

IMPORTANT - PLEASE READ

The information in the attached unofficial English translation (the "English Prospectus") of the Prospectus of PT United Tractors Tbk (the "Company") dated 2 May 2011 and written in Bahasa Indonesia (the "Bahasa Prospectus") has been prepared by the Company solely to provide the current shareholders of the Company with information in connection with the Rights Issue IV. The attached English Prospectus is confidential and must not be copied, reproduced, distributed, passed (in whole or in part) through any medium or in any form or disclosed or made available to any person other than the intended recipient at any time without the Company's prior written consent.

The attached English Prospectus has been provided only for the convenience of the recipient and upon the express understanding that the recipient will use it only in connection with the subscription of the Rights Shares (as defined in the Bahasa Prospectus) in his or her capacity as an existing shareholder pursuant to the Rights Issue IV. **No representation or warranty, express or implied, is or will be made in or in relation to, and no responsibility or loss is or will be accepted by the Company or any of its advisers as to the accuracy of the translation or its contents and any liability therefore is hereby expressly disclaimed.** Neither the Company nor any of its advisers have any responsibility or liability whatsoever, for negligence or otherwise, for any loss arising from the use of the attached English Prospectus or its contents, or any liability otherwise arising in connection with the attached English Prospectus. **The Bahasa Prospectus is the governing version and, in the event of any inconsistency, the Bahasa Prospectus shall prevail over the English Prospectus.**

The English Prospectus does not constitute, contain or form part of, and should not be construed as, an offer, invitation or inducement to purchase or subscribe for any securities. The English Prospectus, in whole or in part, does not form the basis of, and should not be relied upon in connection with, any contract, agreement or commitment whatsoever. Any decision to purchase securities in the Rights Issue IV should be made solely on the basis of the information contained in the Bahasa Prospectus, which shall be available, on a confidential basis, to the recipient on request.

No action has been or will be taken in any jurisdiction other than the Republic of Indonesia to permit a public offering of the Rights (as defined in the Bahasa Prospectus) or the Rights Shares or the circulation or distribution of the English Prospectus or the Bahasa Prospectus or any other offering material relating to the Rights Issue IV, the Rights or the Rights Shares in any jurisdiction where any such action is required. Persons who receive the English Prospectus, the Bahasa Prospectus or any other offering material or who participate in the Rights Issue are deemed to have represented to the Company and its advisers that they are able to do so in compliance with all applicable laws in all relevant jurisdictions. The distribution of the attached English Prospectus and the Bahasa Prospectus in jurisdictions other than the Republic of Indonesia may be restricted by law and persons who receive such documents should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of law in the relevant jurisdiction.

The Company has not offered or sold and will not offer or sell, in Hong Kong, by means of any document, any Rights or Rights Shares other than (a) to persons whose ordinary business is to buy or sell shares or debentures (whether as principle or agent), or (b) in other circumstances which do not constitute an offer, to the public within the meaning of the Companies Ordinance (Cap. 32) (the "CO"), or (c) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) (the "SFO") and any rules made under the SFO, or (d) in other circumstances which do not result in the document being a "prospectus" within the meaning of the CO; and it has not issued, or had in its possession for the purpose of issue, and will not issue, or have in its possession for the purpose of issue (in each case whether in Hong Kong or elsewhere), any advertisement, invitation or document relating to the Rights or the Rights Shares which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to the Rights or the Rights Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the SFO and any rules made under the SFO.

The Company represents, warrants and agrees that :

- (1) they have only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 ("FSMA")) received by them in connection with the issue or sale of any Rights or Rights Shares in circumstances in which section 21(1) of FSMA does not apply to the Company; and
- (2) they have complied and will comply with all applicable provisions of FSMA with respect to anything done by them in relation to the Rights or Rights Shares in, from or otherwise involving the United Kingdom.

Neither the English Prospectus, the Bahasa Prospectus nor any other offering material in connection with any offering of the Rights or Rights Shares has been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the "Securities and Futures Act"). The Company represents, warrants and agrees that the Rights and Rights Shares may not be offered or sold or made the subject of an invitation for subscription or purchase nor may the English Prospectus, the Bahasa Prospectus or any other document or material in connection with the offer or sale or invitation for subscription or purchase of any Rights or Rights Shares be circulated or distributed, whether directly or indirectly, to the public or any member of the public in Singapore other than (a) to an institutional investor or other person falling within Section 274 of the Securities and Futures Act, (b) to a relevant person, or any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act, or (c) otherwise than pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Each of the following relevant persons specified in Section 275 of the Securities and Futures Act which has subscribed or purchased the Rights or Rights Shares, namely a person who is :

- (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor,

should note that shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the Rights or Rights Shares under Section 275 of the Securities and Futures Act except :

- (1) to an institutional investor under Section 274 of the Securities and Futures Act or to a relevant person, or any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions, specified in Section 275 of the Securities and Futures Act;
- (2) where no consideration is given for the transfer; or
- (3) by operation of law.

You have received the attached English Prospectus because you have confirmed that you, as well as any account that you represent, are a current shareholder of the Company who is located outside the United States, within the meaning of Regulation S ("Regulation S") under the United States Securities Act of 1933, as amended (the "Securities Act"), and any participation by you or such account(s) in the Rights Issue IV shall be in an offshore transaction in compliance with Regulation S. The English Prospectus, the Bahasa Prospectus and the information contained therein, are not for publication or distribution, directly or indirectly, to persons in the United States, Canada, Australia, Japan or any other jurisdiction in which publication or distribution would breach applicable laws or regulations. The securities offered in the Rights Issue IV have not been and will not be registered under the Securities Act and may not be offered or sold in the United States except to certain persons in offshore jurisdictions in reliance on Regulation S.

PROSPECTUS

GMS	: 2 May 2011	Splitting Period of Rights Certificate	: 13 - 27 May 2011
Last Date of Trading Cum-Rights Regular and Negotiation Market	: 9 May 2011	Listing Date on IDX	: 16 May 2011
Cash Market	: 12 May 2011	Trading Period of Rights	: 16 - 30 May 2011
Date of Commencement of Trading Ex-Rights Regular and Negotiation Market	: 10 May 2011	Period of Registration, Application and Payment of Rights	: 16 - 30 May 2011
Cash Market	: 13 May 2011	Period of Rights Share Distribution	: 19 May - 1 June 2011
Record Date	: 12 May 2011	Last Payment Date for Excess Application	: 1 June 2011
Distribution Period of Rights Certificate, Prospectus and Forms	: 13 May 2011	Allotment Date for Excess Application	: 3 June 2011
		Refund Date for Excess Application	: 7 June 2011

BAPEPAM & LK WILL NEITHER ISSUE ANY STATEMENT OF APPROVAL, APPROVE OF THESE SECURITIES, NOR VERIFY THE ACCURACY OR ADEQUACY OF THE CONTENTS OF THIS PROSPECTUS. ANY STATEMENT TO THE CONTRARY IS A VIOLATION OF THE LAW

PT UNITED TRACTORS Tbk (THE "COMPANY") IS FULLY RESPONSIBLE FOR THE ACCURACY OF ALL INFORMATION, DATA OR REPORT AND FOR THE FAIRNESS OF THE OPINION STATED IN THIS PROSPECTUS.



UNITED TRACTORS PT UNITED TRACTORS Tbk

Line of Business:

Engaged in the distribution of heavy equipment and related services, mining contracting and mining activities

Headquarters:

Jl. Raya Bekasi Km. 22 Cakung
Jakarta 13910, Indonesia
Telephone : (6221) 460 5959, Facsimile (6221) 460 0655
www.unitedtractors.com

Branch Offices:

18 branch offices located at Balikpapan, Bandar Lampung, Banjarmasin, Jakarta, Jambi, Jayapura, Makassar, Manado, Medan, Padang, Palembang, Palu, Pekanbaru, Pontianak, Samarinda, Surabaya, Sorong, Tarakan

LIMITED PUBLIC OFFERING IV TO THE SHAREHOLDERS IN THE CONTEXT OF THE ISSUANCE OF A PRE-EMPTIVE RIGHT ("RIGHTS ISSUE IV")

403,257,853 (four hundred three million, two hundred fifty seven thousand, eight hundred fifty three) new shares with a nominal value of Rp. 250 (two hundred fifty-Rupiah) per share ("Rights Shares"). Each holder of 33 (thirty three) shares whose name is recorded in the Register of Shareholders of the Company on 12 May 2011 at 16.00 WIB (Western Indonesian Time) will be entitled to 4 (four) pre-emptive rights ("Rights"), where each Right would entitle them to subscribe for 1 (one) Rights Shares at an exercise price of Rp. 15,050 (fifteen thousand and fifty Rupiah) per share ("Rights Offering Price"), totaling Rp. 6,069,030,687,650 (six trillion sixty nine billion thirty million six hundred eighty seven thousand six hundred and fifty Rupiah) which must be fully paid at the time of submitting the application for the purchase of Rights Shares.

The shares offered with respect to the Rights Issue IV are all Rights Shares that will be issued from the Company's portfolio, Rights Shares originating from the Rights or 10.8% total shares outstanding post the Rights Issue will be listed on the Indonesian Stock Exchange ("IDX"). Shares from Rights Issue IV have the same and equal rights and rank-pari-passu with the other existing fully paid up shares.

PT Astra International Tbk has committed to exercise its entitlement of the Rights and will order additional new Rights Shares for the amount, if it is combined with the Rights of the Company that have been exercised, that constitute all new shares that will be issued by the Company in this Rights Issue IV, as stated in the Deed of Undertaking Agreement No. 209 dated 29 March 2011, drawn up before Aulia Taufani, S.H., replacement of Suljpto, S.H. Notary in Jakarta, at the Rights Offering Price. If the Rights Shares offered in this Rights Issue IV are not fully subscribed by the holders of the Rights, the remaining Rights Shares will be allotted to any other holders of the Rights Shares who applied to subscribe for more than its or their entitlement in proportion to the Rights Shares that have been exercised by it as stated on the Rights Certificates or Evidence Letter of Ownership and if there are still remaining Rights Shares that have not been subscribed, such remaining Rights Shares will be subscribed by the Principal Shareholder, PT Astra International Tbk as the Standby Purchaser, in accordance with the Deed of Standby Purchaser Agreement No. 210 dated 29 March 2011 drawn up before Aulia Taufani, S.H., the replacement for Suljpto, S.H. Notary in Jakarta, at the Rights Offering Price.

THE RIGHTS CERTIFICATES WILL BE TRADED ON OR OUTSIDE THE STOCK EXCHANGES WITHIN THE PERIOD OF NOT LESS THAN 10 WORKING DAYS, COMMENCING FROM 16 MAY 2011 UP TO 30 MAY 2011. THE LAST DAY FOR THE EXERCISE OF THE RIGHTS WILL BE 30 MAY 2011, WHERE ANY RIGHTS NOT EXERCISED ON THAT DAY WILL BECOME NULL OR VOID OR BECOME VALUELESS. THE RIGHTS ISSUE IV WILL BE EFFECTIVE AFTER IT IS APPROVED BY AN EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS OF THE COMPANY. IN THE EVENT THAT THE EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS OF THE COMPANY DOES NOT APPROVE THIS RIGHTS ISSUE IV, ALL OF THE ACTIVITIES CONDUCTED BY THE COMPANY IN RELATION WITH THIS RIGHTS ISSUE IV WILL BE DEEMED AS NEVER HAVING BEEN CONDUCTED.

THE MAJOR RISK FOR THE COMPANY IS ITS DEPENDENCE ON ITS DISTRIBUTION AGREEMENT WITH KOMATSU.

IMPORTANT INFORMATION FOR THE ATTENTION OF THE SHAREHOLDERS

ANY ENTITLED SHAREHOLDERS WHO DO NOT EXERCISE THEIR RIGHTS TO PURCHASE RIGHTS SHARES IN THIS RIGHTS ISSUE IV ACCORDING TO THE RIGHTS, MAY EXPERIENCE A MATERIAL DILUTION OF THEIR SHAREHOLDING PERCENTAGE IN THE COMPANY, i.e. A MAXIMUM OF 10.8%.

THE COMPANY IN THIS RIGHTS ISSUE IV WILL NOT ISSUE COLLECTIVE SHARES CERTIFICATES. THE RIGHTS SHARES WILL BE DISTRIBUTED ELECTRONICALLY AND WILL BE ADMINISTERED IN THE COLLECTIVE CUSTODY OF PT KUSTODIAN SENTRAL EFEK INDONESIA.

PT United Tractors Tbk (the "Company") has submitted a Registration Statement in connection with the Rights Issue IV to the Capital Market and Financial Institution Supervisory Board ("BAPEPAM & LK") by Letter No. LUT/063/9980-A/III/2011, dated 30 March 2011, in accordance with the requirements stipulated in Regulation No. IX.D.1, Regulation No. IX.D.2 and Regulation No. IX.D.3, implementation of Law No. 8 of 1995 regarding Capital Market ("Capital Market Law").

The capital market supporting institutions and professionals in the context of this Rights Issue IV are fully responsible for the accuracy of all information and material facts including the honesty of the opinion provided in this Prospectus, according to their respective duties based on the regulations prevailing in the territory of the Republic of Indonesia and the code of ethics and their respective professional norms and standards.

In relation to this Rights Issue IV, any affiliated party is prohibited from giving an explanation or making any statement whatsoever on matters that have not been disclosed in this Prospectus without obtaining prior written approval from the Company.

The capital market supporting institutions and professionals participating in this Rights Issue IV explicitly state that they are not affiliated with the Company, either directly and/or indirectly, as defined in the Capital Market Law.

In accordance with Regulation No. IX.D.1., if a shareholder has Rights in the form of a fraction, such fraction will become the property of the Company and will be sold by the Company and the proceeds thereof will be deposited into the Company's account.

The Company does not and will not make any registration statement or alike in relation to the Right Issue IV in any other jurisdiction except in Indonesia, and with the possession, circulation or distribution of this document or any other document relating to this Rights Issue IV, in any jurisdiction where certain action is required to be taken for such purpose, then such possession, circulation or distribution shall not be construed as an offering. The Rights Issue IV and the Prospectus are not registered based on the regulations of any jurisdictions other than those prevailing in Indonesia.

For any party residing outside of Indonesia who receives this Prospectus or the Rights Certificate, this Prospectus or the Rights Certificate is not intended as an offering document to purchase or subscribe the Rights Shares or, except where such offering, to purchase or subscribe to Rights Shares, is not contrary to or in violation of the laws or regulations prevailing in the relevant jurisdiction.

Any person who receives this Prospectus or purchases or subscribes to the Rights Shares shall be deemed to have represented that they can do so in compliance with applicable laws.

The Rights Issue IV is not registered based on the regulations of any jurisdictions other than those prevailing in Indonesia. For any party residing outside of Indonesia who receives this Prospectus or a Rights Certificate, this Prospectus or Right Certificate is not intended as an offering document to purchase the Rights Shares or to subscribe to the Rights, except where such offering or subscription to Rights Shares, including the subscription to the Rights thereof, is not contrary to or in violation of the laws or regulations prevailing in the relevant jurisdiction.

The Company has disclosed all information which must be known to the public and there is no other information that has not been disclosed which would be misleading to the public.



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DEFINITIONS

"Articles of Association"	: Articles of Association of the Company, as amended from time to time
"Associates"	: Any company other than a Subsidiary in which the Company has 20 to 50 percent of the voting rights, and over which the Company and/or its Subsidiaries exert significant influence
"BAPEPAM & LK"	: Badan Pengawas Pasar Modal dan Lembaga Keuangan, the Indonesian Capital Market and Financial Institution Supervisory Board
"Billion"	: One thousand million
"Calorific Value"	: A measure of energy content commonly used for coal being Kcal/Kg
"CCoW"	: Coal Contract of Work
"Commissioners"	: The members of the Board of Commissioners of the Company
"Company"	: PT United Tractors Tbk
"Company Law"	: Law No. 40 of 2007 on Limited Liability Companies, which came into effect on 16 August 2007
"Deed of Undertaking"	: Deed of Undertaking Agreement No. 209 dated 29 March 2011, drawn up before Aulia Taufani, S.H., replacement of Sutjipto, S.H., Notary in Jakarta, where the Principal Shareholder has committed to subscribe for Shares proportionate to its shareholding in the Rights Issue IV
"Deed of Standby Purchaser"	: Deed of Standby Purchaser Agreement for Unsubscribed Shares in Rights Issue IV No. 210 dated 29 March 2011, drawn up before Aulia Taufani, S.H., replacement of Sutjipto, S.H. Notary in Jakarta, where the Principal Shareholder has agreed take up any Rights Shares that are not subscribed by the Shareholders and the Rights Holders
"DEJ Mines"	: The mining concessions of PT Prima Multi Mineral ("PMM"), PT Nusantara Citra Jaya Abadi ("NCJA"), PT Kadya Caraka Mulya ("KCM") and PT Ekasatya Yanatama ("ESY") and the right to mine and sell coal based on a sale and purchase agreement with a third party
"Directors"	: The members of the Board of Directors of the Company
"Effective Date"	: The date on which the Registration Statement becomes effective in accordance with Indonesian laws and regulations
"Excess Rights Shares"	: Rights Shares which remain unsubscribed for at the close of business on 30 May 2011
"GMS"	: General Meeting of Shareholders of the Company to be held on 2 May 2011 thereof among others to approve the Rights Issue IV
"Government"	: The Government of the Republic of Indonesia
"Group"	: The Company, its Subsidiaries and its Associates
"hectare"	10,000 sq.m. or approximately 2.47 acres
"IDX"	: The Indonesia Stock Exchange
"Indonesia"	: The Republic of Indonesia
"IUP"	: Ijin Usaha Pertambangan or mining license previously known as KP or Kuasa Pertambangan
"Komatsu"	: A brand of equipment manufactured by Komatsu Limited, its subsidiaries and affiliates
"Komatsu Group"	: Komatsu Limited together with its subsidiaries and associated companies
"Komatsu Limited"	: Komatsu Limited, a Japanese corporation
"Komatsu Indonesia"	: PT Komatsu Indonesia, an affiliated party of the Company in which the Company owns 5 percent of the shares
"KP"	: Kuasa Pertambangan
"KSEI"	: PT Kustodian Sentral Efek Indonesia or the Indonesian Central Securities Depository



- "MEMR" : Menteri Energi dan Sumber Daya Mineral Republik Indonesia or Ministry of Energy and Mineral Resources of the Republic of Indonesia
- "Mining Law" : Law No. 4 of 2009 on Mineral and Coal Mining came into effect on 12 January 2009
- "MOLHR" : Menteri Hukum dan Hak Azasi Manusia Republik Indonesia or the Ministry of Law and Human Rights of the Republic of Indonesia
- "overburden" : A mining term referring to material which is removed prior to mining
- "PAMA" : PT Pamapersada Nusantara, a subsidiary of the Company
- "Principal Shareholder" or "Astra" : PT Astra International Tbk
- "Prospectus" : The Indonesian language prospectus issued by the Company as required by Indonesian laws and regulations in connection with the Rights Issue IV
- "Record Date" : At 16:00 on 12 May 2011 (Western Indonesian time)
- "Registration Statement" : The registration statement that shall be submitted by the Company to the head of BAPEPAM & LK in the context of the Rights Issue IV in accordance with Regulation No. IX.D.2, attachment to the Decree of BAPEPAM & LK Head No. Kep-08/PM/2000 dated 13 March 2000 on Guidance regarding Form and Contents of Registration Statements in the context of Rights Issues.
- "Regulation No. IX.D.1" : Regulation No. IX.D.1 concerning Rights Issues, Attachment to the Decision of the Chairman of BAPEPAM & LK attachment No. KEP-26/PM/2003, dated 17 July 2003
- "Regulation No. IX.E.1" : Regulation No. IX.E.1 concerning Affiliated Parties Transaction and Conflict of Interest Transaction, Attachment to the Decision of the Chairman of BAPEPAM & LK attachment No. KEP-412/BL/2009, dated 25 November 2009
- "Regulation No. IX. E.2" : Regulation No. IX.E.2 concerning Material Transaction and Changes to the Main Business Activities, Attachment to the Decision of the Chairman of BAPEPAM & LK attachment No. KEP-413/BL/2009, dated 25 November 2009
- "Regulation No. X.K.4" : Regulation No. X.K.4 concerning Reports on the use of proceeds received from a public offering, Attachment to the Decision of the Chairman of BAPEPAM & LK No. 27/PM/2003, dated 17 July 2003
- "Rights Issue" : Rights attached to the Rights Certificates which constitutes the Right of the Shareholders to buy Rights Issue Shares that can be transferred or traded according to Regulation No. IX.D.1
- "Rights Certificate" : The certificate evidencing the ownership which gives the rights to the holders to buy Rights Shares at the Rights Offering Price
- "Rights Holder" : The Shareholders of the Company and or the holder of the Rights
- "Rights Issue I" : By issuing Rights in 1991
- "Rights Issue II" : By issuing Rights in 2004
- "Rights Issue III" : By Issuing Rights in 2008
- "Rights Issue IV" : Limited Public Offering of the Shares of the Company by way of issuing Rights to the Shareholders of the Company, whose name are registered in the Shareholders Registry of the Company on the Record Date
- "Rights Offering Price" : Rp. 15,050 per share
- "Rights Shares" : Shares to be issued pursuant to the Rights Issue IV
- "Rupiah" or "Rp." : Rupiah, the lawful currency of the Republic of Indonesia
- "Shareholders" : Shareholders whose names are registered in the register of shareholders of the Company on the Record Date or, if the KSEI is the registered holder, the "Shareholders" shall in relation to such Existing Shares mean the account holders whose names are registered as



	shareholders of the Company in the securities accounts of custodians or brokers as of the Record Date
"sq.m."	: Square meters
"Subsidiary"	: A company which is owned, directly or indirectly, by more than 50 percent by the Company, or directly or indirectly owned by 50 percent or less but effectively controlled by the Company
"Standby Purchaser"	: A party that will take unsubscribed rights share at the offering price of Rp. 15,050, in this case PT Astra International Tbk, as the Principal Shareholder.
"tonne"	: A metric tonne, or 1,000 kilograms
"trillion"	: One thousand billion
"U.S. Dollars" or "U.S.\$"	: The lawful currency of the United States of America

DEFINITIONS OF SUBSIDIARIES WITHIN THE GROUP

ABP	: PT Agung Bara Prima
AMAP	: AllMakes Asia Pacific Pte Ltd
AMK	: PT Andalan Multi Kencana
BP	: PT Bina Pertiwi
ESY	: PT Ekasatya Yanatama
HMU	: PT Harmoni Mitra Utama
KCM	: PT Kadya Caraka Mulya
KPP	: PT Kalimantan Prima Persada
KRA	: PT Komatsu Remanufacturing Asia
MPU	: PT Multi Prima Universal
NCJA	: PT Nusantara Citra Jaya Abadi
PAMA	: PT Pamapersada Nusantara
PIM	: PT Pama Indo Mining
PML	: PT Patria Maritime Lines
PMM	: PT Prima Multi Mineral
TOP	: PT Telen Orbit Prima
TTA	: PT Tuah Turangga Agung
UTHI	: UT Heavy Industry (S) Pte Ltd
UTPE	: PT United Tractors Pandu Engineering
UTSG	: PT United Tractors Semen Gresik



SUMMARY

This summary highlights information contained elsewhere in this Prospectus. This summary is qualified by, and must be read in conjunction with, the more detailed information and financial statements appearing elsewhere in this Prospectus. This summary is set out according to facts and considerations based on importance to the Company.

OVERVIEW

The Company was established on 13 October 1972 under the name of PT Inter-Astra Motor Works, based on the Deed of Establishment No. 69, made before Djojo Muljadi, S.H, Notary in Jakarta, as amended by the Deed of Amendment No. 101, dated 28 November 1972 and the Deed of Amendment No. 54, dated 16 January 1973, both made before Dian Paramita Tamzil, SH, Substitute Notary of Djojo Muljadi, SH, Notary in Jakarta, whereby the Company changed its name to PT United Tractors. The Deed of Establishment and all its amendments were approved by the Ministry of Justice of the Republic of Indonesia based on Decision Letter on 6 February 1973, registered at the Office of the District Court of Jakarta on 9 February 1973, and published in the State Gazette No. 31, Supplement No. 281 dated 17 April 1973. The Articles of Association have been amended several times, most recently by the Deed of Resolution of the Meeting No. 54, dated 13 June 2008 made before Benny Kristianto, SH, Notary in Jakarta to confirm with the Company Law. The Deed has been approved by the MOLHR on 3 July 2008.

The Company has conducted several rights issues. The last rights issue was conducted in August 2008 ("Right Issue III") by the issuance of a total of 475,268,183 (four hundred seventy-five million two hundred sixty-eight thousand and one hundred eighty-three) new shares with a nominal value of Rp. 250 (two hundred fifty Rupiah) per share at the offering price of Rp. 7,500 (seven thousand five hundred) Rupiah per share under which shareholders who owned 6 (six) shares of the Company whose name was recorded in the Register of Shareholders of the Company on 29 August 2008 at 16:00 p.m. (western Indonesian time) was entitled to 1 (one) pre-emptive rights to subscribe for 1 (one) new share. All new share of Right Issue III were recorded on the IDX. In relation to the Right Issue III, the Articles of Association of the Company have been amended by Deed of Meeting Resolution No. 85 dated 18 September 2008, made before Nelfi Mutiara Simanjuntak, SH, the replacement for Imas Fatimah, S.H., Notary in Jakarta, which has been reported to the MOLHR on 11 November 2008.

The Group's main activities include the distribution of heavy equipment and related services, mining contracting and coal mining. The Company is based in Jakarta and is currently one of the leading distributors of heavy equipment in Indonesia, selling a wide range of bulldozers, excavators, heavy duty trucks, rollers and other heavy equipment under various brands as well as forklifts, generating sets, engines, and other products manufactured or assembled by the Group's subsidiaries. The Company's main brand is Komatsu, and it has exclusive distribution rights to distribute Komatsu heavy equipment in Indonesia. The Company, through its Subsidiary PAMA, also provides mining contracting services. The Head Office of the Company is located at Jalan Raya Bekasi, Km. 22, Cakung, East Jakarta.



The following table shows Subsidiaries and Associates of the Company:

Name	Direct Ownership		Indirect Ownership		Business	Status
	%	Year Acquired	%	Year Acquired		
PT Pamapersada Nusantara	99.99%	1988	0.01% through UTPE	2004	Mining contracting	Operational
PT United Tractors Pandu Engineering	99.99%	1983			Heavy equipment manufacturing	Operational
UT Heavy Industry (S) Pte Ltd	100.00%	1994			Import of heavy equipment	Operational
PT Multi Prima Universal	49.99%	2008	50.01% through PAMA	2011	Trading used heavy equipments and rental service	Operational
PT Buah Turangga Agung	100%	2008			Mining and trading services	Operational
PT Bina Pertiwi	99.99%	1976	0.01% through UTPE	2010	General trading and construction	Operational
PT Andalan Multi Kencana	75.00%	2010	25% through UTPE	2010	Trading of spare parts	Operational
PT Komatsu Remanufacturing Asia	49.00%	1997			Remanufacturing of heavy equipment	Operational
PT United Tractors Semen Gresik	45.00%	1992			Mining services	Operational
PT Harmoni Mitra Utama	35.00%	2008			Logistics and distribution (freight forwarding)	Operational
PT Kalimantan Prima Persada			99.99% through PAMA 0.01% through UTPE	2003	Mining services and port	Operational
PT Prima Multi Mineral			99.83% through PAMA 0.17% through UTPE	2007	Mining services	Operational
PT Telen Orbit Prima			99.99% through TTA 0.1% through BP	2007	Mining concession	Operational
PT Patria Maritime Lines			69.99% through UTPE	2008	Shipping services	Operational
PT Pama Indo Mining			60.00% through PAMA	1997	Mining contracting	Operational
PT Kadya Caraka Mulya			99.90% through PAMA 0.10% through UTPE	2007	Mining concession	Operational
PT Agung Bara Prima			60% through TTA	2010	Mining concession	Not Operational
PT Nusantara Citra Jaya Abadi			99.88% through PAMA 0.12% through UTPE	2007	Mining concession	In the process of mine closing
PT Ekasatya Yanatama			99.90% through PAMA 0.10% through UTPE	2007	Mining concession	Not Operational
AllMakes Asia Pacific Pte Ltd			55.00% through AMK	2011	Trading of spare parts	Operational

**Selected Financial Data**

The following table sets out selected financial information of the Group for the three years ended 31 December 2008, 2009 and 2010, which was extracted from the Group's audited consolidated financial statements. The Group's audited consolidated financial statements have been audited by Kantor Akuntan Publik ("KAP") Tanudiredja, Wibisana & Rekan (a member firm of PwC global network, formerly KAP Haryanto Sahari & Rekan), independent public accountants, with an unqualified opinion.

Consolidated Balance Sheet**As of 31 December**

<i>(In Rp. Million)</i>	2008	2009	2010
Assets			
Current Assets	12,883,590	11,989,433	15,532,762
Long-term Investments	207,002	256,862	308,162
Fixed Assets	9,505,248	9,610,510	11,039,320
Other Assets	251,881	2,548,023	2,820,670
Total Assets	22,847,721	24,404,828	29,700,914
Liabilities and Equity			
Current Liabilities	7,874,135	7,258,732	9,919,225
Non-current Liabilities	3,770,781	3,195,016	3,616,283
Total Liabilities	11,644,916	10,453,748	13,535,508
Minority Interest	71,198	107,370	29,068
Equity	11,131,607	13,843,710	16,136,338
Total Liabilities and Equity	22,847,721	24,404,828	29,700,914

Consolidated Statement of Income**For the Year Ended 31 December**

<i>(In Rp. Million)</i>	2008	2009	2010
Net Revenue	27,903,196	29,241,883	37,323,872
Cost of revenue	(22,403,992)	(22,570,824)	(30,528,174)
Gross Profit	5,499,204	6,671,059	6,795,698
Operating expenses	(1,340,541)	(1,404,587)	(1,633,177)
Operating Profit	4,158,663	5,266,472	5,162,521
Profit Before Tax	3,851,947	5,444,238	5,061,260
Net Income	2,660,742	3,817,541	3,872,931
EBITDA ⁽¹⁾	5,941,127	7,519,062	8,094,910

Note: ⁽¹⁾ We calculate EBITDA as operating profit plus depreciation of fixed assets, depreciation of mining properties and amortization of deferred charges. EBITDA is not a measure of financial performance under Indonesian GAAP and should not be considered an alternative to net income, operating profit, cash flow from operating activities or any other measure of financial performance or liquidity presented in accordance with Indonesian GAAP. EBITDA excludes some, but not all, items that affect net income and operating profit and these measures may vary among other companies. Therefore, EBITDA may not be comparable to similarly titled measures of other companies. We use EBITDA as a supplemental financial measure because we believe that it is an indicative measure of our operating performance as it is frequently used by securities analysts, investors and other interested parties in evaluating companies in our industry.

The following table reconciles the Company's operating profit under Indonesian GAAP to EBITDA for the years ended 31 December 2008, 2009 and 2010.

<i>(In Rp. million)</i>	For the Year Ended 31 December		
	2008	2009	2010
Operating profit	4,158,663	5,266,472	5,162,521
Add / (Less):			
Depreciation of fixed assets and mining properties	1,740,178	2,203,929	2,856,567
Amortization of deferred charges	42,286	48,661	75,822
EBITDA	5,941,127	7,519,062	8,094,910

In accordance with IDX disclosure requirements, the Company released its unaudited first quarter consolidated financial statements on 27 April 2011. A full version of the first quarter consolidated financial statements is available on the Company's website at www.unitedtractors.com.

Risks Factors

The major risk for the Company is its dependence on its distribution agreement with Komatsu.

Other risks that may be faced by the Company, risks relating to Indonesia and risks relating to ownership of the shares include, but are not limited to, the following:

1. Risks relating to the Construction Machinery Business
 - a) risks relating to dependence on the distribution agreement with Komatsu;
 - b) risks relating to adverse changes in the industry;
 - c) risks relating to the impact of natural disasters in Japan;
 - d) risks relating to the failure to properly manage the equipment and spare parts inventory;
 - e) risks relating to aggressive competition;
 - f) risks relating to Komatsu's inability to increase its capacity commensurately with increases in market demand;
 - g) risks relating to inventory financing from suppliers for construction machinery;
 - h) risks relating to product liability;
 - i) risks relating to fluctuations in operating results due to interest rate adjustments; and
 - j) risks relating to Komatsu's failure to implement future technological advances.

2. Risks relating to the Mining Contracting and Mining Businesses
 - a) risks relating to the dependence of revenue on the global price for coal;
 - b) risks relating to coal market competition;
 - c) risks relating to disruption to coal inventory and supply;
 - d) risks relating to dependence on key pieces of plant, equipment and machinery to conduct mining operations;
 - e) risks relating to fuel price;
 - f) risks relating to currency fluctuations;
 - g) risks relating to costs fluctuation and disruptions in transportation;
 - h) risks relating to the accuracy of coal reserve estimates;
 - i) risks relating to long term operating agreements with mine concession owners;
 - j) risks relating to dependence on a number of customers;
 - k) risks relating to reduction in demand from end-user customers;
 - l) risks relating to the responsibility for substantial capital expenditure and employees;
 - m) risks relating to challenges in maintaining good relations with local communities;
 - n) risks relating to safety concerns;
 - o) risks relating to operational risks beyond the Company's control;
 - p) risks relating to the highly regulated mining industry;
 - q) risks relating to mining laws;
 - r) risks relating to environmental, health and safety laws;



- s) risks relating to compliance with environmental standards;
- t) risks relating to mine reclamation and rehabilitation obligations;
- u) risks relating to the failure to comply with obligations under government contracts;
- v) risks relating to illegal mining; and
- w) risks relating to the concentration of the mining business in a limited geographical area.

3. Risks relating to the Company and the Group

- a) risks relating to the inability of the Company to secure additional indebtedness on terms acceptable to the Company;
- b) risks relating to dependence on key members of its management team and key technical personnel;
- c) risks relating to dependence on a unionized workforce;
- d) risks relating to insufficient insurance coverage;
- e) risks relating to the different interest of the major shareholder with other holders of the shares;
- f) risks relating to the Company's ability to maintain a free float of at least 40%;
- g) risks relating to the inability to successfully integrate new coal mining assets;
- h) risks relating to joint ventures;
- i) risks relating to major litigation; and
- j) risks relating to dependence on information technology.

4. Risks relating to Indonesia

- a) risks relating to political and social instability in Indonesia;
- b) risks relating to labour activism;
- c) risks relating to regional or global economic changes;
- d) risks relating to downgrades of the credit ratings of Indonesia;
- e) risks relating to uncertainty in the interpretation and implementation of legislation on regional governance;
- f) risks relating to earthquake-prone zone;
- g) risks relating to terrorist activities; and
- h) risks relating to differences in accounting and legal standards from those of other countries.

5. Risks relating to ownership of the Shares

- a) risks relating to the securities markets in Indonesia;
- b) risks relating to fluctuations in the share price;
- c) risks relating to the future sale of the shares;
- d) risks relating to restrictions on a shareholders' ability to exercise pre-emptive rights;
- e) risks relating to differences in corporate governance and public disclosure standards from those in certain other countries; and
- f) risks relating to limitations on minority shareholder rights.



Right Issue IV Structure

The Board of Directors hereby proposes to issue the Rights to the Company's Existing Shareholders, in the context of the Rights Issue IV, 403,257,853 (four hundred three million, two hundred fifty seven thousand, eight hundred fifty three) new Rights Shares with a nominal value of Rp. 250 (two hundred fifty Rupiah) per Share, which will be offered at the Rights Offering Price of Rp. 15,050 (fifteen thousand and fifty Rupiah) per Share.

Each Shareholder of 33 (thirty three) shares whose name is recorded in the Shareholders Registry of the Company on the date of 12 May 2011 at 16.00 Western Indonesian Time is entitled to 4 (four) Rights, where each Right would entitle the shareholder to subscribe for 1 (one) Right Share with an Offering Price of Rp. 15,050 (fifteen thousand and fifty Rupiah) per share payable in full at the time of the submission of the application for Rights Shares offered in this Rights Issue IV. Accordingly, the total proceeds that will be received by the Company under this Rights Issue IV is Rp. 6,069,030,687,650 (six trillion sixty nine billion thirty million six hundred eighty seven thousand six hundred and fifty Rupiah). The total number of Rights Shares offered in this Rights Issue IV in the amount of 403,257,853 (four hundred three million, two hundred fifty seven thousand, eight hundred fifty three) derived from shares in portfolio and will be listed on the IDX.

As stated in the Deed of Undertaking Agreement No. 290 dated 29 March 2011, drawn up before Aulia Taufani, S.H., replacement of Sutjipto, S.H. Notary in Jakarta, PT Astra International Tbk, as the majority shareholder of the Company, is committed to exercise its full entitled number of Rights Shares in the amount of 239,926,201 (two hundred thirty nine million nine hundred twenty six thousand two hundred and one) shares.

The Rights will be traded on or outside the stock exchange in accordance with Regulation No. IX. D.1 not less than 10 exchange day commencing on 16 May 2011 up to 30 May 2011. The listing of the Rights Shares on the IDX will be made on 16 May 2011. Any Rights which are not subscribed by the last day of the trading day will become null and void or become valueless.

In the event that the Shares offered in this Rights Issue IV are not fully subscribed by the Shareholders or the Rights holders, the remaining Shares shall be allocated to other Shareholders or other Rights holders who have applied for Rights Shares in excess of their Rights as mentioned in the Rights Certificates, in proportion with the total amount of Rights they have already exercised.

In the event that after such allocation/allotment, there are still remaining unsubscribed Shares, in accordance with Deed of Standby Purchaser Agreement No. 210 dated 29 March 2011 drawn up before Aulia Taufani, S.H., replacement of Sutjipto, S.H. Notary in Jakarta, PT Astra International Tbk has agreed to take up Rights Shares that are not subscribed by the Shareholders and the Rights Holders at the Rights Offering Price, which is Rp. 15,050 (fifteen thousand and fifty Rupiah) per share.

If a shareholder has Rights in the form of a fraction, such fraction will become the property of the Company and will be sold by the Company and the proceeds thereof will be deposited into the Company's account.

