitals Group) and retail sector (Limited Brands, Inc. and Foot Locker, Inc.). Tries earned his Bachelor's degree in Finance from Pennsylvania State University and Master's degree in Public Policy and Management from Ohio State University, United States of America.

the Company implemented a series of cost reduction initiatives in 4th quarter of 2012 by lowering Stripping Ratio (SR) and shortening overburden (OB) dump distance.

The Company's sales fell by 20.4% from US\$498.2 million in 2011 to US\$396.7 million in 2012, while sales volume slightly increased by 0.7% to 5.5 million tons in 2012 compared to the previous year. The lower global coal index price resulted in the weaker sales by the Company.

Meanwhile, the Company's cost of goods sold rose by 13.2% from US\$308.0 million in 2011 to US\$348.5 million in 2012. The increase was mainly due to higher Stripping Ratio, longer Overburden Dump Distance that mostly occurred in the first semester of 2012, as well as fuel price hike. In addition, there was a rise in IM's contractor rate in second half of 2012 due to a contract extension.

A combination of sales decline and cost hike constitutes the main contributing factor in the drop of EBITDA by 86.3% from US\$164.1 million in 2011 to US\$22.5 million in 2012.

In 2012, the Company posted gains that were derived from hedging transactions amounting to US\$4.5 million. The Company hedged coal and fuel prices through swap instruments with three international financial institutions.

Financial Performance Highlights

The weakening global economy in 2012 had caused a correction of the global coal index price. The average selling benchmark coal price of the Newcastle index declined by 20.4% from US\$121.2/ton in 2011 to US\$96.9/ton in 2012, with significant drops in the second half of the year, reaching a low of US\$80.8/ton in October 2012. However, amidst the uncondusive coal market conditions, PT Toba Bara Sejahtra Tbk continued to grow its production by 7.7% from 5.2 million tons in 2011 to 5.6 million tons in 2012. In response to the downtrending coal price and in order to sustain its profitability,

After taking into account the net tax expense of US\$8.3 million for the period 2012, the Company posted total net profit (before minority interest and other comprehensive income) of US\$11.9 million, down from US\$115.3 million in the previous year. The decline in net profit was mainly due to a drop in the average selling price (ASP) of coal and a rise in cash cost (FOB vessel cost) in 2012.

The Company believes its balance sheet as of 31st December 2012 to be solid, given its low net debt to EBITDA ratio of 0.57x, cash balance



The signing of Unsecured Revolving Credit Facility between ABN and BNP Paribas

of US\$36.3 million, and available working capital facility of US\$10.0 million in ABN and US\$14.5 million revolving credit facility at the Company level. Any drawdown on the working capital facility rests fully at the Company's discretion. Given this solid balance sheet structure, the Company can be expected to be more resilient against the volatility of the coal market.

STATEMENTS OF COMPREHENSIVE INCOME

Sales

Despite the increase in total production of coal by 0.3 million tons in 2012, total revenues on the Company's sales declined by 20.4% from US\$498.2 million in 2011 to US\$396.7 million in 2012. The decline resulted mainly from the decline in the Company's average selling price

in 2011. This stemmed from the Company's relatively higher pre-stripping activities undertaken by ABN, IM, and TMU in the first quarter of 2012.

In addition, heavy rainfall during this period resulted in substantially higher mud removal cost compared to the same period the previous year. Although the Company's Stripping Ratio in the first quarter to the third quarter in 2012 reached 16.0x, it had managed to lower its Stripping Ratio to 12x in the fourth quarter of 4th, hence registering a decline in overall Stripping Ratio in 2012 to 14.9x.

EBITDA

The fall of the coal index price combined with the rise in Stripping Ratio, and Overburden dump



Finance team, from left to right: Septian Seto, Ismail Sianipar, Waracahya Dea Kanyaka, Tries Nainggolan, Slamet Djupri, Baskara Van Roo and Vena Siau.

of coal from US\$91.3/ton to US\$72.2/ton, in line with declining Newcastle Index benchmark coal price.

Meanwhile, total sales volume in 2012 only increased by 0.7% to 5.5 million tons compared to that of 2011. The slight growth in sales volume was far less than the growth in production in 2012, and this stemmed from the Company's strategy to increase its inventory and optimize sales volume in the first quarter of 2013. Based on historical data, production during the first quarter is the lowest of all quarters during the year due to heavy rainfall.

Cost of Goods Sold

Cost of goods sold increased by 13.2% from US\$308.0 million in 2011 to US\$348.5 million in 2012. This was mainly due to higher Stripping Ratio, longer dump distance, fuel price hike and a surge in the contractor's rate at IM in the second quarter of 2012. These factors also contributed to an 11.3% rise in FOB Vessel Cash Costs (including royalty) from US\$56.3/ton to US\$62.5/ton in 2012. Stripping Ratio in 2012 increased by 17.3% to 14.9x from 12.7x

distance were the main contributing factors to the decline in EBITDA. The Company's EBITDA in 2012 decreased by 86.3% year-on-year resulting in 2012 EBITDA margin of 5.7%, or down from 32.9% the previous year. Nevertheless, the Company expects that the cost reduction initiatives undertaken since the fourth quarter of 2012 would increase its EBITDA in 2013 by focusing on achieving it targeted SR and OB dump distance.

Other Income

One of the Company's strategies implemented in 2012 was to hedge coal and fuel prices with the aim of achieving the expected return margins. The Company hedged ABN's sales volume and fuel consumption of 752 thousand tons and 113,760 thousand barrels (around 18.1 million liters) respectively. ABN employed derivative swap instruments (as part of its hedging strategy) with Australia and New Zealand Banking Group Limited (ANZ), BNP Paribas, and Morgan Stanley & Co International Plc as its counter parties. Through this hedging transaction, the Company recorded realized gain of US\$4.5 million in 2012.

Gross Profit

The Company posted a Gross Profit of US\$48.2 million in 2012, a decline of 74.7% from US\$190.2 million in 2011. The decline mainly resulted from the decline in the Company's sales due to unfavorable market conditions (coal price) throughout 2012, and the increase of Cost of Goods Sold as a result of higher stripping ratio, overburden dump distance and the price of fuel.

Selling, General and Administration Expense

Selling, general and administration expense amounted to US\$31.9 million, an increase of 6.3% mainly due to the increase in the expense related to the Company's corporate social responsibility programs as well as to land and building taxes.

Operating Profit

The Company posted an Operating Profit of US\$21.1 million in 2012, a decline of 86.5% from US\$156.5 million in 2011. The decline resulted primarily from the decrease of Gross Profit by 74.7%, or US\$142.1 million during the year under review.

Net Profit

After accounting for net tax expense of US\$8.3 million for the current year, the Company posted a Net Comprehensive Profit in 2012 of US\$12.0 million, a decline by 89.6% from US\$115.1 million in 2011. The decline was in line with the unfavorable coal market condition throughout 2012, compared to the previous year.

STATEMENTS OF FINANCIAL POSITION

Total Assets

The total consolidated assets of the Company increased by 16.1% to US\$261.5 million as of year-end 2012. The increase resulted primarily from an increase of mining properties of US\$17.6 million, prepaid taxes of US\$14.6 million and inventories of US\$10.0 million.

Cash and Cash Equivalents

Total cash and cash equivalents declined by 38% from US\$58.6 million in 2011 to US\$36.3 million in 2012. The Company posted a net cash inflow from financing activities in 2012 amounting to US\$138.0 million; but also posted a net cash outflow for operating activities amounting to US\$31.9 million and for investing activities amounting to US\$127.3 million in that same year, resulting in the aforementioned decline in balance of cash and cash equivalent.