If all of the Rights offered under this Rights Issue IV are fully subscribed by the holders thereof, the composition of the share capital of the Company before and after the Rights Issue IV, in pro forma will be as follows:



Share Capital
(consisting of registered common shares with a nominal value of Rp. 250 per share)

Capital	Before the Rights Issue IV			After the Rights Issue IV		
	Number of Shares	Nominal Value (Rp. 250 per share)	%	Number of Shares	Nominal Value (Rp. 250 per share)	%
A. Authorized Capital	6,000,000,000	1,500,000,000,000		6,000,000,000	1,500,000,000,000	
B. Issued and Paid up Capital						
- PT Astra International Tbk	1,979,391,158	494,847,789,500	59.5	2,219,317,359	554,829,339,750	59.5
- Public	1,347,486,125	336,871,531,250	40.5	1,510,817,777	377,704,444,250	40.5
Total Issued and Paid up Capital	3,326,877,283	831,719,320,750	100.0	3,730,135,136	932,533,784,000	100.0
C. Shares in Portfolio	2,673,122,717	668,280,679,250		2,269,864,864	567,466,216,000	

If all of the Rights offered under this Rights Issue IV are not fully subscribed by the public, the composition of the share capital and the shareholders of the Company before and after the Rights Issue IV will be as follows:

Capital	Before the Rights Issue IV			After the Rights Issue IV		
	Number of Shares	Nominal Value (Rp. 250 per share)	%	Number of Shares	Nominal Value (Rp. 250 per share)	%
A. Authorized Capital	6,000,000,000	1,500,000,000,000		6,000,000,000	1,500,000,000,000	
B. Issued and Paid up Capital						
- PT Astra International Tbk	1,979,391,158	494,847,789,500	59.5	2,382,649,011	595,662,252,750	63.9
- Public	1,347,486,125	336,871,531,250	40.5	1,347,486,125	336,871,531,250	36.1
Total Issued and Paid up Capital	3,326,877,283	831,719,320,750	100.0	3,730,135,136	932,533,784,000	100.0
C. Shares in Portfolio	2,673,122,717	668,280,679,250		2,269,864,864	567,466,216,000	

Holders of the Rights who do not wish to exercise their right to subscribe for the Rights Shares, have an option to sell their Rights to a third-party from 16 May 2011 until 30 May 2011 on or outside the stock exchange in accordance with Regulation No. IX.D.1.

Use of Proceeds

The net proceeds from the Rights Issue IV, after deduction of fees and expenses incurred in the issue, will be used for the following purposes:

1. Approximately 90% of the net proceeds will be used to fund projects which enable the Company and its Subsidiaries to increase their penetration of the coal value chain, including:
 - a) approximately 27% of the net proceeds will be used by the Company to increase investments in, and/or provide loans to, the Subsidiaries engaged in the mining contracting business, namely PAMA and its subsidiaries (MPU), which will be used to purchase heavy equipment and supporting facilities, including service workshops and fuel tanks, to expand and support the growth of the Mining Contracting Business;
 - b) approximately 18% of the net proceeds will be used by the Company to increase investments in, and/or provide loans to, the Subsidiaries, namely PAMA and its subsidiaries (MPU), UTPE and its subsidiaries (PML) and TTA and its subsidiaries (TOP), which will be used to acquire shares of companies engaged in coal infrastructure and/or fund projects related to coal infrastructure, including coal transport, expansion of coal mining and port facilities, transshipment, shipyard/repair and, where appropriate, mine mouth power generation; and



- c) approximately 45% of the net proceeds will be used by the Company to increase investments in, and/or provide loan to the Subsidiaries, namely PAMA and TTA, which will be used to fund the purchase of shares and/or acquisition and development of companies which own coal concessions.

While the Company awaits the realization of the projects discussed above which are in various stages of evaluation and/or negotiation, the Company by providing loans to PAMA may utilize up to 35% of the net proceeds to repay revolving loans of PAMA, in order to optimize the use of the net proceeds. To ensure that funds are available for use upon the commencement of these projects, PAMA may at any time draw down from the revolving loan facility to repay the loans to the Company, which will later be used to fund the projects discussed above. As of the date of this Prospectus, PAMA has a revolving loan facility of US\$185 million.

2. The remainder of the net proceeds will be used to fund working capital requirements, including for the financing of receivables, inventory purchases and repayment of account payables, and general corporate purposes of the Company and its Subsidiaries in the form of investments or loans.

The provision of loans from the Company to the Subsidiaries will be done at arm's length in accordance with market terms. Loans repaid to the Company by the Subsidiaries will be used by the Company for business expansion.

Dividend Policy

Subject to the Company's future cash flow requirements and the approval of its shareholders through a GMS, the Company intends to continue its dividend payments in 2011. The Company has paid a minimum cash dividend of 10% of net income after tax since 2003 and intends to adhere to this dividend policy, subject to the results of a GMS as well as the Company's financial condition, profit margin and future cash needs.

The Company has paid cash dividends during the fiscal years 2008, 2009 and interim 2010. The Rights Shares in context of the Rights Issue IV will enjoy the same rights and privileges and rank pari passu with the existing Shares, including the right to receive dividend payments. A person will only be entitled to voting rights, dividends and other rights as a shareholder of the Company if such person is registered as a shareholder of the Company.



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I THE RIGHTS ISSUE IV

On behalf of the Company, the Board of Directors proposes to issue the Rights to the Company's Existing Shareholders in relation to the Rights Issue IV of 403,257,853 (four hundred three million, two hundred fifty seven thousand, eight hundred fifty three) new Shares with a nominal value of Rp. 250 (two hundred fifty Rupiah) per Share.

Each Shareholder of 33 (thirty three) Shares whose name is recorded in the Shareholders Registry of PT United Tractors Tbk on the 12 May 2011 at 16:00 Western Indonesian Time is entitled to 4 (four) Rights, where each Right would entitle the shareholder to subscribe for 1 (one) Right Share with an Offering Price of Rp. 15,050 (fifteen thousand and fifty Rupiah) per share payable in full at the time of the application submission. The Company will receive total funds of Rp. 6,069,030,687,650 (six trillion sixty nine billion thirty million six hundred eighty seven thousand six hundred and fifty Rupiah) in this Rights Issue IV. Shares offered in this Rights Issue IV are 403,257,853 (four hundred three million, two hundred fifty seven thousand, eight hundred fifty three) derived from shares in the Company's portfolio and will be listed on the IDX.



UNITED TRACTORS

PT UNITED TRACTORS Tbk

Line of Business

Engaged in the distribution of heavy equipment and related services, mining contracting and mining activities.

Headquarters

Jl. Raya Bekasi Km. 22 Cakung
Jakarta 13910, Indonesia

PO Box 3238/JKT

Tel: (62) 21 460 5959, Fax: (62) 21 460 0655

www.unitedtractors.com

Branch Offices:

18 branch offices located at: Balikpapan, Bandar Lampung, Banjarmasin, Jakarta, Jambi, Jayapura, Makassar, Manado, Medan, Padang, Palembang, Palu, Pekanbaru, Pontianak, Samarinda, Surabaya, Sorong and Tarakan

THE MAJOR RISK FOR THE COMPANY IS ITS DEPENDENCE ON ITS DISTRIBUTION AGREEMENT WITH KOMATSU



POTENTIAL RISKS THAT MAY BE FACED BY THE GROUP ARE DESCRIBED IN SECTION V OF THIS PROSPECTUS

The Company was established on 13 October 1972 under the name of PT Inter-Astra Motor Works, based on the Deed of Establishment No. 69, made before Djojo Muljadi, S.H, Notary in Jakarta, as amended by the Deed of Amendment No. 101, dated 28 November 1972 and the Deed of Amendment No. 54, dated 16 January 1973, both made before Dian Paramita Tamzil, SH, Substitute Notary of Djojo Muljadi, SH, Notary in Jakarta, whereby the Company changed its name to PT United Tractors. The Deed of Establishment and all its amendments were approved by the Ministry of Justice of the Republic of Indonesia on 6 February 1973, registered at the Office of the District Court of Jakarta on 9 February 1973, and published in the State Gazette No. 31, Supplement No. 281 dated 17 April 1973. The Articles of Association have been amended several times, most recently by the Deed of Resolution of the Meeting No. 54, dated 13 June 2008 made before Benny Kristianto, SH, Notary in Jakarta to confirm with the Company Law. The Deed has been approved by the MOLHR on 3 July 2008.

The Company has conducted three rights issues in the past. The last rights issue was conducted in August 2008 ("Right Issue III") by the issuance of a total of 475,268,183 (four hundred seventy-five million two hundred sixty-eight thousand and one hundred eighty-three) new shares with a nominal value of Rp. 250 (two hundred fifty Rupiah) per share at the offering price of Rp. 7,500 (seven thousand five hundred) Rupiah per share under which shareholders who owned 6 (six) shares of the Company whose name was recorded in the Register of Shareholders of the Company on 29 August 2008 at 16:00 p.m. (western Indonesian time) was entitled to 1 (one) pre-emptive right to subscribe for 1 (one) new share. All new share of Right Issue III were recorded in the IDX. In relation to the Right Issue III, the Articles of Association of the Company have been amended by Deed of Meeting Resolution No. 85 dated 18 September 2008, made before Nelfi Mutiara Simanjuntak, SH, the replacement for Imas Fatimah, S.H., Notary in Jakarta, which has been reported to the MOLHR on 11 November 2008.

The history of the listed shares of the Company in chronological order commencing from the Initial Public Offering is as follows:

Event	Date	Issued Shares	Aggregated Shares	Value of Shares (Rp.)
Initial Public Offering	19 September 1989	23,000,000 shares	23,000,000 shares	Rp. 166,750,000,000
Rights Issue I	27 May 1991	11,500,000 shares	34,500,000 shares	Rp. 115,000,000,000
Bonus Shares	3 February 1994	103,500,000 shares	138,000,000 shares	-
Bonus Shares	23 June 2000	248,400,000 shares	386,400,000 shares	-
Stock Split (from Rp. 1.000 into Rp. 250 per share)	5 September 2001	1,159,200,000 shares	1,545,600,000 shares	-
Employment Stock Option (ESOP)	31 August 2003	27,553,500 shares	1,573,153,500 shares	-
Rights Issue II	31 May 2004	1,261,553,600 shares	2,834,707,100 shares	Rp. 662,315,640,000
Employment Stock Option (ESOP)	31 December 2004	13,870,900 shares	2,848,578,000 shares	-
Employment Stock Option (ESOP)	31 December 2005	3,031,100 shares	2,851,609,100 shares	-
Rights Issue III	2 September 2008	475,268,183 shares	3,326,877,283 shares	Rp. 3,564,511,372,500

Share capital composition of the Company on the date of the issuance of this Prospectus

Category	Number of Shares	Value of Shares (Rp.)	Percentage (%)
A. Authorized Capital	6,000,000,000	1,500,000,000,000	
B. Issued and Paid up Capital			
- PT Astra International Tbk	1,979,391,158	494,847,789,500	59.50
- Public	1,347,486,125	336,871,531,250	40.50
Total Issued and Paid up Capital	3,326,877,283	831,719,320,750	100.00
C. Shares in Portfolio	2,673,122,717	668,280,679,250	



If all of the Rights offered under this Rights Issue IV are fully subscribed by the holders thereof, the composition of the share capital and the shareholders of the Company before and after the Rights Issue IV, in proforma, will be as follows:

Share Capital
(consisting of registered common shares with a nominal value of Rp. 250 per share)

Capital	Before the Rights Issue IV			After the Rights Issue IV		
	Number of Shares	Nominal Value in Rp. (Rp. 250 per share)	%	Number of Shares	Nominal Value in Rp. (Rp. 250 per share)	%
A. Authorized Capital	6,000,000,000	1,500,000,000,000		6,000,000,000	1,500,000,000,000	
B. Issued and Paid up capital						
- PT Astra International Tbk	1,979,391,158	494,847,789,500	59.5	2,219,317,359	554,829,339,750	59.5
- Public	1,347,486,125	336,871,531,250	40.5	1,510,817,777	377,704,444,250	40.5
Total Issued and Paid up Capital	3,326,877,283	831,719,320,750	100.0	3,730,135,136	932,533,784,000	100.0
C. Unissued Shares	2,673,122,717	668,280,679,250		2,269,864,864	567,466,216,000	

If all of the Rights offered under this Rights Issue IV are not fully subscribed by the public, the composition of the share capital and the shareholders of the Company before and after the Rights Issue IV will be as follows:

Capital	Before the Rights Issue IV			After the Rights Issue IV		
	Number of Shares	Nominal Value in Rp. (Rp. 250 per share)	%	Number of Shares	Nominal Value in Rp. (Rp. 250 per share)	%
A. Authorized Capital	6,000,000,000	1,500,000,000,000		6,000,000,000	1,500,000,000,000	
B. Issued and Paid up capital						
- PT Astra International Tbk	1,979,391,158	494,847,789,500	59.5	2,382,649,011	595,662,252,750	63.9
- Public	1,347,486,125	336,871,531,250	40.5	1,347,486,125	336,871,531,250	36.1
Total Issued and Paid up Capital	3,326,877,283	831,719,320,750	100.0	3,730,135,136	932,533,784,000	100.0
C. Shares in Portfolio	2,673,122,717	668,280,679,250		2,269,864,864	567,466,216,000	

The holders of the Rights who will not subscribe for their Rights to purchase the Rights Shares under this Rights Issue IV can trade their Rights from 16 May 2011 up until 30 May 2011 either on or outside the Stock Exchange in accordance with Regulation No. IX.D.1. The existing shareholders who do not exercise their Rights to purchase the Rights Shares offered in this Rights Issue IV may experience a material dilution of their shareholding percentage to a maximum of 10.8%.

The Rights Shares will have the same rights and privileges and rank pari passu with the Existing Shares, including the rights to dividend entitlement.

PT Astra International Tbk has committed to exercise its entitlement of the Rights and will order additional new Rights Shares for the amount, if it is combined with the Rights of the Company that have been exercised, that constitute all new shares that will be issued by the Company in this Rights Issue IV, as stated in the Deed of Undertaking Agreement No. 209 dated 29 March 2011, drawn up before Aulia Taufani, S.H., the replacement for Sutjipto, S.H. Notary in Jakarta, at the Rights Offering Price.



If the Rights Shares offered in this Rights Issue IV are not fully subscribed by the Shareholders or the Rights holders, the remaining Rights Shares shall be allocated to other Shareholders or other Rights holders who have applied to subscribe for more than its or their entitlement in proportion to the Rights Shares that have been exercised by it as stated on the Rights certificates and if there are still remaining Rights Shares that have not been subscribed, such remaining Rights Shares will be subscribed by PT Astra International Tbk as the Standby Purchaser, in accordance with the Deed of Standby Purchaser Agreement No. 210 dated 29 March 2011 drawn up before Aulia Taufani, S.H., the replacement for Sutjipto, S.H. Notary in Jakarta, at the Rights Offering Price.

THE COMPANY, WITHIN THE TWELVE MONTH PERIOD AFTER THE EFFECTIVENESS OF THE REGISTRATION STATEMENT FILED WITH BAPEPAM & LK IN THE CONTEXT OF THIS RIGHTS ISSUE IV, WILL NOT ISSUE OR LIST NEW SHARES OR OTHER SECURITIES CONVERTIBLE INTO SHARES, OTHER THAN THE SHARES OFFERED IN THIS RIGHTS ISSUE IV.



II USE OF PROCEEDS AS THE RESULT OF THE RIGHTS ISSUE IV

The net proceeds from the Rights Issue IV, after the deduction of fees and expenses, will be used for the following purposes:

1. Approximately 90% of the net proceeds will be used to fund projects which enable the Company and its Subsidiaries to increase their penetration of the coal value chain, including:
 - a) approximately 27% of the net proceeds will be used by the Company to increase investments in, and/or provide loans to, the Subsidiaries engaged in the mining contracting business, namely PAMA and its subsidiaries (MPU), which will be used to purchase heavy equipment and supporting facilities, including service workshops and fuel tanks, to expand and support the growth of the Mining Contracting Business;
 - b) approximately 18% of the net proceeds will be used by the Company to increase investments in, and/or provide loans to, the Subsidiaries, namely PAMA and its subsidiaries (MPU), UTPE and its subsidiaries (PML) and TTA and its subsidiaries (TOP), which will be used to acquire shares of companies engaged in coal infrastructure and/or fund projects related to coal infrastructure, including coal transport, expansion of coal mining and port facilities, transshipment, shipyard/repair and, where appropriate, mine mouth power generation; and
 - c) approximately 45% of the net proceeds will be used by the Company to increase investments in, and/or provide loan to the Subsidiaries, namely PAMA and TTA, which will be used to fund the purchase of shares and/or acquisition and development of companies which own coal concessions.

While the Company awaits the realization of the projects discussed above which are in various stages of evaluation and/or negotiation, the Company by providing loans to PAMA may utilize up to 35% of the net proceeds to repay revolving loans of PAMA, in order to optimize the use of the net proceeds. To ensure that funds are available for use upon the commencement of these projects, PAMA may at any time draw down from the revolving loan facility to repay the loans to the Company, which will later be used to fund the projects discussed above. As of the date of this Prospectus, PAMA has a revolving loan facility of US\$185 million.

2. The remainder of the net proceeds will be used to fund working capital requirements, including for the financing of receivables, inventory purchases and repayment of account payables, and general corporate purposes of the Company and its Subsidiaries in the form of investments or loans.

The provision of loans from the Company to the Subsidiaries will be done at arm's length in accordance with market terms. Loans repaid to the Company by the Subsidiaries will be used by the Company for business expansion.

If the Company seeks to amend the use of proceeds from this Rights Issue IV, any plan must be reported to BAPEPAM & LK, explaining the proposed amendments. The Company must also obtain Shareholders' approval for such a change at a GMS.

If any transaction to be entered into by the Company using the use of proceeds of this Rights Issue IV would be deemed a material transaction or an affiliated party transaction or a transaction with a conflict of interest, then the Company must comply with BAPEPAM & LK Regulation No. IX.E.2 as well as Regulation No. IX.E.1



In accordance with BAPEPAM & LK Circular Letter No. SE-05/BL/2006 dated 29 September 2006 relating to Disclosure of Information Regarding Costs of Public Offering, the total estimated expenses spent by the Company in this Right Issue IV is 0.706% of the total proceeds of this Right Issue IV Rp. 42.8 billion consisting of:

1. Financial adviser fees of approximately 0.550%;
2. Public accountant fees of approximately 0.048%;
3. Legal consultant fees of approximately 0.097%;
4. Notary fees of approximately 0.001%;
5. Share registrar fees of approximately 0.001%; and
6. Printing and other costs fees of approximately 0.009%.

The Company will hold itself accountable for the actual use of proceeds received from this Rights Issue IV and will report periodically to the shareholders at a GMS of the Company and BAPEPAM & LK in accordance with Regulation No. X.K.4. The use of proceeds received from the Rights Issue IV and the repayment of loans provided to the Subsidiaries will be done in full accordance with the prevailing capital market regulations in Indonesia.

Proceeds from the Rights Issue II and Rights Issue III have been fully utilized in accordance with the use of proceeds stated in the relevant prospectus.



III INDEBTEDNESS

Based on the Group's consolidated financial statements as of 31 December 2010, which have been audited by Kantor Akuntan Publik ("KAP") Tanudiredja, Wibisana & Rekan (a member firm of PwC global network), independent public accountants, with an unqualified opinion, the total liabilities of the Group amount to Rp. 13.5 trillion, which consist of:

Current Liabilities	(Rp. Million)
Short-term bank loans	190,819
Trade payables:	
- Third parties	4,877,238
- Related parties	654,149
Other payables:	
- Third parties	87,468
- Related parties	30,913
Taxes payable	133,744
Accrued expenses	652,143
Customer deposits	407,718
Deferred revenue	42,874
Provision	51,466
Current portion of long-term debt:	
- Bank loans	2,011,371
- Finance leases	324,930
- Other borrowings	454,392
Total current liabilities	9,919,225
Non-current Liabilities	
Deferred tax liabilities	456,477
Long-term debt, net of current portion:	
- Bank Loans	1,966,376
- Finance leases	419,373
- Other borrowings	313,094
Other liabilities	26,721
Provision	434,242
Total non-current liabilities	3,616,283
Total Liabilities	13,535,508

Short-term bank loans

(Rp. Million)

U.S. Dollar:

- The Company:	
The Bank of Tokyo – Mitsubishi, UFJ Ltd., Jakarta branch (U.S.\$15 million)	134,865
- UTHI:	
Sumitomo Mitsui Banking Corporation (U.S.\$4.8 million)	42,955
PT Bank Negara Indonesia (Persero) Tbk (U.S.\$0.9 million)	8,504
- PML:	
Standard Chartered Bank, Jakarta branch (U.S.\$0.5 million)	4,495
Total	190,819

The Company has a credit facility from The Bank of Tokyo-Mitsubishi UFJ Ltd (Jakarta branch) of U.S.\$ 15 million to finance working capital requirements with an interest rate at SIBOR plus a certain margin. This facility will expire on 30 September 2011. In January 2011, all outstanding amount of this



loan has been fully repaid. In March 2011, this loan facility agreement has been terminated by the Company.

UTHI receives import financing facilities amounting to U.S.\$ 5 million and U.S.\$ 30 million from Sumitomo Mistui Banking Corporation and PT Bank Negara Indonesia (Persero) Tbk, respectively.

In April 2010, PML entered into an agreement with Standard Chartered Bank (Jakarta branch), whereby PML obtained a money market loan facility of U.S.\$ 3 million. This facility expired on 31 March 2011. The interest rate is calculated from the cost of funds plus a certain margin.

Trade payables

	(Rp. Million)
Third parties	4,877,238
Related parties	654,149
Total	5,531,387

The amount of trade payables to third parties that is denominated in foreign currency is Rp. 2,802.0 billion, while the remaining is denominated in Rupiah. The amount of trade payables to related parties that is denominated in foreign currency is Rp. 616.1 billion, while the remaining is denominated in Rupiah.

Taxes payable

	(Rp. Million)
The Company	41,216
Subsidiaries	92,528
Total	133,744

The Company's tax payables consist of tax payables article 21 and 23 of a total Rp. 41.2 billion. The subsidiaries' tax payables consist of corporate income taxes payable of Rp. 43.3 billion, tax payables article 4(2), 15, 21, 23, 26 of a total Rp. 39.4 billion and value added tax of Rp. 9.9 billion.

Long-term bank loans

	(Rp. Million)
- PAMA:	
Syndicated credit facilities: Facility A (U.S.\$ 145 million)	1,303,695
Japan Bank for International Cooperation, Japan (U.S.\$ 44.9 million and JPY 690.6 million)	480,248
Sumitomo Mitsui Banking Corporation, Singapore (U.S.\$ 50 million)	449,550
Oversea-Chinese Banking Corporation Ltd., Singapore (U.S.\$ 30 million)	269,730
Standard Chartered Bank (U.S.\$ 25 million)	224,775
Mizuho Corporate Bank Ltd., Singapore (U.S.\$ 25 million)	224,775
DBS Bank Limited, Singapore (U.S.\$ 20 million)	179,820
The Bank of Tokyo-Mitsubishi UFJ, Ltd. (U.S.\$ 20 million)	179,820
HSBC Bank Australia Ltd (U.S.\$ 20 million)	179,820
The Hongkong & Shanghai Banking Corp. Ltd. (U.S.\$ 20 million)	179,820
Citibank N.A (U.S.\$ 20 million)	179,820
PT Bank Ekonomi Raharja Tbk (U.S.\$ 10 million)	89,910
- PML:	
Standard Chartered Bank (U.S.\$ 4 million)	35,963
Total	3,977,747
Less: Current maturities	(2,011,371)
Non-current	1,966,376



On 24 September 2007, PAMA obtained syndicated credit facilities from 23 banks. The syndication was led by six mandated lead arrangers, which were DBS Bank Ltd, The Hongkong and Shanghai Banking Corporation Limited, Mizuho Corporate Bank Ltd, PT Bank Mizuho Indonesia, Standard Chartered Bank, Sumitomo Mitsui Banking Corporation, United Overseas Bank Ltd. Acting as the agent is Standard Chartered Bank Ltd (Hong Kong branch). The facilities consist of Facility A (term loan facility) amounting to U.S.\$ 290 million and Facility B (revolving loan facility) amounting to U.S.\$ 135 million. The facilities will be used to refinance PAMA's previous syndicated credit facilities, to finance working capital funding requirements and for general corporate funding purposes. Facility A is repayable in ten installments (semi-annual) starting from the sixth month after the date of the agreement, while Facility B has a three-year maturity, with an option to extend for an additional two years. Facility B expired on 14 September 2010 and PAMA did not extend it. The interest rates for the above facilities are LIBOR plus certain margins. To reduce the risk from the fluctuation of interest rates, the Company has entered into an interest rate swap with The Hongkong Shanghai Bank Corporation (Jakarta branch), United Overseas Bank Ltd. (Singapore Branch) Standard Chartered Bank (Jakarta Branch) and PT Bank DBS Indonesia to translate the floating interest rate into a fixed rate for all outstanding portion of Facility A. According to the facility agreement, PAMA should ensure that:

- The gearing ratio should not exceed 3.5:1
- The consolidated interest coverage ratio shall not be less than 3:1
- The dividend declaration and payment shall not exceed 50% of consolidated net profit excluding extraordinary gain or loss and forex gain or loss, and
- Maintain a minimum of 51% ownership by the Company

On 27 March 2007, PAMA signed a loan agreement on buyer's credit totaling JPY 2 billion with Japan Bank for International Cooperation ("JBIC"). PAMA has entered into a cross currency swap for all outstanding portion of the facility in Yen currency. This facility will be paid in semi-annual instalments until September 2012. According to the loan agreement, PAMA should ensure that:

- The gearing ratio shall not exceed 3.5:1
- The interest coverage ratio shall not be less than 3:1
- The non-secured total asset ratio shall not be less than 1.2

On 11 February 2010, PAMA signed a loan agreement on buyer's credit totalling U.S.\$49.9 million with JBIC. The loan is co-financed with BTMU. This loan will be paid in instalments from 2011 to 2012, each JPY405.29 million and JPY285.36 million for loans in JPY currency and payment instalment of five years from 2011 to 2015, each U.S.\$9.99 million (2011-2014) and U.S.\$4.99 million (2015) for the loan in US Dollar.

On 2 July 2010, PAMA signed a bilateral loan agreement of U.S.\$25 million with Mizuho Corporate Bank Ltd., Singapore branch. This loan comprises a term facility of U.S.\$12.5 million and a revolving facility of U.S.\$12.5 million. The term facility will be paid in instalments from 2012 to 2013, each U.S.\$6.25 million per year. The revolving facility will expire within one year.

On 9 July 2010, PAMA signed a bilateral loan agreement of U.S.\$50 million with Sumitomo Mitsui Banking Corporation Ltd., Singapore branch. This loan comprises a term facility of U.S.\$25 million and a revolving facility of U.S.\$25 million. The term facility will be paid in instalments from 2012 and 2013, each U.S.\$12.5 million per year. The revolving facility will expire within one year.

On 9 July 2010, PAMA signed a bilateral loan agreement of U.S.\$20 million with Citibank N.A., Jakarta branch. This loan comprises a term facility of U.S.\$10 million and a revolving facility of U.S.\$10 million. The term facility will be paid in instalments from 2012 and 2013, each U.S.\$5 million per year. The revolving facility will expire within one year.



On 20 August 2010, PAMA signed a bilateral loan agreement of U.S.\$25 million with Standard Chartered Bank, Jakarta branch. This loan comprises a term facility of U.S.\$12.5 million and a revolving facility of U.S.\$12.5 million. The term facility will be paid in instalments from 2012 and 2013, each U.S.\$6.25 million per year. The revolving facility will expire within one year.

On 24 August 2010, PAMA signed a bilateral loan agreement of U.S.\$40 million with Overseas-Chinese Banking Corporation Ltd., Singapore branch. This loan comprises a term facility of U.S.\$20 million and a revolving facility of U.S.\$20 million. The term facility will be paid in instalments from 2012 and 2013, each U.S.\$5 million per year. The revolving facility will expire within one year.

On 1 September 2010, PAMA signed a bilateral loan agreement of U.S.\$20 million with DBS Bank Ltd., Singapore branch. This loan comprises a term facility of U.S.\$10 million and a revolving facility of U.S.\$10 million. Term facility will be paid in instalments from 2012 and 2013, each US\$5 million per year. Revolving facility will expire within one year.

On 15 September 2010, PAMA signed a bilateral loan agreement amounting to U.S.\$20 million with HSBC Bank Australia Ltd. The facility represents a term facility. This facility will be paid in instalments from 2012 and 2013, each US\$10 million per year.

On 15 September 2010, PAMA signed a bilateral loan agreement of U.S.\$20 million with The Hongkong and Shanghai Banking Corporation Ltd., Jakarta branch. The facility represents a revolving facility. This facility will expire within one year.

On 15 September 2010, PAMA signed a bilateral loan agreement of U.S.\$10 million with PT Bank Ekonomi Raharja Tbk. This loan comprises a term facility of U.S.\$5 million and a revolving facility of U.S.\$5 million. The term facility will be paid in instalments from 2012 and 2013, each U.S.\$2.5 million per year. The revolving facility will expire within one year.

On 28 September 2010, PAMA signed a bilateral loan agreement of U.S.\$20 million with BTMU, Jakarta branch. The facility represents a revolving facility. This facility will expire within one year.

In May 2010, PML obtained a committed term loan facility from Standard Chartered Bank (Jakarta branch) of U.S.\$7.5 million with an interest rate of SIBOR plus certain margins and a due date in 2014. This facility is intended for purchasing vessels. No collateral was pledged for this facility.

Finance leases

	(Rp. Million)
Related parties	394,477
Third parties	349,826
Total	744,303
Less: Current maturities	(324,930)
Non current	419,373

Leased assets represent machinery and heavy equipment. All leased assets are pledged as collateral for the underlying finance leases. Several finance lease transactions require a security deposit as collateral in respect of the lease payables.

Provision

	(Rp. Million)
Employee benefits obligation	424,084
Estimated liability for restoration and rehabilitation	61,624
Total	485,708
Less: Current portion	(51,466)
Non-current portion	434,242



The employee benefits obligation is calculated by PT Eldridge Gunaprima Solution, an independent actuary. The principal assumptions as of 31 December 2010 are a discount rate of 8%, expected return of plan assets of 10% and a future salary increase of 9%.

Other payables to related parties

	(Rp. Million)
PT Serasi Autoraya and its subsidiaries	15,157
PT Asuransi Astra Buana	5,445
Multico Marketing Services Pte Ltd, Singapura	4,417
PT Astra Graphia Tbk and its subsidiaries	3,896
PT Astra International Tbk	1,493
Other	505
Total	30,913

Amounts due to related parties represent non-trade transactions.

Other borrowings

	(Rp. Million)
Marubeni Corporation	386,742
JA Mitsui Leasing Ltd	209,893
Sumitomo Mitsui Finance and Leasing Company Ltd	157,364
Orion Maritime Lines	13,487
Total	767,486
Less: Long term portion	(313,094)
Short term portion	454,392

The above amounts are mainly related to purchase agreements of heavy equipment entered into by PAMA. These borrowings are to be repaid in instalments over periods of one to three years. All heavy equipment financed by this borrowing are pledged as collateral for the underlying borrowing.

Commitments and contingent liabilities

Full Maintenance Contracts

The Company has several Full Maintenance Contracts ("FMC") with customers. The contracts cover a period of three to six years. Under these contracts, the Company provides repairs and maintenance services for the customers' heavy equipment. In return, the Company charges FMC fees to the customers.

Among other details, FMC requires the Company to guarantee the availability of such heavy equipment in accordance with the percentage determined in the contracts.

Credit Facilities

As at 31 December 2010, the Company and certain subsidiaries had bank guarantee and letters of credit facilities of U.S.\$130.3 million and Rp. 5 billion (2009: U.S.\$144.8 million and Rp. 5 billion), foreign exchange contract facilities of U.S.\$1.5 million (2009: U.S.\$1.5 million) and interest rate swap facilities of U.S.\$259.9 million and JPY 1.99 billion (2009: U.S.\$248.3 million and JPY 3 billion) obtained from various banks. Unused facilities of the Company and certain subsidiaries were U.S.\$191.5 million and Rp. 3.8 billion as at 31 December 2010 (2009: U.S.\$186.1 million, Rp. 4.8 billion, and JPY 14.9 million).

The utilisation of the above bank guarantees and letters of credit facilities are secured by restricted time deposits.



Derivative financial instruments

On 16 December 2010, the Company entered into foreign currency forward contracts with ANZ Panin Bank with a total notional amount of JPY 362 million with maturity on 28 January 2011.

On 16 December 2010, the Company entered into foreign currency forward contracts with Citibank, N.A. (Jakarta Branch) with a total notional amount of JPY 168.3 million, JPY 259.3 million and EUR 1 million with maturity on 28 January 2011, 13 January 2011 and 28 January 2011, respectively. The purpose of these contracts is to cover risks of potential losses arising from interest rate fluctuation for the Company's liabilities denominated in foreign currencies. These transactions are not accounted for as hedging activities.

In relation to other borrowings, PAMA entered into a Cross Currency Interest Rate Swap contract with ANZ Panin Bank for notional amounts of JPY 1,298.43 million. This agreement will be due on 30 July 2012.

In relation to syndicated credit facilities from 23 banks (see "Long-term bank loans"), PAMA entered into an Interest Rate Swap contract with The Hongkong and Shanghai Banking Corporation Ltd (Jakarta branch), United Overseas Bank Limited (Singapore branch), Standard Chartered Bank (Jakarta branch) and PT Bank DBS Indonesia with a total notional amount of U.S.\$145 million. This agreement will be due on 24 September 2012.

In relation to finance lease, PAMA entered into Interest Rate Swap contracts with Standard Chartered Bank and ANZ Panin Bank for notional amounts of U.S.\$25 million and U.S.\$37.47 million, respectively to convert the floating interest rate into a fixed rate. These agreements will be due on 5 November 2013 and 22 January 2013, respectively.

In relation to long-term loan in JPY currency to Japan Bank for International Cooperation (see "Short-term bank loans"), on 28 September 2009, PAMA also entered into Cross Currency Swap with Standard Chartered Bank, Jakarta branch for notional amounts of JPY 690.65 million which will be due on 26 September 2012. The purpose of the above contracts is to cover the risks of potential losses from the increase of interest rates of loans and finance leases.

Acquisition of a group of assets

- I. In 2007, PAMA acquired a group of assets, which included shares of various coal mine concession holder companies for a total consideration of U.S.\$34 million.

In 2007, PAMA also entered into a Share Sale Agreement ("SSA") to acquire 99% interest in DEJ from Dynamic Acres Sdn Bhd ("DASB"), a third party. For this transaction, PAMA paid an amount of U.S.\$5.1 million and assumed liabilities of U.S.\$ 11 million.

The total consideration paid for the above acquisition amounts to U.S.\$50.1 million, of which U.S.\$48.6 million, or equivalent to Rp. 444 billion has been assigned as mining properties and recorded as part of fixed assets.

As at 31 December 2010, PAMA has a potential amount of U.S.\$5.3 million payable to DASB as consideration for further mining reserves which may become available. This will be paid either in part or in full dependent on conditions precedent, mainly upon obtaining exploitation permit from the authority.

As at the date of these reports, exploitation permit from the authority is still in process.

- II. On 14 January 2010, PAMA entered into a Share Sale Agreement, Share Subscription Agreement and Shareholders Agreement (collectively "SSA") with PT Mandira Sanni Pratama and PT Andalan Teguh Berjaya (collectively "Existing Shareholder") to acquire a 30% share of PT Asmin Bara Bronang and PT Asmin Bara Jaan (collectively "Asmin"), coal mine concession holder companies, located at Kapuas and Murung Raya regency, Central Kalimantan province.

The amount to be paid for the above acquisition is US\$40.1 million and Rp. 75 million. In January 2010, PAMA has paid a cash advance of US\$11.6 million and an amount of US\$28.6 million was placed in an escrow account. Disbursement from the escrow account will be made subject to the fulfillment of conditions precedent and not more than 12 months from the signing date of the SSA or the date agreed by PAMA and the Existing Shareholder.

As required by the SSA, U.S.\$20.2 million has been disbursed from the Escrow Account on partial fulfillment of the Condition Precedents.

- III. On 15 July 2010, the Company through its subsidiaries, TTA, acquired shares of ABP. The total purchase price consideration paid for this acquisition was U.S.\$15.9 million for the share ownership of 60%.

ABP owns an area of approximately 1,365 hectares in Buhut Village, Central Kapuas Sub-district, Kapuas Regency, Central Kalimantan Province. ABP is still in the exploration stage.

Inventory and capital purchase commitments

As at 31 December 2010, the Group had capital commitments for the purchase of heavy equipment, machinery, and leasehold amounting to Rp. 218 billion.

There are no significant commitments and contingent liabilities, other than what is stated above and in the Company's consolidated financial statements as of 31 December 2010.

Additional Information

The Group recorded liabilities in foreign currencies as U.S. Dollars, Australian Dollars, Singapore Dollars, Japanese Yen and Euro. Exchange rate fluctuations will affect the Company's and its Subsidiaries' liabilities.

The Group did not have additional liabilities, other than what is stated in the Prospectus and consolidated financial statements for the years ended 31 December 2010 and 2009 that need to be disclosed in this Prospectus.

As of 31 December 2010, the Company and its Subsidiaries have complied with all obligations and requirements according to each of the loan facility agreements.

The Group does not have any additional significant indebtedness after the date of the financial statements until the date of the independent audit report, other than new indebtedness raised in relation to conducting its business activities.

The Company's Board of Directors believes that the Company is able to fulfill all of its financial obligations.

The Company does not have any negative covenants that will adversely affect the interest of its Shareholders.



IV MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the "Financial Highlights" and the consolidated financial statements of the Group for the years ended 31 December 2008, 2009 and 2010 and the notes thereto included elsewhere in this Prospectus. The consolidated financial statements have been prepared in accordance with Indonesian GAAP, which differs in certain significant respects from International Financial Reporting Standards ("IFRS").

In accordance with IDX disclosure requirements, the Company released its unaudited first quarter consolidated financial statements on 27 April 2011. A full version of the first quarter consolidated financial statements is available on the Company's website at www.unitedtractors.com.