Cash received from financing was mainly derived from a capital injection of US\$104.7

million related to the restructuring with minority shareholders of operating subsidiaries, namely Indomining and TMU with respect to the Initial Public Offering of shares by the Company in July 2012 amounting to US\$38.2 million. Cash used for operating activities was mainly for the payment of suppliers amounting to US\$319.4 million (compared to Cash received from customers amounting to US\$379.8 million); whereas Cash used for investing activities mainly took the form of additional equity placements in operating subsidiaries amounting to US\$96.5 million.

Account Receivables

The Company's consolidated Trade Receivables from third parties fell slightly by 2.1% to US\$16.2 million, mainly due to a decline in total sales in 2012.

Inventories

The Company's Inventories increased by 54.3% to US\$28.4 million from US\$18.4 million the previous year. The increase in Inventories mainly resulted from an increase in coal inventories due to production increase. This increase is part of the Company's strategy to optimize sales in the first quarter of 2013.

Prepaid Taxes

The Company posted Prepaid Taxes amounting to US\$14.6 million in 2012. This amount pertained to the Company's advance installments for its 2012 Corporate Income Tax.

Mine Properties

Mine Properties, less accumulate amortization, reached a total of US\$57.6 million in 2012, an increase of 43.9% from US\$40.0 million in 2011. The increase was mainly due to the increase in stripping activities in all three operating subsidiaries.

Fixed Assets

Total fixed assets, less accumulated depreciation, reached a total of US\$34.1 million as of year-end 2012, an increase of 8% from US\$31.5 million in 2011. The increase was in line with the business expansion of the Company that among other things comprised of the construction of roads, buildings and infrastructures; and the procurements of machineries and working equipment.

Liabilities

The Company's total liabilities as at year-end 2012, amounted to US\$150.6 million, a decline of 9.4% from US\$166.1 million in 2011. The decline was primarily due to lower taxes payable by 89.2% and less advances from customers by 54.1%.

Account Payables

The Company posted total Trade Payables to third parties amounting to US\$57.8 million and to affiliated parties amounting to US\$552.0 thousand. Account payables to third parties increased by 111.7% during the year under review, reflecting the increase of the Company's production.

Bank Loans

Total Bank Loans as at year-end 2012 was US\$48.3 million, an increase of 42.6% primarily due to an increase in borrowing related to the settlement of overlapping land with a third party, working capital borrowing in ABN and borrowing in IM.

Tax Payables

The Company posted total Tax Payables in 2012 of US\$3.4 million, a decline of 89.2% from US\$31.5 million in 2011. The decline primarily resulted from the significant decrease of the Company's Article 29 Tax payable in 2012 in line with the decline of the Company's net profit in 2012 compared to that of 2011.

Sales Advances

The Company posted Sales Advances of US\$11.6 million in 2012, a decline of 54.1% from those of the previous year. This was mainly due to the fulfillment of long-term sales contract by ABN. The remaining Sales Advances posted in 2012 pertained to ABN's short-term sales contract.

Equity

The Company's total equity as of end of 2012 was US\$110.9 million, an increase of 87.7% from US\$59.1 million in 2011. The increase resulted from the capital injection of US\$143.2 million in 2012 related to the restructuring of minority shareholders in the operating subsidiaries of IM and TMU, and the Company's initial public offering of shares.

Solvency

The Company's solvency ratio improved from 1.36 times in 2011 to 1.74 times in 2012, due to the increase in total Assets by 16.1% in conjunction with a decrease in total Liabilities by 9.4% during the year under review. This indicates the increasing capability of the Company to meet its financial obligation.

Liquidity

The Company believes that its financial condition as at year-end 2012 is solid because of the relatively low ratio of net debt to EBITDA of 0.53x, a cash and cash equivalent balance of US\$36.3 million, and the availability of working capital facility of US\$10.0 million at ABN and revolving credit facility of US\$14.5 million at the

parent entity level that can be drawn any time. This represents a sound financial resources for the Company in facing up to a volatile coal market.

Capital Structure

The Company strives to maintain a strong capital structure at all times, by maintaining financial ratios that are sound and healthy to support the sustainable growth of the Company, as well as to meet the Company's financial obligation at all times. In 2012, this was underlined by the success of the Company in strengthening its capital via an initial public offering of shares.

Material Increase or Decrease in Sales or Net Income

The Company posted a significant decline in its coal sales in 2012, mainly due to the sharp decrease of global coal prices compared to those of the previous year.

Impact of Price Changes to Revenues and Net Income

There was a significant impact from changes in coal price on the Company's revenues and net income for the year under review, in which the Company's sales declined by 20.4% from factors described above.

Realization of Use of IPO Proceeds

This information is presented earlier on page 34 of this Annual Report.

Information Disclosure on Material Transactions

On 2 October 2012, the Company made information disclosure pursuant to the Bapepam-LK Regulation No. IX.E.2 on Material Transactions and Core Business Shifting.

The disclosed information as publicized on the website of the Indonesia Stock Exchange and Suara Pembaruan Daily on 2 October 2012, pertained to a series of transactions comprising of (i) transaction of loan provided by the Company to PT Perkebunan Kaltim Utama ("PKU"), (ii) transaction of sale-and-purchase of receivables between the Company, PKU and PT Ganda Sawit Utama ("GSU"), (iii) transaction of assignment receivables between the Company and GSU, and (iv) transaction involving a conditional sales purchase agreement of share between the Company and PT Karya Generasi Perdana ("KGP"). These transactions represent material transactions as defined by Regulation No. IX.E.2, Attachment to the Decision of the Chairman of Bapepam-LK No. Kep-614/BL/2011 of 28 November 2011 on Material Transactions and Core Business Shifting ("Regulation No. IX.E.2).

These material transactions neither contain a Conflict of Interest nor represent an Affiliate Transaction as defined by Regulation No. IX.E.1, Attachment to the Decision of the Chairman of Bapepam-LK No. Kep-412/BL/2009 of 25 November 2009 on Transaction with affiliate parties and conflict of interest on certain transaction.

On 28 September 2012, the Company signed the following agreements:

1. Loan Agreement

The Company and PKU signed a Loan Agreement pertaining to a loan provided by the Company to PKU in order for PKU to repay its debts to two National Private Banks.

2. Agreements on Sales Receivable

- a. Agreement on Assignment Receivables; the Company, PKU and GSU signed the above pertaining to the sale of receivable from GSU to the Company.
- b. Agreement on Assignment Receivables in connection with the Agreement on Sales and Purchase Receivables, The Company and GSU signed the Agreement on Assignment Receivables in which GSU transferred the receivables to the Company.

3. Conditional Sales Purchase Agreement; the Company and KGP signed an Agreement on the Conditional Sales Purchase Agreement in connection with the planned sale-and-purchase of PKU shares that are held by KGP.

The consideration to undertake the material transaction

Prior to the signing of the above agreements, PT Adimitra Baratama Nusantara ("ABN") and PT Trisensa Mineral Utama ("TMU") were embroiled in a litigation case involving land overlapping with PKU. With the signing of the above agreements, ABN, TMU and PKU have agreed to settle the case and discontinue the legal proceeding.

Material Objects and Transaction Value

The material objects and transaction value were as follows:

1. Provision of loan with the amount of principal of Rp62,984,177,778,-
2. Purchase of receivable amounting to Rp145,660,301,410,- at a strike price of Rp70,765,822,222,-; and
3. Conditional Sales Purchase Agreement amounted to Rp11.250.000.000,-.