OVERVIEW

The Company is one of Indonesia's leading corporations, with interests in the heavy equipment, mining contracting and mining industries. Through its subsidiaries, the Company operates a diverse range of businesses that focus on the growing demand for Indonesia's natural resources. In 2010, the Company's consolidated net revenue increased by 27.6% to Rp. 37,323.9 billion and net income increased by 1.5% to Rp. 3,872.9 billion compared to Rp. 29,241.9 billion and Rp. 3,817.5 billion, respectively, in 2009.

Construction Machinery Business

The Company's heavy equipment business (the "Construction Machinery Business") has acted as the exclusive distributor of Komatsu products in Indonesia since 1973. Komatsu is one of the world's best known heavy equipment brands, and is currently the top selling heavy equipment maker in Indonesia, based on production volume and revenue data of each competitor listed on the IDX. For private competitors, the Company has estimated the production and revenue of such competitors based on various assumptions which it considers reasonable. In 2010, the Company sold 5,404 units (before elimination). The Company's products primarily serve four sectors of the Indonesian economy: mining, plantation, construction and forestry. The Company's distribution network includes 18 branches, spread across Indonesia. The Company supplements its Komatsu product line with sales of Nissan Diesel, Scania, Bomag, Valmet and Tadano products. Complementing its heavy equipment sales, the Company also operates a parts and services division through its support offices and spare parts depots strategically located across Indonesia.

For the year ended 31 December 2010, net revenue from the Construction Machinery Business was Rp. 17,274.8 billion, or 46.3% of the Group total consolidated net revenue.

Mining Contracting Business

The Company provides mining services to Indonesian mine operators through its subsidiary, PAMA. PAMA offers its clients a variety of services that include mine design, exploration, extracting, hauling, barging and loading (the "Mining Contracting Business"). As per 31 December 2010, PAMA has 14 projects with its customers which include some of Indonesia's leading mine operators, such as PT Adaro Indonesia, PT Indominco Mandiri, PT Kaltim Prima Coal and PT (Persero) Tambang Batubara Bukit Asam Tbk.

For the year ended 31 December 2010, net revenue from the Mining Contracting Business was Rp. 16,928.5 billion, or 45.4% of the Group total consolidated net revenue.



Mining Business

In 2007, the Company entered the coal mining operator business through PAMA's acquisition of three companies which own coal mining concessions (NCJA, ESY and KCM) and the right to mine and sell coal based on a coal sale and purchase agreement with a third party, collectively known as the "DEJ Mines" in South Kalimantan. Prior to the acquisition in April 2007, these mines were operated through a sole operator, PT Dasa Eka Jasatama ("DEJ") with PAMA acting as the mining contractor. With PAMA's ownership of these coal mining concessions and the right to mine and sell third party coal as described above, DEJ Mines has 16.5 million tonnes of estimated reserves (based on a stripping ratio of 1:12).

In 2008, the Company acquired TTA. TTA, through its subsidiary TOP, owns a coal concession right for 20 years, which may be renewed twice, each for additional 10 year periods. The TOP mine covers an area of approximately 4,900 hectares with approximately 36 million tonnes of gross estimated reserves remaining. TOP commenced commercial production and sale of coal in May 2010.

In July 2010, TTA acquired a 60% interest in ABP. ABP's mine covers an area of approximately 1,365 hectares with approximately 9.2 million tonnes of gross estimated reserves. Subject to the issuance of IUP Production Operation, ABP is expected to commence its commercial production and sale of coal in 2012.

In 2010, the Mining Business produced 3.1 million tonnes of coal with average calorific value of 6,700 kcal/kg (adb), resulting in Group net revenue of Rp. 3,120.6 billion, or 8.3% of the Group total net revenue.

The reserve figures stated above are based on the Company's internal survey done by PAMA's technical experts, including a geologist team, as of 31 December 2010.

Factors Affecting the Group's Businesses and Results of Operations

The Group's results of operations are affected by a variety of factors. Set out below is a discussion of the most significant factors that have affected results in the past and which management expects to affect financial results in the future. Factors other than those set out below could also have a significant impact on the results of operations and financial condition in the future. See "Risk Factors".

Industry Factors

Net revenues from the Construction Machinery Business are primarily driven by demand for equipment used in the mining, plantation, forestry and construction industries. Demand for equipment in these industries is driven by several factors. For example, equipment purchased for use in the mining industry will depend, to a large extent, on the global demand and price for coal. Demand for construction equipment is primarily driven by public infrastructure spending as well as residential and commercial real estate development. If the positive trends in these industries cease to continue, the Construction Machinery Business may be negatively affected.

Macro-Economic Factors

Sales of the Company's heavy machinery equipment historically have fluctuated with general economic cycles. During economic downturns, heavy machines tend to experience similar periods of decline and recession as the general economy. The impact of an economic downturn on retailers is generally less than the impact on manufacturers due to the sale of parts and services by retailers to maintain customer equipment. In addition, changes in credit markets can affect customers' ability and willingness to make capital expenditures, including purchasing heavy machinery equipment. Heightened lending standards may have a negative impact on the Construction Machinery Business if its customers are unable to obtain financing for purchases. However, if interest rates decrease, the business may be positively affected by customers who find financing purchases of heavy equipment more attractive due to lower borrowing costs. The Company cannot predict what future changes will occur in the general economy or the credit markets or how these changes will impact its business.



Government Policies in the Financial Sector

Government policies in the financial sector, such as monetary and fiscal policies, would significantly affect economic conditions in Indonesia. Monetary policy determines interest rate levels, inflation and the condition of the banking sector in Indonesia. Tight monetary policy would result in higher interest rates, which could soften demand for the Company's products. Relaxed monetary policy, however, reduces loan interest rates which induce investment and increase the demand for the Company's products. Fiscal policy refers to the policies addressed by the Government to drive a country's economy through management of spending and income (in the form of taxes). Government fiscal policies can come in the form of a tax holiday, tax reductions as well as reduced custom charges, etc. Such policies can have a direct impact to the Company. For example, the income tax for public companies is 5% lower for those companies that maintain a free float of their share capital above 40%.

Changes in the Method of Sales such as New Distributor Agreements or Sales Team Formation

The Company's distributor agreements specifically set out the responsibilities of the Company as the exclusive distributor in Indonesia for Komatsu products and others. Any changes in the distributor agreements that impose alterations in the Company's responsibilities would affect the sales strategies of the Company, including the reformation of the sales team.

Further Developments in a Competitors Business

Should competitors of the Company (other brand distributors) successfully offer more innovative products and/or with higher quality, better financing schemes, and more effective marketing, the Company's ability to compete and financial condition may be negatively impacted.

Changes in the Production Volume/ Sales and Difficulties with Suppliers

The Company plans to maintain a high level of flexibility in its service to adequately respond to the higher demand for heavy equipment in Indonesia. However, the Company does not have control over its suppliers' capacity. The Company may not be able to respond to the significant growth in demand in the future because of longer lead times and sizable investments to establish new production facilities or to fix the suppliers' current production facilities.

New Product Influence and Product Call Back from the Market

The Company's business is heavily dependent on Komatsu's ability to continue supplying innovative products and improve their production process, product application and increase their production capacity. If technology advancements in the heavy equipment industry produce new products or improve efficiency in the production system and distribution; which would improve the technology in Komatsu's current products. This would result in Komatsu's products and production process becoming less competitive.

Therefore, Komatsu must invest in research and development to maintain their current market share to adopt the latest technology advancements in the heavy equipment industry and to compete effectively in the future. The Company cannot predict what the future products and production process that would meet the industry's standards and customers' demand. Further, the Company is also unable to guarantee that Komatsu's research and development efforts would continue to be successful. Komatsu's unsuccessful attempts to improve their product quality, production technology and to meet the technology advancement and industry standards would cause the Company's products to be uncompetitive and would reduce its market share, revenue and net income.



Demand for Coal

Fluctuations in the global demand for coal have affected, and will continue to affect, the results of operations and cash flows from operating activities for the Mining and Mining Contracting Businesses. PAMA is likely to see increased business on its mining projects when demand for coal is high, as its customers will seek to increase production to satisfy this growing demand. When demand for coal decreases, however, PAMA's customers will likely scale back their production and thereby negatively impact PAMA's business. Demand for coal is based on a variety of factors including global economic output as well as the cost and availability of alternative forms of energy. At present, coal is a relatively inexpensive source of energy compared to oil and natural gas. There can be no assurance, however, that this trend will continue. This is especially true in light of the increasing concerns stemming from coal's impact on the environment. If cleaner alternative energy sources become more competitive, due to a variety of factors such as carbon emission taxes on coal or an increase in the supply of alternative energy, the global demand for coal may decline and thereby negatively impact the Mining Contracting Business as well as the Mining Business.

Fluctuations in the Price of Coal

Fluctuations in the global price of coal will affect the results of operations of the Mining Business. Prices for coal from the Mining Business are based on global coal prices, which tend to be highly cyclical and subject to significant fluctuations. As a commodity product, global coal prices tend to depend principally on the supply dynamics of the world coal export markets. These markets are highly competitive and are sensitive to changes in mining output (including the opening and closing of new mines, the discovery of new deposits and the expansion of operations at existing mines), the demands of coal end users and global economic changes, all of which will have a significant impact on the prices the Mining Business will be able to sell its coal. In addition, increases in global coal prices may encourage the development of expanded capacity by other coal producers. Increased coal surplus may reduce global coal prices and the prices the Mining Business receives for coal sales to its customers.

Weather

The Mining Contracting and Mining Businesses are affected by changes in weather conditions, particularly heavy rains. Indonesia has a rainy season, which typically occurs from October to April. During the rainy season, the Mining Contracting and Mining Businesses' concession areas typically experience heavy rains and occasional flooding. Heavy rains affect the Company's operations by increasing truck cycle times, reducing the efficiency of equipment and otherwise causing overburden removal, coal mining, coal haulage and barging to be more costly. In 2010, production costs were adversely affected by unusually heavy rainfall at several mine sites. The significant increase in rainfall had a negative impact on the Company's results of operations for the year. The Company attempts to mitigate the effects of the rainy season by increasing production during the dry season, ensuring that stockpiles are adequately filled during the dry season and by developing innovative methods to continue mining efficiently during the rainy season.

Costs Related to PAMA's Mining Operations

As a mining contractor, PAMA is responsible for obtaining all of the equipment and machinery necessary to mine its clients' concession areas. Since late 2003, due to a worldwide shortage of steel and rubber (used for tires), prices for mining equipment, machinery and related spare parts have increased. If the worldwide shortage of steel and rubber continues, the cost of replacing or adding equipment and machinery to PAMA's operations and the cost of spare parts, particularly tires, could increase, thereby increasing PAMA's cost of production.



Risks Management

The Company has implemented risk management by establishing a risks committee that analyzes all the business processes of the Company; from the analysis, the risk committee will create a business plan to reduce all the risks the Company might face. The internal audit will audit whether the business plan has been executed and all the anticipated risks have been reduced or not.

The risks committee is responsible to the Board of Directors of the Company regarding the business plan made by them for the Company.

In order to minimize the risk to capital and revenue, the Company carries out risk management through a set of processes which include planning, executing, supervising and controlling of its business activities. This process covers all aspects of risk such as financial risk, strategic risk and operational risk, among others.

Derivative Products and Hedging Policies

The Group uses derivative financial instruments, principally interest rate swaps and cross currency swaps to manage the Group's assets and liabilities in accordance with the Group's treasury policies. It is the Group's policy not to enter into derivative transactions for speculative purposes.

Market Risk

Foreign Exchange Risk

The Group is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk primarily arises from recognised monetary assets and liabilities that are denominated in a currency that is not the entity's functional currency.

The Group is aware of market risk due to foreign exchange fluctuation. Hence, the Group is required to forward and swap its foreign currency borrowings into its functional currency using a cross currency swap except where the foreign currency borrowings are paid with cash flows generated in the same foreign currency. The purpose of these hedges is to mitigate the impact of movements in foreign exchange rates on the assets and liabilities and the profit and loss accounts of the Group.

Price Risk

The Group is exposed to price risk because of equity investments which are available-for-sale investments. The Group's policy is not to hedge available-for-sale investments. The performance of the Group's available-for-sale investments is monitored periodically, together with a regular assessment of their relevance to the Group's long term strategic plans.

The Group is exposed to commodity price risk arising from changes in coal prices. The Group's policy is generally not to hedge commodity price risk, although limited hedging is undertaken for strategic purposes. In such cases, the Group may enter into a forward contract to sell the commodity at a fixed price at a future date.

Interest Rate Risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. These exposures are managed through the use of derivative financial instruments.

Cash flow interest rate risk is the risk that changes in market interest rates will impact cash flows arising from variable rate financial instruments. Such risk is managed using forward rate agreements and by entering into interest rate swaps which have the economic effect of converting borrowings from a floating rate to a fixed rate.



It is the Group's treasury policy to swap floating interest rate borrowings into fixed rate covering approximately a minimum level of 40% of total borrowings. Interest rate exposure is monitored to minimise any negative impact on the Group.

Credit Risk

The Group is exposed to credit risk primarily from deposits in banks, investment securities, credit exposures given to customers and other receivables (including derivative assets). The Group manages credit risk arising from its deposits with banks and derivative assets by monitoring reputation, credit ratings and limiting the aggregate risk to any individual counterparty.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet after deducting any provision for doubtful receivables.

There is no concentration of credit risk as the Group has a large number of customers without any significant individual customers.

Liquidity Risk

Prudent liquidity risk management includes managing the profile of borrowing maturities and funding sources, maintaining sufficient cash and marketable securities, and ensuring the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. The Group's ability to fund its borrowing requirements is managed by maintaining diversified funding sources with adequate committed funding lines from high quality lenders.

Effects of Inflation

Indonesia had an annual inflation rate of 13.9% in 2008, 2.8% in 2009 and 7.0% in 2010, and 6.3% in February 2011, according to Government figures. The Group does not foresee inflation in Indonesia, where all of its operations are currently located, to have a material impact on its results of its operations. Inflation in Indonesia would adversely affect net income and cash flows to the extent the Group is unable to increase revenues to cover any increases in its operating costs and expenses resulting from inflation.

Off Balance Sheet Items

The Company has entered into a back-to-back agreement with Komatsu Asia & Pacific Pte Ltd, Singapore ("KAP") covering KAP, certain customers of the Company and financing institutions. Under the buy-back agreements, customers have an option to resell heavy equipment purchased from the Company at a pre-determined price set out in the agreement. As at 31 December 2010, the Company's portion of the net buy-back value commitment amounted to US\$1.5 million.

Critical Accounting Policies

The Group has prepared its consolidated financial statements included elsewhere in this Prospectus in accordance with Indonesian GAAP. Note 2 of the notes to the Group's consolidated financial statements include a summary of the significant accounting policies used in preparing those consolidated financial statements. The accounting policies that management believes are the most critical to a full understanding and evaluation of the reported financial results include the following:

Revenue and Expense Recognition

The Group recognizes revenues at different times depending on the nature of the revenue and the underlying contractual terms.

- Revenue from integrated mining contracting services is recognized when services are completed and rendered to the customer.



- For the Construction Machinery and Mining Businesses, revenue from domestic sales is recognized when goods are delivered and services are rendered to the customer. Revenue from export sales is recognized when goods are shipped.
- Revenue from full maintenance contracts is recognized on a percentage of completion basis as soon as it can be reliably estimated. The stage of completion is measured by reference to cost incurred to date compared to estimated total costs for each contract. The full amount of any anticipated loss, including any loss related to future work on the contract, is recognized in the period in which the loss is identified.
- Net revenue represents revenue earned from the sale of products and services provided in the normal course of business, net of returns, trade allowances and excluding value added tax and export duty.
- Expenses are recognised as incurred on an accrual basis.

Sharing of production

As stipulated in the CCoW with respect to the DEJ Mines, the Government is entitled to 13.5% of the total coal produced from the DEJ Mines, normally in the form of a cash equivalent valued at free on board ("FOB") price or at the price of the contractor's final load out at the agreement area ("at sale point") whereby the determination of location and coal price of the Government's share will be based on the transaction between contractor and buyer and the coal benchmark price determined by the Government.

As stipulated in the Coal Mining Rights and related regulations applicable to TTA, the Government is entitled to receive 7% of the price for coal with a calorific value greater than 6,000 cal/gr (adb).

Fixed Assets and Depreciation

Fixed assets, except for land and mining properties, are depreciated using the straight-line method over their expected economic useful lives.

The value attributed to the mining properties is depreciated over the life of the property using the units of production method from the date of the commencement of commercial operations. Depreciation is calculated based on estimated reserves. Changes in estimated reserves are accounted for, on a prospective basis, from the beginning of the period in which the change occurs.

Subsequent costs are included in the asset's carrying amount and recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be reliably measured. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

When assets are retired or disposed of, their carrying values and the related accumulated depreciation are eliminated from the consolidated financial statements, and the resulting gains and losses on the disposal of fixed assets are recognized in the consolidated statements of income.

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount, which is determined as the higher of net selling price or value in use.

The costs of construction of buildings and plant and the installation of machinery are accumulated as construction in progress. These costs are capitalized as fixed assets when the construction or installation is substantially complete. Depreciation is charged from the date when assets are available for use.



Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is generally determined by the specific identification method for units of heavy equipment and work in progress, and the average method of spare parts, raw materials and general supplies. The cost of finished goods and work in progress comprises of materials, labour and an appropriate proportion of directly attributable fixed and variable overheads.

Cost of coal inventories is determined on a weighted average basis and comprises of sub-contractor's cost and overhead related to mining activities. Net realizable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

An allowance for obsolete and slow moving inventory is determined based on the estimated future usage or sale of individual inventory items.

Management's Use of Estimates

The financial statements have been prepared in accordance with Indonesian GAAP. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses as well as the disclosure of contingent assets and liabilities. Management bases its estimates and assumptions on historical experience and other factors that it believes to be reasonable under the circumstances, and they continually evaluate these estimates and judgments. Actual results may differ from these estimates. The most important estimates and assumptions relate to determining:

- fair value of mining properties for assessing the recoverability of the carrying amount;
- the life of the mines for calculating amortization of deferred exploration and development expenditure;
- the useful lives of fixed assets for recording depreciation of fixed assets and losses on retirement of fixed assets;
- the obsolescence of spare parts and other inventories;
- post-employment benefit obligations; and
- recoverability of receivables from customers.

Management believes that the estimates and assumptions used in determining those amounts are reasonable.

Segment Data

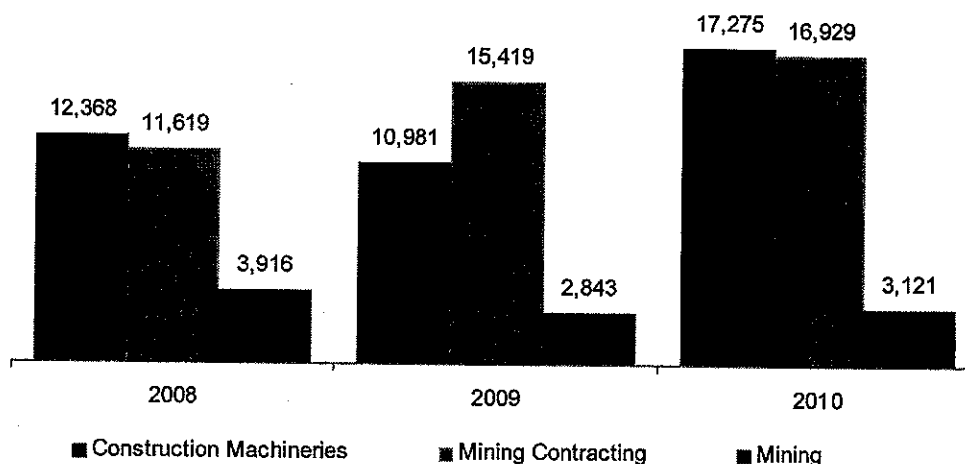
The Group operates through three business segments: the Construction Machinery Business, the Mining Contracting Business and the Mining Business. The Construction Machinery Business consists of the sale and distribution of heavy equipment, primarily through its exclusive distributorship with Komatsu. The Mining Contracting Business consists of services performed for owners of mining concessions in Indonesia. The Mining Business consists of exploration, development, mining and marketing of coal from the DEJ and TOP mines.

The following table sets out the Company's consolidated net revenue, cost of revenue and gross profit by the three business segments. Net revenue and cost of goods sold are extracted from the consolidated financial statements for the years ended 31 December 2008, 2009 and 2010, which have also been audited with an unqualified opinion by KAP Tanudiredja, Wibisana & Rekan (a member firm of PwC global network, formerly KAP Haryanto Sahari & Rekan):



	2008		2009		2010	
	(Rp. billions, except percentages)					
Net Revenue						
Construction Machinery	12,368.2	44.4%	10,980.8	37.6%	17,274.8	46.3%
Mining Contracting	11,619.1	41.6%	15,418.5	52.7%	16,928.5	45.4%
Mining	3,915.9	14.0%	2,842.6	9.7%	3,120.6	8.3%
Total	27,903.2	100.0%	29,241.9	100.0%	37,323.9	100.0%
Cost of Revenue						
Construction Machinery	9,459.5	42.2%	8,132.2	36.0%	13,366.8	43.8%
Mining Contracting	9,554.0	42.7%	11,982.5	53.1%	14,405.6	47.2%
Mining	3,390.5	15.1%	2,456.1	10.9%	2,755.8	9.0%
Total	22,404.0	100.0%	22,570.8	100.0%	30,528.2	100.0%
Gross Profit						
Construction Machinery	2,908.7	52.9%	2,848.6	42.7%	3,908.0	57.5%
Mining Contracting	2,065.1	37.6%	3,436.0	51.5%	2,522.9	37.1%
Mining	525.4	9.5%	386.5	5.8%	364.8	5.4%
Total	5,499.2	100.0%	6,671.1	100.0%	6,795.7	100.0%

Growth of Net Revenue by Segment (in billions of Rupiah)



Results of Operations and Financial Condition

Net Revenues

Construction Machinery Business

Net revenue from the Construction Machinery Business comprises sales of heavy equipment, primarily through the distributorship agreement with Komatsu, as well as parts sales and services. The Company sells its heavy equipment primarily to the mining, plantation, construction and forestry industries. The following table sets out the net revenue breakdown for the Construction Machinery Business:

	For the Year Ended 31 December		
	2008	2009	2010
	(Rp. billions)		
Komatsu	7,423.5	5,628.3	10,758.0
Nissan Diesel	611.8	578.0	870.6
Scania	251.5	367.4	462.7
Other Heavy Equipments	1,070.0	773.5	859.3
Parts & Services	3,011.4	3,633.6	4,324.2



Mining Contracting Business

Revenue from the Mining Contracting Business comprises sales from the contract services provided to concession operators within Indonesia. These contracts typically last for three to five years and are made up of both fixed and variable payment schedules. For a description of the services provided to the contract customers, see "Business – Mining Contracting Business -- Services".

Mining Business

Mining Business revenue includes proceeds from the sale of coal from the DEJ Mines and the TOP mine. DEJ Mines are operated under a concession agreement with the Government and the TOP mine is operated under a concession agreement with regional government. The following table sets out information regarding coal sales volumes and net coal sales revenue for the periods indicated:

	For the Year Ended 31 December		
	2008	2009	2010 ⁽¹⁾
Sales volume (in millions of tonnes)	3.7	2.4	3.1
Net coal sales revenue (in billions of Rupiah).....	3,915.9	2,842.6	3,120.6

Note: (1) Including TOP mine

Cost of Revenue

Construction Machinery Business

Cost of revenue from the Construction Machinery Business comprises costs of purchasing raw materials, direct labour and overhead related to the distribution, servicing and remanufacturing of the heavy equipment the Company sells to its customers.

Mining Contracting Business

Cost of revenue from the Mining Contracting Business comprises costs associated with operating mine sites on behalf of concession owners throughout Indonesia. Costs include fuel, oil, tires, sub-contractors, repairs and maintenance, depreciation, employee costs and overhead.

Mining Business

Cost of revenue for the Mining Business comprises of costs directly attributable to production such as mine extraction, coal processing and coal transportation costs, as well as other costs such as site support, royalties and depreciation.

Operating Expenses

Operating expenses include the following:

- general and administrative expenses, which consist of employee costs, transportation and travel expenses, depreciation, electricity and water, security for the facilities and mine sites, communications, repairs and maintenance and taxes and licenses; and
- selling expenses, which consist of shipping and freight, incentives paid to sales teams, advertising and promotion, insurance and after sales services.

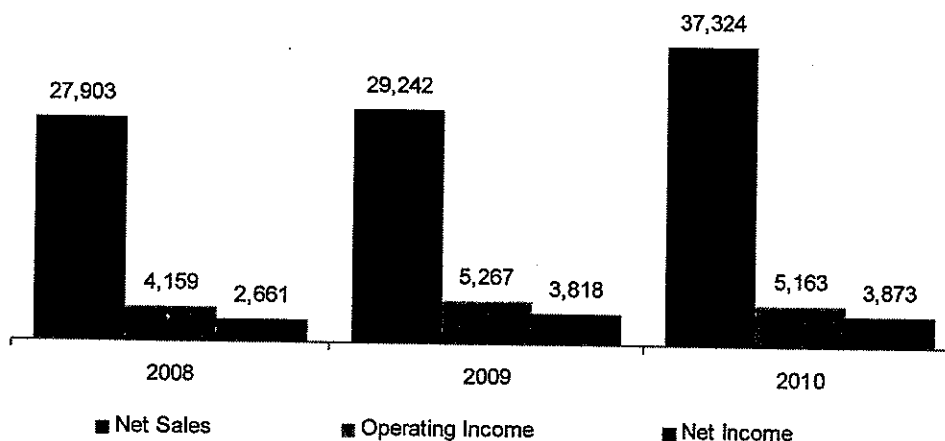


Results of Operations

The following table sets out the breakdown of the Group results of operations and each item as a percentage of net sales/revenues for the periods indicated. The Group's results of operations in the table below are extracted from the Company's consolidated financial statements for the years ended 31 December 2008, 2009 and 2010, which have been audited with an unqualified opinion by KAP Tanudiredja, Wibisana & Rekan (a member firm of PwC global network, formerly KAP Haryanto Sahari & Rekan):

	For the Year Ended 31 December					
	2008		2009		2010	
	(Rp. billions, except percentages)					
Net Revenue	27,903.2	100.0%	29,241.9	100.0%	37,323.9	100.0%
Cost of revenue	(22,404.0)	(80.3%)	(22,570.8)	(77.2%)	(30,528.2)	(81.8%)
Gross profit	5,499.2	19.7%	6,671.1	22.8%	6,795.7	18.2%
Operating expenses	(1,340.5)	(4.8%)	(1,404.6)	(4.8%)	(1,633.2)	(4.4%)
Operating income	4,158.7	14.9%	5,266.5	18.0%	5,162.5	13.8%
Other (expenses)/ income:						
Foreign exchange (loss)/gain, net	(234.2)	(0.8%)	283.1	1.0%	22.2	0.1%
Interest and finance charges	(283.2)	(1.0%)	(188.5)	(0.6%)	(207.1)	(0.6%)
Interest income	93.4	0.3%	99.7	0.3%	66.9	0.2%
Gain on sale of investment	-	-	-	-	52.0	0.1%
Gain on disposal of fixed assets ..	68.1	0.2%	49.0	0.2%	37.3	0.1%
Dividend income	1.3	0.0%	4.0	0.0%	4.8	0.0%
Other (expenses)/income, net	42.3	0.2%	(78.7)	(0.3%)	(100.0)	(0.3%)
Share of result of associates	5.5	0.0%	9.1	0.0%	22.6	0.1%
Profit before income tax	3,851.9	13.8%	5,444.2	18.6%	5,061.2	13.6%
Income tax expense	(1,166.5)	(4.2%)	(1,594.5)	(5.5%)	(1,186.7)	(3.2%)
Income before minority interest....	2,685.4	9.6%	3,849.7	13.2%	3,874.5	10.4%
Minority interests	(24.7)	(0.1%)	(32.2)	(0.1%)	(1.6)	(0.0%)
Net Income	2,660.7	9.5%	3,817.5	13.1%	3,872.9	10.4%

Growth of Net Sales, Operating Income and Net Income (in billions of Rupiah)



2010 Compared to 2009

Net revenue. Net revenues increased 27.6% to Rp. 37,323.9 billion in 2010 from Rp. 29,241.9 billion in 2009, primarily as a result of a 57.3% increase in net revenue from the Construction Machinery Business, a 9.8% increase in net revenue from the Mining Contracting Business and a 9.8% increase in net revenue from the Mining Business.



- **Construction Machinery Business.** Net revenues from the Construction Machinery Business increased 57.3% to Rp. 17,274.8 billion in 2010 from Rp. 10,980.8 billion in 2009. The overall growth in net revenue was primarily the result of higher Komatsu sales volumes as well as growth in revenue of after sales. While sales across all four industry sectors increased, sales to the mining sector experienced the largest increase, growing from Rp. 6,362.4 billion in 2009 to Rp. 10,190.4 billion in 2010, an increase of 60.2%. An increase in global demand for coal, as well as higher coal prices, contributed to an increase in mining activities in Indonesia. In addition, after-sales parts and services revenue increase from Rp. 3,633.6 billion in 2009 to Rp. 4,324.2 billion in 2010, an increase of 19.0%. This increase in after-sales parts and services revenue was primarily driven by servicing new equipment purchased by the mining sector prior to the onset of the global financial crisis.
- **Mining Contracting Business.** Net revenues from the Mining Contracting Business increased 9.8% to Rp. 16,928.5 billion in 2010 from Rp. 15,418.5 billion in 2009 due to higher coal production and overburden removal. The increase in global demand for coal as well as higher coal prices experienced during 2010 led to PAMA's customers seeking higher production levels at existing mine sites. In addition, PAMA was able to negotiate higher production prices for the existing as well as expiring contracts as a result of increasing demand for its services. The increase in net revenues was partially offset by the impact of a 12% Rupiah appreciation in 2010 as all of PAMA's contracts are denominated in U.S. Dollars.
- **Mining Business.** Net revenues from the Mining Business increased 9.8% to Rp. 3,120.6 billion in 2010 from Rp. 2,842.6 billion in 2009. The increase in net revenues was primarily the result of TOP commencing commercial production as well as an increase in the price of coal in 2010.

Cost of revenue. Cost of revenue increased 35.3% to Rp. 30,528.2 billion in 2010 from Rp. 22,570.8 billion in 2009. The growth in cost of revenue was primarily a result of increased business activity across all three businesses in 2010.

- **Construction Machinery Business.** Cost of revenue from the Construction Machinery Business increased 64.4% to Rp. 13,366.8 billion in 2010 from Rp. 8,132.2 billion in 2009. This increase was primarily the result of higher sales volumes in 2010. In addition, a strengthening of the Rupiah led to decreasing margins in 2010 as a result of high inventory levels from 2009 being recognized as a cost of revenue in 2010.
- **Mining Contracting Business.** Cost of revenue from the Mining Contracting Business increased 20.2% to Rp. 14,405.6 billion in 2010 from Rp. 11,982.5 billion in 2009. This increase was primarily the result of the negative impact of adverse weather conditions which lead to an overall increase in PAMA's unit costs in fulfilling its mining production obligations.
- **Mining Business.** Cost of revenue from the Mining Business increased 12.2% to Rp. 2,755.8 billion in 2010 from Rp. 2,456.1 billion in 2009. This increase was primarily the result of the TOP mine commencing commercial production, adverse weather conditions and increases in barging and fuel costs.

Gross profit. Gross profit increased 1.9% to Rp. 6,795.7 billion in 2010 from Rp. 6,671.1 billion in 2009. As a percentage of net revenue, gross profit decreased to 18.2% in 2010 from 22.8% in 2009 due to the reasons stated above.

Operating expenses. Operating expenses increased 16.3% to Rp. 1,633.2 billion in 2010 from Rp. 1,404.6 billion in 2009. As a percentage of net revenue, operating expenses decreased to 4.4% in 2010 from 4.8% in 2009.

- **Selling expenses.** Selling expenses increased 31.7% to Rp. 358.5 billion in 2010 from Rp. 272.3 billion in 2009 due to higher shipping and freight costs incurred as a result of the increase in sales volumes from the Construction Machinery Business. In addition, the



Company increased its marketing activities during 2010, including new product launches and advertising campaigns.

- *General and administrative expenses.* General and administrative expenses increased 12.6% to Rp. 1,274.7 billion in 2010 from Rp. 1,132.3 billion in 2009 primarily as a result of an increase in man power and training activities as well as an overall increase in wages in line with the strengthening Indonesian labour market. In addition, the Company incurred professional fees in relation to the acquisition of the ABP mine in 2010.

Operating income. Operating income decreased 2.0% to Rp. 5,162.5 billion in 2010 from Rp. 5,266.5 billion in 2009. As a percentage of net revenue, operating income decreased to 13.8% in 2010 from 18.0% in 2009, reflecting an increase in operating expenses despite a higher gross profit.

Other (expenses)/income. The Company incurred total other expenses of Rp. 123.9 billion in 2010 compared to Rp. 168.6 billion in 2009.

- *Foreign exchange (loss)/gain, net.* Foreign exchange gain decreased 92.2% to Rp. 22.2 billion in 2010 as compared to Rp. 283.1 billion in 2009. This decrease was due to the impact of a lower appreciation of the Indonesian Rupiah against the U.S. Dollar on the Company's consolidated net position of foreign currency denominated assets and liabilities in 2010.
- *Interest and finance charges.* Interest and finance charges increased 9.9% to Rp. 207.1 billion in 2010 from Rp. 188.5 billion in 2009. The increase was the result of higher loan balances in 2010 of (U.S.\$632 million) as compared to (U.S.\$364 million) in 2009. The impact of higher loan balances was slightly offset by a decrease in average interest rates paid on loan balances in 2010.
- *Interest income.* Interest income decreased 32.9% to Rp. 66.9 billion in 2010 from Rp. 99.7 billion in 2009. This decrease was the result of lower cash balances in 2010 as well as lower interest rates paid on deposits.
- *Gain on sale of investment.* The Company realized a gain on sale of investment of Rp. 52.0 billion in 2010 compared to nil in 2009 as a result of the divestment of 2% of KRA's shares in 2010.
- *Gain on disposal of fixed assets.* Gain on disposal of fixed assets decreased 23.9% to Rp. 37.3 billion in 2010 from Rp. 49.0 billion in 2009. The decrease was primarily due to the impact of a lower average Rupiah appreciation on the sale of U.S. Dollar priced assets of the Mining Contracting Business in 2010.
- *Dividend income.* Dividend income increased 20.0% to Rp. 4.8 billion in 2010 from Rp. 4.0 billion in 2009 as a result of higher dividends received from marketable securities in 2010.
- *Other (expenses)/income, net.* Other expenses increased 27.1% to Rp. 100.0 billion in 2010 from Rp. 78.7 billion in 2009 due to an increase in payments made in 2010 as a result of a tax assessment for tax year 2009.

Share of results of associates. The share of result of Group associates was Rp. 22.6 billion in 2010 compared to Rp. 9.1 billion in 2009. The increase was primarily the result of the divestment of shares in KRA which resulted in the application of the equity method of accounting for income received from KRA in 2010.

Profit before income tax. Profit before income tax decreased 7.0% to Rp. 5,061.2 billion in 2010 from Rp. 5,444.2 billion in 2009 primarily due to the reasons discussed above. As a percentage of net revenue, profit before income tax was 13.6% in 2010 as compared to 18.6% in 2009.

Income tax expenses. Income tax expenses decreased 25.6% to Rp. 1,186.7 billion in 2010 from Rp. 1,594.5 billion in 2009 primarily due to a lower profit before income tax and a decrease in the applicable income tax rate of 3%.



Minority interest. Minority interest decreased 95.0% to Rp. 1.6 billion in 2010 from Rp. 32.2 billion in 2009, primarily as a result of the divestment of shares of KRA.

Net income. As a result of the foregoing factors, net income increased 1.5% to Rp. 3,872.9 billion in 2010 from Rp. 3,817.5 billion in 2009.

2009 Compared to 2008

Net revenue. Net revenues increased 4.8% to Rp. 29,241.9 billion in 2009 from Rp. 27,903.2 billion in 2008 primarily as a result of a 32.7% increase in net revenue from Mining Contracting Business, partially offset by an 11.2% decrease in net revenue from the Construction Machinery Business and a 27.4% decrease in net revenue from the Mining Business.

- *Construction Machinery Business.* Net revenues from the Construction Machinery Business decreased 11.2% to Rp. 10,980.8 billion in 2009 from Rp. 12,368.2 billion in 2008. The decrease in net revenue resulted from a decrease in demand for the Company's products across all four industries it serves due to a weakening global economy resulting from the global economic crisis. The decrease was partially offset by a 20.7% increase in sales of heavy equipment spare parts and maintenance services.
- *Mining Contracting Business.* Net revenues from the Mining Contracting Business increased 32.7% to Rp. 15,418.5 billion in 2009 from Rp. 11,619.1 billion in 2008 due to an increase in coal production from PAMA's existing customers in response to higher coal prices in 2009. Coal production volume increased 15% to a total of 68.0 million tonnes in 2009, while total overburden removal increased 35% to 597.9 million bcm.
- *Mining Business.* Net revenues from the Mining Business decreased 27.4% to Rp. 2,842.6 billion in 2009 from Rp. 3,915.9 billion in 2008 due to cancelled orders from a customer of DEJ Mines coal that experienced financial difficulties in 2009 as a result of the global financial crisis. Coal sales volumes declined 35% to 2.4 million tonnes in 2009.

Cost of revenue. Cost of revenue increased 0.7% to Rp. 22,570.8 billion in 2009 from Rp. 22,404.0 billion in 2008. The growth in cost of revenue was primarily the result of increased activity in the Mining Contracting Business.

- *Construction Machinery Business.* Cost of revenue from the Construction Machinery Business decreased 14.0% to Rp. 8,132.2 billion in 2009 from Rp. 9,459.5 billion in 2008. This decrease was primarily the result of a decline in heavy equipment sales, while partially offset by a 20.7% increase in sales of heavy equipment spare parts and maintenance services.
- *Mining Contracting Business.* Cost of revenue from the Mining Contracting Business increased 25.4% to Rp. 11,982.5 billion in 2009 from Rp. 9,554.0 billion in 2008. This increase was due to an increase in production at PAMA's existing customers as a result of higher coal prices and stronger demand for coal in 2009.
- *Mining Business.* Cost of revenue from the Mining Business decreased 27.6% to Rp. 2,456.1 billion in 2009 from Rp. 3,390.5 billion in 2008. This decrease was primarily the result of a decrease in sales volumes due to the financial difficulties experienced by a customer of DEJ Mines coal.

Gross profit. Gross profit increased 21.3% to Rp. 6,671.1 billion in 2009 from Rp. 5,499.2 billion in 2008. As a percentage of net revenue, gross profit increased to 22.8% in 2009 from 19.7% in 2008 as a result of the reasons discussed above.

Operating expenses. Operating expenses increased 4.8% to Rp. 1,404.6 billion in 2009 from Rp. 1,340.5 billion in 2008. As a percentage of net revenue, operating expenses remained consistent at 4.8% in 2009 and 2008.



- *Selling expenses.* Selling expenses decreased 2.7% to Rp. 272.3 billion in 2009 from Rp. 279.9 billion in 2008 primarily due to lower freight and transport costs as a result of the decline in sales from the Construction Machinery Business. In addition, the Company's marketing activities for the Construction Machinery Business declined in 2009 in response to the slowdown in the global economy.
- *General and administrative expenses.* General and administrative expenses increased 6.8% to Rp. 1,132.3 billion in 2009 from Rp. 1,060.6 billion in 2008 primarily due to an increase in the number of workers at PAMA's mine sites to handle the increase in production volume as well as an overall increase in wages in line with prevailing market conditions in Indonesia. Expenses related to taxes and licenses also increased in 2009.

Operating income. Operating income increased 26.6% to Rp. 5,266.5 billion in 2009 from Rp. 4,158.7 billion in 2008. As a percentage of net revenue, operating income increased to 18.0% in 2009 from 14.9% in 2008 reflecting an increase in gross profit despite higher operating expenses.

Other (expenses)/income. The Company received other income of Rp. 168.6 billion in 2009 as compared to a other expense of Rp. 312.3 billion in 2008.

- *Foreign exchange (loss)/gain, net.* The Company realized a foreign exchange gain of Rp. 283.1 billion in 2009 compared to a foreign exchange loss of Rp. 234.2 billion in 2008. The gain in 2009 was a due to the impact of a higher appreciation of the Indonesian Rupiah against the U.S. Dollar on the Company's net position of foreign currency denominated assets and liabilities in 2009.
- *Interest and finance charges.* Interest and finance charges decreased 33.4% to Rp. 188.5 billion in 2009 from Rp. 283.2 billion in 2008 due to lower average loan balances and lower interest rates on the floating rate of Company's loans in 2009.
- *Interest income.* Interest income increased 6.7% to Rp. 99.7 billion in 2009 from Rp. 93.4 billion in 2008. This increase was the result of higher time deposit balances in 2009.
- *Gain on disposal of fixed assets.* Gain on disposal of fixed assets decreased 28.0% to Rp. 49.0 billion in 2009 from Rp. 68.1 billion in 2008. The decrease in the gain on disposal of fixed assets was the result of PAMA's decision to extend the useful life of its heavy equipment and reduce the number of used equipment sold in 2009 as compared to 2008.
- *Dividend income.* Dividend income increased 207.7% to Rp. 4.0 billion in 2009 from Rp. 1.3 billion in 2008 as a result of higher dividends received from marketable securities in 2009.
- *Other (expenses)/income, net.* The Company incurred other expenses of Rp. 78.7 billion in 2009 as compared to other income of Rp. 42.3 billion in 2008. The increase in other income was primarily due to an increase in payments made in 2009 as a result of a tax assessment for tax year 2008.

Share of results of associates. The share of results of associates was Rp. 9.1 billion in 2009 as compared to Rp. 5.5 billion in 2008 primarily due to its investment in UTSG.

Profit before income tax. Profit before income tax increased 41.3% to Rp. 5,444.2 billion in 2009 from Rp. 3,851.9 billion in 2008 primarily due to the overall growth in the Mining Contracting Business. As a percentage of net revenue, profit before income tax was 18.6% in 2009 as compared to 13.8% in 2008.

Income tax expenses. Income tax expenses increased 36.7% to Rp. 1,594.5 billion in 2009 from Rp. 1,166.5 billion in 2008 primarily due to a higher profit while partially offset by a decrease in the Company's income tax rate from 25% in 2008 to 23% in 2009 and the Companys subsidiaries income tax rate from 30% in 2008 to 28% in 2009.



Minority interest. Minority interest increased 30.4% to Rp. 32.2 billion in 2009 from Rp. 24.7 billion in 2008 as a result of the improved operating results of KRA, which is engaged in the reconditioning and remanufacturing of used equipment, which experienced significant growth during the global financial crisis.

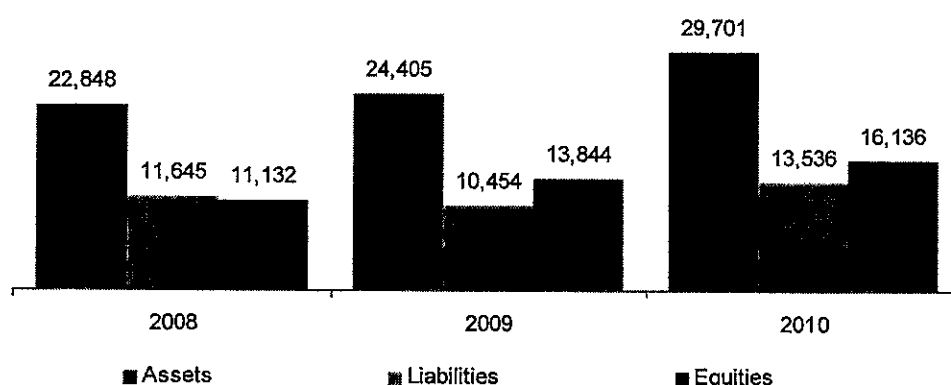
Net income. As a result of the foregoing factors, net income increased 43.5% to Rp. 3,817.5 billion in 2009 from Rp. 2,660.7 billion in 2008.

Growth in Assets, Liabilities and Equity

The following table shows the Group's consolidated balance sheet extracted from the Company's consolidated financial statements for the years ended 31 December 2008 2009 and 2010, which have been audited with an unqualified opinion by KAP Tanudiredja, Wibisana & Rekan (a member firm of PwC global network, formerly KAP Haryanto Sahari & Rekan):

	2008	2009	2010
	(in millions of Rupiah)		
Cash and cash equivalent	3,324,942	2,769,187	1,343,220
Accounts Receivable	3,470,549	4,462,606	5,214,881
Inventories	5,246,343	3,966,358	6,931,631
Other current assets	841,756	791,282	2,043,030
Fixed assets	9,505,248	9,610,510	11,039,320
Other non-current assets	458,883	2,804,885	3,128,832
Total assets	22,847,721	24,404,828	29,700,914
Short term loan and current maturities of long term loan	1,893,001	1,368,716	2,981,512
Account payables	4,366,722	4,164,316	5,531,387
Other current liabilities	1,614,412	1,725,700	1,406,326
Long term loan minus current maturities	2,967,353	2,367,322	2,698,843
Other non-current liabilities	803,428	827,694	917,440
Total liabilities	11,644,916	10,453,748	13,535,508
Minority interests	71,198	107,370	29,068
Total equity	11,131,607	13,843,710	16,136,338
Total liabilities and equity	22,847,721	24,404,828	29,700,914

Growth of Assets, Liabilities and Equities (in billions of Rupiah)



2010 compared with 2009

Asset

Cash and cash equivalents was the only material asset account that declined. Other asset accounts generally experienced an increase, the largest of which was in the inventory account, receivable accounts and fixed assets.

Cash and cash equivalents

The cash and cash equivalents account as of 31 December 2010 was Rp. 1,343.2 billion which decreased by 51.5% from its position in 2009 of Rp. 2,769.2 billion. This was primarily due to the use of cash to finance investment activities and for higher working capital requirements.

Accounts receivable

Accounts receivable experienced an increase of 16.9% to Rp. 5,214.9 billion. The increase in receivables was due to the overall increase in business activities of the Company's business segments which caused the accounts receivable to increase at the year end

Inventory

The inventory account experienced an increase of 74.8% to Rp. 6,931.6 billion. The inventory increase was caused by the increase in the heavy equipment, spare parts and goods in transit. The increase was as a result of the anticipated increases in sales expected for 2011. Despite an increase in the inventory account, the Company is certain that through strong relationships with the principals, a sound marketing strategy and support from the latest information technology, the inventory position can be monitored so as to optimize inventory levels and meet customer demands in a timely fashion.

Other current assets

Other current assets increased by 158% to Rp. 2,043.0 billion in 2010. The increase in the other current assets was due to the increase in the income tax and VAT of Rp. 663.8 billion as well as a down payment of Rp. 560.5 billion from an acquisition transaction.

Fixed assets

The fixed assets experienced an increase of 12% to Rp. 13,261.4 billion. The increase in assets was primarily due to the Mining Contracting Business which added heavy equipment fleets to meet the increase in coal production for 2010 (see the Mining Contracting Business). The increase in fixed assets was also experienced by the Construction Machinery Business in a less significant amount from the production facility development and support from the subsidiaries. The increase in fixed assets also caused an increase in depreciation.

Liabilities

The Company maintains a stringent policy in managing the position of its cash, financial position and in safe-guarding its creditors' confidence by meeting obligations as they mature. The Company also manages its liquidity and supports its operational activities. One of the policies that was implemented was to utilize the undrawn credit facility to finance working capital increases and fixed asset acquisitions in order to maintain a commitment to its customers. As a result, the Company's total liabilities in 2010 rose 29% from Rp. 10,453.7 billion in 2009 to Rp. 13,535.5 billion in 2010.



Equity

As of 31 December 2010, the Company's equity position rose by 16.6% to Rp. 16,136.3 billion from Rp. 13,943.7 billion in 2009. The increase in the total capital was a result of the increase in 2010 net income which reached Rp. 3,873 billion, after a dividend paid of Rp. 1,630.1 billion.

2009 compared with 2008

Assets

As at 31 December 2009, total assets increased 6.8% to Rp. 24,404.8 billion from Rp. 22,847.7 billion as at 31 December 2008, primarily due to an increase in accounts receivable from Rp. 3,470.5 billion as at 31 December 2008 to Rp. 4,462.6 billion as at 31 December 2009 and an increase in fixed assets net of accumulated depreciation from Rp. 9,505.2 billion as at 31 December 2008 to Rp. 11,835.7 billion as at 31 December 2009.

Cash and cash equivalents

The cash and cash equivalents account as of 31 December 2009 was Rp. 2,769.2 billion, a decreased of 16.7% from its position as of 31 December 2008 of Rp. 3,324.9 billion. This decrease was due to the use of cash to pay off its short-term and long-term loans.

Accounts receivable

Accounts receivable increased by 29% to Rp. 4,462.6 billion. The increase in receivables was primarily due to the increased business activity of the Mining Contracting Business.

Inventory

The inventory account experienced a decrease of 24% to Rp. 3,966.4 billion. The inventory decrease was part of the implementation of efficiency strategies as a response to the decline in demand for heavy equipment. The decrease / optimization in the heavy equipment inventory and spare parts was a result of strong relationships with principals as well as a strong support from the latest information technology, which allowed the Company to monitor its inventory at optimal levels while being able to meet customer demand.

Fixed assets

The fixed assets increased by 25% to Rp. 11,835.7 billion. The increase in assets was primarily due to the Mining Contracting Business, which added heavy equipment fleets to meet the increase in coal production in 2009 (see the Mining Contracting Segment). The increase in fixed assets was also due to the Construction Machinery Business, although in a less significant amount, as a result of production facility development and support from the subsidiaries. The increase in fixed assets also lead to higher depreciation costs.

Liabilities

Learning from the Asian financial crisis in 1998, the Company implemented a stringent policy in managing the position of its cash, financial position, protecting its creditors' trust and customer loyalty. One of the policies implemented was to pay off all matured liabilities to creditors and utilize undrawn credit facilities. As a result, the Company's liabilities in 2009 declined by 10% from Rp. 11,645.0 billion in 2008 to Rp. 10,453.8 billion in 2009.

*Equity*

As of 31 December 2009, the Company's equity rose by 24% to Rp. 13,843.7 billion from Rp. 11,131.6 billion in 2008. The increase in the Company's total capital was a result of the increase in the 2009 net income, which reached Rp. 3,817.5 billion, after a dividend paid during the year of Rp. 1,164.4 billion.

Liquidity and Capital Resources

The following table sets forth certain information concerning the Group's historical cash flows extracted from the Company's consolidated financial statements for the years ended 31 December 2008, 2009 and 2010, which have been audited with an unqualified opinion by KAP Tanudiredja, Wibisana & Rekan (a member firm of PwC global network, formerly KAP Haryanto Sahari & Rekan):

	For the Year Ended 31 December		
	2008	2009	2010
	(Rp. billions)		
Net cash flow provided by operating activities.....	4,253.9	5,101.0	2,423.9
Net cash flows used in investing activities.....	(4,951.1)	(3,060.4)	(3,629.2)
Net cash flows provided by / (used in) financing activities.....	2,852.5	(2,208.5)	(90.1)
Net increase/ (decrease) in cash and cash equivalents.....	2,155.3	(167.9)	(1,295.4)
Cash and cash equivalents at the beginning of the year.....	1,036.4	3,324.9	2,769.2
Effect of exchange rate on cash and cash equivalents.....	133.2	(387.8)	(130.6)
Cash and cash equivalents at the end of the year.....	3,324.9	2,769.2	1,343.2

Net cash flows provided by operating activities

In 2010, net cash flows provided by operating activities were Rp. 2,423.9 billion, consisting of cash generated from operations in the amount of Rp. 4,783.1 billion (cash received from customers of Rp. 36,536.6 billion is offset by payments to suppliers and employees of Rp. 31,753.6 billion), interest income of Rp. 66.9 billion and corporate income tax refunds of Rp. 18.4 billion, offset by a payment of corporate income taxes of Rp. 2,279.9 billion and interest paid in the amount of Rp. 164.6 billion.

In 2009, net cash flows provided by operating activities were Rp. 5,101.0 billion, consisting of cash generated from operations in the amount of Rp. 6,894.0 billion (cash received from customers of Rp. 28,084.4 billion is offset by payments to suppliers and employees of Rp. 21,190.4 billion), interest income of Rp. 99.7 billion and corporate income tax refunds of Rp. 88.2 billion, offset by a payment of corporate income tax of Rp. 1,783.3 billion and interest paid in the amount of Rp. 197.6 billion.

In 2008, net cash flows provided by operating activities were Rp. 4,253.9 billion, consisting of cash generated from operations in the amount of Rp. 5,130.9 billion (cash received from customers of Rp. 28,287.7 billion is offset by payments to suppliers and employees of Rp. 23,156.8 billion), interest income of Rp. 93.4 billion and corporate income tax refunds of Rp. 291.3 billion offset by a payment of corporate income tax of Rp. 949.8 billion and interest paid in the amount of Rp. 312.0 billion.

Net cash flows used in investing activities

In 2010, net cash flows used in investing activities of Rp. 3,629.2 billion included Rp. 3,223.6 billion used in the acquisition of fixed assets related to the purchase of heavy equipment for the Mining Contracting Business and Rp. 506.9 billion used in the acquisition of mining properties and advance payment for the acquisition of shares. This purchase was partially offset by proceeds from the sale of fixed assets in the amount of Rp. 46.5 billion related to the sale of used equipment from the Mining Contracting Business as well as proceeds from the divestment of 2% of the shares held in KRA.

In 2009, net cash flows used in investing activities of Rp. 3,060.5 billion included Rp. 3,148.2 billion used in the acquisition of fixed assets related to the purchase of heavy equipment for the Mining Contracting Business. This purchase was partially offset by the proceeds from the sale of fixed assets



in the amount of Rp. 71.3 billion related to the sale of used equipment from the Mining Contracting Business.

In 2008, net cash flows used in investing activities of Rp. 4,951.1 billion included Rp. 3,505.1 billion used in the acquisition of fixed assets related to the purchase of heavy equipment for the Mining Contracting Business and Rp. 1,525 billion used in the acquisition of mining properties. This purchase was partially offset by the proceeds from the sale of fixed assets in the amount of Rp. 75.6 billion related to the sale of used equipment from the Mining Contracting Business.

Net cash flows provided by (used in) financing activities

In 2010, net cash flows used in financing activities totalled Rp. 90.1 billion, which was related to the repayment of long-term bank loans in the amount of Rp. 2,358.6 billion and a dividend payment of Rp. 1,629.2 billion. This was partially offset by proceeds from long-term bank loans in the amount of Rp. 4,128.3 billion.

In 2009, net cash flows used in financing activities totalled Rp. 2,208.5 billion, which consisted of the repayment of long-term bank loans in the amount of Rp. 1,784.5 billion and a dividend payment of Rp. 1,165.3 billion. This was partially offset by proceeds from long-term bank loans in the amount of Rp. 1,234.4 billion.

In 2008, net cash flows from financing activities totalled Rp. 2,852.5 billion, which consisted of proceeds from long-term bank loans in the amount of Rp. 6,211.6 billion and proceeds from the issuance of share capital of Rp. 3,526.1 billion, which was partially offset by the repayment of long-term bank loans in the amount of Rp. 4,701.6 billion and a dividend payment of Rp. 760.5 billion.

Financial Resources

The Company, in conducting its business activities, whether operationally or for investment, has two main sources of funding, internal cash (including cash from operations) and borrowings. As of 31 December 2010, the Group had cash and cash equivalent of Rp. 1,343.2 billion, compared to Rp. 2,769.2 billion as of 31 December 2009 and Rp. 3,324.9 billion as of 31 December 2008. The explanation of the cash from operations is reflected in the cash flow statement above. The explanation of the source of funding from borrowings is described below.

Indebtedness

The table below sets forth the Group's liabilities taken from the Company's consolidated financial statements for the years ended 31 December 2008, 2009 and 2010 which have been audited with an unqualified opinion by KAP Tanudiredja, Wibisana & Rekan (a member firm of PwC global network, formerly KAP Haryanto Sahari & Rekan):

(in millions of Rupiah)	For the year ended 31 December			Changes	
	2008	2009	2010	2009 - 2008	2010 - 2009
<i>Current Liabilities</i>					
Account payables	4,366,722	4,164,316	5,531,387	(202,406)	1,367,071
Other current liabilities	1,614,412	1,725,700	1,406,326	111,288	(319,374)
Short term bank loan	465,378	31,200	190,819	(434,178)	159,619
Current maturities of long term loans	1,427,623	1,337,516	2,790,693	(90,107)	1,453,177
Total current liabilities	7,874,135	7,258,732	9,919,225	(615,403)	2,660,493
<i>Long term liabilities</i>					
Long term loan minus current maturities	2,967,353	2,367,322	2,698,843	(600,031)	331,521
Deferred tax liabilities	514,180	497,932	456,477	(16,248)	(41,455)
Other liabilities	289,248	329,762	460,963	40,514	131,201
Total non-current liabilities	3,770,781	3,195,016	3,616,283	(575,765)	421,267
Total liabilities	11,644,916	10,453,748	13,535,508	(1,191,168)	3,081,760



Throughout 2010, the Group secured additional funding from a loan of Rp. 3,081.8 billion with Rp. 2,660.5 billion from current liabilities funding and Rp. 421.3 billion from non-current liabilities. The Company plan to secure working capital loans (from suppliers) and if there is additional need, the Company intend to secure revolving loans from banks.

Throughout 2009, the Group paid of the liabilities of Rp. 1,191.1 billion, primarily in the long term loan repayment and short term bank loan.

Capital Expenditure

The following table forth information about the Group's capital expenditure extracted from the Company's consolidated financial statement for the years ended 31 December 2008, 2009, and 2010 which have been audited with an unqualified opinion by KAP Tanudiredja, Wibisana & Rekan (a member firm of PwC global network, formerly KAP Haryanto Sahari & Rekan):

	For the Year Ended 31 December		
	2008	2009	2010
	(Rp. billions)		
Land	26.9	38.3	90.2
Building and facilities.....	183.5	283.8	331.0
Heavy equipment, tools, machinery and equipment	3,392.2	4,151.3	3,717.1
Mining properties.....	-	5.9	138.8
Office equipment.....	59.6	48.1	47.2
Furniture and fixtures	2.5	4.0	3.2
Transportation equipment.....	4.9	45.0	68.4
New subsidiaries	2,102.4	-	-
Total Capital Expenditure.....	5,772.0	4,576.4	4,395.9

In 2010, total capital expenditures were Rp. 4,395.9 billion, which included land purchases, buildings and equipment, most notably for the Construction Machinery and Mining Contracting Businesses, as well as heavy equipment, machinery and equipment for the Mining Contracting Business, and the purchase of new coal mining concessions and other equipment, including Rp. 456.1 billion from lease payments.

Funding sources for 2010 capital expenditures came from the cash inflows from operating activities of Rp. 2.4 trillion, from the initial cash balance of Rp. 1.4 trillion, with the remaining amount of Rp. 0.4 trillion from borrowings.

In 2009, total capital expenditure was Rp. 4,576.4 billion, which includes land purchases, buildings and equipment, most notably for the Construction Machinery and Mining Contracting Businesses as well as heavy equipment, machinery and equipment for the Mining Contracting Business, and the purchase of new coal mining concessions and other equipment, including Rp. 568.6 billion from lease payments.

Funding sources for 2009 capital expenditure came from the cash inflows from operating activities of Rp. 5.1 trillion.

In 2008, total capital expenditure was Rp. 5,772.0 billion, which includes land purchases, buildings and equipment most notably in the Construction Machinery and Mining Contracting Businesses, heavy equipment, machinery and equipment for the Mining Contracting Business, and the purchase of new coal mining concessions and other equipment, including Rp. 55.8 billion from lease payments.

Funding source for 2008 capital expenditure came from the cash inflows from operating activities of Rp. 4.25 trillion as well as from rights issue proceeds of Rp. 3.53 trillion.

Capital expenditure significantly influences the Company's growth. The Company's capital expenditure will continue to increase especially for the Mining Contracting Business along with the growth of the Company's overall business. This is also true for the Construction Machinery Business,



as customer portfolios become broader and the number of customers increases, the Company will need to incur additional capital expenditure to improve its capabilities for serving these customers as well as after-sales service. In the Mining Business, the Company will continue to increase its revenue contribution by acquiring additional mining concessions.

With respect to the large size of its capital expenditure, the Company needs to carefully plan its expenditures. Any mistakes in the allocation would have a long term implication on the Company's performance. For example, purchasing the wrong heavy equipment that is not suitable to the Company's operating activities would result in unproductive assets; causing depreciation in the future that will burden the financial performance of the Company.

The Subsidiaries have a contract to buy their capital expenditure in the form of heavy equipment worth Rp. 218 billion (2009: Rp. 508 billion). This purchase was funded by the cash inflows from operating activities and borrowings. This contract has no financial implication if it is not realized. If the contract cannot be done in the following day, the Subsidiaries would buy their capital goods from other sources.

Ratios

	For the year ended 31 December		
	2008	2009	2010
Net Income margin (net income / net sales)	9.5%	13.1%	10.4%
Operating margin (operating income / net sales)	14.9%	18.0%	13.8%
Gross margin (gross profit/ net sales)	19.7%	22.8%	18.2%
EBITDA margin (earnings before interests, tax, depreciation, and amortization) / net sales)	21.3%	25.7%	21.7%
Return on equity (net income/ average equity)	31.6%	30.6%	25.8%
Return on asset (net income/ average asset)	14.8%	16.2%	14.3%
Receivable day collection (account receivables, net of allowance for doubtful accounts / net revenue x 360)	45	55	50
Inventory days (inventory, net of allowance for obsolescence and write down / cost of revenue x 360)	84	63	82
Current ratio (current assets/ current liabilities)	160.0%	170.0%	160.0%
Net debt to equity ratio ⁽¹⁾	13.8%	7.0%	26.9%

Note:

(1) Net debt to equity ratio is calculated as: (short-term bank loans + current portion of long-term debt + long-term debt, net of current portion – cash and cash equivalent) / Equity.

Profitability

Net income margin in 2009 increased to 13.1% from the 2008 level at 9.5%. This was due to the increase in the gross margin and the higher operating margin contributed by the Mining Contracting Business, which booked an excellent performance with increases in production and work efficiency.

Net income margin in 2010 was 10.4% as compared to 13.1% in 2009. This was due to the lower gross margin and lower operating margin after higher costs booked by the Mining Contracting Business, especially due to heavy rainfall and the sharp Rupiah appreciation against the U.S. Dollar.

Liquidity

Current ratio, calculated by dividing current assets by current liabilities, shows the Company's capability in meeting their maturing short term liabilities. In 2008, 2009 and 2010, the Company's liquidity ratio was 1.64, 1.65, and 1.57, respectively. This shows the Company's consistent and strong ability to service its short term liabilities.

Collectability of receivables

Calculated by comparing receivables against new sales, the Company booked its receivables days on hand in 2008, 2009 and 2010 at 45 days, 55 days and 50 days, respectively. The faster collectability of its receivables was due to the positive impact of the improved liquidity from banks and multifinance companies, which induce faster payments from customers. In 2009, the global economy worsened



and induced a lack of support from banks and multifinance companies which caused the longer days on hand period.

Inventory days on hand

The inventory cycle period increased to 82 days in 2010 from 66 days in 2009 due to the increase in the Company's inventory purchased, as anticipation towards the continuity of higher demand which has gone up from 2010 to 2011. The inventory cycle in 2009, however, dropped to 66 days from 84 days in 2008 due to the drop in demand in 2009.

Return on average equity

Return on average equity for 2008, 2009 and 2010 was 31.6%, 30.6% and 25.8%, respectively. Return on average equity, which is the measure of return for the funds invested by shareholders, remained relatively high. By comparison, investment yields from one year bank deposits in Indonesia or from the long term Government bonds were approximately 7%.

Return on average assets

Return on average assets is a measure of return generated from the invested assets over a one year period. The average return for 2008, 2009 and 2010 were 14.8%, 16.2% and 14.3%, respectively. This measurement is used by the Company to determine the effectiveness of the Company's operating performance as a whole as compared to the capital invested. Over the last three years, the return on average assets has been above the required return of capital, therefore the Company believes that its operating performance has been strong.

Net debt to equity ratio

Net debt to Company's equity ratio for 2008, 2009 and 2010 was 13.8%, 7.0% and 26.9%, respectively. This ratio is beyond the minimum level required in the covenant agreed with the banks in the bilateral loan agreements (see loan agreements in Chapter VII, "Information on the Group") which is approximately 90%. As of 31 December 2010, there was none outstanding for the loan facility.



V RISK FACTORS

An investment in the shares involves a high degree of risk. You should carefully consider all of the information in this Prospectus, including the risks described below before making an investment decision. If any of the risks described below actually occur, the business, prospects, financial condition and results of operations could be seriously harmed, the trading price of the Rights Shares could decline, and you may lose all or part of your investment. The Company has disclosed risks which it currently deems to be material, and the risks have been sorted according to what management believes is the relative impact on the financials of the Company. In addition, the risks set out in this Prospectus may not be exhaustive and additional risks and uncertainties not presently known to the Company, or which are currently deemed to be immaterial, may arise or may become material in the future.

RISKS RELATING TO THE CONSTRUCTION MACHINERY BUSINESS

The construction machinery business is heavily dependent on the Komatsu distributorship arrangements.

The Company is substantially dependent on the exclusive distributorship arrangements with Komatsu Limited, Japan, Komatsu Asia & Pacific Pte. Ltd., Singapore, PT Komatsu Marketing & Support Indonesia and PT Komatsu Indonesia to distribute Komatsu products within Indonesia. Komatsu products (excluding spare parts and services) accounted for approximately 51.3% and 62.3% of total net revenue for the Construction Machinery Business in 2009 and 2010, respectively. The distributorship arrangements with Komatsu were entered into and have been continuously in place since 1973, whereby the Company has had the exclusive right to distribute Komatsu products in Indonesia. The current distributorship agreements with the Komatsu Group are with Komatsu Limited, Komatsu Forest Pty Ltd, Komatsu Forklift Asia Pte Ltd, Komatsu Diesel Co Ltd and Komatsu Asia Pacific Pte Ltd, where all agreements are currently valid and each may be extended automatically for an additional term of five years. There can be no assurance that the exclusive distributorships will be extended on similar terms or at all. The Komatsu Group also provides periodic incentive programs and discount programs that enable the Company to price its products more competitively. Komatsu also bears certain responsibilities in terms of spare parts inventories for heavy equipment. Due to the Company's substantial dependence on Komatsu, its success depends, in significant part, on:

- the overall reputation and success of Komatsu and its products;
- the goodwill associated with Komatsu trademarks;
- the introduction of new products by Komatsu which are innovative and competitive;
- the manufacture and delivery of competitively-priced, high quality equipment and parts by Komatsu in quantities sufficient to meet customers' requirements on a timely basis;
- the quality, consistency and management of the overall Komatsu distributorship system; and
- the ability of Komatsu to manage its risks and costs.

If Komatsu does not provide or maintain or improve any of the foregoing, if Komatsu were sold or ceased operations, or if the distributorship arrangements were not renewed on similar terms or at all, there could be a material adverse effect on the Company's financial condition and results of operations.



Adverse changes in the business sectors the Company serves could result in decreases in purchases of heavy equipment and harm its revenue and profitability.

The Construction Machinery Business depends to a great extent upon general activity levels in the industries that the Company serves. For the year ended 2009, mining, plantation, construction and forestry accounted for 48%, 20%, 17% and 15%, respectively, and in the year ended 2010, each sector accounted for 53%, 18%, 13% and 16%, respectively, of net revenues from the Construction Machinery Business. Commodity prices that are lower than those assumed have the potential to negatively impact customers' growth plans. In addition, higher fuel prices could negatively impact the demand for heavy equipment. The construction industry in Indonesia has in the past experienced economic down turns and interest rate fluctuations that have affected the commercial and residential real estate market, which negatively impacts sales of light construction equipment. These are all material factors that could adversely affect the industries the Company serves and result in a decrease in the amount of construction machinery that its customers purchase. The nature of the construction machinery industry is such that a downturn in demand can occur suddenly, resulting in excess inventories, under-utilized capacity and reduced prices for new equipment. These downturns may be prolonged and the Company's revenue and profitability would likely be harmed.

The impact of the earthquake, tsunami and nuclear power plant crisis in Japan on the Komatsu Group may disrupt the supply of Komatsu products to the Company.

On March 11, 2011, a 9.0 magnitude earthquake occurred 70 km from the east coast of Japan. The earthquake triggered a large tsunami that flooded coastal areas, causing a significant number of casualties and extensive damage to buildings and infrastructure in the Iwate, Fukushima and Miyagi prefectures of Northeast Japan. This included heavy damage to transport systems and power plants. Several nuclear power plants in the region have experienced faults in their internal cooling systems leading to increased levels of radiation being emitted into the atmosphere and certain plants remain shut down. Rolling blackouts are continuing throughout Japan in an effort to compensate for power shortages caused by the damage to Japan's power infrastructure. The full extent of the impact of the earthquake, tsunami and the nuclear power plant damage remains uncertain. Japanese authorities have not provided any indication as to when the country's power infrastructure will be operating at full capacity.

As the sole distributor of Komatsu equipment and spare parts in Indonesia, the Company is substantially dependent on the steady supply of equipment and spare parts from the Komatsu Group. The Komatsu-Group's principal engineering, manufacturing and administrative centres are located in Japan. Three of the ten manufacturing plants of the Komatsu Group are located in the affected areas and each of these three plants have suffered physical damage as a result of the events described above. These plants are currently in the process of being repaired and the Komatsu Group expects to gradually resume operations at these plants. The transportation infrastructure near these plants, including the Hitachi Naka port where the Komatsu Group ships many of its products from, has suffered significant damage and is in the process of being repaired. In addition, several international shipping companies have refused to enter Japanese ports near the damaged nuclear reactors due to concerns over radiation exposure. Komatsu estimates that half of its parts and components suppliers have also suffered damage and they are currently assisting in the recovery of these suppliers as well as exploring alternative sources for parts and components.

Damage done to the Komatsu Group's manufacturing facilities, production disruptions due to power outages, parts and value chain disturbances or logistics and transportation difficulties may cause a significant disruption to the Company's supply of Komatsu heavy equipment and spare parts. If the Company's supply of Komatsu products is disrupted for a prolonged period of time, it would likely have a material adverse effect on the Company's business, financial condition and results of operations.



Failure to properly manage the Company's equipment and spare parts inventory could have a significant adverse effect on the Company's operations.

The Company's equipment and spare parts inventory has generally represented approximately 17% of its total consolidated assets. The Company's success is significantly dependent upon its ability to manage the inventory and cost of equipment and spare parts. The pricing of this inventory can be highly volatile and subject to negotiation. The Company is dependent upon the ability of its management to negotiate acceptable purchase prices and to manage its inventory to assure quick turnover. The Company's failure to manage its inventory and costs could materially adversely affect its results of operations and financial condition.

Aggressive competition could adversely affect the Company's results of operations and growth.

Construction machinery sales and distribution industries are highly competitive, with several international and domestic companies operating in Indonesia, including Hitachi, Caterpillar and Kobelco, among others. Historically, the Company's competitors have competed aggressively on the basis of pricing or inventory availability, resulting in decreased margins on sales to the extent the Company chooses to match a competitors' downward pricing. To the extent the Company chooses not to match or remain within a reasonable competitive distance from a competitors' pricing, it could also have an adverse impact on the Company's results of operations, because of reduced sales volumes. In addition, to the extent Komatsu's competitors provide their distributors with more innovative and/or higher quality products, better customer financing, or have more effective marketing efforts, the Company's ability to compete and financial condition and results of operations could be adversely affected.

Komatsu's capacity may not increase commensurately with increases in market demand for the Company's products.

The construction machinery industry has, at times, experienced rapid growth due to increases in demand from the various industries served by construction machinery equipment and a general improvement in the Indonesian economy. The Company does not maintain any control over the capacity of Komatsu's production. Komatsu may not be able to respond to a significant growth in demand in time in the future due to the considerable period of time and intensive capital investment required to construct new manufacturing facilities or upgrade its existing manufacturing facilities. Therefore Komatsu may not be able to increase its production capacity in time to keep pace with market growth, which may adversely affect the Company's competitive position.

Changes to terms of inventory financing from suppliers could adversely affect the Company's growth and results of operations.

The sale of construction machinery requires substantial inventories of equipment and parts to be maintained to facilitate sales to customers on a timely basis. The Company generally purchases its inventories of equipment and spare parts with the assistance of inventory financing from its suppliers. As the Company grows, whether internally or through acquisitions, its inventory requirements will increase and, as a result, its financing requirements also will increase. To the extent there is a change to the terms of inventory financing or if additional financing cannot be obtained on acceptable terms, the Company's growth and results of operations could be adversely affected.

Selling heavy equipment and parts subjects the Company to consumer protection laws that could adversely affect the Company's financial condition and reputation.

Products sold or serviced by the Company may expose it to potential liabilities for personal injury or property damage claims relating to the use of such products. There can be no assurance that the Company will not be subject to or incur any liability under Indonesian consumer protection laws for such claims in the future. There can be no assurance that the Company's insurance will be adequate to cover product liability claims. There also can be no assurance that such insurance will continue to be available on economically reasonable terms or at all. An uninsured or partially insured claim for



which indemnification is not provided could have a material adverse effect on the Company's financial condition. Furthermore, if any significant claims are made against the Company or against Komatsu or any other suppliers, the Company's business may be adversely affected by any resulting negative publicity.

The Company's results of operations may fluctuate from period to period due to interest rate adjustments.

The ability to finance affordable purchases, of which the interest rate charged is a significant component, is an important part of a customer's decision to purchase construction machinery from the Company. Interest rate increases may cause delays in equipment purchases and, as a result, the Company's revenue and profitability may decrease. Conversely, a decrease in interest rates may positively affect a customer's decision to purchase construction machinery. Partially as a result of the foregoing, the Company's results of operations have in the past, and will likely continue to in the future, fluctuate from quarter to quarter and year to year. The Company is unable to anticipate the timing and impact of interest rate adjustments. As a result, the Company is unable to predict with certainty any positive or negative effect on its business as a result of fluctuating interest rates.

Komatsu's failure to implement future technological advances in the construction machinery industry could render the products distributed by the Company uncompetitive, which could reduce its market share and cause its revenue and net income to decline.

The Company's operating results depend to a significant extent on Komatsu's ability to continue to introduce innovative products and improve its manufacturing process, applications, plants and equipment. Future technological advances in the construction machinery industry may result in the availability of new products or increase the efficiency of existing manufacturing and distribution systems, which may prove more advantageous than Komatsu's existing technology for construction machinery products and may render its products and manufacturing process uncompetitive or obsolete. As a result, Komatsu may need to invest significant research and development to maintain its market position, keep pace with technological advances in the construction machinery industry and effectively compete in the future. The Company is unable to predict which of the many possible future products and manufacturing processes will meet the evolving industry standards and customer demands and the Company can make no assurance that Komatsu's research and development efforts in this regard will be successful. Komatsu's failure to further refine and enhance its products, improve manufacturing technology and to keep pace with evolving technologies and industry standards could cause the products the Company distributes to become uncompetitive or obsolete, which could in turn reduce its market share and cause its net revenue and net income to decline.

RISKS RELATING TO THE MINING AND MINING CONTRACTING BUSINESSES

Revenues from the Mining Business are dependent on the global price for coal.

Revenues from the Mining Business unit are derived primarily from the sale of coal from the Company's mines in the form of long-term fixed contracts and spot sales for which the selling prices are partially based on a fixed term rate and the remaining portion is based on the recent coal index price, after deducting transportation and marketing expenses. World coal markets are sensitive to changes in coal mining capacity and output levels, patterns of demand and consumption of coal from the electricity generation industry and other industries for which coal is the principal fuel, and changes in the world economy. The coal consumption patterns of the electricity generation and other industries for which coal is the principal fuel are affected by the demand for their products, local environmental and other governmental regulations, technological developments and the price and availability of coal from competing mines and alternative fuel supplies. All of these factors can have a significant impact on selling prices for coal. The price of coal is also indirectly affected by a variety of other factors, including weather, distribution problems and labour disputes. Recent increases in world coal prices are partly attributable to the sustained high levels of economic growth and development in China, India and other parts of Asia. An extended or substantial decline in global coal prices or the price for coal may materially and adversely affect the Company's business, financial condition, results of operations and prospects.



Coal markets are highly competitive and are affected by various factors beyond the Company's control.