The total value of the above Material Transactions accounted for 47% of the Company's equity

based on its consolidated financial statements for the year ending 31 December 2011. As such, these transactions qualify under the category of material transactions as defined under article 2.a Regulation No. IX.E.2, in which the Company is not required to obtain the approval of the General Meeting of Shareholders, instead the Company is required to publicly disclose information on these transactions and submit their supporting documents to Bapepam-LK.

Valuation and Opinion of Fairness Opinion

Based on the scope of work, assumptions, data and information obtained from the management of the Company that had been used to issue this report, a review on the financial impact of the transaction as disclosed in the report on Fairness Opinion, the Company believes that the transactions, on their economical and financial merits, are deemed to be fair and beneficial to the shareholders of the Company.

Changes in Laws and Regulations that May Affect the Company's Performance

In 2012 there were no changes to prevailing laws and regulations that significantly affect the operations of the consolidated financial report of the Company.

Factors that May Affect the Company's Performance

The performance of the Company is measured by the achievement of coal production volume and sales revenue that are obtainable on the basis of business targets set under the Company's annual budget.

Meanwhile, the level of coal production volume is dependent upon the management of mine planning and logistics management to increase coal production and transport coal to the barge –loading jettis and onward to transshipment points in open seas.

Activities of coal mining can be affected by bad weathers throughout the rainy seasons that can occur from time to time. Production and sales volume can also be affected by market demand, availability of shipment, and the capacity and performance of coal mine contractors.

In addition, fluctuation of global coal price has a major impact on the Company's sales revenue. The global price of coal is affected by the dynamics of supply and demand of the export markets for global coal as well as by demand from domestic market especially in the power generating sectors.

In 2012, the dynamics that presented themselves in the global coal export markets had a negative impact on the Company's performance, in stark contrast to the conducive market conditions of 2011.

Development Plan in 2013

The Company remains on track to construct a hauling road that connects from TMU to IM through ABN, hence enabling TMU to use the existing coal processing plant (CPP) and jetty owned by IM. The main objective of this road construction is to maximize available infrastructure capacity, minimize capital expenditures, and reduce production costs. The Company expects to complete the coal-hauling road by early second half of 2013. Through the use of this hauling road, the Company expects to lower transportation cost at TMU by US\$ 5-10/ton.

The Company has appointed a contractor to construct a new CPP at Indomining, and projected to complete the construction by the end of third quarter 2013. The new CPP is expected, among others, to enhance IM's coal processing capacity, to accommodate TMU's coal, and to reduce diluted coal calorific value processed in the CPP. Overall, the new CPP would help enhance cost efficiency and improve the sales price of coal from IM and TMU.

Reducing Overburden Dump Distance

ABN plans to build a second underpass that connects the Western block and Eastern block, with the aim to reduce OB dump distance from the Eastern block. The Eastern block area is currently the focus of ABN's mining activity for the next subsequent years. The Company is estimated to reduce overall dump distance by around 500-1000 meters.

Material Information and Facts Subsequent to Financial Closing Date (31 December 2012)

Subsequent to the financial closing date there were two material informations as follows:

New Mining Contractor at IM

On 28 January 2013, IM and PT RPP Contractors Indonesia (RCI) signed a mining service contract agreement, in which RCI was appointed as the new mining contractor at IM. The agreement will last until 28 January 2018.

Indomining's IUPOP (Mining License for Operation and Production) Renewal

As of 15 March 2013, PT Indomining secured approval for the renewal of its IUPOP licence from the local regency government of Kutai Kartanegara for the next 10 years until 15 March 2023. Such a renewal of the IUPOP reflects the trust earned by the Company from the regional government, hence allowing IM to continue its mining activity sustainably.



From left to right:
Luhut B. Pandjaitan
(Toba Sejahtera), Sohat
Chairil (RCI), Budiono
Tanbun (RCI) and Arthur
Simatupang (Indomining)
in a signing ceremony of a
mining service contract.

Risk Management

The business of coal mining is fraught with business risks that are related several factors including laws and regulations factor that can change from time to time, the coal price factor in both international and domestic markets that are beyond the control of the Company, production factor with respect to the availability of production facilities and mining infrastructures of the Company, natural factor related to weather and natural disasters, distribution factor in connection with the availability of mother vessels and transportation facilities from the mines to transshipment points, and social factor in regards to the Company's relations with its surrounding communities.

On the operational side, for instance those that involve work procedures with strict operational standard on safety and health at work both in the fields and offices, working relations with mining contractors and other suppliers, as well as the development and maintenance of mining infrastructures to ensure continuity of production.



Safety Talk at ABN

The initiatives on risk management by the Company essentially rest upon the dissemination of information as early and as comprehensive as possible to the Board of Directors and its management team to anticipate the possibility of risks in their earliest stage and carried out appropriate mitigation efforts. In that regards, the function of risk management at the Company and operating subsidiaries levels are carried out within each division and covers both operational and non operational activities.



IM Safety Drill

From the non-operational side, the Company faces risks that may result from fraudulent activities, non-compliance behaviors and financial risks. From the financial perspective alone, the Company is constantly exposed to fluctuations of coal price, currency exchange rates, risks associated with credits provided to customers, and financial liquidity risk. The Company mitigates these financial risks among other things through (i) obtaining long term sales contract with locked price, (ii) carrying out its financial statements denominated in US Dollars to minimize currency exchange risk, (iii) maintaining close ties with major coal buyers who are credible, and (iv) ensuring adequate working capital and financial liquidity through equity financing and bank borrowing.

In terms of environmental conservation and community welfare, the Company reduces its risk impact on natural environment and maintains good relations with local

communities by undertaking corporate social responsibility programs as a company that cares for the environment and community development in the area where the Company operates.

Essentially, the Company continues to map out all of the risk potential that it faces, and formulates risk mitigation techniques that it

considers appropriate. In 2012, one of the risk factors that was successfully mitigated was the settlement of the overlapping land issues with PT Perkebunan Kaltim Utama I comprehensively. This provides the opportunity for the Company to develop its business in its concession areas where previously this had been hindered by the land overlapping issues.



ABN Rehabilitation Areas



Loading of coal at transshipment point

Corporate Governance

The Management of PT Toba Bara Sejahtera Tbk has affirmed that Good Corporate Governance constitutes a primary undertaking of the Company in order for it to achieve sustainable growth and long-term value creation for shareholders and other stakeholders.

The Company is committed to implement best practices in Good Corporate Governance (GCG) through the formulation of guidelines, policies, charters and systems that include among other things:

- The Audit Committee Charter
- The Internal Audit Charter
- Company Regulations
- Standard Operating Procedures on Accounting, Production and Civil Construction.

These guidelines and policies determine the Company's conduct and responsibility to all of its stakeholders in transparent, accountable, responsible, independent and fair manner in accordance with the principles of GCG. Best-practice corporate governance measures are adopted and carried out by the Shareholders, Commissioners and Directors, including:

1. All major transactions that require the approval of Shareholders are carried out in accordance with the stipulated requirements and through the General Meeting of Shareholders.
2. Members of the Board of Commissioners (BOC) have the opportunity to broaden the Company's perspectives on the implementation of GCG. For instance, the BOC provides its advice and recommendations in the formulation of the Company's business plan including the annual budgeting.

3. The Board of Directors has formulated the Company's business strategy and set out to accomplish the goals and objectives set forth in that strategy. This strategy includes the key steps taken by the Company in 2012, in the face of extremely challenging market conditions for the coal industry in general. Largely due to the strategic measures taken by Management, the Company successfully listed its shares on the Indonesia Stock Exchange on 6 July 2012, and ably weathered the challenging market conditions to achieve encouraging results in 2012.