Coal sales from the Mining Business, as well as the coal sales of clients from the Mining Contracting Business, have been and will continue to be, export sales. The Company competes with both domestic Indonesian coal producers and foreign coal producers (primarily from Australia and South Africa) primarily on the basis of price, coal quality, transportation cost and reliability of supply. Demand for the Company's coal, and the coal from its clients, is affected by the price of alternative energy sources, including nuclear energy, natural gas, oil and renewable energy sources. Generally, the competitiveness of the Company's coal products compared to the coal products of its competitors and alternative fuel supplies is evaluated on a delivered cost per heating value unit basis. Factors that directly influence production costs of coal producers include geological characteristics of their coal (including seam thickness), strip ratios, depth of underground reserves (for underground mining companies), transportation costs and labour availability and cost. Because world coal prices are denominated in U.S. Dollars, the Company's competitors are also affected by the relative rates of exchange between the U.S. Dollar and their home currency. The Company's inability to maintain its competitive position as a result of these or other factors could have a material adverse effect on its business, financial condition, results of operations and prospects.

Disruption to coal inventories and supplies could increase the Company's operating costs.

The Mining Business typically maintains certain levels of inventories to meet delivery requirements for its customers. Notwithstanding this, disruption caused by transportation services due to weather-related problems, distribution problems, labour disputes or other events could temporarily restrict the Company's ability to supply coal to its customers. This could result in demurrage claims by ship owners for loading delays, an increase in the Company's operating costs or a delay in meeting its delivery obligations.

The Company depends on key pieces of plant, equipment and machinery to conduct its mining operations.

The Company's mining operations depend on key pieces of plant, equipment and machinery, including a fleet of earthmoving and ancillary equipment, crushers and concentrators, milling facilities, loading conveyors, shipping equipment and general mine site infrastructure and equipment. The Company purchases most of its equipment and component parts from the Construction Machinery Business on competitive terms. The Company may, however, be unable to obtain replacements or spare parts when they are required as a result of potentially long lead times, inability to timely source key components of the mine chain or mining operations. These potential issues could have a material adverse effect on the Company's ability to service its customers under the terms of the mining contract and adversely affect its business, financial condition and results of operations and prospects.

The Mining Business is subject to price risk for diesel fuel, which is a significant component of its coal production, coal transportation and port terminal operation costs.

Diesel fuel costs comprise a significant portion of production costs for the Mining Business. Global oil prices have increased significantly in the last few years and, as a result, the Company's production costs attributable to fuel have increased by 7.4% in 2009 as compared to 2008 and increased by 9.2% in 2010 as compared to 2009. The Company has not historically hedged, and currently does not hedge, its fuel price risk. Any further significant increases in the price of diesel fuel would cause a corresponding increase in the Company's production costs attributable to the Mining Business in future periods.



The Mining and Mining Contracting Businesses face foreign exchange and conversion risks and fluctuation of the Rupiah may adversely affect the Company's operations and financial results.

The value of Rupiah is subject to changes in the Government's policies and depends to a large extent on domestic and international economic and political developments, as well as supply and demand in the local market. Because nearly all of PAMA's revenues and approximately 57% of its expenses are denominated in U.S. Dollars and coal sales revenues from the DEJ mines, the TOP mine and the ABP mine are also denominated in U.S. Dollars, exchange rate fluctuations for the conversion of U.S. Dollars into Rupiah for reporting purposes could have an adverse impact on the Company's cash flow, earnings and financial position. The Company cannot predict how the Rupiah will fluctuate in the future.

In relation to the above, the Company does not currently engage in hedging transactions to help mitigate its exposure to foreign currency exchange risk. While the Company may enter into hedging transactions in the future, the availability and effectiveness of these transactions may be limited. As a result, fluctuations in exchange rates may have a material adverse effect on the Company's results of operations.

Fluctuations in sea freight transportation costs and disruptions in transportation could affect the demand for the Company's coal and increase competition from coal producers in other parts of Asia and the world.

Sea freight transportation costs represent a factor in its customers' purchasing decisions. Under the terms of the Company's coal supply agreements, the customer is responsible for paying sea freight transportation costs. Increases in sea freight transportation costs could make coal a less competitive source of energy or could make the Company's operations less competitive than other sources of coal.

Significant decreases in sea freight transportation costs, or the absence of disruptions in coal sea freight transportation systems, could result in increased competition from coal producers in other parts of Asia, Australia and South Africa. Decreases in sea freight rates and the availability of other modes of coal sea freight transportation from certain parts of the world may give the Company's competitors from other areas of the world a pricing advantage over the Company, depending on their proximity to the target market.

Any of the foregoing factors could have an adverse effect on the Company's business, financial condition, results of operations and prospects.

Coal reserves are expressions of judgment based on knowledge, experience and industry practice, and any adjustments to estimated coal reserves could adversely affect the Company's development and mining plans.

Based on the Company's internal production forecasts, DEJ Mines are believed to contain 16.5 million tonnes of estimated reserves as of 31 December 2010 based on a stripping ratio of 1:12. The TOP mine is believed to contain 36 million tonnes of gross estimated reserves as of 31 December 2010 based on a stripping ratio of 1:6. The ABP mine is believed to contain 9.2 million tonnes of gross estimated reserves as of 31 December 2010 based on a stripping ratio of 1:6.



There can be no assurance that the Company's estimates, both on quality and quantity of reserves, are accurate. Estimates of coal reserves are expressions of judgment based on knowledge, experience and industry practice. In determining the feasibility of developing and operating its mines, the Company uses estimates of coal reserves and resources that are made by its internal personnel. Numerous uncertainties inherent in estimating quantities and the value of recoverable and marketable coal reserves exist, including many factors beyond the Company's control. As a result, estimates of reserves are, by their nature, uncertain. When calculating reserves estimates, the Company makes assumptions about:

- geological conditions;
- production from the mining area compared with production from other producing areas;
- stripping ratio;
- the effects of regulations, including environmental, health and safety regulations and taxes;
- future coal prices; and
- future operating costs.

These estimated coal reserves and resources may therefore require revisions based upon actual production experience, operating costs, coal prices and other factors. Determinations of coal resources or reserves that appear valid when made may change significantly when new information becomes available.

Actual facts may vary considerably from the assumptions the Company uses in estimating its reserves. For these reasons, its actual recoverable and marketable reserves and its actual production, costs, revenues and expenditures relating to its reserves may vary materially from its estimates. The Company's estimates may not accurately reflect its actual reserves or be indicative of future production, costs, revenues or expenditures.

The Company's recovery rates will vary from time to time, which will vary the volumes of coal that it can sell from period to period. The Company's reserve amounts have been determined based on assumed coal prices and historical and assumed operating costs. Some of the Company's reserves may become unprofitable or uneconomical to develop if the long-term market price for coal decreases or its operating costs and capital expenditure requirements increase. The Company's exploration activities may not result in the discovery of additional coal deposits that can be mined profitably. The Company's coal products may not meet the quality specifications in its coal supply agreements. Adjustments to proved and probable coal reserves could affect the Company's development and mining plans and any significant reduction in the volumes and grades of the coal reserves the Company recovers from what it had estimated could have a material and adverse impact on the Company.

The Company is subject to operating agreements with mine concession owners.

The Company operates its Mining Contracting Business under operating agreements with concession owners that contain its rights and obligations for undertaking mining operations in designated areas. Under these operating agreements, the Company is responsible for providing substantially all plant, equipment, facilities, services, materials, supplies, labour and management required for the operation and maintenance of the designated mining pits, and for the delivery of coal to nearby ports for shipping. A portion of the services are executed by sub-contractors for whose work PAMA is responsible. Concession owners are required to pay for services according to a schedule of fixed charges per tonne of coal delivered for the relevant period. The Company works closely with the concession owners to develop long-term mine plans for the amount of coal to be produced at the designated mining pits and monitor those plans from time to time. However, the Company has the ultimate responsibility for adhering to those plans and to mine the coal according to the agreed mining plan. Most of the contracts allow for further negotiations should the Company find itself in an unprofitable scenario due to unforeseen circumstances.



A contract with a mine concession owner can be terminated due to specific reasons, such as failure to provide satisfactory performance. Any significant failure by the Company to comply with its obligations under the operating agreements (whether operational difficulties or otherwise) or any termination or significant breach of its operating agreements by the concession owners could materially adversely affect the Company's business, financial conditions, results of operations and prospects.

The Company derives a significant portion of its Mining Contracting Business revenue from a limited number of customers, and the loss of, or a significant reduction in, revenue from these customers could materially and adversely affect the Company's results of operations and financial condition.

The Company derives a significant portion of its Mining Contracting Business revenue from a limited number of customers. For the years ended 31 December 2008, 2009 and 2010, PAMA's top five customers accounted for 68.5%, 71.5% and 69.7%, respectively, of its revenue and revenue from PAMA's largest customer, PT Indominco Mandiri, accounted for 22.0%, 17.3% and 16.2%, respectively, of its revenue. The Company can make no assurance that it will continue to be able to rely on these customers for revenue generation in the future. Dependence on business from a limited number of customers could result in substantial risks to the Company's operations. Although PAMA continuously seeks to expand its customer base, the Company believes PAMA will continue to rely on a limited number of customers to generate a significant portion of its revenue due to the nature of its business.

The loss of, or significant reduction in purchases by, the Company's largest end-user customers for its Mining Business could adversely affect its sales.

The Company makes a substantial portion of its coal sales to a small number of customers. PAMA sells coal from the DEJ Mines primarily to two coal trading companies. TTA primarily sells its coal from the TOP mine on short term contracts to several power utility companies in Japan. The Company's inability to extend, renew or replace all or a substantial portion of its coal supply agreements with its small number of customers on terms substantially equivalent to their existing terms, including volume and pricing, could have a material adverse effect on its business, financial condition, results of operations and prospects.

The Company's coal supply agreements may contain provisions that allow its customers to terminate the contract upon the occurrence of certain specified events. Such events include, but are not limited to, the following:

- failure to deliver the volume or quality of coal specified, for more than a specified number of shipments;
- a change in law which restricts or prohibits the customer from using coal with the specifications and characteristics of the coal to be delivered under the contract; or
- *force majeure* or events beyond the reasonable control of the affected party that affect the Company's performance of the contract and that continue beyond a specified period of time.

The Company is also required to meet quality thresholds for certain characteristics, such as calorific value, moisture content, sulphur content and ash content. The Company's failure to meet these delivery or product specifications could result in economic penalties, including price adjustments, rejection of deliveries or termination of the contracts, which could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

The Company is responsible for substantially all of the capital expenditures and employees necessary for its mining contracts.

Under the terms of its mining contracts, as the contractor, it is responsible for substantially all of the capital expenditures and employees necessary to conduct its activities. The Company's capital expenditures and operating plans are and will be subject to risks, contingencies and other factors, some of which are and will be beyond its control. Should the Company encounter problems such as increases in costs of equipment and materials, its ability to secure necessary approvals, recruit a



sufficient number of qualified employees or obtain required financing on acceptable terms or at all, the Company may not be able pass these additional costs on to its clients. The Company's mining contracts may, on a case by case basis, be renegotiated in order to reflect unexpected price increases. If, however, the Company experiences such problems and is unable to renegotiate the terms of the contract, this may have an adverse effect on its business, financial condition and results of operations.

Challenges faced by the Company in maintaining good relations with local communities near its concession areas could have an adverse effect upon its business, financial condition, results of operations and prospects.

The Company is sensitive to the needs of the local communities surrounding the areas where mining operations are performed and it aims to minimize the adverse impact such activities may have on these communities. The Company supports infrastructure programs, such as building roads, schools, water and electricity facilities and health clinics. If the Company's operations are disrupted in the future by protests or complaints from members of the local communities, its business, financial condition, results of operations and prospects could be materially and adversely affected.

Mining operations involve safety risks.

Although the Company has safety rules in place at each of its mining operations and stresses the importance of abiding by all safety rules and guidelines, its mining operations are subject to inherent safety risks. The Company employs the open pit mining method at all of its mining operations. Due to the geographic setting and the nature of mining operations, there is a possibility on personnel working on, at or near such mine sites are at risk to injury or loss of life. Indonesian regulations require a work stoppage for an investigation in the case of a fatal accident at a mine site. For example, in the first quarter of 2010, the Company experienced a cumulative 5-day work stoppage as a result of a dump truck accident in one of its principal mining sites. While the Company takes every reasonable step to ensure such accidents do not occur, it can give no assurance that similar accidents will not occur in the future resulting in further work stoppages that may have a material adverse effect on its business, financial condition and results of operations.

The Company's mining operations may be adversely affected by various operational risks, some of which may not be within its control.

Although the Company attempts to minimize its exposure to various operational risks by anticipating and properly planning for potential adverse occurrences, not all risks can be eliminated nor are within the Company's control. Like other mining companies, the Company's operations are subject to risks and hazards inherent in the mining industry and incidental to the exploration and development of natural resource projects. These risks and uncertainties include, among others: (i) collapse of flood barriers, (ii) unexpected adverse geological conditions or formations, (iii) processing problems, (iv) the occurrence of unusual weather or operating conditions, natural disasters and other force majeure events, (v) environmental and industrial hazards or accidents, (vi) delays in the receipt of or failure to receive necessary government permits or private licenses, (vii) the results of litigation, (viii) uncertainty of exploration outcome and development, (ix) delays or interruptions in transportation, (x) labour disputes and stoppages, (xi) inability to obtain satisfactory insurance coverage, (xii) unavailability of materials and equipment and component parts, (xiii) unanticipated difficulties consolidating acquired operations and obtaining expected synergies and (xiv) the results of financing efforts and financial market conditions.

These risks and hazards could result in damage to, or destruction of, properties where the Company is contracted to mine or the Company's own coal mines, may cause production to be reduced or cease at those properties entirely, may result in personal injury or death, environmental damage, business interruption and possible legal liability and may result in actual production differing from estimates of production, including those contained in this Prospectus (whether expressly or by implication). Each of these risks and occurrences could cause the Company to incur substantial losses which would have a material adverse effect on its business, financial condition and results of operations.



The Company's mining businesses operate in a highly regulated industry.

Mineral extraction in Indonesia is based upon the principle that all minerals in the territory of Indonesia and in the form of natural deposits are part of the national wealth and are therefore controlled by the Government. Consequently, the right to extract coal resides exclusively with the Government. However, the applicable Indonesian regulations allow private companies to enter into coal co-operation agreements with the MEMR to develop coal mines. Typically, the respective CCoW stipulates that a payment of 13.5% of production (or its equivalent value) must be made to the Government.

The Government may impose certain changes in coal regulation that unfavorably impact national coal industries. In 2010, the MEMR has issued a decree, which sets out a procedure for determining the benchmark price of mineral and coal sales, to fulfill domestic consumption. This domestic market obligation might be enforced through other mechanisms such as higher export tax.

Regional autonomy laws and regulations have changed the regulatory environment for mining companies in Indonesia by decentralizing certain regulatory and other powers from the central Government to regional governments, thereby creating uncertainty for mining companies. These uncertainties include the validity, scope, interpretation and application of the Mining Law resulting from the implementation of the regional autonomy laws, a lack of implementing regulations on regional autonomy and a lack of government infrastructure with mining sector experience at some regional government levels. The Company cannot clearly ascertain the impact of the regional autonomy laws on the powers of the MEMR and the regional governments for the grant and extension of CCoWs and other mining, licenses and approvals, and on the supervision of mining, exploration and production activities. Moreover, limited precedent or other guidance exists on the interpretation and implementation of the regional autonomy laws and regulations. This uncertainty has increased the risks, and may increase the costs, involved in mining activities in Indonesia.

The regional governments where the Company's concessions, and its clients' concessions, are located could put in effect regulations or decrees, or interpret or implement the regional autonomy laws or regulations in a manner that conflicts with the Company's rights under the CCoW or IUP or otherwise adversely affect the Company's operations. Any new regulations, and the interpretation and implementation of those new regulations, may differ materially from the legislative and regulatory framework of the Mining Law and its current interpretation and implementation. The Company may also face conflicting claims between the central Government and regional governments regarding jurisdiction over the Company's operations. The Company may face claims by regional governments, including, among others, claims for participating interests in the Company's mining operations, new or increased local taxes or additional concessions.

In recent years, mining operators in Indonesia have questioned the validity of mining contracts entered into by the Government prior to October 1999. The Company can give no assurance that Government officials or others will continue to stand by the validity of the CCoW for political or other reasons, terminate the CCoW through nationalization of its operations or other means.

Any of the foregoing could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Indonesia's Mining Law and other laws could adversely affect the Company's operations.

The Mining and Mining Contracting Businesses are regulated by the Government primarily through the MEMR, as well as the Ministry of Forestry, the State Ministry for Environmental Affairs and the Investment Coordinating Board. In addition, the local governments where the Company's and PAMA's customers' concession areas are located can implement regulations affecting the Company.



Some provision of the Mining Law could materially and adversely affect the Company. For example, all coal contracts of work must be adjusted in accordance with the Mining Law through an amendment to the CCoW and IUP. Regulation of MEMR No. 28 of 2009 on the Operation of Mineral and Coal Mining Service Business requires that, from 30 September 2009, mining companies must conduct their own coal mining and processing activities and limit the use of contractors to performing overburden removal and transportation services in the mining process, provided, however, that mining contracts relating to such activities entered into prior to such date will remain valid, and they must be adjusted to comply with the above requirements by 29 September 2012. See "Regulatory Overview—Mining Law."

The law also references new regulations implementing domestic market sales obligations as well as pricing for such sales. Based on MEMR Decree No. 2360 K/30/MEM/2010 on The Determination of the Needs and the Minimum Percentage of Coal Domestic Sale Obligation in 2011, dated 31 August 2010 ("MEMR Decree 2360/2010"), MEMR sets out a minimum percentage of DMO of 24.17% for coal in 2011 which must be fulfilled by several coal mining companies listed in MEMR Decree 2360/2010.

It is uncertain if further regulations will be implemented and applicable to all of the Company's mining business, resulting in the Company having to increase the proportion of its domestic sales, which in turn could affect sales of the Company.

On 3 October 2009, the Government enacted Law No. 32 of 2009 concerning Environmental Protection and Management ("**Environmental Law**") which imposes several new obligations on businesses. The Environmental Law requires businesses to provide and ensure an environmental guarantee at a state-owned bank to ensure sufficient funds for recovery of the environment. Businesses must also conduct environmental risk analysis and environmental audits on a periodic basis.

The Company Law requires companies operating in the natural resource industries, including coal mining, to undertake corporate "social and environmental responsibility" to itself, the local community in which it operates and the general public. This responsibility is defined as a commitment to take part in sustainable economic development in order to improve the quality of life and the environment for the benefit of the company itself, the local community and the general public. The measures a company must take to comply with this obligation are not specified in the law but may be included in future implementing regulations. Compliance with this general obligation or the implementing regulations may increase the Company's costs.

Compliance with laws and other regulations relating to environmental, Health and Safety ("LK3") may increase the Company's cost of operations and/or cause disruption to its operations.

The Company is subject to national and regional laws relating to LK3. These laws govern the discharge of substances into the air and water, the management and disposal of hazardous substances and waste, site cleanup, groundwater quality and availability, plant and wildlife protection and reclamation and restoration of mining properties after mining is completed. Environmental regulations require the Company to submit an environmental impact study to be approved by the Government before it may undertake certain mining activities such as increasing production capacity in its respective contract/authorization areas. The costs associated with complying with these laws will continue to have an impact on the Company's cost of operations.

In addition, the Company cannot predict that LK3 regulations will be amended or enacted in the future, how existing or future laws or regulations will be enforced, administered or interpreted, or the amount of future expenditures that may be required to comply with LK3 regulations or to respond to environmental claims. If the Company is unable to fulfill its obligations or requirements as they relate to LK3, operations of the Company may be adversely affected. The potential exposure may be significant and could have a material adverse effect on the Company's operations and financial condition.



Compliance with environmental standards related to coal combustion may cause energy end-users to reduce their coal consumption, and materially and adversely affect the Company's sales.

Coal contains impurities, including sodium oxide, sulphur, mercury and chlorine, many of which are released into the air when coal is burned. Stricter environmental regulations of emissions from coal-fired power generation plants and other industrial plants could increase the costs of using coal, thereby reducing demand for coal and adversely affecting the Company's revenues. Stricter environmental standards could also result in the Company's coal not being suitable for sale in the relevant markets.

Indonesia and more than 200 other nations are signatories to the 1992 United Nations Framework Convention on Climate Change ("UNFCCC") which is intended to limit or capture emissions of greenhouse gases such as carbon dioxide. In 1997, in Kyoto, Japan, the signatories to UNFCCC established specific targets for cutting greenhouse gas emissions for developed nations (the "Kyoto Protocol"). The specific emissions targets vary from country to country. In 2007, the signatories to the convention participated in the United Nations Climate Change Conference in Bali, Indonesia. At the 2007 conference, the participants agreed to the adoption of the "Bali Roadmap," which sets forth a new negotiating process that was expected to be concluded by 2009 and to lead to a post-2012 international agreement on climate change. The Bali Roadmap negotiations could not be concluded at the United Nations Climate Change Conference in Copenhagen, Denmark in 2009 and have continued in 2010 and 2011. The enactment of an international agreement on climate change or other comprehensive legislation focusing on greenhouse gas emissions could have the effect of restricting the use of coal in markets the Company services. Other efforts to reduce emissions of greenhouse gases and initiatives in various countries to encourage the use of natural gas may also affect the use of coal as an energy source and could materially and adversely affect the Company.

The Mining Business has mine reclamation and rehabilitation obligations.

The Government establishes operational, reclamation and closure standards for all aspects of surface mining. The Company has developed mine reclamation and rehabilitation strategies based on the geological characteristics of its mines. The Company places overburden into external waste dumps or in mined out pits as it progresses. As the Company conducts reclamation and rehabilitation activities, it accrues expenses over the life of the mine. These expenses increase as more areas for mining are used to increase its coal production. Any significant unanticipated increase in the Company's reclamation and rehabilitation costs could have a material adverse effect on its business, financial condition, results of operations and prospects.

If the Company fails to comply with its obligations under its coal mining licenses, the Government/ local governments may terminate its coal mining licenses.

The Company's right to mine coal under its concession at its DEJ Mine site depends on the continued validity of the CCoW and the KP/IUP. The KCM and ESY's CCoW entered into between the Company and the Government lasts for the life of the mine. However, the CCoW can be terminated by the Government before the expiration date if the Company fails to satisfy its contractual obligations, including the payment of royalties and taxes to the Government and the satisfaction of certain mining, environmental, health and safety requirements. In addition, the CCoW could be terminated by the Government at its option without compensation if the Company were declared bankrupt. If the CCoW, KP or IUP is terminated or the Company's rights under the agreements are restricted, the Company would be unable to continue mining coal within the DEJ or TTA mining concession areas, which would have a negative impact on the Company's results of operations and financial condition.

The Company's right to mine coal under its concession at its TOP mining sites depends on the continued validity of the IUP for exploration and exploitations issued by the applicable local government. The IUP for TOP is valid for 20 years and may be renewed twice, each for additional 10 year periods.



The Company's Mining Business could be affected by illegal mining and mining permits issued by local governments which conflict with its CCoWs.

Unauthorized extraction and removal of coal from mining concession areas is a common problem for several mine operators in Indonesia. Illegal mining in Indonesia has increased since 2003 primarily due to increases in market prices for coal, the decentralization of the central Government's authority and weakened control over regional activities under Law No. 32 of 2004 concerning the Regional Government, as amended from time to time, and increased black-market demand for coal products. The level of illegal mining typically increases as coal prices rise. Mining company losses from illegal mining include reserve losses and the rehabilitation costs associated with illegally mined areas. Any illegal mining within the Company's concession areas or the issuance of additional permits which conflict with its rights under its CCoWs could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

The Mining Business is subject to the risks inherent in conducting substantially all of its operations in a limited geographical area.

All of the operations of the Mining Business and 13 of the 14 projects of the Mining Contracting Business are located on Kalimantan, Indonesia. All of the coal produced from the Mining Business is transported to ports at various locations for shipping. This geographic concentration subjects the Company to a number of risks, including natural disaster and inclement weather in those area. Any significant operational or other difficulties in the mining, processing, storing, transporting or shipping of coal at or from the Company's concession area, or the concession areas of PAMA's clients, could reduce, disrupt or halt the coal production from such mine site.

RISKS RELATING TO THE COMPANY AND THE GROUP

The Company may require additional indebtedness to finance its business growth that it may not be able to secure on terms acceptable to the Company or at all.

After giving effect to the Rights Issue IV, the Company will continue to have indebtedness and it may be required to generate sufficient cash flow to meet its debt payment obligations. In addition, the Company may incur additional indebtedness to finance a portion of its capital expenditure and working capital needs. The actual amount that the Company may borrow will depend on its cash flow from operations and capital expenditure and working capital plans. There can be no assurance that the Company will be able to secure additional indebtedness on terms acceptable to the Company or at all.

The Company's business depends substantially on key members of its management team as well as its continuing ability to recruit and retain a skilled labour force.

The members of the Group's businesses depend on the continued services of key members of its management team and key technical personnel. Should these key personnel cease to serve the Company in the future, and it is not able to attract other personnel with suitable experience and qualification in a timely manner, or upon terms acceptable to the Company, its business and financial condition may be adversely affected. In addition, if key personnel join a competitor, the Company may suffer negative consequences including, among others, the loss of certain customers.

Furthermore, the Company relies heavily on a skilled workforce to maintain the quality of its products or services and improve its production process, in particular, experienced mechanics and core technical personnel that are vital to its production capacity expansion. There is substantial competition for qualified technical personnel in the manufacturing and mining contracting industries, and the Company's performance and development depend on its ability to employ, train and retain these personnel. Failure to recruit and retain key members of its management team and key technical personnel may materially and adversely impact the Company's business, financial condition and results of operations.



The Company is dependent on a unionized workforce.

Substantially all of the Company's employees are union members. Because of the unionized nature of its workforce, the Company may be subject to union demands and litigation for pay raises and increased benefits. While the Company attempts to maintain positive relationships with its workforce, the unions could make various demands on the Company from time to time. There can be no assurance that the Company will be able to meet all of the unions' demands, which may result in work stoppages or other labour-related developments that could have a material adverse affect on the Company's results of operations or financial condition.

Not all of the Company's operational risks are insurable or its insurance coverage may be inadequate.

The Company's manufacturing plants, coal mine, processing plants or related facilities may need to be shut down or its mining operations may be disrupted due to risks and hazards that are beyond its control, including environmental hazards, industrial accidents, technical failures, labour disputes, unusual or unexpected rock formations, flooding and extended interruptions due to inclement or hazardous weather conditions, fires, explosions and other accidents at its facilities or the mines where it is operating. Although the Company maintains what it believes to be sufficient insurance coverage, it does not carry business interruption insurance or insurance covering the risk of loss from natural disasters or civil disturbances. While the Company will maintain insurance within the ranges of coverage which it believes to be consistent with industry practice, no assurance can be given that any coverage it arranges will be adequate and available to cover any such claims. If such coverage is inadequate, this will have a negative impact on the Company's results of operations and financial condition.

The interests of the Company's major shareholder may differ from those of the other holders of the Company's Shares.

As at the date of this Prospectus, Astra holds 59.5% of the Company's outstanding shares and is its single majority shareholder. Astra has interests in a number of companies and members of the board of directors of Astra serve as the Company's Commissioners. Although BAPEPAM & LK has a comprehensive set of rules intended to protect the rights of minority shareholders, there can be no assurance that the interests of Astra may not differ from the interests of the Company's other shareholders.

If the Company's outstanding stock does not maintain a free float of at least 40%, the Company will no longer benefit from a corporate tax break of 5%.

Under current Indonesian tax law, the Company benefits from a 5% corporate tax break available to listed companies that maintain a free float of at least 40% of their outstanding stock. As of the date of this Prospectus, Astra holds 59.5% of the Company's outstanding Shares. As the Standby Purchaser for the Rights Issue IV, Astra has agreed to take up any Rights Shares that are not subscribed by the Company's other shareholders. If Astra were to take up an amount of unsubscribed Rights Shares that would result in its shareholding in the Company to be above 60%, the Company would no longer benefit from the 5% corporate tax break that it currently receives. The elimination of this tax break could reduce the Company's profits.

The Company may fail to successfully integrate and benefit from its new coal mining assets.

In relation to the integration of ABP and other future coal mining assets into the Company's business, the Company may face challenges that include (i) integrating geographically dispersed operations, (ii) developing and improving internal administrative infrastructure, including financial, operational, communications and other internal systems and (iii) developing and managing the expansion and growth associated with asset acquisitions.



Acquisition of any additional coal mining assets may not meet the Company's expectations and the realization of the anticipated benefits may be blocked, delayed or reduced as a result of numerous factors, some of which are outside of the Company's control. These factors include, among others:

- any undiscovered conditions or defects of the new coal mining assets;
- lack of cooperation between the Company and the existing landowners of the coal mines;
- any other unforeseen contingent risks or latent liabilities relating to the acquisition of new coal mining assets.

There can be no assurance that the Company will be able to timely and effectively integrate its recently acquired coal mining assets and any future coal mining assets, which could materially and adversely affect the Company's business, results of operations and financial condition.

Certain of the Company's current and future businesses are or may be operated through joint venture companies.

Certain of the Company's existing businesses are operated through joint ventures. The Company is also evaluating future business opportunities that may be pursued through joint venture companies. A joint venture may be unsuccessful due to various reasons, including differences in economic, business or legal interests among the joint venture partners, inability of the joint venture partners to fulfill their obligations under the relevant joint venture or associated agreements and the joint venture partners in turn becoming competitors of the Company. In addition, if the Company does not have a controlling equity stake in a joint venture, the Company may face difficulty in directing the management and policies of such joint venture according to the Company's vision and mission. If a joint venture is unsuccessful, the Company's results of operations and financial condition may be adversely effected.

Major litigation may affect the Company's business and results of operations.

The Company is, from time to time, involved in a number of legal proceedings which are not material. With the development of business activities, the Company may not be able to avoid the possibility of engaging in major litigation. The cost of pursuing and defending any legal proceeding in which the Company is involved could be substantial, and could divert its management from the effective operation of its business. In addition, if the Company is unsuccessful in defending any legal proceeding, or is unsuccessful in settling any legal proceeding on commercially reasonable terms, the Company may be liable for amounts that may have a material adverse effect on its business and results of operations.

If information technology systems fail to perform their functions adequately, or if the Company experiences an interruption in its operations, the Company's business, results of operations and financial condition could be harmed.

The efficient operation of the Company's businesses is highly dependent on its information technology systems. The Company relies on its systems to record transactions, such as purchases of raw materials and sales of coal and construction machinery equipment. The Company uses the information provided by these systems in its day-to-day business decisions in order to effectively manage its product portfolio, reduce costs and improve customer service. The failure of the Company's systems to perform as it expects could disrupt its business, adversely affect its results of operations and cause its relationships with its customers to suffer. The Company's information technology systems are vulnerable to damage or interruption from circumstances beyond its control, including fire, natural disasters, power loss and computer systems failures and viruses. Even though the Company has developed redundancies and other contingencies to mitigate any disruptions to its information technology systems, they may not completely prevent interruptions to its information technology systems. Any such interruptions could harm the Company's business, results of operations and financial condition.



RISKS RELATING TO INDONESIA

The Company is incorporated in Indonesia and substantially all of its assets and operations are located in Indonesia. As a result, future political, economic, legal and social conditions in Indonesia, as well as certain actions and policies that the Government may, or may not, take or adopt, could materially and adversely affect the Company's business, financial condition, results of operations and prospects.

Political and social instability in Indonesia may adversely affect the Company.

Indonesia has held free elections since 2004. Political campaigns in Indonesia may increase political and social uncertainty. Political and social unrest may also occur if the results of elections are disputed or unsatisfactory to certain parties.

Changes to the Government and the prevailing government's policy can directly impact the operation of the Group. The business activities of the Group are influenced by actions taken by the Government, including but not limited to its policy on crude oil, electricity based tariff, reaction to war, anarchy and terrorism, renegotiation or nullification to the prevailing concession or contract, changes to taxation and investment policies and reaction to international development.

Political and social developments in Indonesia have been unpredictable in the past and, as a result, confidence in the Indonesian economy has remained unstable. Any resurgence of political instability could adversely affect the Indonesian economy, which could adversely affect the Company's business. There can be no assurance that social and civil disturbances will not occur in the future and on a wider scale, or that any such disturbances will not directly have a material adverse effect on the Company's business prospects, financial condition and results of operations.

Labour unrest and activism in Indonesia could have a negative impact on the Company's operations.

Laws and regulations which facilitate the forming of labour unions, combined with weak economic conditions, have resulted and may continue to result in labour unrest and activism in Indonesia. In 2000, the Government issued Law No. 21 of 2000, a labour union law allowing employees to form unions without employer intervention. In February 2003, the People's Representative Council, Dewan Perwakilan Rakyat ("DPR") passed Law No. 13 of 2003 (the "Labour Law") which, among other things, increased the amount of mandatory severance, service and compensation payments to terminated employees. The Labour Law took effect in March 2003 and requires further implementation of regulations that may substantively affect labour relations in Indonesia. The Labour Law requires bipartite forums with participation from employers and employees and the participation of more than 50% of the employees of a company in order for a collective labour agreement to be negotiated and creates procedures that are more permissive to the staging of strikes. Under the Labour Law, employees who voluntarily resign are also entitled to payments for, among other things, (i) unclaimed annual leave; and (ii) relocation expenses. Employees have the right to refuse to continue their employment if there is a change of status, change of ownership, merger or consolidation of a company. Following the enactment, several labour unions urged the Indonesian Constitutional Court to declare the Labour Law unconstitutional and order the Government to revoke it. The Indonesian Constitutional Court declared the Labour Law valid except for certain provisions relating to, among others, (i) the right of an employer to terminate its employee who committed a serious mistake; and (ii) the criminal sanctions against an employee who instigates or participates in an illegal labour strike or persuades other employees to participate in a labour strike.

Labour unrest and activism in Indonesia could disrupt the operations of the Company, its suppliers or subcontractors and could affect the financial condition of Indonesian companies in general, depressing the prices of Indonesian securities on the IDX and the value of the Rupiah relative to other currencies. Such events and any significant labour dispute or labour action that the Company, its suppliers or subcontractors experience could have a material adverse effect on the Company.



Regional or global economic changes could materially and adversely affect the Indonesian economy and the Company's business.

Indonesia's economy was significantly affected by the Asian economic crisis, and more recently, by the global economic crisis that began in late 2007, as evidenced by the decrease in its rate of growth to 6.0% in 2008 and 4.6% in 2009 (source: Central Statistical Agency, www.bps.go.id) due to a slow down in the global economic growth rate. The Government has had to rely on the support of international agencies and governments to prevent sovereign debt defaults.

The global economic crisis which began in late 2007 affected the global economy, including Indonesia and Southeast Asia, and is characterized by, among other things, liquidity crisis, a reduction in foreign direct investment, the failure of global financial institutions, a drop in global stock markets, a slowdown in global economic growth and a drop in demand of certain commodities. In particular, slowing global economic growth and a drop in demand for certain commodities, including coal, may adversely affect the Company's business.

Downgrades of credit ratings of Indonesia and Indonesian companies could materially and adversely affect the Company and the market price of the Company's shares.

In 2010, Indonesia's sovereign foreign currency long-term debt is rated "Ba1" by Moody's, "BB" by Standard & Poor's and "BB+" by Fitch Ratings, and its short-term foreign currency debt is rated "B" by Standard & Poor's and Fitch Ratings. These ratings reflect an assessment of the Government's overall financial capacity and willingness to pay its obligations as they become due.

Moody's, Standard & Poor's, Fitch Ratings and other rating agencies may downgrade the credit ratings of Indonesia or Indonesian companies. Any such downgrade could have an adverse impact on liquidity in the Indonesian financial markets, the ability of the Government and Indonesian companies, including the Company, to raise additional financing and the interest rates and other commercial terms at which such additional financing is available and could have a material adverse effect on the Company and the market price of the Shares.

The interpretation and implementation of legislation on regional governance in Indonesia is uncertain and may adversely affect the Company.

Currently, the government has enacted a number of regulations to increase regional autonomy. Under these regulations, regional governments have greater powers and responsibilities over the use of national assets and to create a more balanced and equitable financial relationship with the central government. Regional governments have been allowed to impose taxes and other charges on contractors, notwithstanding the terms of the CCoW which disallow such local taxes and charges.

This decentralization of power has created uncertainties, including with respect to the validity, scope, interpretation and application of the Mining Law, in part due to the lack of implementing regulations for the Mining Law and the regional autonomy laws and a lack of government infrastructure with mineral sector experience at some regional government levels. The Company cannot clearly ascertain the impact of the regional autonomy laws on the powers of MEMR and the regional governments for the grant of CCoWs and other mining licenses and approvals, and on the supervision of mining activities. Moreover, limited precedent or other guidance exists on the interpretation and implementation of the regional autonomy laws. This uncertainty has increased the risks, and may increase the costs, involved in mining activities in Indonesia.

The regional government where the Company's concession, or the concessions of PAMA's customers, are located could adopt regulations, or interpret or implement the regional autonomy laws in a manner that conflicts with the Company's rights, or the rights of PAMA's customers, under its CCoW or otherwise adversely affect its operations. Any new regulations, and the interpretation and implementation of those new regulations may differ materially from the legislative and regulatory framework of the Mining Law and its current interpretation and implementation. The Company may also face conflicting claims between the central government and regional governments regarding, among others, jurisdiction over its operations, claims for participating interests in its mining operations, and new or increased local taxes or additional concessions.



Indonesia is located in an earthquake zone and is subject to significant geological risk that could lead to social unrest and economic loss.

Indonesia is located in one of the most volcanically active regions in the world and is subject to significant seismic activity that can lead to destructive earthquakes and tsunamis, or tidal waves. There has been several earthquakes across Indonesia with magnitudes ranging between 4.6 to 7.7.

The Government has had to expend significant amounts of resources on emergency aid and resettlement efforts. Most of these costs have been underwritten by foreign governments and international aid agencies. However, such aid may not continue to be forthcoming or delivered to recipients on a timely basis. If the Government is unable to timely deliver foreign aid to affected communities, political and social unrest could result. Additionally, recovery and relief efforts could strain the Government's finances and may adversely affect its ability to meet its obligations on its sovereign debt. Any such failure on the part of the Government, or declaration by it of a moratorium on its sovereign debt, could potentially trigger an event of default under numerous private-sector borrowings, thereby materially and adversely affecting the Company.