4. The Corporate Secretary ensures that information to stakeholders is disseminated accurately and timely. The job description also specifies the Corporate Secretary's role to act as the Liaison Officer between the Company and the Capital Market Authority, in which the Company's Corporate Secretary has capably carried out his assignments. The Company has appointed a Corporate Secretary in September 2011, prior to becoming a publicly listed company in July 2012.

5. The Company has also appointed the Head of Legal in March 2011, who has carried out his duties satisfactorily, protecting the interests of the Company from potential legal risks that may arise in connection with its operations.



Inspections of transportation fleets are carried out at all times to ensure that field crews (drivers) follow all regulations on safety issues and equipment requirements in order to operate vehicles safely and effectively.



6. Since May 2012, the Company has appointed the Head of Internal Audit who has carried out his duties satisfactorily. The duties include among other things reviewing periodically the internal controls in all of the activities of the Company and its operating subsidiaries.
7. The Company has in place the Company Regulation that defines the conduct of the Company's personnel in order to foster harmonious relations between Management and employees, and sets forth the rights and responsibilities of each party concerned in accordance with the labour laws. To complement this regulation, the Company has plans to formulate the Company's Code of Conduct.

Throughout 2012, as the Company prepared itself and eventually carried out a public listing on the Indonesia Stock Exchange, the Board of Commissioners worked closely with the Board of Directors to map out the Company's good governance policy and strategy, primarily since, as a listed company, PT Toba Bara Sejahtra Tbk is expected to implement good corporate governance of the highest standards. The Company implements the following principles of GCG:

- The Principle of Transparency is implemented by ensuring that the steps and processes leading to the formulation of policies and decisions by the Commissioners, Directors and Senior Managers of the Company are transparent and open to reviews by interested parties at all times. Throughout 2012, information disclosures by the Company (routine as well as incidental disclosures) have been performed in time in accordance with the prevailing regulations. While not mandatory to do so, the Company regularly issued Reports on Operational Progress as means to improve transparency.
- The Principle of Accountability is implemented by clearly designating the rights and obligations of the Commissioners and Directors of the Company, and providing clear job descriptions to every rank-and-file and positions of responsibility in the Company. All members of the Board of Commissioners and Board of Directors understand clearly their respective roles and responsibilities. The Company appoints Public Accountant Firm Purwantono,

Suherman & Surja (Ernst & Young) of international reput (big four accounting firms) to ensure the quality and integrity of its audited financial statements.

- The Principle of Responsibility is implemented by aligning the Company's goals and objectives as well as managing its operations in accordance with prevailing laws and regulations and the expectations of stakeholders. Each year, the Company and its operating subsidiaries hold an Annual Budget Meeting to determine the business objectives and strategies, which are then defined into the Company's Work Plan & Budget (RKAP).
- The Principle of Independence is implemented by ensuring that the Company and its Management operate independently without conflicting interests or at the behest of special interest groups. All members of the Company's Board of Commissioners are Independent Commissioner.
- The Principle of Fairness is implemented by carrying out business practices that are fair and honest, mindful of the rights of stakeholders that arise from contractual agreements and/or prevailing laws. Accordingly, the Company has in place standard operating procedures (SOPs) for accounting, production and civil construction processes as well as for the procurement of goods and services.

Based on the implementation of such GCG principles, the Company has defined a work culture based on the following values:

- The Company and its personnel uphold integrity in all of their conduct and business dealings.
- The Company complies with all prevailing laws and regulations.
- The Company is committed to promoting employee's growth and welfare.
- The Company avoids and resolves conflicts of interests.
- The Company is committed to Safety, Health and the Environment.
- The Company is accountable for all of its actions.
- The Company espouses fair and transparent business competition.
- The Company respects individual rights and dignity.
- The Company maintains reciprocal good relations with all stakeholders.

- The Company carries out Corporate Social Responsibility.
- The Company disseminates information and communicates with stakeholders accurately, responsibly and in a timely manner.

Enforcement of the Code of Ethics

The Company is still reviewing the establishment of a whistle blowing system suited to internal conditions. In practice, however, the Company has always implemented an open door policy to receive complaints and discuss reported issues.

The following discussions elaborate the policies and practices of good corporate governance within the Company in 2012.

General Meeting of Shareholders

The General Meeting of Shareholders constitutes the highest and most authoritative body of the Company, with the power to appoint and dismiss members of the BOC and BOD, approve major transactions and corporate actions, receive annual report from the Management on Company performance, and determine the utilization of net profits; all of which are set forth in the Company's Articles of Association.

Since its listing on the Indonesia Stock Exchange on July 6, 2012, the Company did not convene a General Meeting of Shareholders during 2012. The first General Meeting of Shareholders of the Company as a publicly listed company will be held in 2013.

BOARD OF COMMISSIONERS

As of year-end 2012, the Board of Commissioners (BOC) of the Company comprises of three members, including the President Commissioner and two Independent Commissioners. The appointment of members of the BOC, and its composition, comply with Capital Market laws and regulations, namely Bapepam Regulation No.IX.1.6 juncto Bapepam Chairman Decision Letter No. KEP-45/PM/2004 of 29 November 2004 on the Board of Commissioner and Board of Directors of a Security Issuer and Publicly Listed Company.

The composition of the Board of Commissioners is as follows:

- President Commissioner:
Jusman Syafii Djamal
- Independent Commissioner:
Barcelius Ruru

- Independent Commissioner:
Farid Harianto

Independency of the BOC

The composition of the Board of Commissioners of the Company has exceeded the requirement of Capital Market laws and regulations that require at least a third of the membership of the BOC to be Independent Commissioners. Presently set at three members, all members of the Company's BOC are independent members who are not affiliated to the Shareholders of the Company. This ensures the Board's independency in supervising the management of the Company.

Implementation of the Duties and Responsibilities of the BOC

Pursuant to the Company's Articles of Association, the Board of Commissioners is charged with the supervision and advice given to the Board of Directors (BOD) on the management of the Company by the BOD.

In addition to undertaking its routine supervisory and advisory capacity, in 2012 the Board of Commissioners gave its approval on the following items:

- Formulation and Adoption of the Company's Long-Term Business Plan for 2012 and 2013.
- Determining Key Performance Indicators for operating subsidiaries.
- Resolution of the land-overlapping issue with PT Perkebunan Kaltim Utama I.
- Approval of the Semi Annual Financial Statements.
- Approval of the Audited 2012 Financial Statements and 2012 Annual Report.
- Approval of internal restructuring in relation with the IPO process.
- Approval of the Internal Audit charter and appointment of Head of Internal Audit.

Furthermore, the Commissioners were active in supervising the implementation of GCG within the Company, which include the following activities:

- Establishment of the Audit Committee in January 2013.
- The Commissioners have given direction and input as well as discussed a variety of issues with the Directors in order to act on all pertinent matters that need the attention of the Commissioners in a timely, relevant and accurate manner.

- The Commissioners have made a more effective communication with the Directors and management in the implementation of its duties through the use of letters, telephone, sms and e-mail.



The visit of the Company's Commissioners and Audit Committee to the mining site. from left to right: Bacelius Ruru (Commissioner/Head of Audit Committee), Farid Harianto (Commissioner), Justarina Naiborhu (President Director), Irwandy Arif (Audit Committee), Aria Kanaka (Audit Committee), and Perry B. Slangor (Corporate Secretary).

- The Commissioners have authorized certain transactions and corporate actions that require the approval of the Commissioners pursuant to the Articles of Association and prevailing regulations.