There is no assurance that the future weather and geological condition may not affect the Indonesian economy. A significant earthquake, geological disturbance or tsunami affecting any of Indonesia's more populated cities could severely undermine investor confidence, thereby materially and adversely affecting the Company's financial condition and results of operation.

Terrorist activities in Indonesia have led to substantial and continuing economic and social volatility.

For the past number of years, there have been various bombing incidents directed toward the Government and foreign governments, and public and commercial buildings frequented by foreigners. Further terrorist acts could destabilize Indonesia thereby adversely affecting purchasers' confidence in Indonesia and the Indonesian economy. Violent acts arising from instability and unrest could have a material adverse effect on investment and confidence in, and the performance of, the Indonesian economy, and in turn the Company's business.

Indonesian accounting and legal standards differ from those of other countries.

Indonesian accounting standards, corporate laws and corporate disclosure standards may be different from those of other countries. As a result, the enforcement of judgments and arbitral awards in Indonesian courts could be difficult.

RISKS RELATING TO THE OWNERSHIP OF THE SHARES

Conditions in the Indonesian securities market may affect the price or liquidity of the Shares.

Indonesian securities markets are less liquid and relatively more volatile compared to securities markets in more developed countries. The IDX, on which the Company expects the Shares will be listed, has in the past experienced substantial fluctuations in the prices of listed securities. IDX has experienced some problems which, were they to continue or recur, could affect the market price and liquidity of the securities of Indonesian companies, including the Shares. These problems have included closures of exchanges, broker defaults and strikes and settlement delays. In addition, the governing bodies of Indonesia stock exchanges have from time to time imposed restrictions on trading in certain securities and limitations on price movements. The levels of regulation and monitoring of the Indonesian securities markets and the activities of investors, brokers and other market participants are not the same as in certain other countries. There can be no assurance that a holder of the Company's shares can sell their shares at a favourable price or time.



The price of the Shares may fluctuate widely.

The price of the Shares after the Rights Issue IV may fluctuate widely, depending on many factors, including:

- perceived prospects for the Company's business and operations;
- differences between the Company's actual financial and operating results and those expected by investors and analysts including the forecast contained herein;
- announcements by the Company of significant acquisitions, strategic alliances or joint ventures;
- changes in analysts' recommendations or perceptions of the Company or Indonesia and affecting the industries the Company serves generally in Indonesia;
- changes in general economic or market conditions in Indonesia;
- changes in prices of equity securities of foreign (particularly Asian) and emerging markets companies;
- additions or departures of key management personnel;
- possibility of involvement in material litigation; and/or
- broad stock market price fluctuations.

The price of the Shares is denominated in Rupiah. Fluctuations in the exchange rate between the Rupiah and other foreign currencies will affect the amounts of any dividends, the value of an investment in the Shares and the book value of foreign currency assets and liabilities, and income and expenses and cash flows in the Group's consolidated financial statements.

Future sales of the Shares could adversely affect the market price of the Shares.

Sales in the future of large blocks of the Shares in the public market, or the perception that such sales may occur, could adversely affect the prevailing market price of the Shares or the Company's ability to raise capital through a public offering of additional equity or equity-linked securities. Nevertheless, future sales of large blocks of Shares, or the perception that such sales could occur, could cause the price of the Shares to decrease and make it more difficult for the Company to raise capital.

Investors' ability to participate in future rights offerings may be limited.

Subject to limited exceptions, Indonesian public companies are required to offer pre-emptive rights to existing shareholders when issuing new shares. Compliance with securities laws or other regulatory provisions in some jurisdictions may prevent certain investors from participating in any future rights issuances and thereby result in dilution of their existing shareholdings. The Company will have no obligation to register the Shares in any jurisdiction in order to permit foreign investors to participate in any future rights offerings it may undertake.

Corporate governance and public disclosure standards in Indonesia may differ from those in certain other countries.

Corporate governance standards in Indonesia may differ significantly from those applicable in other jurisdictions including the independence of the Board of Directors, the Board of Commissioners and the audit committee, and internal and external reporting standards. There is a difference between the level of regulation and monitoring of the Indonesian securities markets and the activities of investors, brokers and other participants and that of markets in developed economies; therefore, there may be



less publicly available information about Indonesian companies than is regularly made available by public companies in developed countries. As a result, the Company's shareholders may not have access to the same level and type of disclosure as that available in other countries, and comparisons with other companies in other countries may not be possible in all respects.

Purchasers or holders of the Company's shares may be subject to limitations on minority shareholder rights.

The obligations under Indonesian law of the majority shareholders, commissioners and directors with respect to minority shareholders may be more limited than those in other countries. Consequently, minority shareholders may not be able to protect their interests under current Indonesian law to the same extent as in other countries. Principles of corporate law relating to such matters as the validity of corporate procedures, the fiduciary duties of the Company's management, commissioners, directors and controlling shareholder, BAPEPAM & LK Regulations and the Company's articles of association. Such principles of law differ from those that would apply to a company that is incorporated in a jurisdiction other than Indonesia. Even if the conduct were actionable under Indonesian law, the absence of judicial precedent could make prosecution of such civil proceeding considerably more difficult. Accordingly, there can be no assurance that legal rights or remedies of minority shareholders under Indonesian law will be the same, or as extensive, as those available in other jurisdictions or sufficient to protect the interests of minority shareholders.



VI. SUBSEQUENT EVENTS AFTER THE DATE OF THE INDEPENDENT AUDITOR'S REPORT

There have been no significant events which have a material impact on the results of operations and financial condition of PT United Tractors Tbk and its Subsidiaries after the date of the independent auditors reports of 27 April 2011 on the consolidated financial statements for the years ended 31 December 2010 and 2009, which have been audited with an unqualified opinion by KAP Tanudiredja, Wibisana & Rekan (a member firm of PwC global network), that need to be disclosed in this Prospectus.



VII INFORMATION ON THE GROUP

OVERVIEW

The Company was established on 13 October 1972 under the name of PT Inter-Astra Motor Works, based on the Deed of Establishment No. 69, made before Djojo Muljadi, S.H, Notary in Jakarta, as amended by the Deed of Amendment No. 101, dated 28 November 1972 and the Deed of Amendment No. 54, dated 16 January 1973, both made before Dian Paramita Tamzil, SH, Substitute Notary of Djojo Muljadi, SH, Notary in Jakarta, whereby the Company changed its name to PT United Tractors. The Deed of Establishment and all its amendments were legalized by the Ministry of Justice of the Republic of Indonesia on 6 February 1973, and registered at the Office of the District Court of Jakarta on 9 February 1973, and published in the State Gazette No. 31, Supplement No. 281 dated 17 April 1973. The Articles of Association have been amended several times, most recently by the Deed of Resolution of the Meeting No. 54, dated 13 June 2008 made before Benny Kristianto, SH, Notary in Jakarta to conform with the Company Law. The Deed has been approved by the MOLHR on 3 July 2008.

The Company has conducted several rights issues. The last rights issue was conducted in August 2008 ("Right Issue III") by the issuance of a total of 475,268,183 (four hundred seventy-five million two hundred sixty-eight thousand and one hundred eighty-three) new shares with a nominal value of Rp. 250 (two hundred fifty Rupiah) per share at the Offering Price of Rp. 7,500 (seven thousand five hundred) Rupiah per share under which shareholders who owned 6 (six) shares of the Company whose name was recorded in the Register of Shareholders of the Company on 29 August 2008 at 16:00 p.m. (western Indonesian time) was entitled to 1 (one) pre-emptive right to subscribe for 1 (one) new share. All shares issued as a result of the implementation of Rights Issue III was recorded at IDX. In relation to the Rights Issue III, the articles of association of the Company have been amended by Deed of Meeting Resolution No. 85 dated 18 September 2008, made before Nelfi Mutiara Simanjuntak, SH, the replacement for Imas Fatimah, S.H., Notary in Jakarta, which has been reported to the MOLHR on 11 November 2008.

The Company is the ultimate owner of the Group and became publicly listed on the JSX and the SSX on 19 September 1989. It is currently listed on the IDX following the merger of JSX and SSX where JSX became the surviving entity and changed its name to IDX. As at 31 December 2010, it had a total paid up capital of Rp. 831,719,320,750 comprising of 3,326,877,283 shares of Rp. 250 each.

The Group's main activities include the distribution of heavy equipment and related services, mining contracting services and coal mining. The Company is based in Jakarta and is currently one of the leading distributors of heavy equipment in Indonesia, selling a wide range of bulldozers, excavators, heavy duty trucks, rollers and other heavy equipment under various brands as well as forklifts, generating sets, engines, and other products manufactured by the Group's Subsidiaries. The Company's flagship brand is Komatsu, and it has exclusive distribution rights to distribute Komatsu heavy equipment in Indonesia.

In the 1980's, the Company expanded its business into manufacturing and engineering. In 1989, the Company established its Mining Contracting Business under PAMA and in 2007, the Company, indirectly through PAMA, acquired acquisition of the DEJ Mines in Kalimantan.

Land and buildings owned by the Company to support its operation are listed below:

No.	City	No. of Land	Building Area (M ²)	Land Area (M ²)
		HGB		
1	Medan	2	3,910	26,877
2	Pekanbaru	2	3447	20,415
3	Palembang	6	1,388	68,023
4	Padang	5	1,238	10,901
5	Jambi	1	806	17,500
6	Bandar Lampung	3	1,366	38,138
7	Bekasi	7	-	322,912
8	Semarang	1	1,324	20,020



No.	City	No. of Land	Building Area (M ²)	Land Area (M ²)
		HGB		
9	Surabaya	3	1,136	5,453
10	Jakarta	11	57,620	302,825
11	Balikpapan	24	5,275	88,379
12	Tarakan	1	1,154	10,037
13	Pontianak	2	3,185	24,232
14	Banjar	2	2,475	26,779
15	Samarinda	2	1,100	350
16	Tabalong Adaro	2	3,415	12,100
17	Kutai Kartanegara	1	-	4,963
18	Tanjung Redeb, Berau	1	-	3,400
19	Tapin	2	-	9,882
20	Loa Janan, Samarinda	2	2,100	58,627
21	Waringin	1	-	17,446
22	Batu Kajang	1	1,187	7,747
23	Makasar	7	3,612	17,234
24	Ambon	1	-	1,965
25	Manado	11	490	6,644
26	Biak	3	-	5,113
27	Jayapura	1	1,969	14,142
28	Sorong	1	1,723	10,445
	Total	106	99,920	1,152,549

In addition to the above, the Company also has the rights to three pieces of land with total area of 46,025 m² in Sumbawa. Currently, the Company has no plan to change the status of the land from HM to HGB to the Company's name as the Company intends to sell these lands. In order to support its operation, the Company has its own distribution network with main office located at Jl Raya Bekasi Km 22, Cakung, Jakarta as well as 18 branch offices located at Balikpapan, Bandar Lampung, Banjarmasin, Jakarta, Jambi, Jayapura, Makasar, Manado, Medan, Padang, Palembang, Palu, Pekanbaru, Pontianak, Samarinda, Surabaya, Sorong and Tarakan.

The Group's main activities currently focus on the following three primary businesses:

Construction Machinery Business

The Construction Machinery Business is involved mainly as the exclusive distributor of Komatsu products in Indonesia since 1973. The Company is also involved in distributing other well known heavy equipment brands such as Nissan Diesel and Scania for heavy duty trucks, Bomag vibratory rollers and Patria forklift, Tadano cranes and Valmet products for forestry sector. This Division is supported by 18 branch offices, which provide sales support and after sales service to its customers throughout Indonesia.

The Construction Machinery Business is also supported by Subsidiary UTPE, which is engaged in the manufacture of equipment and components. Other major subsidiaries include UTHI, which handles the distribution of certain heavy equipment to Indonesia, BP, which is involved in the distribution of farm tractors and power generation sets, MPU, which handles second hand heavy equipment rental and sales, and AMK which distributes commodity spare parts.

Mining Contracting Business

The Mining Contracting Business is operated through PAMA which was established in 1988 and is a wholly owned subsidiary of the Company. PAMA is currently engaged in 14 coal mine projects and the Company believes that it is one of the largest coal mining contractors in Indonesia.



Mining Business

In 2007, the Group entered the coal mining operator business through PAMA's acquisition of three companies which own coal mining concessions (NCJA, ESY and KCM) and the right to mine and sell coal based on a sale and purchase agreement with a third party, collectively known as the "DEJ Mines" in South Kalimantan. Prior to the acquisition in April 2007, these mines were operated through a sole operator, PT Dasa Eka Jasatama ("DEJ"), with PAMA acting as the mining contractor. With PAMA's ownership of these coal mining concessions and the right to mine and sell the third party's coal as described above, the DEJ Mines has 16.5 million tonnes of estimated reserves (based on a stripping ratio of 1:12).

TTA was established in 2006. In 2008, the Company bought a 100% stake in TTA. TTA owns a mining concession in Central Kalimantan through its subsidiary, TOP. The TOP mining concession covers a total area of approximately 4,900 hectares with 36 million tonnes of gross estimated coal reserves. In 2010, TTA acquired 60% of the issued shares of ABP. ABP's mine covers an area of approximately 1,365 hectares with approximately 9.2 million tonnes of gross estimated reserves. Subject to the issuance of IUP Production Operation, ABP is expected to commence commercial production and sale of coal in 2012. In 31 December 2010, TTA through TOP initiated commercial production by producing 670,000 tonnes of coal.

The reserves figures stated above are based on the Company's internal survey done by PAMA's technical experts, including a geologist team, as of 31 December 2010.

Business Licenses

The Company has obtained material licenses to conduct its business activities in accordance with prevailing regulations, as follows:

- 1) Based on the letter by the Minister of Industry No. 103/M/SK/ILME/V/1995 dated 23 May 1995, the Company has earned its business license for Recondition industry which applies as long as the Company engage in the production since the date the letter was issued, 23 May 1995.
- 2) The Company has earned the permit as a warehouse operator along as an owner of the warehouse located at Jalan Raya Bekasi Km. 22, Kelurahan Cakung Barat, Cakung, Jakarta Timur, in an area of 3,770 m² based on the letter released by the Minister of Finance No. 260/KM.4/2002, dated 7 March 2002. This permit as a warehouse operator which was given in 7 March 2002 based on the Law No. 33 Year 1996 ("PP 33 Year 1996") was effective since the date it was given and will only be cancelled when there are such occurrences as detailed in the Pasal 30 PP 33 Tahun 1996.
- 3) The Company has been registered as the sole distributor of Komatsu LTD with Komatsu brand for heavy equipment products along with the spare parts with a registration number: 154/STP-LN/PDN.2/1/2010, dated in 19 January 2010. This registration applies up until 7 August 2011.
- 4) The Company has been registered as the sole distributor of Bomag GmbH with Bomag brand for heavy equipment products along with the spare parts with a registration number: 1896/STP-LN/PDN.2/6/2009, dated 15 June 2009. This registration applies up until 15 June 2011.
- 5) The Company has been registered as the sole distributor of Scania CV Aktiebolag with Scania brand for products like Tractor Head, Chassis Bus, Dump Truck, Truck Cab & Chassis with a registration number: 1044/STP-LN/PDN.2/4/2009, dated 21 April 2009. This registration applies up until 21 April 2011.



- 6) The Company has obtained tax payer registration number (NPWP) for the Company's main office with a listed number 01.565.295.1-017.000, as it was also recorded in the Surat Keterangan Terdaftar No. PEM-000066/WPJ.19/KP.0103/2007 issued by the Tax Office for large category I dated 29 March 2007.

The above permits and licenses are critical for the Company to conduct its businesses.

Certification

The Company has several certifications as follows:

- ISO 14001:2004 (Environmental Management System) issued by Lloyd's Register Quality Assurance Ltd., ISO 18001:2007 (Occupational Health & Safety Management System) issued by Lloyd's Register Quality Assurance Ltd., and ISO 9001:2008;
- While PAMA owns OHSAS 18001 (*Occupational Health and Safety System*) issued by DQS, Germany and ISO 14001 issued by AFAQ ASCERT, France

Awards

During 2010, the Company received several awards for its performance in the Construction Machinery Business. The following list shows several awards received by the Company:

- #6: Best Listed Companies 2010, Investor Award 2010
- The Best Emiten 2010 in Trading sector, Investor Award 2010
- The Best in Building and Managing Corporate Image, Indonesia's Most Admired Companies Award 2010, category : Heavy Equipment Distributor, Bloomberg Indonesia - Business Week Magazine
- #3: 2010 Best Managed Company, Finance Asia Magazine
- #2: 2010 Best Corporate Governance, Finance Asia Magazine
- #2: 2010 Best Investor Relations, Finance Asia Magazine
- #6: 2010 Best Corporate Social Responsibility, Finance Asia Magazine
- #5: 2010 Most Committed to a Strong Dividend Policy, Finance Asia Magazine
- #4 : Indonesian Best Public Companies 2010 Based on WAITM (Wealth Added Index) Method, by Stern Stewart & Co, Swa Magazine
- #2: Most Admired Knowledge Enterprise 2010, Dunamis Consulting
- Most Powerful Companies 2010, category: Wholesale for Durable Goods Industry – Warta Ekonomi
- Winner of Asian Most Admired Knowledge Enterprise (MAKE) Award 2010, TELEOS - The KNOW Network.
- #4: Indonesia Most Trusted Company 2010, based on Corporate Governance Perception Index Assessment, The Indonesian Institute for Corporate Governance
- Best CSR Disclosure in Annual Report, Indonesia Sustainability Report Award (ISRA) 2010
- Award for Rights of Shareholders, from 2nd Annual IICD Corporate Governance Award

**OVERVIEW OF CAPITAL STRUCTURE**

The Company's capital structure and shareholder composition from its establishment until the Rights Issue III has been described in the Prospectus for Rights Issue III. Below is an overview of the Company's capital structure and shareholder composition as of Rights Issue III and the capital structure and shareholder composition of the Company taking into account the effects of the proposed Rights Issue IV.

Year 2008

The shareholder composition of the Company as of 31 December 2008, which is based on information provided by PT Raya Saham Registra, Share Registrar, was as follows:

Shareholder	No. of Shares	Nominal Value (Rp. 250 - per share)	(%)
Authorized Shares	6,000,000,000	1,500,000,000,000	
Issued and fully paid			
PT Astra International Tbk	1,979,391,158	494,847,789,500	59.50
Public(below 5% ownership each)	1,347,486,125	336,871,531,250	40.50
Total Issued and fully paid	3,326,877,283	831,719,320,750	100.00
Authorized Shares not yet issued	2,673,122,717	668,280,679,250	

Year 2009

The shareholder composition of the Company as of 31 December 2009, based on information provided by PT Raya Saham Registra, Share Registrar, is as follows:

Shareholder	No. of Shares	Nominal Value (Rp. 250 - per share)	(%)
Authorized Shares	6,000,000,000	1,500,000,000,000	
Issued and fully paid			
PT Astra International Tbk	1,979,391,158	494,847,789,500	59.50
Public(below 5% ownership each)	1,347,486,125	336,871,531,250	40.50
Total Issued and fully paid	3,326,877,283	831,719,320,750	100.00
Authorized Shares not yet issued	2,673,122,717	668,280,679,250	

Year 2010

The shareholder composition of the Company as of 31 December 2010, based on information provided by PT Raya Saham Registra, Share Registrar, is as follows:

Shareholder	No. of Shares	Nominal Value (Rp. 250 - per share)	(%)
Authorized Shares	6,000,000,000	1,500,000,000,000	
Issued and fully paid			
PT Astra International Tbk	1,979,391,158	494,847,789,500	59.50
Public(below 5% ownership each)	1,347,486,125	336,871,531,250	40.50
Total Issued and fully paid	3,326,877,283	831,719,320,750	100.00
Authorized Shares not yet issued	2,673,122,717	668,280,679,250	

**February 2011**

The shareholder composition of the Company as of 28 February 2011, which is based on information provided by PT Raya Saham Registra, Share Registrar, was as follows:

Shareholder	No. of Shares	Nominal Value (Rp. 250 - per share)	(%)
Authorized Shares	6,000,000,000	1,500,000,000,000	
Issued and fully paid			
PT Astra International Tbk	1,979,391,158	494,847,789,500	59.50
Public(below 5% ownership each)	1,347,486,125	336,871,531,250	40.50
Total Issued and fully paid	3,326,877,283	831,719,320,750	100.00
Authorized Shares not yet issued	2,673,122,717	668,280,679,250	

INFORMATION ON INSTITUTIONAL SHAREHOLDERS

Set out below is information relating to the institutional shareholders who hold more than five percent of the Company's total issued share capital.

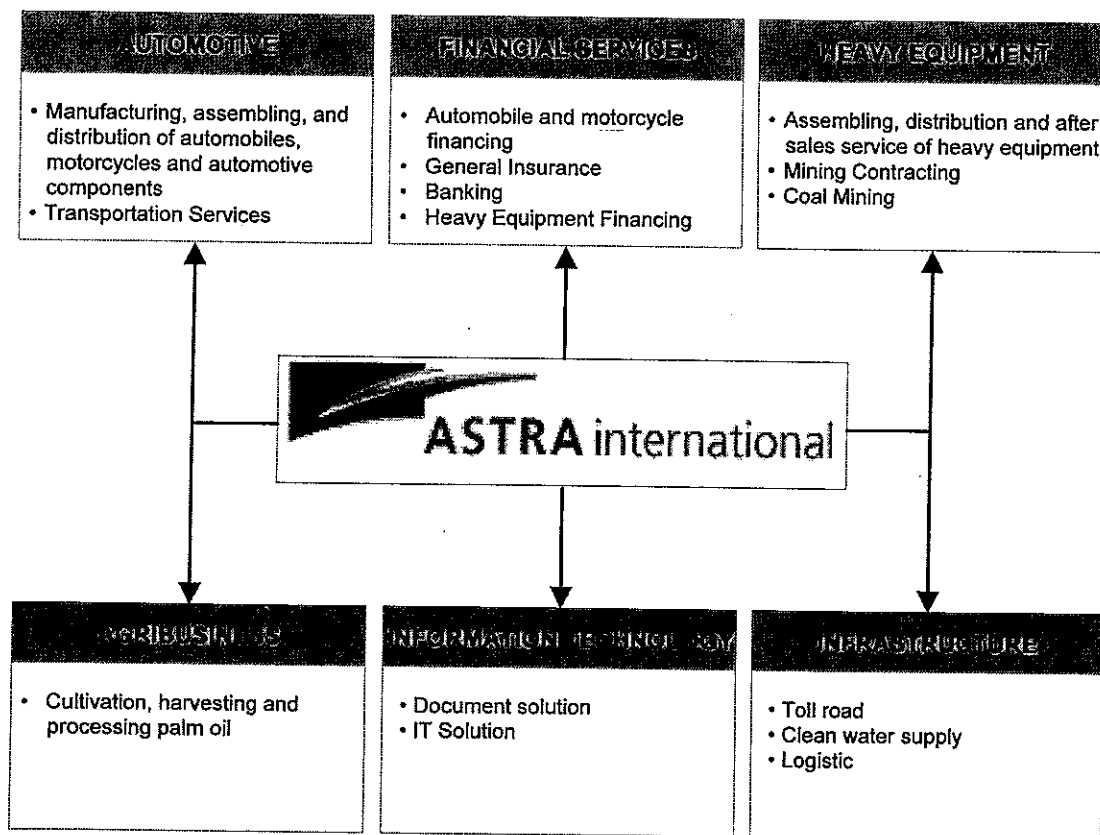
PT Astra International Tbk**Establishment**

PT Astra International Tbk was established in 1957 under the name of PT Astra International Incorporated, based on Deed of Establishment No. 67, made before Sie Khwan Djioe, SH, Notary in Jakarta dated 20 February 1957, which was legalized by the Minister of Justice of the Republic of Indonesia in Decision Letter No. J.A.5/53/5, dated 1 July 1957, published in the State Gazette No. 85, dated 22 October 1957, Supplement No. 1117. Astra's Articles of Association has been amended several times. The latest amendment to Astra's Articles of Association to conform with Deed No. 83, made before Masjuki, SH, substitute of Imas Fatimah, SH, Notary in Jakarta, dated 24 June 2008. The amendment was approved by the Minister of Law and Human Rights by virtue of its Decree No. AHU-56114:AH.01.02.Tahun 2008 dated 28 August 2008.

Business Activities

Founded in 1957 as a general trading company based in Jakarta, Indonesia, Astra has since expanded its business and investments to include the manufacture and distribution of automobiles, motorcycles, heavy equipment and related components, financial services, plantation and other industries, to become a major diversified company in Indonesia. Astra became a publicly listed company on 4 April 1990 when it listed its shares on the JSX and the SSX. It is currently listed on the IDX. Certain of the company's subsidiaries and associates are also publicly listed in Indonesia. Astra's market capitalization as of 31 December 2010 was approximately Rp. 221 trillion. As of 31 December 2010, Astra employs approximately 145,000 employees across its businesses.

Astra, through its subsidiaries, is the sole agent in Indonesia for Toyota vehicles and the sole distributor for Honda Motorcycles since 1971. Besides Toyota and Honda, Astra has strategic partnerships with international companies such as Daihatsu, Isuzu, BMW, Peugeot and Nissan Diesel. Astra also has strategic partnerships with other businesses, including Fuji-Xerox (technology), Komatsu (heavy equipment) and Standard Chartered (banking industry). Astra is currently organized as follows:



Capital Structure

The authorized capital of Astra as of 28 February 2011 was Rp. 3 trillion divided into six billion shares, each share worth Rp. 500 (five hundred Rupiah). The amount of issued and fully paid shares was Rp. 2,024,177,657,000 divided into 4,048,355,314 shares.

The shareholder composition of Astra as of 31 December 2010, which is based on information provided by PT Raya Saham Registra, Share Registrar, was as follows:

Shareholder	No. of Shares	Nominal Value (Rp. 500 - per share)	(%)
Authorized Shares	6,000,000,000	3,000,000,000,000	
Issued and fully paid			
Jardine Cycle & Carriage Ltd	2,028,825,504	1,014,412,752,000	50.11
Public	2,019,529,810	1,009,764,905,000	49.89
Total Issued and fully paid	4,048,355,314	2,024,177,657,000	100.00
Authorized Shares not yet issued	1,951,644,686	975,822,343,000	



Management

The Board of Directors and Commissioners of Astra as of the date of the Prospectus are:

Board of Commissioners :

President Commissioner : Budi Setiadharna

Independent Commissioners : Djunaedi Hadisumarto
Muhamad Chatib Basri
Soemadi D. M. Brotodiningrat
Akira Okabe
Erry Firmansyah

Commissioners : Anthony John Liddell Nightingale
Mark Spencer Greenberg
Benjamin William Keswick
Chiew Sin Cheok
Jonathan Chang

Board of Directors :

President Director : Prijono Sugiarto
Director : Gunawan Geniusahardja
Johnny Darmawan Danusasmita
Djoko Pranoto
Widya Wiryawan
Angky Tisnadisastra
Sudirman M. Rusdi
Simon Collier Dixon

MANAGEMENT AND SUPERVISION OF THE COMPANY

The Articles of Association provide that the Board of Directors is responsible for the direction and management of the Company under the supervision of a Board of Commissioners.

In accordance with the Deed of Resolutions of General Meeting of Shareholders No. 51 dated 21 May 2010, both of which were drawn up before Benny Kristianto, S.H, Notary in Jakarta, the General Meeting of Shareholders has appointed the following members of Board of Commissioners and Board of Directors.

Board of Commissioners:

President Commissioner : Prijono Sugiarto
Vice President Commissioner : Benjamin William Keswick
Commissioners : Simon Collier Dixon
Independent Commissioners : Anugerah Pekerti
Stephen Zacharia Satyahadi
Let. Jen. (Purn) Soegito

Board of Directors:

President Director : Djoko Pranoto
Vice President Director and
Marketing & Operation Director : Bambang Widjanarko Eddy Santoso
Finance & Administration Director : Gidion Hasan
Mining, Non-Mining and Truck Sales Operation Director : Hendrik Kushadi Hadiwinata
Product Support Director : Iman Nurwahyu
Human Capital, Environment, Social Responsibility,
General Affairs and Information Technology Director : Edhie Sarwono



Remuneration for the Board of Commissioners and the Board of Directors in 2010 was Rp 125.7 billion. The remuneration amount was based on the result of the 2010 General Meeting of Shareholders on 21 May 2010.

Audit Committee:

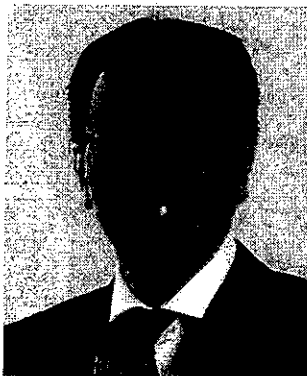
Chairman	: Anugerah Pekerti
Member	: Fred B.G. Tumbuan
Member	: Candelario Tambis

The Company's audit committee is selected based on the decision by the Company's Board of Commissioners No. LUT/BOC/001/III/2009 dated 31 May 2009.

Internal Audit:

The Company's head of the internal audit is Prasetya Josep based on the Company's letter No.SK/KEP/031/9980-A/XII/2009 dated 7 December 2009. The following are short descriptions on each commissioner of the Company.

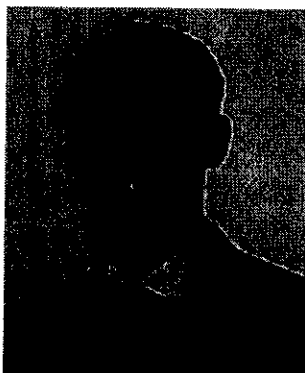
Commissioners:



Priyono Sugiarto

An Indonesian citizen, 50 years old and President Commissioner of the Company since May 2005. Currently President Director of PT Astra International Tbk since March 2010. He has overall responsibility for the Astra Group's businesses. He was previously Director of Astra from May 2001 to February 2010. Prior to joining Astra in 1990, he was Sales Engineering Manager at Daimler-Benz Indonesia.

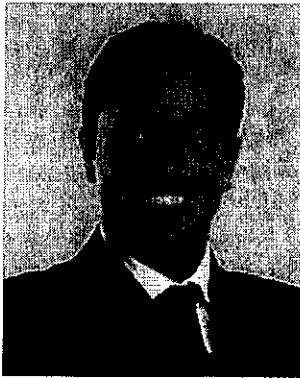
He received a Dipl.-Ing. in Mechanical Engineering from University of A. Sc. Konstanz, Germany in 1984, and Dipl. Wirtschaftsling in Business Administration from University of A. Sc. Bochum, Germany in 1986



Benjamin William Keswick

A British citizen, 38 years old and Vice President Commissioner of the Company from May 2007 to May 2011, concurrently Commissioner of Astra. Currently, he is also Group Managing Director of Jardine Cycle & Carriage. Has been with Jardine Matheson Group since 1998, prior to his current post as Chief Executive Officer, he was Finance Director of Jardine Pacific Ltd. Currently Director of Jardine Matheson Holdings Ltd., Jardine Matheson Ltd., Cycle & Carriage Bintang Bhd., and MCL Land Ltd.

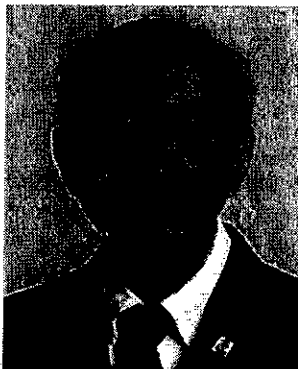
He graduated from Newcastle University, England, in Agricultural Economics and Food Marketing in 1995, holding a Master of Business Administration degree from INSEAD in 2002.



Simon Collier Dixon

An Australian citizen, 37 years old and Commissioner of the Company from May 2010 to May 2011. Director of Astra since May 2010 in charge of corporate finance. Prior to joining the Company, in 2006 he joined Jardine Matheson, Hong Kong as Group Treasurer. He started his career in Mann Judd firm and Arthur Andersen firm in Australia. From 1998 to 2006 he worked for PricewaterhouseCoopers London and Hong Kong, and nominated Partner in 2005.

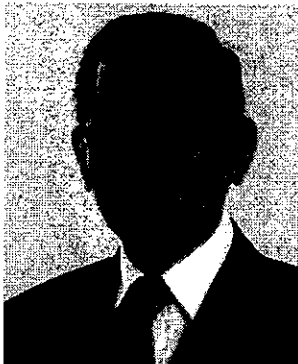
He obtained a degree in Economics specializing in Accounting from Flinders University, Australia in 1993. Became Associate Member of Institute of Chartered Accountants, Australia in 1996, and Fellow of the Hong Kong Institute of Certified Public Accountants in 2005.



Anugerah Pekerti

An Indonesian citizen, 72 years old and Independent Commissioner of the Company from May 2007 until May 2011. He is currently Independent Commissioner of PT Samudera Indonesia Tbk, member of International Board of Directors in Habitat for Humanity International, USA, and Advisor to Indonesian Team in Olympic Physics. A lecturer in PPM Management Institute since 1968 and President of the Institute in 1988-1998. Since 1998 actively involved in the implementation of Corporate Governance in various companies and non-profit organizations.

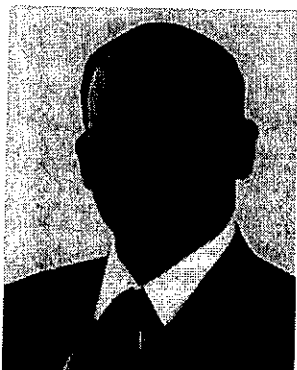
He received a Bachelor in Psychology from University of Indonesia in 1967 and Doctor of Philosophy in Business Administration from University of Southern California, USA in 1985.



Stephen Zacharia Satyahadi

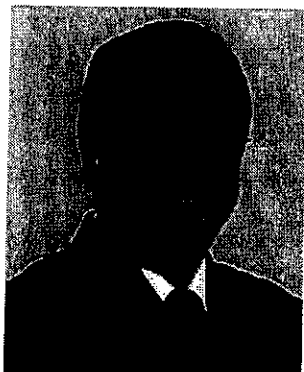
An Indonesian citizen, 67 years old and Independent Commissioner of the Company from 2003 until May 2011. He joined Bank of Tokyo, Jakarta in 1968, and in 1970 moved to Citibank N.A. as Assistant Vice President of Marketing as well as Manager of Operations and Loans. Appointed Vice President Director of Astra Sedaya Finance in 1983, General Manager of Finance, and Corporate Treasurer of Astra in 1980-1985, Director of Bank Perkembangan Asia in 1986-1990 and President Director of Bank Universal in 1990-2002. In 2002 was appointed as Head of Post-Merger Supervision Team, Bank Universal.

He graduated with an accounting degree from the University of Indonesia in 1967.

**Lt. Gen. Soegito (Ret.)**

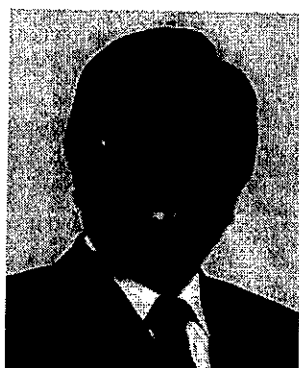
An Indonesian citizen, 72 years old and Independent Commissioner of the Company from 2001 until May 2011. Active in military service since 1961, Jakarta Military Region Commander in 1985-1988, Commander of the Army Strategic Command 1988-1990 and Assistant for Territorial Affairs, Chief of General Staff, Indonesian Armed Forces in 1990-1994. Previously Indonesian Military Attache in Hanoi, Vietnam, and assigned in various fighting squadrons of the Army.

He graduated from National Military Academy in 1961, School of Army Command Staff and National Defence Institute in 1985.

Directors:**Djoko Pranoto**

An Indonesian citizen, 56 years old and President Director of the Company from May 2007 until May 2011, previously Vice President Director of the Company in charge of marketing and operations starting in 2001. Head of Marketing Division in 1991-1996 and Director of the Company in 1997-2000. Also Director of UTHI, Singapore since 1995, Vice President Commissioner of Komatsu Indonesia in 2001-2007 and previously Commissioner in 1998-2000. He has been President Commissioner of PAMA and UTPE since 2009 and President Commissioner of TTA since May 2010. He was appointed Director of Astra in 2008.

He graduated from University of Trisakti in 1978 with a degree in mechanical engineering.

**Bambang Widjanarko Eddy Santoso**

An Indonesian citizen, 51 years old and Vice President Director and Marketing Director from May 2007 until May 2011, previously Director of Mining Sales Operation since 2003. Concurrently Vice President Commissioner of PT Komatsu Indonesia since 2007 and Director of UTHI. Joined Astra at Electronic Data Processing (EDP) Division in 1982, Vice President of Corporate Human Resource, Safety & Environment and Efficiency Division in 1998. Vice President Director of Corporate Information Technology of Astra until early 2000. Currently President Commissioner of BP, Commissioner of KRA and Commissioner of MPU since May 2010 and Commissioner of UTSG since 2009.

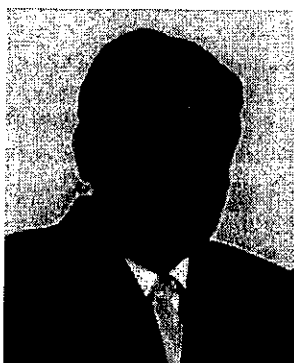
He graduated from Institut Pertanian Bogor (Bogor Institute of Agriculture) with an degree in Technology and Agriculture in 1982 and from University of Indonesia in Economics in 1987. He received a scholarship from Mitsui Taiyo Kobe Bank Foundation to study Advanced Business Counsel in Japan in 1990.



Gidion Hasan

An Indonesian citizen, 38 years old and was appointed as Director of Finance and Administration of the Company from 2006 to May 2011. Joined Astra in 1999 as Manager of Corporate Planning and Investor Relations and Head of Corporate Planning and Strategy. Prior to joining Astra, he was Manager of Corporate Finance of Salim Group. In 2008, he was appointed President Director of TTA and Commissioner of Astratel. Since 2009, he has been Commissioner of PAMA, UTPE, UTSG and Vice President Commissioner of PT Traktor Nusantara.

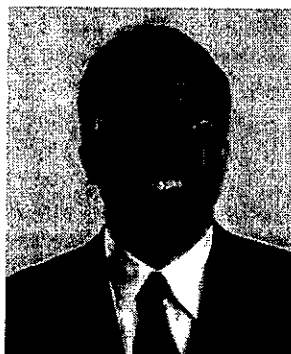
He graduated with a finance degree from Rogers State University, Oklahoma, USA in 1994.