In discharging its supervisory duties, the Board of Commissioners does not merely rely on official forum such as board meetings or report reviews, but also undertakes active on-the-spot engagements if necessary, including activities at the mining sites.

Meetings

The Board of Commissioners convened four meetings in 2012. These meetings have been properly documented in the Minutes of Meeting.

The attendance level of each Commissioner is presented in the following table:

Name	Position	Meeting Attendance
Jusman Syafii Djamal	President Commissioner / Independent	3
Bacelius Ruru	Independent Commissioner	4
Farid Harianto	Independent Commissioner	4

BOC Meetings in 2012

These meetings were held to undertake internal consolidation especially with regards to discussing reports submitted by the Directors. The agenda discussed among other things include discussion on monthly performances, annual performance, budget formulation, funding, discussion on the progress of projects, and discussion on the business of subsidiaries. Meetings of the Board of Commissioners were held to evaluate Company performance against business plans and targets, as well as other pertinent issues.

Remuneration of Board of Commissioners

The amount of remuneration of members of the Board of Commissioners is presented on the table on page 65. Going forward, the amount of remunerations for Commissioners will be approved by shareholders through the GMS. The amount of tantiem for Commissioners, if any, is also forwarded to the GMS for approval. Tantiem is determined with considerations of target achievement level, the Company's financial condition, and other relevant factors.

AUDIT COMMITTEE

To assist in its supervisory duties, the Board of Commissioners has formed the Audit Committee. At present, the Company is finalizing the formulation of the Audit Committee Charter, which sets forth the objective, role and responsibility of the Audit Committee, including the following:

- Oversees both the internal and external audit undertakings of the Company from planning to execution, audit findings and follow-up actions.
- Advises the Board of Commissioners on the integrity of the Company's financial statements.

The Company's Audit Committee comprise of three members including Committee Chairman, as follow:

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

Bacelius Ruru's profile is presented on page 26 of this Annual Report.

Prof. Dr. Ir. Irwandy Arif, M.Sc.
Member
Holder of a PhD degree from Ecole des Mines de Nancy, France, as well as a Master degree in



Audit Committee, from left to right: Irwandy Arif (Member), Bacelius Ruru (Head) and Aria Kanaka (Member)

Industrial Technology and a Bachelor degree in Mining Technology, both from Institut Teknologi Bandung, he is a recognized expert in mining in Indonesia. He was appointed as member of the Audit Committee in January 2013. His concurrent and prior positions include as member of the Audit Committee of PT Adaro Energy Tbk (since 2008), Chairman of the Audit Committee of PT Aneka Tambang (Persero) Tbk (2004-2009), as well as Independent Commissioner, Advisor and Expert Staff in various companies. In addition to positions in various scientific organizations, he is also active in research and publication of journals in mining and geotechnics.

Aria Kanaka, CPA
Member

A graduate of Universitas Indonesia with Master and Bachelor degrees in Accountancy. He obtained the State Register of Accountant in 2000. He was appointed as member of the Audit Committee in January 2013. He also concurrently serves as member of the Audit Committee of PT Tower Bersama Infrastructure Tbk (since 2010) and member of the Audit Committee of PT Metrodata Electronics Tbk (since 2010).

Audit Committee Meetings

Since the Audit Committee has just recently been formed in January 2013, the Audit Committee has not convened any meeting during 2012. However, the Audit Committee has submitted a work plan for 2013 to the Board of Commissioners.

The Audit Committee Work Plan includes:

- Review of Audited Financial Statements

2012 and Quarterly Financial Statements in 2013 prior to release.

- Oversight on external and internal audit plans for financial year 2013.
- Field visits to operating sites.
- Discussions with relevant parties on the implementation of Internal Control systems.
- Provide inputs to the Board of Commissioners on ways to strengthen Internal Audit and Internal Control systems, and Financial reporting systems.

Appointment of Public Accounting Firm

The Company has appointed the Public Accounting Firm of Purwantoro, Suherman & Surja, member firm of Ernst & Young Global Limited, to perform the audit of the financial statements of the Company and its three operating subsidiaries for the fiscal year ending December 31, 2012, with an audit fee of US\$160 thousand.

BOARD OF DIRECTORS

Board Members

Up to year-end 2012, the Board of Directors comprises of four members, including the President Director who is also an Unaffiliated Director.

During 2012, the composition of the Board of Directors was changed twice. Based on decision by circulars of shareholders on March 30, 2012, the composition of the Board of Directors was as follows:

- Justarina S.M. Naiborhu
- Pandu P. Syahrir
- Arthur M.E. Simatupang
- Catherine Warouw.

Subsequently, based on decision by circulars of shareholders on June 20, 2012, the new composition of the Board of Directors was determined as follows:

- Justarina S.M. Naiborhu
- Pandu P. Syahrir
- Arthur M.E. Simatupang
- Catherine Warouw
- Sudharmono Saragih

However, on September 30, 2012, Catherine Warouw has resigned from the position as Director of the Company.

Accordingly, on and since year-end 2012, the composition of the Board of Directors is as follows:

- Justarina S.M. Naiborhu, President Director
- Pandu P. Syahrir, Director
- Arthur M.E. Simatupang, Director
- Sudharmono Saragih, Director

All members of the Board of Directors are granted with power-of-attorney and authority to carry out their duties as Directors of the Company whose term will end at the closing of the Company's GMS in 2017, while taking into account the rights of the General Meeting of Shareholders to terminate their appointments prior to said GMS.

The appointment of said Directors complies with the Bapepam-LK Regulation No.IX.I.6 juncto the Decision of Bapepam-LK Chairman NO. Kep-45/PM/2004 on the Directors and Commissioners of Securities Issuers and Public Companies.

Independency of the BOD

The composition of the Board of Directors of the Company has met the requirements of the laws and regulations of the Capital Markets, with the number of Directors presently set at four members, one of which is an independent member who is not affiliated to the Shareholders of the Company.

Implementation of the Duties and Responsibilities of the BOD

Pursuant to the Company's Articles of Association, the Board of Directors shall undertake all activities that relate to the management of the Company for the benefit of the Company and in line with the goals and objectives of the Company; while also representing the Company in or out of the court of law in all matters and events with

certain exceptions as stipulated in the prevailing laws and regulations, the Company's Articles of Association and/or the resolutions of the Company's GMS.

The duties of the Board of Directors are, among other things:

- To ensure that Company activities are conducted in line with its business objectives.
- To formulate the Company's Long Term Business Plan and prepare Annual Budget Plans for presentation to the BOC.
- To execute the Company's business plans with best efforts in order to achieve stated goals and objectives.
- To produce the Company's annual report as a form of accountability of the BOD's performance, and the financial statements of the Company as stipulated in the Company Act.
- To prepare the Company's financial statements in accordance with generally accepted accounting standards and subject these statements to the Public Accountants for a financial audit.
- To establish the organisational structure of the Company, and fill the respective positions with qualified personnel for the corresponding job descriptions.
- To provide reports and briefings upon requests of the BOC.
- To undertake other responsibilities in line with rules stated in the Company's Articles of Association and GMS resolutions based on prevailing laws and regulations.

In performing its duties and responsibilities, the Board of Directors must uphold the principles of GCG, including CSR engagements.

BOD Meetings

The Board of Directors convened meetings among the Directors to discuss strategic business matters and ensure that the Company is on track with its business and progression. In 2012, the BOD convened meetings with the following frequency and attendance records:

Attendance at BOD Meeting in 2012

Name	Position	Attendance
Justarina Naiborhu	President Director	4
Pandu Syahrir	Director	4
Arthur Simatupang	Director	4
Sudharmono Saragih *	Director	2

* Appointed as Director effective as of June 2012.

Training for Board Members and Senior Managers

Members of the BOC and BOD of the Company as well as its Senior Managers kept abreast of developments in the industry, and general developments in various areas such as management, technology, human resources, finance and HSE. As such, they attend a variety of workshops and seminars in 2012.

Safety, Health and the Environment

The Directors also devote a substantial portion of their time and attention to the issue of HSE (Health, Safety and Environment) at the workplace.

The Company believes that it has implemented industry standards in occupational health and safety in accordance with prevailing regulations. Nevertheless, mining activities are fraught with the risk of accidents that can occur at any time, despite of anticipatory measures taken for the maximum prevention of work accidents.

The Company has implemented work health and safety procedures and systems that have been proven capable of reducing the frequency of accidents. This is evident from the performance of one of the Company's subsidiaries (IM) and its contractors in successfully recorded some six million work-hours without time lost in accidents (Loss Time Injury-LTI). TMU, which started operations in October 2011, and its contractors, so far have managed around one million No LTI. However, on February 1, 2012, in the mining concession of the Company's subsidiary (ABN), one of its contractors namely BKPL (currently no longer a contractor of the Company) incurred an accident due to human error that resulted in a fatality.

As a result of the incident, the Company has voluntarily suspended all mining operations at the site for 60 hours. During this time period, the Company has vigorously reviewed all industrial safety and health standards applied by the Company and its subsidiary at the respective

site in order to ensure that the accident was not due to any weaknesses in work safety systems and procedures, and also to make sure that such accident will not occur again in the future.

In 2012, the Company and its operating subsidiaries implemented a 12-step Work Health and Safety Control program, involving (i) Leadership and Commitment, (ii) Policies and Strategic Intent, (iii) Organization, Responsibility, Resources and Documentation, (iv) Management of Hazardous Process and its Impact, (v) Planning and Procedures, (vi) Implementation and Monitoring, (vii) Inspection and Audit, (viii) Reviews, (ix) Safety Signage, (x) Hazard Reports, (xi) Safety and Environment Audit, and (xii) Environmental Activities.

Through these SHE initiatives, the Company continues to strive to improve and enhance the awareness for work health and safety at the workplace and among surrounding communities.

To further strengthen its commitment to safety, the Company has set No LTI as a key Performance Indicator for next year.

Remuneration

The following table presents the remunerations of members of the Board of Commissioners and Directors.

Remuneration for Members of the Board of Commissioners and Board of Directors 2011 and 2012

	2011		2012	
	BOC	BOD	BOC	BOD
Salary (Rp)/annum	393 million	2,25 billion	1,72 billion	8,84 billion
Allowance (Rp)/annum	0	0	0	1,17 billion
Total (Rp)	393 million	2,25 billion	1,72 billion	10,01 billion

INTERNAL AUDIT



Pria Fardio Syaiful Dinar Head of Internal Audit Unit

Pria may appointed Head of Internal Audit Unit in may 2012. He obtained a Bachelor's Degree in Economics from Universitas Indonesia (2008) and a Bachelor's Degree in Law from Universitas Krisnadipayana (2006). Currently he is pursuing a Master's Degree in Business and Administration at Universitas Gadjah Mada.

Prior to being appointed Head of Internal Audit Unit, Pria served as an internal auditor at PT Adimitra Baratama Nusantara, the largest coal mining subsidiary of PT Toba Bara Sejahtera Tbk, and an auditor with Public Accountant Firm of Tanudiredja Wibisana & Partners (PricewaterhouseCoopers) in which he was last a Senior Associate specializing in Energy & Mining audit. From 2007 to 2008, Pria was also a lecturer in the Faculty of Law, Universitas Islam Assyafiyah.

Working closely with internal audit units within the Group, Internal Audit has succeeded in improving the scope and quality of audit works throughout the Group. The audit work plans of Internal Audit and the respective internal audit units at subsidiaries have been comprehensively formulated with due regard to the risks in the aspects to be audited. These audit work plans were then discussed with the Management and submitted to the Board of Directors and the Audit Committee for approval early in 2013.

Periodically, summaries of audit findings and follow up actions are reported directly to the Board of Directors and also to the Board of Commissioners through the Audit Committee. Internal Audit also performs periodic internal assessments to review all aspects of internal audit activities and continuously monitors their effectiveness.

The Internal Audit periodically reviews each Group activity as reflected in the annual audit plan formulated by the Head of Group Internal Audit Unit. These refer to activities related to financial and operational activities as well as compliance with laws and regulations applicable to the Group.

In accordance with the Annual Internal Audit Plans for 2012, the Internal Audit unit has performed an operational audit on subsidiaries, Internal Control Review on a number of work units, and Internal Control Review on financial reporting.

The implementation of these risk-based audit works is intended to provide independent assurances to the Management on the compliance to prevailing rules and operating standards, and that internal control systems have functioned properly in line with expected references. In addition, the Internal Audit has also provided consultative services to other internal audit units within the Toba Bara Group with the intent of improving the standards of internal control at each subsidiary.



Internal Audit Team, from left to right: Arief Wicaksono, Fahriza Auditia and Pria Fardio Syaiful Dinar

Corporate Secretary



Perry Barman Slangor
Corporate Secretary

Since September 2011, the position of Corporate Secretary has been held by Perry B. Slangor. Previously, Perry has served in various positions in mining companies, namely PT Adaro Energy Tbk and PT Dharma Henwa Tbk, as well as a number of financial institutions including PT Bank Internasional Indonesia Tbk, PT Bank Danamon Indonesia Tbk, the Indonesian Banking Restructuring Agency (IBRA) and PT PEFINDO (Pemeringkat Efek Indonesia), prior to joining Toba Bara. Perry holds a Bachelor's Degree in Business Administration (BBA) from University of Wisconsin-Milwaukee, USA, and a Master's Degree in Business Administration (MBA) Degree from Cleveland State University, USA.

Pursuant to Bapepam-LK regulation No.IX.1.4 on appointment of Corporate Secretary in order to enhance communications between Public Company and its investors and stakeholders, the Company has established Corporate Secretary function.

Since September 2011, the position of Corporate Secretary was held by Perry B. Slangor.

The Corporate Secretary facilitates communications between the Company and its stakeholders, and is responsible for the development of effective communications by ensuring the availability of equitable, accurate and timely information on the performance of the Company.

The Corporate Secretary also serves as the liaison officer between the Company and

the capital market authorities, shareholders, investors and the general public, as well as the mass media.

The Corporate Secretary also helps to ensure compliance with applicable capital market regulations. As an implementation of public information disclosure, Toba Bara routinely discloses information to the Financial Services Authority (formerly Bapepam-LK) and the Indonesia Stock Exchange, as well as disseminates corporate information to the general public through its website and the print media.

In 2012, the Corporate Secretary, among other things, coordinated the following activities: organizing business gatherings; production of Company Profile and Annual Report in print and video format; preparing press releases; organizing analysts and investor meetings; organizing and conducting interviews with the media; preparing the Company's information disclosures; preparing the Company's publication materials; preparing the Company's corporate advertisements; preparing the contents and managing the Company's website; and preparing the Company's operational performance reports. In 2012, the Corporate Secretary also assisted in the processes for the Company's Initial Public Offering (IPO) and listing on July 6, 2012.

PT Toba Bara Sejahtera Tbk 2012 Annual Report is the first such annual report prepared by the Company as a publicly listed company.