Hendrik Kusnadi Hadiwinata

An Indonesian citizen, 57 years old and was appointed as Director of Mining & Non-Mining Sales Operation of the Company from May 2007 until May 2011. He started working for the Company in 1979 as a salesman until 1992. He was Sales Manager of the Forestry Department in 1992-2000 and Head of Sales and Branch Operations Division in 2000-2007. He is currently President Commissioner of MPU, Commissioner of UTPE and Commissioner of BP since May 2010.

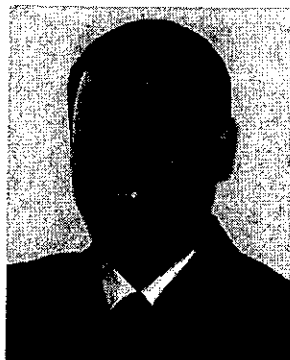
He graduated with a degree in industrial engineering from the Bandung Institute of Technology in 1979.



Iman Nurwahyu

An Indonesian citizen, 47 years old and was appointed as Director of Product Support of the Company from May 2007 to May 2011. He joined the Company in 1988 and was appointed Head of the Parts Department in several branch offices of the Company. He was the Head of Inventory Department in 1993-1999, Deputy Head of Parts Division in 1999-2002 and Head of Parts Division as well as Head of Human Resource and General Affairs Division in 2002 to early 2007. He was Director of KRA in 1998-2006 and appointed President Director in 2007. He is currently Commissioner of HMU and President Commissioner of AMK.

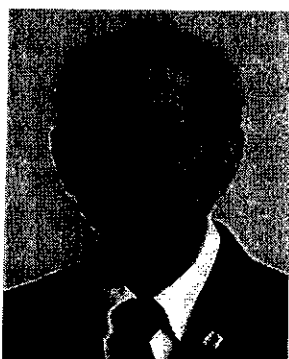
He graduated with a degree in agricultural engineering from Padjadjaran University in 1986.

**Edhie Sarwono**

An Indonesian citizen, 44 years old and was appointed as Director of Information Technology from May 2010 to May 2011. He was previously Director of Human Capital, Environment, Social Responsibility, General Affairs and Information Technology since May 2007. He was previously Director at PAM Lyonnaise Jaya (Palyja) in 2006-2008. He joined Astra in 1991 as an engineer in the Technology Development Division and in Astra Consulting Services until 1993. He was appointed as Team Leader in Efficiency Division in 1993-1998 and Head of Environment, Health & Safety Division in 1998-2004. He held the post of Head of Environment, Health & Safety & Social Responsibility Division in 2004-2007. He is currently acting also as Commissioner of BP and PT Traktor Nusantara.

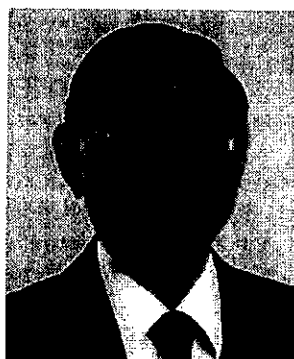
He graduated from the University of Brawijaya in 1990 with a degree in mechanical engineering.

Below is the short profile on each member of the Audit Committee:

**Anugerah Pekerti**

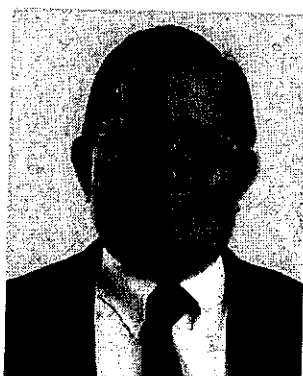
An Indonesian citizen, 72 years old and Independent Commissioner of the Company and Head of Audit Committee from May 2007 until May 2011. He is currently Independent Commissioner of PT Samudera Indonesia Tbk, member of International Board of Directors in Habitat for Humanity International, USA, and Advisor to Indonesian Team in Olympic Physics. He is a lecturer in PPM Management Institute since 1968 and President of the Institute in 1988-1998. Since 1998, he has been actively involved in the implementation of corporate governance standards in various companies and non-profit organizations.

He received a Bachelors degree in Psychology from the University of Indonesia in 1967 and Doctor of Philosophy in Business Administration from the University of Southern California, USA in 1985.

**Fred B.G. Tumbuan**

An Indonesian citizen, 73 years old and a member of the Audit Committee of the Company from May 2007 to May 2011, Advocate & Counsellor-of-Law and Senior Managing Partner of Tumbuan Pane Law Firm. In addition to being a member of Advisory Council of Indonesian Lawyers Association (PERADI), he also teaches in Post-graduate Program (S2) at Law Faculty, University of Indonesia. He is also Head of Certification Board of Indonesian Curators and Administrators Association (AKPI), member of National Committee of Governance Policy, Corporations Sub-Committee, and member of Indonesian Supervisory Council of Board of Commissioners and Directors (LKDI).

He graduated from School of Law, University of 17 Agustus '45 in 1978 and completed a theological study in Jesuit Theological College, Melbourne, Australia in 1972, and Master Program in Philosophy at Pontifical Athenaeum, Poona, India in 1965.

**Candelario Tambis**

An Indonesian citizen, 72 years old and a member of the Audit Committee of the Company since June 2009 to May 2011, previously member of the Audit Committee of the Company in 2001-2006. Concurrently member of the Audit Committee of PT Astra Agro Lestari Tbk, President Director of PT Tambis & Co. Inc. and President Commissioner of PT Ferrarimas Italindo. He is an Investment Advisor licensed by BAPEPAM, IBRA accredited Financial Advisor, Consultant with ISO 9000 certification in General Management. Holding previous directorship in various companies including PT Schrodgers Indonesia, Bank Universal (now Bank Permata), PT Astra Securities and PT Morgan Grenfell Astra Ltd.

He received a Bachelors degree in accounting and is a Certified Public Accountant in the Philippines in 1963.

HUMAN RESOURCES

As of 31 December 2010, the Group had a total of 18,786 employees.

The following table sets out a breakdown of the employees of the Group by education, age and management level as of 31 December 2010.

Education Level

Education	Company		Subsidiaries		Total	
	Number	%	Number	%	Number	%
Master (S2)	16	0.54	33	0.21	49	0.26
Undergraduate (S1)	372	12.52	1,076	6.80	1,448	7.71
Diploma (D3)	551	18.54	1,300	8.22	1,851	9.85
High School and below	2,033	68.41	13,405	84.77	15,438	82.18
Total	2,972	100.00	15,814	100.00	18,786	100.00

Age Level

Age	Company		Subsidiaries		Total	
	Number	%	Number	%	Number	%
>55 yrs	-	-	64	0.40	64	0.34
46-55 yrs	236	7.97	979	6.19	1,215	6.47
36-45 yrs	606	20.46	2,512	15.88	3,118	16.61
26-35 yrs	1,121	37.85	4,263	26.96	5,384	28.67
18-25 yrs	1,009	33.95	7,996	50.56	9,005	47.93
Total	2,972	100.00	15,814	100.00	18,786	100.00

Management Level

Level	Company	Subsidiaries	Total
Non Staff	2,099	14,231	16,330
Staff	662	1,239	1,901
Manager	191	303	494
Executive	19	42	61
Total	2,972	15,814	18,786



Status

	Level	Company	Subsidiaries	Total
Permanent		2,295	9,135	11,430
Contract		677	6,679	7,356
Total		2,972	15,814	18,786

As of the release date of this prospectus, the Group employs seven expatriates in several positions:

No	Name	Position	Nationality	No. IMTA	Expiry Date	No. KITAS/KI TAP	Expiry Date
1	Chaiyun Jaihong	Technology Consultant at the Company	Thailand	KEP.23619/MEN/B/IMT A/2010	28-Jul-11	2C11JE72 95-J	28-Jul-11
2	William Allan Coutts	Technology Consultant at the Company	Australia	Kep.02835/MEN/B/IMT A/2011	23-Dec-11	2C11MC0 308.J.I	23-Dec-11
3	Howells Robert Mark	Technology Consultant at the Company	Australia	Kep.21617/MEN/B/IMT A/2010	2-Jul-11	2C11JE64 05-J	2-Jul-11
4	Kumaraguru Nadaysen	Finance, Accounting dan Supply Director at PAMA	Malaysia	Kep.06904/MEN/P/IMT A/2010	14-Jun-11	2C21JE76 01-J	14-Jun-11
5	Timothy John Hammel	Tire Specialist Engineer at PAMA	Australia	Kep.17564/MEN/P/IMT A/201	12-Dec-11	2C21JE61 85AJ	12-Dec-11
6	Shozo Yonenaka	Senior Maintenance Manager at PAMA	Japan	Kep.17938/MEN/P/IMT A/2010	31-Dec-11	2C21AJ31 91-J	31-Dec-11
7	Hasan Imer	Operation Director at PIM	Turkey	NA*	NA*	2C21JE86 69-J	21-Jul-11

**As of the date of this Prospectus, Hasan Imer does not have IMTA. The Company has committed to process the IMTA documentation within six months from the acceptance of letter from BAPEPAM & LK stating that BAPEPAM & LK has no further written correspondence with regard to this Rights Issue.*

The Company has fulfilled the regional regulation regarding minimum salary and also has provided welfare facilities to employees such as:

- pension fund;
- health facility in the form of insurance and polyclinic;
- housing facility;
- leave allowance;
- transportation allowance;
- sports and religious facilities; and
- training and development facilities.



The majority of permanent employees are represented by unions. The collective labour agreements between the unions and the Company stipulate policies regarding issues such as working hours, productivity, education and training, compensation and benefits, medical, social security and retirement benefits, workplace safety and health, disciplinary acts and termination of employment. The Company attributes its high retention rate to its competitive compensation policy, including medical benefits and transportation.

The Group emphasizes workplace health and safety and sponsors the following programs:

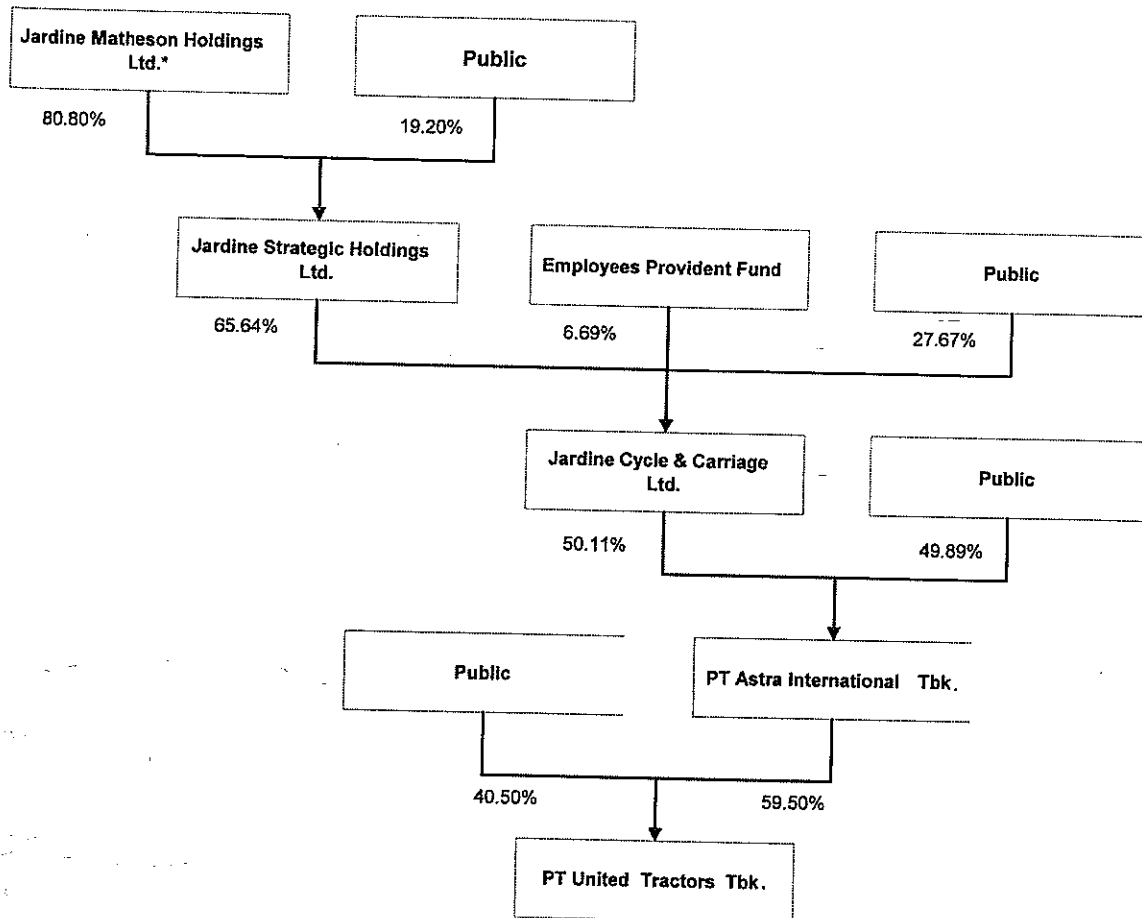
- training programs to improve employees' awareness and responsibility for workplace safety and health;
- safer working environment (e.g., physical improvements to control noise, improvements in lighting, pollution-control instruments);
- preventive programs and emergency fire procedures; and
- improvements in safety equipment.

The Company considers employee training to be a key part of its initiative to establish itself as a customer-driven company. In addition to the learning centre located at the head office, the Company has recently established three learning centres located in Pekanbaru, Samarinda, and Makassar. Each of these learning centres provides courses in technical competence development relating to operation and maintenance of heavy equipment. The behavioral courses, managed by the Human Capital Division at the Company headquarters, are designed to impart leadership and managerial skills.

The Company has a Joint Cooperation Agreement between the Company and the Labor Union which has been registered with the State Labor and Transmigration Department of the Republic of Indonesia based on the letter by General Director of Industrial Relations and Worker's Social Security No. KEP.28/PHIJKS/PKKAD/2009-05-11 dated 7 April 2009. The Joint Cooperation Agreement applies until 30 September 2011.



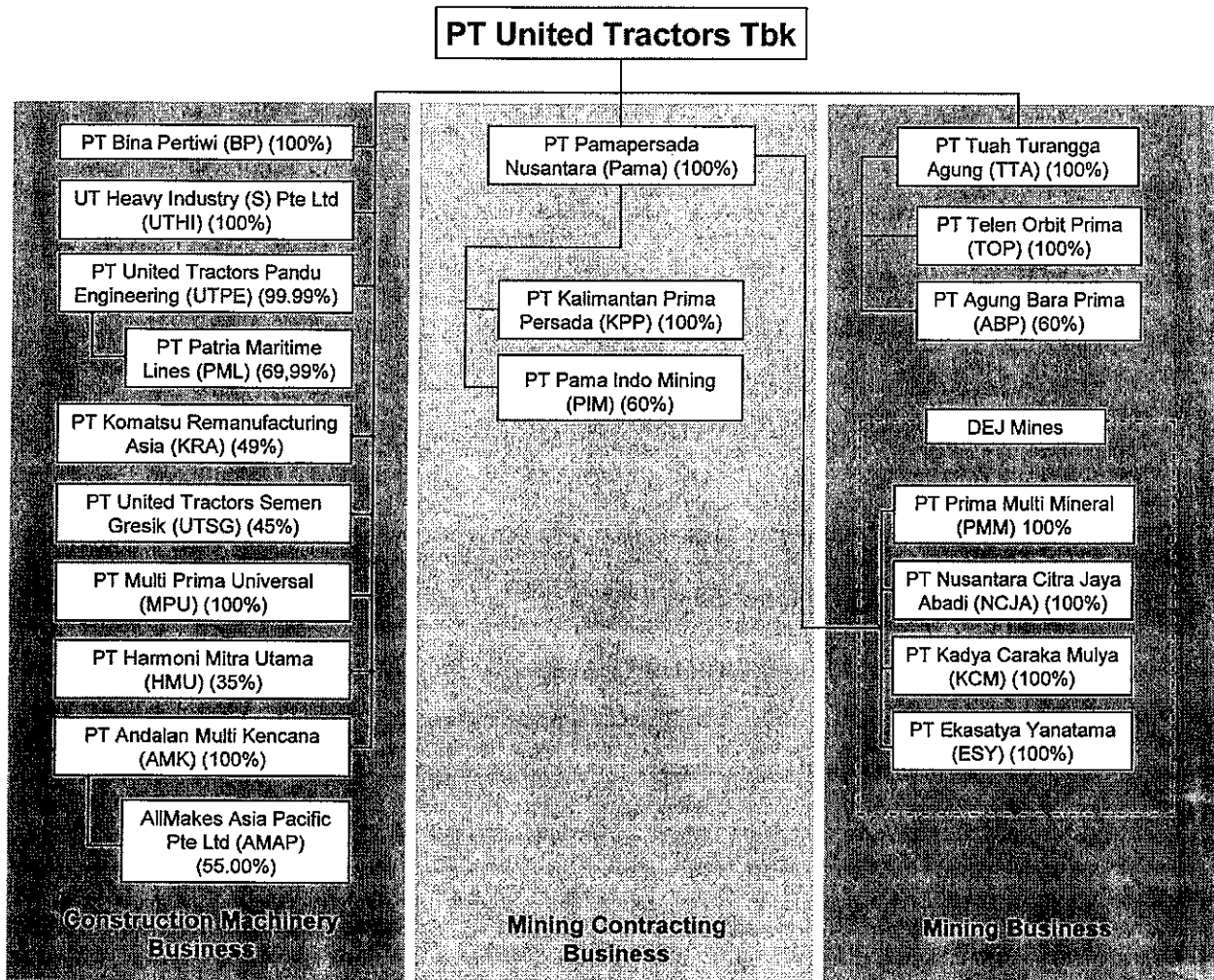
SHAREHOLDING RELATIONSHIP BETWEEN THE COMPANY AND ITS SHAREHOLDERS (AS OF 31 DECEMBER 2010)



Note: *Publicly listed company on the Singapore Stock Exchange and the London Stock Exchange.

SHAREHOLDING AND MANAGEMENT RELATIONSHIP BETWEEN THE COMPANY, SUBSIDIARIES AND ASSOCIATES

The Company owns seven Subsidiaries and three associates. The following diagram provides information with regards to the relationship between the Company and its Subsidiaries and Associates.



The following table shows Company's major Subsidiaries (under direct ownership) and associated companies:

Name	Direct Ownership		Indirect Ownership		Business	Status
	%	Year Acquired	%	Year Acquired		
PT Pamapersada Nusantara	99.99%	1988	0.01% through UTPE	2004	Mining contracting	Operational
PT United Tractors Pandu Engineering	99.99%	1983			Heavy equipment manufacturing	Operational
UT Heavy Industry (S) Pte Ltd	100.00%	1994			Import of heavy equipment	Operational
PT Multi Prima Universal	49.99%	2008	50.01% through PAMA	2011	Trading used heavy equipments and rental service	Operational
PT Buah Turangga Agung	100%	2008			Mining and trading services	Operational
PT Bina Pertiwi	99.99%	1976	0.01% through UTPE	2010	General trading and construction	Operational
PT Andalan Multi Kencana	75.00%	2010	25% through UTPE	2010	Trading of spare parts	Operational
PT Komatsu Remanufacturing Asia	49.00%	1997			Remanufacturing of heavy equipment	Operational
PT United Tractors Semen Gresik	45.00%	1992			Mining services	Operational
PT Harmoni Mitra Utama	35.00%	2008			Logistics and distribution (freight forwarding)	Operational



Name	Direct Ownership		Indirect Ownership		Business	Status
	%	Year Acquired	%	Year Acquired		
PT Kalimantan Prima Persada			99.99% through PAMA 0.01% through UTPE	2003	Mining services and port	Operational
PT Prima Multi Mineral			99.83% through PAMA 0.17% through UTPE	2007	Mining services	Operational
PT Telen Orbit Prima			99.99% through TTA 0.1% through BP	2007	Mining concession	Operational
PT Patria Maritime Lines			69.99% through UTPE	2008	Shipping services	Operational
PT Pama Indo Mining			60.00% through PAMA	1997	Mining contracting	Operational
PT Kadya Caraka Mulya			99.90% through PAMA 0.10% through UTPE	2007	Mining concession	Operational
PT Agung Bara Prima			60% through TTA	2010	Mining concession	Not Operational
PT Nusantara Citra Jaya Abadi			99.88% through PAMA 0.12% through UTPE	2007	Mining concession	In the process of mine closing
PT Ekasatya Yanatama			99.90% through PAMA 0.10% through UTPE	2007	Mining concession	Not Operational
AllMakes Asia Pacific Pte Ltd			55.00% through AMK	2011	Trading of spare parts	Operational

Management and Supervision

Name	Company	Astra	PAMA	UTPE	UTHI	MPU
Commissioner						
Prijono Sugiarto	PC	PD	Cm	-	-	-
Benjamin W Keswick	VPC	Cm	-	-	-	-
Simon Collier Dixon	Cm	Dir	-	-	-	-
Lt. Gen. Soegito (Ret)	IC	-	-	-	-	-
Anugerah Pekerti	IC	-	-	-	-	-
Stephen Z Satyahadi	IC	-	-	-	-	-
Director						
Djoko Pranoto	PD	Dir	PC	PC	Dir	-
Bambang Widjanarko Eddy Santoso	VPD	-	-	-	Dir	Cm
Gidion Hasan	Dir	-	Cm	Cm	Dir	-
Hendrik K Hadiwinata	Dir	-	-	Cm	-	PC
Iman Nurwahyu	Dir	-	-	-	-	-
Edhie Sarwono	Dir	-	-	-	-	-

President Commissioner: PC; Vice President Commissioner: VPC; Independent Commissioner: IC; Commissioner: Cm; President Director: PD; Vice President Director: VPD; Director: Dir.



Name	TTA	BP	AMK	KRA	UTSG	HMU
Commissioner						
Prijono Sugiarto	Cm	-	-	-	-	-
Benjamin W Keswick	-	-	-	-	-	-
Simon Collier Dixon	-	-	-	-	-	-
Lt. Gen. Soegito (Ret)	-	-	-	-	-	-
Anugerah Pekerti	-	-	-	-	-	-
Stephen Z Satyahadi	-	-	-	-	-	-
Director						
Djoko Pranoto	PC	-	-	-	-	-
Bambang Widjanarko Eddy Santoso	-	-	-	Cm	Cm	-
Gidion Hasan	PD	-	-	-	Cm	-
Hendrik K Hadiwinata	-	Cm	-	-	-	-
Iman Nurwahyu	-	-	PC	PD	-	Cm
Edhie Sarwono	-	PC	-	-	-	-

President Commissioner: PC; Vice President Commissioner: VPC; Commissioner: Cm; President Director.

INFORMATION ON SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group's main activities include the distribution of heavy equipment and related services, mining contracting services and coal mining. The Company's Subsidiaries and Associates are described below.

PT Pamapersada Nusantara ("PAMA")

Background

PAMA was established in Jakarta based on Deed of Establishment No.74, dated 26 August 1988 as amended by Deed No. 35, dated 15 February 1989 both are drawn before Mrs. Rukmasanti Hardjasatya, SH, Notary in Jakarta. The Deed of Establishment and its amendment were approved by the Minister of Justice of the Republic of Indonesia based on Decree No.C2-4876.HT.01.01.TH89, dated 1 June 1989, registered in the District Court of East Jakarta under No. 119/Leg/1989, dated 10 August 1999 and published in the State Gazette No.77, dated 26 September 1989, Supplement No. 2099.

Business Activities

PAMA provides various contracting services, primarily in coal mining, but also in construction and infrastructure development.

Share Capital

PAMA's capital structure and shareholders as of the date of this Prospectus is based on the Deed of Resolution of Shareholders No. 17 dated 13 June 2008, drawn before Lolani Kurniati Irdham-Idroes, SH, Notary in Jakarta, and approved by the Minister of Law and Human Rights of Republic of Indonesia based on Decree No. AHU-44018.AH.01.02.Tahun 2008, dated 23 July 2008, are as follows:



Shareholders	Number of Shares	Nominal Value (Rp. 500- per share)	(%)
Authorized Capital	5,600,000,000	2,800,000,000,000	
Issued and Paid up Capital			
The Company	1,475,950,800	737,975,400,000	99.99
PT United Tractors Pandu Engineering	49,200	24,600,000	0.01
Total Issued and Paid up Capital	1,476,000,000	738,000,000,000	100.00
Shares in Portfolio	4,124,000,000	2,062,000,000,000	

Management and Supervision

Based on Deed of Resolution of Shareholders No. 15, dated 27 May 2009, drawn before Lolani Kurniati Irdham-Idroes, SH, LLM, Notary in Jakarta which has been notified to MOLHR on 14 July 2009, the GMS has appointed the following members of the Board of Commissioners and the Board of Directors of PAMA:

Board of Commissioners:

President Commissioner	:	Djoko Pranoto
Commissioner	:	Prijono Sugiarto
Commissioner	:	Gidion Hasan

Board of Directors:

President Director	:	Sudiarso Prasetio
Vice President Director	:	Dwi Priyadi
Director	:	Kumaraguru Nadaysen
Director	:	Dadi Sukarso Yuwono
Director	:	Frans Kesuma
Director	:	Bambang Tjahjono

Financial Highlights

The following selected financial information should be read in conjunction with the audited financial statements of PAMA as of and for the years ended 31 December 2009 and 2010. The financial statements of PAMA as of and for the years ended 31 December 2009 and 2010, which are not included in this Prospectus, have been audited by KAP Tanudiredja, Wibisana & Rekan (a member firm of PwC global network, formerly KAP Haryanto Sahari & Rekan) with unqualified opinion.

Consolidated Balance Sheet

	(Rp. millions)	
	31 December	
	2009	2010
Current Asset	4,978,184	6,032,215
Non-current Asset	8,759,574	9,874,235
Total Asset	13,737,758	15,906,450
Current Liabilities	4,967,261	6,043,428
Non-current Liabilities	2,636,735	2,979,821
Total Liabilities	7,603,996	9,023,249
Minority Interest	12,585	13,799
Total Equity	6,121,177	6,869,402
Total Liabilities and Equity	13,737,758	15,906,450



Consolidated Statement of Income

(Rp. millions)

Description	31 December	
	2009	2010
Net Revenues	18,261,125	20,093,823
Cost of Revenues	(14,578,405)	(17,243,935)
Gross Profit	3,682,720	2,849,888
Operating Expense	(356,244)	(458,902)
Operating Income	3,326,476	2,390,986
Other Income/(Expense), net	413,217	(28,617)
Profit before Income Tax	3,739,693	2,362,369
Income Tax Expense	(1,149,247)	(629,060)
Income before Minority Interest	2,590,446	1,733,309
Minority Interest in Net Income of Subsidiaries	(2,104)	(3,133)
Net Income	2,588,342	1,730,176

The decrease in PAMA's gross profit from Rp. 3,682.7 billion in 2009 to Rp. 2,849.9 billion in 2010 was attributable to the negative impact of heavy rain falls and the strengthening of Indonesian Rupiah against the U.S. Dollar. As a result, operating income has decreased 39.1% to Rp. 2,391.0 billion in 2010. In 2010, PAMA booked net foreign exchange gain amounting to Rp. 106.6 billion, compared to net foreign exchange gain amounting to Rp. 549.3 billion in 2009. Profit before income tax, income before minority interests and net income have decreased by 36.8%, 33.1% and 33.1%, respectively, in 2010.

PT United Tractors Pandu Engineering ("UTPE")**Background**

UTPE was established based on the Domestic Capital Investment Law No. 6/1968, based on Deed of Establishment No. 78 dated 8 February 1983, made before Kartini Muljadi, SH, Notary in Jakarta. The deed of establishment was legalized by the MOLHR on 8 November 1984 and was published in the State Gazette of the Republic of Indonesia No. 11 dated 5 February 1985, Supplement No. 159.

After the Rights Issue III, UTPE's Articles of Association has been amended and re-stated by Deed No. 8 dated 5 June 2009, made before Rika Adrianti, S.H., Notary in Bekasi, which was reported to the MOLHR on 10 July 2009, which has obtained notification receipt No. AHU-AH.01.10-09995 dated 10 July 2009 and registered at the Company Register No. AHU-0041950.AH.01.09.Tahun 2009 dated 10 July 2009 ("**Deed No. 8/2009**").

Business Activities

UTPE activities cover heavy equipment industry, contractor services and trading.

Share Capital

UTPE's capital structure and shareholders composition as at the date of this Prospectus based on the Deed of Statement on Shareholders' Resolution No. 15 dated 10 January 2009, made before Winarto Wiryomartani, S.H., Notary in Jakarta and has obtained Notification receipt from the MOLHR No. AHU-AH.01.10-09995 on 10 July 2009 and registered in the Company Register No. AHU-0041950.AH.01.09.Tahun 2009 on 10 July 2009, are as follows:



Shareholders	Number of Shares	Nominal Value (Rp. 1,000,000- per share)	(%)
Authorized Capital	300,000	300,000,000,000	
Issued and Paid up Capital			
The Company	119,673	119,673,000,000	99.99
PT Arya Kharisma	1	1,000,000	0.01
Total Issued and Paid up Capital	119,674	119,674,000,000	100.00
Shares in Portfolio	180,326	180,326,000,000	

Management and Supervision

In accordance with the Deed No. 8/2009 jo. Deed No. 40 dated 25 August 2010, made before Benny Kristianto, SH, Notary in Jakarta, which has been notified to the MOLHR based on Notification Receipt Letter No. AHU-AH.01.10-29914 on 22 November 2010 and registered in the Company Register No. AHU-0084638.AH.01.09.Tahun 2010 dated 22 November 2010 ("**Deed No.40/2010**"), the members of the Board of Commissioners and the Board of Directors of UTPE are as follow:

Board of Commissioners:

President Commissioner	:	Djoko Pranoto
Commissioner	:	Gidion Hasan
Commissioner	:	Hendrik Kusnadi Hadiwinata

Board of Directors:

President Director	:	Loudy Irwanto Ellias
Vice President Director	:	Hilman Risan
Director	:	Budhi Martono
Director	:	Tjandrawati Waas

Financial Highlights

The following selected financial information should be read in conjunction with the audited financial statements of UTPE as of and for the years ended 31 December 2009 and 2010. The financial statements of UTPE as of and for the years ended 31 December 2009 and 2010, which are not included in this Prospectus, have been audited by KAP Tanudiredja, Wibisana & Rekan (a member firm of PwC global network, formerly KAP Haryanto Sahari & Rekan) with unqualified opinion.

Balance Sheet

	(Rp. millions)	
	2009	31 December 2010
Current Asset	414,100	487,568
Non-current Asset	231,047	359,487
Total Asset	645,147	847,055
Current Liabilities	211,124	298,003
Non-current Liabilities	81,020	115,604
Total Liabilities	292,144	413,607
Total Equity	353,003	433,448
Total Liabilities and Equity	645,147	847,055



Statement of Income

(Rp. millions)

Description	31 December	
	2009	2010
Net Revenues	726,511	1,073,769
Cost of Revenues	(564,555)	(857,880)
Gross Profit	161,955	215,889
Operating Expense	(49,746)	(65,272)
Operating Income	112,210	150,610
Other Expenses, net	(5,566)	6,427
Profit before Income Tax	106,644	157,044
Income Tax Expense	(31,084)	(42,068)
Income before Minority Interest	75,560	114,976
Minority Interest in Net Income of Subsidiaries	208	2,316
Net Income	75,768	117,292

The increase in the non-current assets of UTPE by 56% in 2010 was caused by a significant purchase of fixed assets including new boat purchases, additional machines and equipment in 2010. In addition, UTPE invested in a new company (AMK) with a total ownership of 25%. The increase in current liabilities was primarily due to the increase in UTPE's loan where UTPE received a longer term of delivery. The increase in non-current liabilities in 2010 was caused by an increase in long term loans used to purchase capital goods.

The 48% increase in UTPE's revenue, in addition to higher sales volume, was also caused by business diversification. This increase was accompanied by the increase in cost of goods sold by 52% due to higher production costs and raw materials. The increase in operating expenses was caused by higher employee expenses and increases in building maintenance. Along with the increase in the Company's sales, the Company's income tax expenses increased by 35%. The increase in minority interests was due to the better performance of the consolidated subsidiaries.

UT Heavy Industry (S) Pte. Ltd ("UTHI")**Background**

UTHI was established in Singapore based on the certificate of incorporation of private company dated 24 September 1994 recorded by Mrs. Brenda Tan, Senior Assistant Registrar of Companies & Businesses, Singapore with company number 1994068867. UTHI is incorporated under the Companies Act, Cap. 50 under Singapore law and UTHI is a private company limited by shares.

Business Activities

UTHI is involved mainly in the handling of import of heavy equipment to Indonesia.

Share Capital

UTHI's capital structure and shareholders as of 31 December 2010 is as follows:

Shareholders	Number of Shares	Nominal Value (\$\$1 - per share)	(%)
Authorized Capital	400,000	400,000	
Issued and Paid up Capital			
The Company	262,985	262,985	100.00
Total Issued and Paid up Capital	262,985	262,985	100.00
Shares in Portfolio	137,015	137,015	

**Management and Supervision**

As at the date of this Prospectus, the composition of the Board of Directors is:

Board of Directors:

Director	:	Henricus Josef Hendra
Director	:	Pepen Handianto Danuatmadja
Director	:	Djoko Pranoto
Director	:	Gidion Hasan

Financial Highlights

The following selected financial information should be read in conjunction with the audited financial statements of UTHI as of and for the years ended 31 December 2009 and 2010. The financial statements of UTHI as of and for the years ended 31 December 2009 and 2010, which are not included in this Prospectus, have been audited by PricewaterhouseCoopers LLP – Singapore with unqualified opinion.

Balance Sheet

	<i>(in U.S. Dollar)</i>	
	31 December	
	2009	2010
Current Asset	50,388,873	121,796,563
Non-current Asset	-	611
Total Asset	50,388,873	121,797,174
Total Liabilities	15,484,031	79,804,847
Total Equity	34,904,842	41,992,327
Total Liabilities and Equity	50,388,873	121,797,174

Statement of Income

	<i>(in U.S. Dollar)</i>	
	31 December	
Description	2009	2010
Net Revenues	26,345,560	78,895,560
Cost of Revenues	(22,646,408)	(69,273,206)
Gross Profit	3,699,152	9,622,354
Operating Expenses	(640,951)	(702,279)
Operating Income	3,058,201	8,920,075
Other Income, net	39,535	337,651
Profit before Income Tax	3,097,736	9,257,726
Income Tax Expense	(5,828)	(1,551,859)
Net Income	3,091,908	7,705,867

The increase in the current assets of UTHI was caused by the increase in heavy equipment inventory and also the increase in the cash received from customer of 758% and 308%, respectively. In line with the increase in inventory, the current liabilities of UTHI was also increased.

UTHI's 199% increase in net sales was primarily due to the increase in heavy equipment sales. Along with the increase, the Company's cost of goods sold also rose. The increase in income tax was primarily caused by the Global Trade Programme received by UTHI in 2009, which earned the Company a 10% tax incentive.

**PT Komatsu Remanufacturing Asia ("KRA")****Background**

KRA was established in Jakarta based on the Deed of Establishment No. 54, dated 27 May 1997, as amended by the Deed of Amendment of the Deed of Establishment No. 19, dated 15 December 1998, both deeds made before Mrs. Rukmasanti Hardjasatya, SH, Notary in Jakarta. The Deed of Establishment and its amendment were approved by the Minister of Justice of the Republic of Indonesia based on 16 March 1999, registered in the Company Register at the Office of Company Registration of East Jakarta on 6 May 1999, and published in the State Gazette No. 52, dated 29 June 1999, Supplement No. 3895.

After the Rights Issue III, KRA's Article of Association has been amended by Deed No. 32 dated 7 August 2008, made before Benny Kristianto, Notary in Bekasi, which was approved by the MOLHR on 6 October 2008 and registered in the Company Registry dated 29 July 2009.

Business Activities

KRA is mainly involved in the overhaul and reconditioning of engines and components of heavy equipment.

Share Capital

KRA's capital structure and shareholders as at the date of this Prospectus based on the Deed of Statement on Shareholders' Resolution No. 6 dated 22 February 2011, made before Yayuk Sri Wahyuningsih, SH, MKn, Notary in Jakarta, is as follows:

Shareholders	Number of Shares	Nominal Value (Rp. 2,412,000 (U.S. \$ 1,000) - per share)	(%)
Authorized Capital	4,000	9,648,000,000	
Issued and Paid up Capital			
The Company	588	1,418,256,000	49.00
PT Komatsu Indonesia	612	1,476,144,000	51.00
Total Issued and Paid up Capital	1,200	2,894,400,000	100.00
Shares in Portfolio	2,800	6,753,600,000	

Management and Supervision

In accordance with Deed of Shareholders Meeting Statement No. 32 dated 18 May 2010 and Deed of Meeting Resolution No. 16 of 12 January 2011, both deeds were drawn up before Benny Kristianto, SH, Notary in Jakarta, the GMS has appointed the following members of the Board of Commissioners and the Board of Directors of KRA. As at the date of this Prospectus, the composition is:

Board of Commissioners:

President Commissioner : Hidetaka Kita
Vice President Commissioner : Bambang Widjanarko Eddy Santoso
Commissioner : Takafumi Takenaka

Board of Directors:

President Director : Iman Nurwahyu
Vice President Director : Shigeyuki Miyamoto
Director : Satoru Tanaka
Director : Widjaja Kartika
Director : Yanu Wardhono
Director : Osamu Yamazaki
Director : Aep Taufik Hidayat

**Financial Highlights**

The following selected financial information should be read in conjunction with the audited financial statements of KRA as of and for the year ended 31 December 2009. The financial statements of KRA as of and for the year ended 31 December 2009, which are not included in this Prospectus, have been audited by KAP Tanudiredja, Wibisana & Rekan (a member firm of PwC global network (a member firm of PwC global network, formerly KAP Haryanto Sahari & Rekan) with unqualified opinion. In 2010, KRA switched its fiscal reporting period from 31 December to 31 March. The financial statements of KRA as of and for the period ended 31 December 2010 below have not been audited.