The Corporate Secretary team, Marketing and Investor Relations team, from left to right: Priambodo, Perry B.Slangor, Iwan Sanyoto, Ernald Kamil and Novi Aruan.

Conference and Seminar in 2012

No.	Date	Place	Event	Participation
1.	1-3 Feb	Hong Kong	Citi Asia Pacific Investor Conference 2012	Toba Bara as participant
2.	3 – 6 June	Bali	Coal Trans Asia 2012	Toba Bara as participant
3.	11 June	Jakarta	Due Diligence Meeting & Public Expose. The Initial Meeting PT Toba Bara Sejahtera Tbk	Toba Bara as host
4.	10 – 14 Sep	Hong Kong	19th CLSA Investor's Forum 2012	Toba Bara as speaker
5.	6 – 7 Nov	Jakarta	Indonesia Coal Investment Forum 2012	Toba Bara as speaker
6.	7 – 9 Nov	Singapore	Morgan Stanley 11th Annual Asia Pacific Summit	Toba Bara as participant

DISSEMINATION OF IMPORTANT INFORMATION TO THE PUBLIC

No.	Date	Subject	Regulation No.
1.	27 July 2012	Disclosure of Information on Settlement Agreement and Agreement on Use of Land	BAPEPAM-LK Regulation No. X.K.1 and Bursa Regulation No. I-E, Decision of Directors of PT Bursa Efek Jakarta No. Kep-306/BEJ/07-2004
2.	31 July 2012	Consolidated Financial Statement Interim	BAPEPAM and LK Regulation No. X.K.2, Rule of Chairman of Bapepam and LK No. KEP-346/BL/2011 and Bursa Regulation No. I-E, Rule of Board of Directors of PT Bursa Efek Jakarta No. Kep-306/BEJ/07-2004
3.	1 August 2012	Proof of Advertisement of Consolidated Financial Statement Interim in printed media	BAPEPAM and LK Regulation No. X.K.2, Rule of Chairman of Bapepam and LK No. KEP-346/BL/2011 dan Bursa Regulation No. I-E, Rule of Board of Directors of PT Bursa Efek Jakarta No. Kep-306/BEJ/07-2004
4.	9 August 2012	Monthly Report on Exploration Activities Period July 2012	Rule III.3.1 and III.3.2, Regulation Number I-E
5.	10 September 2012	Monthly Report on Exploration Activities Period August 2012	Rule III.3.1 and III.3.2, Regulation Number I-E
6.	2 October 2012	Disclosure of Information on Loan Agreement, on Sale and Purchase of Receivables Agreement and Assignment Receivables Agreement, as well as Conditional Sales Purchase Agreement	BAPEPAM-LK Regulation No. IX.E.2 and Regulation No. I-E on the obligation of information submission, Attachment Rule of Board of Directors of PT Bursa Efek Jakarta No. Kep-306/BEJ/07-2004
7.	3 October 2013	Proof of Advertisement of Information Disclosure Report in printed media	Information Disclosure IX.E.2
8.	10 October 2012	Monthly Report of Exploration Activity Period September 2012	Rule III.3.1 and III.3.2, Regulation Number I-E
9.	15 October 2012	Report on the Use of Funds Received from IPO as of Sep 30, 2012	Regulation No. X.K.4, Attachment Rule Chairman of Bapepam No. Kep-27/PM/2003 and Rule III.3.3, Regulation No. I-E, Attachment Rule of Board of Directors of PT Bursa Efek Jakarta No. Kep-306/BEJ/07-2004

10	18 October 2012	Unsecured Credit Revolving Facility Agreement between ABN and PT BNP Paribas Indonesia	Regulation BAPEPAM No. X.K.1 and Attachment of Rule of Chairman of BAPEPAM No. Kep-86/PM/1996 and Regulation No. I-E on the obligation of information submission, Attachment Rule of Board of Directors of PT Bursa Efek Jakarta No. Kep-306/BEJ/07-2004
11	31 October 2012	Submission of Consolidated Interim Financial Statements	Rule III.1.6.1.3, Regulation No. I-E Attachment Rule of Board of Directors of PT Bursa Efek Jakarta No. Kep-306/BEJ/07-2004 dated Juli 19, 2004
12	31 October 2012	Information on Changes of More Than 20% on Total Asset Account	Regulation No. I-E on the obligation of information submission, Attachment Rule of Board of Directors of PT Bursa Efek Jakarta No. Kep-306/BEJ/07-2004
13	6 November 2012	Submission of Revision of Interim Financial Statements 30 September 2012	BAPEPAM and LK Regulation No. X.K.2, Rule of Chairman of Bapepam and LK No. KEP-346/BL/2011 and Bursa Regulation No. I-E, Rule of Board of Directors of PT Bursa Efek Jakarta No. Kep-306/BEJ/07-2004
14	12 November 2012	Monthly Report on Exploration Activities Period October 2012	Rule III.3.1 and III.3.2, Regulation Number I-E
15	11 December 2012	Monthly Report on Exploration Activities Period November 2012	Rule III.3.1 and III.3.2, Regulation Number I-E
16	8 January 2013	Information related to Volatility in Shares Transaction	Regulation No. I-E, Attachment Rule of Board of Directors of PT Bursa Efek Jakarta No. Kep-306/BEJ/07-2004
17	10 January 2013	Monthly Report on Exploration Activities Period December 2012	Rule III.3.1 and III.3.2, Regulation No. I-E on the requirement to disclose information and Attachment Rule of Board of Directors of PT Bursa Efek Jakarta No. Kep-306/BEJ/07-2004 dated Juli 19, 2004
18	15 January 2013	Report on the use of Funds Received from IPO as of 31 Dec 2012	Regulation No. X.K.4, Attachment Rule of Chairman of Bapepam No. Kep-27/PM/2003 and Rule III.3.3, Regulation No. I-E, Attachment Rule of Board of Directors of PT Bursa Efek Jakarta No. Kep-306/BEJ/07-2004
19	28 January 2013	Disclosure of Information related to Agreement of Overburden Removal between PT Indominig and PT RPP Contractors Indonesia	Bapepam-LK Regulation No.X.K.1
20	29 January 2013	Information on Establishment and Appointment of Audit Committee	Rule of Chairman of Bapepam-LK No. Kep-643/BL/2012 dated Desember 7, 2012
21	12 February 2013	Monthly Report on Exploration Activities Period Januari 2013	Rule III.3.1 and III.3.2, Regulation Number I-E on the obligation of information submission and Attachment Rule of Board of Directors of PT Bursa Efek Jakarta No. Kep-306/BEJ/07-2004 dated Juli 19, 2004
22	15 February 2013	Recent Operational Report	Non Regulated
23	11 March 2013	Monthly Report on Exploration Activities Period February 2013	Rule III.3.1 and III.3.2, Regulation Nomor I-E on the obligation of information submission and Attachment Rule of Board of Directors of PT Bursa Efek Jakarta No. Kep-306/BEJ/07-2004
24	28 March 2013	Audited Financial Statements 2012	Regulation No. X.K.2 Rule of Chairman of Bapepam-LK No. Kep-346/BL/2011 dated Juli 5, 2011 on the Filing of the Periodical Financial Statements of Emitent or Public Company and Rule III.1.6.1.4. Regulation Number I-E Attachment Rule of Board of Directors of PT Bursa Efek Jakarta No. Kep-306/BEJ/07-2004

Investor Relations



Iwan Sanyoto **Head of Investor Relations**

Since February 2013, the position of Head of Investor Relations is held by Iwan Sanyoto. Since 1993, he has had experiences in international trade, capital market and investment, working 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 Bachelor degree in Management from University of Maryland (European Division), Belgium, and an MBA degree from Vrij Universiteit Brussels (VUB), Belgium.

Since listing its shares on the Indonesia Stock Exchange in July 2012, the Company has developed investor relation activities as part of its obligations to shareholders and the investing community. Initially, the Corporate Secretary division assumed responsibility for these activities.

Since February 2013, the Company has appointed the Head of Investor Relations specifically charged with performing activities in investor relations.

During the second half of 2012, the Company has been active in organizing business gatherings and road shows for the investing community, including institutional investors such as fund managers, insurance companies, pension funds, and others. From time to time, the Company also met with capital market analysts, and especially those analysts that have begun to include the Company in their coverage.

Legal



Bima Sinung Widagdo
Head of Legal

The position of Head of Legal is held by Bima Sinung Widagdo since March 2011. Previously, Bima has had a career in the energy sector with PT Adaro Energy Tbk and the banking sector with PT CIMB Niaga Tbk. Bima holds a Bachelor degree in Law from the Faculty of Law, Universitas Indonesia.

The Company has a corporate legal team that, among other things, serves the function of:

1. Protecting the Company from legal risks that may arise from transactions conducted by the Company;
2. Ensuring that in the due course of transactions and operational activities, the Company is always in observance of any applicable laws and regulations in the capital markets, the mining industry and other relevant laws and regulations;
3. Resolving disputes or potential disputes between the Company and third party.

Throughout 2012, the corporate legal team assisted and was involved in various transactions conducted by the Company and its subsidiaries, such as the Company's Initial Public Offering (IPO) process, significant contracts with third parties including contractors, suppliers and customers, the loan agreements with a number of financial institutions, and the amicable resolution of the plantation land overlapping issue with PKU.

Through the involvement of the corporate legal team in various transactions conducted by the Company, the Company expects to minimize the risk of legal disputes in the future.



The Legal Team, from left to right: Denny Wijaya, Pingkan R. Melati and Bima Sinung Widagdo.

Corporate Social Responsibility

The mining industry plays a key role in empowering local economies and advancing the social welfare of surrounding communities. Job opportunities, education, health care and social welfare are just some of the aspects that are expected of the industry to provide and support community development. Another aspect is the responsibility of the mining industry to protect the environment and as much as possible restore and re-vegetate mined over areas into productive cultivation land.

Toba Bara is mindful of its Corporate Social Responsibility (CSR) in those aspects and takes its responsibility seriously through its three operating subsidiaries. Starting with job opportunities, for instance, through its three subsidiary mining companies in Kalimantan, Toba Bara ensures that the Group employs more local people than migrant workers. As of year-end 2012, approximately 60% of the workforce in the three operating subsidiaries and their contractors comprise of people from the local communities, towns and villages.

In education, health care and social welfare, the Company carries out well-planned, sustainable community development and welfare programs that are particularly aimed at meeting specific community needs. Research is carried out to identify the needs of communities in which the Company operates, and whenever warranted, the operating subsidiaries will seek to accommodate those needs in their CSR programs. In 2012, the Company and its operating subsidiaries have spent approximately US\$6.67 million in CSR programs encompassing environmental protection, community development and

product responsibility. The followings are highlights of these programs in 2012.

The Environment

The Company carries out an environmental management program that essentially aims to safeguard the natural environment in which the Company operates. The main activities include the replanting of mine sites, non-mine sites and out-of-mine sites. In mine sites, the areas to restore include mine-out areas, out-pit-dump areas, in-pit dump areas and top-soil-stock areas. Replanting comprises of planting trees as well as cover crops depending on the respective areas that are being restored.

In 2012, the Company and its operating subsidiaries planted approximately 118,000 trees in several concession sites. In addition to re-vegetation, the Company manages wastes, ensuring that no contaminants will pollute the water systems and reservoirs in its operating areas. Finally, environments monitoring is carried out routinely to assure the effectiveness of waste management systems at all times.



Through the three operating subsidiaries, the Company carries out Corporate Social Responsibility (CSR) programs that are well-planned and sustainable as part of the Company's mission of being a responsible corporate citizen.

Corporate Social
Responsibility



Supporting Education



Nurseries Activity



Free Medication Activity



Scholarship Awarding

Community Development

Community development programs form part of the Company's CSR programs. These programs include education, health care services, empowerment of small-scale businesses, support for local agriculture and fishery, renovating and building public infrastructure, religious affairs and social charities.

In education, the Company provided scholarships to more than 280 school children from surrounding communities. In October 2012, a operating subsidiary (ABN) established a Training Center that provides free vocational trainings to local communities where the Company operates. These training programs comprised of Digital Printing, Automotive Workshop, and Welding Techniques.

Health care services are routinely provided free-of-charge for local communities once a month. From data gathered in 2012, most of the recipients of this health care service were adults whose age ranged from 18 to 55, and those above 55 years of age, both of whom accounted for 57% and 22% of the total number of people treated, respectively. The Company provided these medical treatments together with Yayasan Mitra Sehat Sejahtera Kaltim. In addition to medical treatments, the Company also supported food supplement provision such as milk and foods for children in school and infants in public health clinics.

In the empowerment of home-scale businesses, the Company supported a local cooperatives group by providing training for packaging design for home-made snack foods. The support also included sponsoring the group's participation in the exhibition to celebrate the anniversary of Sanga-Sanga and the CSR Expo in Jakarta.

In agriculture and fisheries development, the Company carried out pilot projects in developing plots for bamboo plants, lemon grass and vegetables including cassava, watercress and eggplants. Another pilot project was the construction of cow stables and the planting of grass fields for cattle farming. Aids were also provided to the Youth Group of Sanga-Sanga Regency for the cultivation of fish ponds, as well as to a women farmers group in Pendingin that cultivates vegetable and fruit (papaya) fields.

In other programs, the Company paid for the construction and renovation of public infrastructures and facilities that included, among others, water towers, clean water wells and pumps, as well as several Puskesmas (community health care clinics) and Posyandu (infant care centers). The Company also donated funds in support of religious rites and commemorations, in addition to a number of social charities involving the purchase of a hospital ambulance for the public, participation in the anniversary celebration of Sanga-Sanga, sponsoring community sports tournaments and others.

Responsibility

The Company is not engaged in the production of consumer or retail goods, and hence is not liable for product safety features that are commonly applied to consumer goods with respect to the safety and well being of consumers. However, the Company is committed to providing its customers with high quality thermal coal under the specifications contracted with buyers. It also strives continuously to maintain a good reputation as a reliable coal supplier that consistently delivers its products consistently and timely.



Inspiration

Mrs Siti of Pendingin becomes one of the success stories among farmers in the region. Having received the support and mentorship of ABN, Siti and her husband now cultivate papaya fields and produce cracker snackfoods made of cassava and banana. From their business, the couple can earn up to Rp10 million per month.



Food supplement provision



Automotive mechanical training



Clean water provision



Health service in Posyandu



Water quality testing



Donating ambulance to the community

Responsibility for Annual Report

STATEMENT LETTER

OF THE BOARD OF COMMISSIONERS' AND THE BOARD OF DIRECTORS'
RESPONSIBILITIES ON THE ANNUAL REPORT 2012 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 2012 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, April 18, 2013

Board of Commissioners

Board of Directors



Jusman S. Djamal
President Commissioner (Independent)



Justarina S.M. Naiborhu
President Director (Unaffiliated Director)



Bacelius Ruru
Commissioner (Independent)



Pandu P. Syahrir
Director



Farid Harianto
Commissioner (Independent)



Arthur M.E. Simatupang
Director



Sudharmono Saragih
Director