Balance Sheet

	<i>(Rp. Millions)</i>	
	31 December	
	2009	2010
	<i>(Audited)</i>	<i>(Unaudited)</i>
Current Asset	246,363	319,928
Non-current Asset	102,079	154,995
Total Asset	348,442	474,923
Current Liabilities	185,746	293,089
Non-current Liabilities	4,207	7,395
Total Liabilities	189,953	300,484
Total Equity	158,489	174,439
Total Liabilities and Equity	348,442	474,923

Statement of Income

Description	<i>(Rp. millions)</i>	
	31 December	
	2009	2010
	<i>(Audited)</i>	<i>(Unaudited)</i>
Net Revenues	602,248	714,477
Cost of Revenues	(482,778)	(608,589)
Gross Profit	119,470	105,888
Operating Expense	(42,783)	(61,542)
Operating Income	76,687	44,346
Other Expense, net	2,351	576
Profit before Income Tax	79,038	44,922
Income Tax Expense	(22,436)	(8,554)
Net Income	56,602	36,368

The increase in KRA's current assets from 2009 to 2010 by 30% was primarily caused by the higher accounts receivable after higher sales to customers. The increase in non-current assets in 2010 was caused by higher fixed assets and equipment in 2010. Both current and non-current liabilities increased by 58%, especially due to higher trade payables and bank borrowings.

The increase in operating expenses was in line with higher sales especially with the higher number of employees. Net income increased by 36% in 2010 after sales increased during the year.

PT Multi Prima Universal ("MPU")**Background**

MPU, domiciled in East Jakarta, is a limited liability company duly established and existing under the Laws of the Republic of Indonesia, based on Deed of Establishment No. 30 dated 13 February 2008, made before Augustin Beatrice Suyanto, SH, notary in Jakarta, which was legalized by the MOLHR on 26 March 2008.



After the Rights Issue III, the articles of association of MPU has been amended by Deed of General of Meeting Resolutions No. 04 dated 1 April 2011, drawn up before Lolani Kurniati Idroes, SH, Notary in Jakarta, and still in the process of approval by the MOLHR based on Surat Keterangan No. 082/Not.LKI/IV/2011 dated 15 April 2011 ("Akta No. 04/2011").

Business Activities

MPU has been established to carry on heavy equipment trading, sale and lease machineries, sale and lease of heavy equipment, and mining.

Share Capital

MPU's capital structure and shareholders as at the date of this Prospectus based on Deed No. 04/2011, is as follows:

Shareholders	Number of Shares	Nominal Value (Rp. 1,000,000 per share)	(%)
Authorized Capital	200,000	100,000,000,000	
Issued and Paid up Capital			
The Company	99,999	99,999,000,000	49.99
PAMA	100,001	100,001,000,000	50.01
Total Issued and Paid up Capital	200,000	200,000,000,000	100.00
Shares in Portfolio	-	-	

Management and Supervision

In accordance with Deed of Resolutions of General Meeting of Shareholders No. 30 dated 14 October 2010, drawn up by Benny Kristianto, S.H., Notary in Jakarta and Deed No. 04/2011, the shareholders of MPU have appointed the following members of the Board of Commissioners and the Board of Directors of MPU Board of Commissioners. As at the date of this Prospectus, the composition is:

Board of Commissioners:

President Commissioner	: Hendrik Kusnadi Hadiwinata
Commissioner	: Bambang Widjanarko Eddy Santoso
Commissioner	: Dadi Sukarso Yuwono

Board of Directors:

President Director	: Lilik Sutanto
Director	: Bambang Tjahyono
Director	: Herlina Handoko

Financial Highlights

The following selected financial information should be read in conjunction with the audited financial statements of MPU as of and for the years ended 31 December 2009 and 2010. The financial statements of MPU as of and for the years ended 31 December 2009 and 2010, which are not included in this Prospectus, have been audited by KAP Tanudiredja, Wibisana & Rekan (a member firm of PwC global network, formerly KAP Haryanto Sahari & Rekan) with unqualified opinion.



Balance Sheet

	<i>(Rp. millions)</i>	
	31 December	
	2009	2010
Current Asset	122,791	167,509
Non-current Asset	322,380	514,536
Total Asset	445,171	682,045
Current Liabilities	113,107	325,953
Non-current Liabilities	202,127	213,773
Total Liabilities	315,234	539,726
Total Equity	129,937	142,319
Total Liabilities and Equity	445,171	682,045

Statement of Income

Description	<i>(Rp. millions)</i>	
	31 December	
	2009	2010
Net Revenues	112,922	181,060
Cost of Revenues	(90,499)	(153,299)
Gross Profit	22,423	27,761
Operating Expense	(10,691)	(9,337)
Operating Income	11,732	18,424
Other Income, net	28,891	(2,178)
Profit before Income Tax	40,623	16,246
Income Tax Expense	(12,267)	(3,863)
Net Income	28,356	12,383

The increase in current assets was primarily due to the higher receivables as a result of higher sales. Non-current assets also jumped by 60%, caused primarily by the significant increase compared to 2009 in the fixed assets that are currently being leased. The increase in the current liabilities was due to the higher trade payables owed to the Company in relation to heavy equipment sales.

Sales increased by 60% in line with the higher sales volumes. The increase in the cost of goods sold was also in line with the higher depreciation in the leased units and also the fixing costs of the used units before reselling them. The net loss in 2010 was caused by the higher interest expenses paid to the Company in respect to the loan owed to MPU. In addition, the appreciation of the Rupiah also contributed to the loss.

PT Tuah Turangga Agung ("TTA")**Background**

TTA, domiciled in Jakarta, is a limited liability company duly established and existing under the Laws of the Republic of Indonesia, based on Deed of Establishment No. 21 dated 11 May 2006, made before Darmawan Tjoa, SH, SE, Notary in Jakarta, which was approved by the MOLHR on 19 May 2006, registered in the Company Registry of Jakarta Selatan on 22 June 2006 and published in State Gazette No.7663 dated 14 July 2006.

After the Rights Issue III, the articles of association of TTA has been amended several times and most recently with Deed of Minutes of Meeting No.152 dated 22 December 2009 made by Aulia Taufani, SH, Notary in Jakarta and this Deed was approved by the MOLHR on 8 February 2010. ("Deed No.152/2009").

**Business Activities**

TTA is mainly involved in providing mining services and trading.

Share Capital

TTA's capital structure and shareholders as at the date of this Prospectus based on Deed No. 152/2009, is as follows:

Shareholders	Number of Shares	Nominal Value (Rp. 1,000,000 - per share)	(%)
Authorized Capital	19,608	19,608,000,000	
Issued and Paid up Capital			
The Company	19,608	19,608,000,000	100.00
Total Issued and Paid up Capital	19,608	19,608,000,000	100.00
Shares in Portfolio	-	-	

Management and Supervision

Based on Deed of Extraordinary General Meeting of Shareholders No.54 dated 17 June 2010, drawn up by Benny Kristianto, S.H., Notary in Jakarta, the Extraordinary General Meeting of Shareholders has appointed the following members of the Board of Commissioners and the Board of Directors of TTA:

Board of Commissioners:

President Commissioner : Djoko Pranoto
 Commissioner : Prijono Sugiarto

Board of Directors:

President Director : Gidion Hasan
 Director : Yulianto H Pramono
 Director : R. Harjono
 Director : Edianto Rahardja

Financial Highlights

The following selected financial information should be read in conjunction with the audited financial statements of TTA as of and for the years ended 31 December 2009 and 2010. The financial statements of TTA as of and for the years ended 31 December 2009 and 2010, which are not included in this Prospectus, have been audited by KAP Tanudiredja, Wibisana & Rekan (a member firm of PwC global network, formerly KAP Haryanto Sahari & Rekan) with unqualified opinion.

Consolidated Balance Sheet

	<i>(Rp. millions)</i>	
	31 December	
	2009	2010
Current Asset	2,682	341,084
Non-current Asset	108,041	324,043
Total Asset	110,723	665,127
Current Liabilities	79,892	650,698
Non-current Liabilities	2,443	4,923
Total Liabilities	82,335	655,621
Minority Interest	-	4,289
Total Equity	28,388	5,217
Total Liabilities and Equity	110,723	665,127



Consolidated Statement of Income

(Rp. millions)

Description	31 December	
	2009	2010
Net Revenues	-	368,660
Cost of Revenues	-	(373,786)
Gross Profit	-	(5,126)
Operating Expense	(5,408)	(29,057)
Operating Loss	(5,408)	(34,183)
Other Expense, net	(229)	(7,689)
Loss before Income Tax	(5,637)	(41,872)
Income Tax Benefit	815	8,317
Minority Interest	-	(7)
Net Loss	(4,822)	(33,562)

The increase in the overall accounts owned by TTA was because TTA, through TOP, only started its production in 2010 whereby in 2009, the company was still in a production preparation stage.

PT Bina Pertiwi ("BP")**Background**

BP, domiciled in Jakarta, is a limited company established based on the Deed of Establishment No. 32, dated 15 November 1976, as amended by the Deed of Amendment No. 27, dated 22 February 1977, both deeds being made before Subagio Reksodipuro, SH, Notary in Jakarta. The Deed of Establishment and its amendment were legalized by the Minister of Justice of the Republic of Indonesia on 16 March 1977, registered in the Book of Register at the Jakarta District Court Office under No. 2562 and 2563, dated 16 March 1977, and published in the State Gazette No. 72, dated 9 September 1977, Supplement No. 533.

After the Rights Issue III, the articles of association of BP has been amended several times and most recently with Deed of Minutes of Meeting No.37 dated 23 July 2010 made by Benny Kristianto, SH, Notary in Jakarta and this Deed was approved by the MOLHR on 4 October 2010. ("Deed No.37/2010").

Business Activities

BP's main business activity is general trading and construction services.

Share Capital

BP's capital structure and shareholders as at the date of this Prospectus based on Deed No. 37/2010, is as follows:

Shareholders	Number of Shares	Nominal Value (Rp. 250,000 - per share)	(%)
Authorized Capital	800,000	200,000,000,000	
Issued and Paid up Capital			
The Company	199,999	49,999,750,000	99.99
UTPE	1	250,000	0.01
Total Issued and Paid up Capital	200,000	50,000,000,000	100.00
Shares in Portfolio	600,000	150,000,000,000	

**Management and Supervision**

In accordance with Annual General Meeting of Shareholders dated 14 April 2011, the General Meeting of Shareholders has appointed the following members of the Board of Commissioners and the Board of Directors of BP. As at the date of this Prospectus, the composition is:

Board of Commissioners:

President Commissioner : Edhie Sarwono
 Commissioner : Hendrik Kusnadi Hadiwinata

Board of Directors:

President Director : Bugie Laksana
 Director : C. Crown Dirgantoro
 Director : Prajogo

Financial Highlights

The following selected financial information should be read in conjunction with the audited financial statements of BP as of and for the years ended 31 December 2009 and 2010. The financial statements of BP as of and for the years ended 31 December 2009 and 2010, which are not included in this Prospectus, have been audited by KAP Tanudiredja, Wibisana & Rekan (a member firm of PwC global network, formerly KAP Haryanto Sahari & Rekan) with unqualified opinion.

Balance Sheet

	<i>(Rp. millions)</i>	
	31 December	
	2009	2010
Current Asset	150,565	237,262
Non-current Asset	21,495	73,493
Total Asset	172,061	310,755
Current Liabilities	150,276	177,009
Non-current Liabilities	3,195	57,046
Total Liabilities	153,471	234,056
Total Equity	18,589	76,699
Total Liabilities and Equity	172,061	310,755

Statement of Income

Description	<i>(Rp. millions)</i>	
	31 December	
	2009	2010
Net Revenues	217,605	321,773
Cost of Revenues	(179,233)	(255,133)
Gross Profit	38,371	66,639
Operating Expense	(52,050)	(49,183)
Operating (Loss) / Income	(13,678)	17,455
Other Expense, net	(7,549)	(4,649)
(Loss) / Profit before Income Tax	(21,228)	12,806
Income Tax Expense	4,711	(2,696)
Net (Loss) / Income	(16,516)	10,109

The increase in current assets in 2010 by 58% was primarily from the increase in heavy equipment inventories and spare parts that were available for sale by BP. This increase was in line with the increase in the number of products sold by BP which were previously sold by the Company. The increase in the non-current assets were caused by the increase in fixed assets that were leased, i.e. power generators and forklifts. The increase in non-current liabilities, on the other hand, was due to the loan to the Company in 2010 in the amount of Rp. 48.5 billion. The Company also increased its paid in capital in BP last year.



The increase in net sales and the cost of goods sold was due to the shift in the product lines sold by BP whereby in 2009, the sales in the first half of the year was done directly by the Company. The relative decline in other expenses in 2010 was related to the time in 2009 when BP had to pay Rp. 3 billion in tax expenses after receiving an order by the Tax Authority.

PT United Tractors Semen Gresik ("UTSG")

Background

UTSG, domiciled in Gresik, is a limited company which was established based on the Law of the Republic of Indonesia under the name of PT Usaha Tambang Sela Giri, based on Deed of Establishment No. 185, dated 15 October 1992, made before Poerbaningsih Adi Warstio, SH, Notary in Jakarta and was amended by Deed of Amendment No. 38, dated 4 December 1992 made before Poerbaningsih Adi Warsito, SH, Notary in Jakarta in relation to change of name to UTSG. Both were legalized by the Minister of Justice of the Republic of Indonesia on 1 March 1993, registered in the District Court Office of Central Jakarta under on 13 March 1993, and was published in the State Gazette No. 52, dated 29 June 1993, Supplement No. 2911.

After the Rights Issue III, the articles of association of UTSG has been amended by Deed of Minutes of Meeting No. 20 dated 12 August 2008 made by Winanto Wiryomartani, SH, Notary in Jakarta and this Deed was approved by the MOLHR on 20 Oktober 2008, registered at the Company Registry of Department of Trade on 20 October 2008 ("**Deed No.20/2008**").

Business Activities

UTSG's main business activities are in mining services.

Share Capital

UTSG's capital structure and shareholders as at the date of this Prospectus based on Deed No. 20/2008, is as follows:

Shareholders	Number of Shares	Nominal Value (Rp 1,000 per share)	(%)
Authorized Capital	30,000,000	30,000,000,000	
Issued and Paid up Capital	7,500,000	7,500,000,000	
The Company	3,375,000	3,375,000,000	45.00
PT Semen Gresik (Persero) Tbk.	4,125,000	4,125,000,000	55.00
Total Issued and Paid up Capital	7,500,000	7,500,000,000	100.00
Shares in Portfolio	22,500,000	22,500,000,000	

Management and Supervision

Based on the Deed No. 20/2008, the General Meeting of Shareholders has appointed the following members of the Board of Commissioners and the Board of Directors of UTSG. As at the date of this Prospectus, the composition is:

Board of Commissioners:

President Commissioner	:	Suharto
Commissioner	:	Hartono
Commissioner	:	Lusida Arfianti
Commissioner	:	Gidion Hasan
Commissioner	:	Bambang Widjanarko Eddy Santoso

Board of Directors:

President Director	:	Rizal Suwarno
Director	:	Adityo Sugeng Pramono

**Financial Highlights**

The following selected financial information should be read in conjunction with the audited financial statements of UTSG as of and for the years ended 31 December 2009 which have been audited by KAP Ernst & Young. While financial statements as of and for the years ended 31 December 2010 have not been audited.

Balance Sheet

Description	<i>(Rp. millions)</i>	
	31 December	
	2009	2010
	<i>(Audited)</i>	<i>(Unaudited)</i>
Current Asset	83,791	107,361
Non-current Asset	59,318	114,658
Total Asset	143,109	222,019
Liabilities	53,389	121,415
Equity	89,720	100,604
Total Liabilities and Equity	143,109	222,019

Statement of Income

Description	<i>(Rp. millions)</i>	
	31 December	
	2009	2010
	<i>(Audited)</i>	<i>(Unaudited)</i>
Net Revenues	182,326	207,923
Cost of Revenues	(134,672)	(172,345)
Gross Profit	47,654	35,578
Operating Expense	(16,176)	(19,504)
Other Income/(Expense), net	(3,460)	5,209
Profit before Income Tax	28,018	12,386
Income Tax Expense	(8,895)	(3,490)
Net Income	19,123	8,896

PT Andalan Multi Kencana ("AMK")**Background**

AMK, domiciled in Jakarta, is a limited liability company duly established and existing under the Laws of the Republic of Indonesia, based on Deed of Establishment No. 20 dated 18 February 2010, made before Benny Kristianto, S.H., Notary in Jakarta, which was legalized by the MOLHR on 9 March 2010, registered in the Company Registry No. 09.04.1.50.30190 on 3 May 2010 ("Deed No. 20/2010").

Business Activities

AMK's main business activity is spare parts trading.

**Share Capital**

AMK's capital structure and shareholders as at the date of this Prospectus based on Deed No. 20/2010, is as follows:

Shareholders	Number of Shares	Nominal Value (Rp. 1,000,000 - per share)	(%)
Authorized Capital	400,000	400,000,000,000	
Issued and Paid up Capital			
The Company	75,000	75,000,000,000	75.00
UTPE	25,000	25,000,000,000	25.00
Total Issued and Paid up Capital	100,000	100,000,000,000	100.00
Shares in Portfolio	300,000	300,000,000,000	

Management and Supervision

In accordance with Deed No. 20/2010 the shareholders of AMK have appointed the following members of the Board of Commissioners and the Board of Directors of AMK:

Board of Commissioners:

President Commissioner : Iman Nurwahyu
 Commissioner : Loudy Irwanto Elias

Board of Directors:

President Director : Hasan Junus Satyana
 Director : Edianto Rahardja

Financial Highlights

The following selected financial information should be read in conjunction with the audited financial statements of AMK as of and for the years ended 31 December 2010. The financial statements of AMK as of and for the years ended 31 December 2010, which are not included in this Prospectus, have been audited by KAP Tanudiredja, Wibisana & Rekan (a member firm of PwC global network, formerly KAP Haryanto Sahari & Rekan) with unqualified opinion.

Balance Sheet

Description	(Rp. millions)
	31 December 2010
Current Asset	579,874
Non-current Asset	3,978
Total Asset	583,852
Current Liabilities	454,792
Non-current Liabilities	5,142
Total Liabilities	459,934
Total Equity	123,918
Total Liabilities and Equity	583,852



Statement of Income

Description	(Rp. millions)
	31 December
Net Revenues	2010
Cost of Revenues	470,702
Gross Profit	(401,151)
Operating Expense	69,551
Operating Income	(37,617)
Other Expense, net	31,934
Profit before Income Tax	119
Income Tax Expense	32,053
Net Income	(8,133)
	23,920

PT Patria Maritime Lines ("PML")

Background

PML, domiciled in Cikarang, Bekasi, is a limited liability company duly established and existing under the Laws of the Republic of Indonesia, based on Deed of Establishment No. 79 dated 29 August 2008, made before Augustin Beatrice Suyanto, Notary in Jakarta, which was approved by the MOLHR based on Decision Letter No. AHU-81290.AH.01.01.Tahun 2008 on 3 November 2008, registered in the Company Registry No. AHU-0104252.AH.01.09.Tahun 2008 on 3 November 2008 and published in the State Gazette No. 11 dated 6 February 2009, Supplement No. 3586.

The articles of association of PML have been amended several times and lastly amended by Deed of Minutes of Meeting No.24 dated 22 February 2011 drawn up before Benny Krsitianto, SH, Notary in Jakarta and has been notified to the MOLHR on 16 March 2011 ("Deed No. 24/2011").

Business Activities

PML main business activity is domestic shipping.

Share Capital

PML's capital structure and shareholders composition as at the date of this Prospectus based on Deed No. 24/2011, are as follows:

Shareholders	Number of Shares	Nominal Value (Rp. 1,000,000 - per share)	(%)
Authorized Capital	183,140	183,140,000,000	
Issued and Paid up Capital			
UTPE	63,637	63,637,000,000	69.99
PT Orion Maritime Lines	27,273	27,273,000,000	30.01
Total Issued and Paid up Capital	90,190	90,190,000,000	100.00
Shares in Portfolio	92,950	92,950,000,000	

Management and Supervision

Based on Deed of Shareholders Resolution Statement No. 14 dated 8 October 2009, drawn up before Benny Kristianto, SH, Notary in Jakarta and has obtained notification letter receipt No. AHU-AH.01.10-22463 dated 10 December 2009, registered in the Company Register No. AHU-0082717.AH.01.09.Tahun 2009, the General Meeting of Shareholders has appointed the following members of the Board of Commissioners and the Board of Directors of PML:

*Board of Commissioners:*

President Commissioner : Loudy Irwanto Ellias
 Commissioner : Harry Noerhayat

Board of Directors:

President Director : Hilman Risan
 Director : Demetrius Denny
 Director : Tjandrawati Waas
 Director : Bob Hari Purwanto*

* According to PML, Bob Hari Purwanto has resigned, but there have been no deed of confirmation of such resignation

Financial Highlights

The following selected financial information should be read in conjunction with the audited financial statements of PML as of and for the years ended 31 December 2009 and 2010. The financial statements of PML as of and for the years ended 31 December 2009 and 2010, which are not included in this Prospectus, have been audited by KAP Tanudiredja, Wibisana & Rekan (a member firm of PwC global network, formerly KAP Haryanto Sahari & Rekan) with unqualified opinion.

Balance Sheet

	<i>(Rp. millions)</i>	
	31 December	
	2009	2010
Current Asset	17,814	40,077
Non-current Asset	34,653	112,825
Total Asset	52,467	152,902
Current Liabilities	5,953	41,803
Non-current Liabilities	-	71,993
Total Liabilities	5,953	113,796
Total Equity	46,514	39,106
Total Liabilities and Equity	52,466	152,902

Statement of Income

Description	<i>(Rp. millions)</i>	
	31 December	
	2009	2010
Net Revenues	11,721	94,954
Cost of Revenues	(10,408)	(92,180)
Gross Profit	1,313	2,774
Operating Expense	(2,051)	(5,907)
Operating Income	(738)	(3,133)
Other Expense, net	1,044	(3,095)
Profit before Income Tax	306	(6,228)
Income Tax Expense	(477)	(1,179)
Net Loss	(171)	(7,407)

The increase in the current assets of PML was mainly caused by the increase in receivables in line with the increase in sales of PML. Meanwhile, the increase in non-current assets was mainly caused by the increase in the fixed assets from the purchase of ship assets. The increase in the current liabilities of PML in 2010, aside from the increase in trade payables, was also caused by bank borrowings of U.S.\$4 million and the current portion amounting to U.S.\$1.25 million. For the non-current liabilities, aside from the draw down from bank loans, PML also received a shareholder loan from UTPE and OML for U.S.\$ 5 million.



The increase in gross profits of PML was associated with an increase in sales made by the Company. The decrease in gross profit in 2010 was due to the dominant use of rental units in conducting its business. The increase in operating expenses was due to the enhancement of personnel expenses and office rental costs in Banjarmasin. The decline in other income (expenses) was due to increased interest costs.

PT Kalimantan Prima Persada ("KPP")

Brief History

KPP was established in Banjarbaru based on the Deed of Establishment No. 57 dated 9 September 2003 made before Noor Hasanah, SH, Notary in Banjarbaru. The Deed of Establishment was legalized by the Minister of Justice of the Republic of Indonesia on 17 October 2003.

The articles of association of KPP have been amended and lastly amended by Deed of Statement of Shareholders' General Meeting No. 19 dated 16 July 2008, made before Lolani Kurniati-Idroes, SH, LLM, Notary in Jakarta and has been approved by the MOLHR on 2 September 2008.

Line of Business

KPP is engaged in mining, construction, services and trade with the core business of mining contractor services.

Capital Structure

Capital structure and composition of shareholders on the date of this Prospectus KPP based on the Deed of Statement of Shareholders' General Meeting No. 19 dated 16 July 2008, made before Lolani Kurniati-Idroes, SH, LLM, Notary in Jakarta and approved by the MOLHR on 2 September 2008 are as follows:

Shareholders	Number of Shares	Nominal Value (Rp. 1,000 - per share)	(%)
Authorized Capital	200,000,000	200,000,000,000	
Issued and Paid up Capital			
PAMA	49,995,000	49,995,000,000	99.99
UTPE	5,000	5,000,000	0.01
Total Issued and Paid up Capital	50,000,000	50,000,000,000	100.00
Shares in Portfolio	150,000,000	150,000,000,000	

Management and Supervision

In accordance with the Deed of Statement of Annual General Meeting of Shareholders No. 04 dated June 2, 2010, made before Lolani Kurniati Idroes Ong Cherry, SH, LLM, Notary in Jakarta which has been reported and accepted by MOLHR on June 28, 2010, the General Meeting of Shareholders KPP has appointed members of the Board of Commissioners and Directors KPP as disclosed below.

Board of Commissioners

President Commissioner	: Dwi Priyadi
Commissioner	: Frans Kesuma
Commissioner	: Kumaraguru Nadaysen

Directors:

President Director	: Rahmat Pudjotomo
Director	: Robert Robiyani Halim
Director	: Ferry Triansyah Noor
Director	: Tri Yuli Adriana

**Financial Highlights**

The following financial data summary should be read in conjunction with the financial statements of KPP for the year ended 31 December 2009 and 2010, which was not included in this Prospectus.

Balance Sheet

	(Rp. millions)	
	31 December	
	2009	2010
Current Asset	765,851	639,687
Non-current Asset	191,880	328,220
Total Asset	957,731	967,907
Current Liabilities	418,682	311,431
Non-current Liabilities	22,172	39,057
Total Liabilities	440,854	350,488
Total Equity	516,877	617,419
Total Liabilities and Equity	957,731	967,907

Income statement

Description	(Rp. millions)	
	31 December	
	2009	2010
Net Revenues	2,304,930	2,919,153
Cost of Revenues	(1,797,113)	(2,497,023)
Gross Profit	507,817	422,130
Operating Expense	(32,531)	(99,459)
Operating Income	475,286	322,671
Other Expense, net	25,992	(37,703)
Profit before Income Tax	501,278	284,968
Income Tax Expense	(140,127)	(87,475)
Net Income	361,151	197,493

The increase in non-current assets of KPP were mainly caused by higher units of heavy equipment to support the company's operational activities. The decrease in current liabilities in 2010, were mainly due to decreases in the cost of subcontractors that were not billed in the same period. Higher non-current liabilities was associated with increased costs that were reserved for the reclamation and rehabilitation of mining areas.

The increase in the cost of revenue resulted from the increased volume of coal purchased for resale purposes. In addition to the higher operational costs of KPP. The increase in operating expenses in 2010 was primarily due to increased personnel expenses in KPP and an increased provision for doubtful accounts in the tax office. The net other expense in 2010 was incurred due to a penalty in relation to the late delivery of coal and also the company received a letter from the Tax authority for lack of tax payments.

PT Pama Indo Mining ("PIM")**Brief History**

PIM was established in Jakarta by the Deed of Establishment No. 24 dated 5 February 1997 made before Benny Kristianto, SH, Notary in Jakarta. The Deed of Establishment was legalized by the MOLHR on 30 November 2000 and published in the State Gazette of the Republic of Indonesia No. 57 dated 17 July 2001, Supplement No. 4635.

The articles of associations of PIM have been amended and lastly amended by the Deed of Statement of Shareholders Circular Resolution PIM No. 52 dated 27 November 2008, drawn up before Popie Savitri Martosuhardjo, SH, Notary in Jakarta and has been approved by the Minister of Law and Human Rights on 22 December 2008.

**Line of Business**

PIM is engaged in general mining contractor services.

Capital Structure

The capital structure and composition of shareholders on the date of this Prospectus PIM based on the Deed of Statement of Shareholders Circular No. 52 dated 27 November 2008, drawn up before Popie Savitri Martosuhardjo, SH, Notary in Jakarta and approved by the Ministry of Justice on 22 December 2008 are as follows:

Shareholders	Number of Shares	Nominal Value (Rp. 1,000,000 - per share)	(%)
Authorized Capital	8,000	8,000,000,000	
Issued and Paid up Capital			
PAMA	3,600	3,600,000,000	60.00
PT Indocement Tunggal Prakarsa Tbk	2,400	2,400,000,000	40.00
Total Issued and Paid up Capital	6,000	6,000,000,000	100.00
Shares in Portfolio	2,000	2,000,000,000	

Management and Supervision

In accordance with the Deed of Statement of Circular Shareholders Resolution No. 31 dated 27 January 2010, made before Popie Savitri Martosuhardjo Pharmanto, SH, Notary in Jakarta which has been reported and received by the MOLHR dated 10 February 2010, the General Meeting of Shareholders of PIM have been appointed members of the Board of Commissioners and Directors of PIM as disclosed below:

Board of Commissioners

President Commissioner	: Daniel Eugene Antoine Lavalle
Vice President Commissioner	: Sudiarso Prasetio
Commissioner	: Christian Kartawijaya
Commissioner	: Kumaraguru Nadaysen
Commissioner	: Dwi Priyadi

Directors:

Director	: Nulato Utama
Deputy Director	: Anthony Marcos
Director	: Hasan Imer
Director	: Mufid Rosichin
Director	: Bambang Tjahjono

Financial Highlights

The financial data summary below should be read in conjunction with the financial statements of PIM as of and for the years ended 31 December 2009 and 2010, which were not included in this Prospectus.

The financial statements of PIM as of and for the year ended 31 December 2009, have been audited by KAP Tanudiredja, Wibisana & Rekan (a member firm of PwC global network, formerly KAP Haryanto Sahari & Rekan) with an unqualified opinion.



Balance Sheet

(Rp. millions)

	31 December	
	2009	2010
Current Asset	25,282	33,204
Non-current Asset	15,343	13,901
Total Asset	40,625	47,105
Current Liabilities	7,336	11,028
Non-current Liabilities	2,062	2,628
Total Liabilities	9,398	13,656
Total Equity	31,227	33,449
Total Liabilities and Equity	40,625	47,105

Income statement

(Rp. millions)

Description	31 December	
	2009	2010
Net Revenues	54,188	63,806
Cost of Revenues	(44,060)	(50,233)
Gross Profit	10,128	13,574
Operating Expense	(3,402)	(4,134)
Operating Income	6,726	9,440
Other Expense, net	(761)	(670)
Profit before Income Tax	5,965	8,770
Income Tax Expense	(1,816)	(2,288)
Net Income	4,149	6,482

The increase in current assets in 2010 in PIM was primarily caused by the increase in cash and cash equivalents related to the increased revenues from PIM. The increase in current liabilities in 2010 was due to the dividends payable to shareholders who had not been paid in the year ended 2010.

The increase in net profit in 2010 PIM, other than the increase in net income, was due to higher efficiencies in cost of revenue in the year 2010.

PT Telen Orbit Prima ("TOP")**Brief History**

TOP was established in Jakarta with the Deed of Establishment No. 13, dated 21 October 1999, as amended by Deed No. 10, dated May 23, 2000, both made before Mrs. Herlien, SH, Notary in Bandung. Deed of Establishment was approved by the Minister of Justice of the Republic of Indonesia by virtue of Decree No. C-16 090 HT.01.01.TH.2000, dated August 2, 2000, registered at the Registrar of the South Jakarta District Court under No.. 628/BH.09.03/IV/2002 8 April 2002, and published in State Gazette of the Republic of Indonesia No. 54, dated July 5, 2002, Supplement. No. 6545.

As of the date of this Prospectus, the Deed of Establishment TOP has undergone some changes, and recent changes as stated in the Deed of Statement of Shareholders' No. 166, dated 18 June 2009, drawn up by Aulia Taufani, SH, Notary in Jakarta ("Deed. 166/2009"). This deed was approved by the MOLHR by the Decree No. AHU-48704.AH.01.02.Tahun 2009, dated 9 October 2009, and registered at the company registration No. AHU-0065830.AH.01.09.Tahun 2009, dated October 9, 2009.

Line of Business

TOP is engaged in trading and mining.

**Capital Structure**

Capital structure and composition of TOP shareholders on the date of this Prospectus under Deed. 166/2009 are as follows:

Shareholders	Number of Shares	Nominal Value (Rp. 500 - per share)	(%)
Authorized Capital	100,000	50,000,000,000	
Issued and Paid up Capital			
TTA	71,591	35,795,500,000	99.99
BP	1	500,000	0.01
Total Issued and Paid up Capital	71,592	35,796,000,000	100.00
Shares in Portfolio	28,408	14,204,000,000	

Management and Supervision

In accordance with the Deed of Statement of Shareholders No. 55 dated 17 June 2010 made before Benny Kristianto, SH, Notary in Jakarta which has been reported to the Minister of Justice based on the Letter of Acceptance Notification No. AHU-AH.01.10-17 631, dated 13 July 2010 and registered on the company registration No. AHU-0052780.AH.01.09.Tahun 2009 dated 13 July 2010, the General Meeting of Shareholders TOP was appointed a member of the Board of Commissioners and Directors TOP as disclosed below.

Board of Commissioners:

Commissioner : Djoko Pranoto
Commissioner : Prijono Sugiarto

Directors:

Director : Gidion Hasan
Director : Yulianto H. Pramono
Director : Edianto Rahardja
Director : Robert Harjono

Financial Highlights

The below financial data summary should be read in conjunction with audited financial statements of TOP for the years ended 31 December 2009 and 2010. The financial statements of TOP as of and for the years ended 31 December 2009 and 2010, which was not included in this Prospectus, have been audited by the accounting firm Tanudiredja, Wibisana & Rekan (a member firm of PwC global network, formerly KAP Haryanto Sahari & Rekan) with unqualified opinion.

Balance Sheet

	(Rp. millions)	
	31 December	
	2009	2010
Current Asset	2,743	336,040
Non-current Asset	103,701	171,398
Total Asset	106,444	507,438
Current Liabilities	75,306	505,434
Non-current Liabilities	2,443	4,923
Total Liabilities	77,749	510,357
Total Equity	28,695	(2,919)
Total Liabilities and Equity	106,444	507,438



Income statement

Description	(Rp. millions)	
	31 December	
	2009	2010
Net Revenues	-	368,661
Cost of Revenues	-	(373,787)
Gross Loss	-	(5,126)
Operating Expense	(5,353)	(28,239)
Operating Loss	(5,353)	(33,365)
Other Expense, net	(281)	(6,573)
Loss before Income Tax	(5,634)	(39,938)
Tax benefits	816	8,324
Net Loss	(4,818)	(31,614)

The increase on almost all accounts owned by TOP was because TOP began production in 2010, whereas in 2009, the company was still in the preparatory stage of production.

PT Agung Bara Prima ("ABP")**Brief History**

ABP was established in Jakarta by the Deed of Establishment No. 1 dated 8 February 2005 made before Bambang Permadi Amiseno, SH, MM, Notary in Jakarta, as amended by the Deed Entry Into and Exit From and Amendment of Articles of Association of ABP No. 20 on 9 September 2008, made before Yayek Hartini Soendrio, SH, Mkn, Notary in Bekasi. Deed of Establishment was approved by the Minister of Justice of the Republic of Indonesia by virtue of Decree No. AHU-71459.AH.01.01.Tahun 2008, dated 9 October 2008, registered in the company registration No. AHU.0093766.AH.01.09.Tahun 2008, dated 9 October 2008 and published in the State Gazette of the Republic of Indonesia No. 89 on 4 November 2008, Supplement No. 22455.

Line of Business

ABP is engaged in trading and mining.

Capital Structure

The capital structure and composition of ABP shareholders on the date of this Prospectus based on Deed of Statement of Meeting Resolution No. 96 dated 15 July 2010 ("Deed. 96/2010"), as made before Aulia Taufani SH, Notary in Jakarta and notified to the MOLHR of the Republic of Indonesia by virtue of receipt of the Amendment of Articles of Incorporation No. AHU-AH.01.10-19 059, dated 28 July 2010 and registered in the company registry No. AHU-0056340.AH.01.09.Tahun 2010, dated 28 July 2010 are as follows:

Shareholders	Number of Shares	Nominal Value (Rp. 500 - per share)	(%)
Authorized Capital	2,000	1,000,000,000	
Issued and Paid up Capital			
TTA	612	306,000,000	60.0
Ir. Helyuzar	286	143,000,000	28.1
Danny Yuwono Siswanto	37	18,500,000	3.6
David Alexander	31	15,500,000	3
Yuwono Siswanto	30	15,000,000	2.9
PT Bhakti Harapan Sejahtera	24	12,000,000	2.4
Total Issued and Paid up Capital	1,020	510,000,000	100
Shares in Portfolio	980	490,000,000	-

**Management and Supervision**

Based on Deed No. 96/2010, the General Meeting of Shareholders of ABP has appointed members of the Board of Commissioners and Directors of ABP as disclosed below.

Board of Commissioners

Commissioner : Gidion Hasan
 Commissioner : Iman Nurwahyu
 Commissioner : Tjahjono Imawan

Directors:

President Director : Yulianto H. Pramono
 Director : Edianto Rahardja
 Director : Robert Harjono
 Director : Danny Yuwono Siswanto

Financial Highlights

The below financial data summary should be read in conjunction with financial statements of ABP for the years ended 31 December 2009 and 2010, which were not included in this Prospectus.

Balance Sheet*(Rp. thousands)*

	31 December	
	2009	2010
Current Asset	2,499,440	9,628
Non-current Asset	7,993,804	9,149,042
Total Asset	10,493,244	9,158,670
Current Liabilities	10,123,934	27,750
Non-current Liabilities	54,168	-
Total Liabilities	10,178,102	24,750
Total Equity	315,142	9,133,920
Total Liabilities and Equity	10,493,244	9,158,670

Income statement*(Rp. thousands)*

Description	31 December	
	2009	2010
Net Revenues	-	-
Cost of Revenues	(730,996)	(349,980)
Gross Profit	(730,996)	(349,980)
Operating Expense	-	-
Operating Income	(730,996)	(349,980)
Other Expense, net	493,517	375,074
Profit before Income Tax	(237,479)	(25,094)
Tax benefits/(expenses)	55,293	(6,987)
Net (Loss) / Income	(182,186)	18,107

The lower current assets and current liabilities in 2010 was after the acquisition of TTA in 2010, all of the outstanding receivables for previous share owners had been paid. The increase in the non-current assets in 2010 was the result of increased deferred costs for exploration and development.

The income statement of ABP represents the income statement during pre-operational period.

PT Prima Multi Mineral ("PMM")

Brief History

PMM was established in Jakarta by the Deed of Establishment No. 13 dated 13 October 2004 prepared by Bonar Sihombing SH, Notary in Jakarta. The Deed of Establishment was approved by the Minister of Justice of the Republic of Indonesia by virtue of Decree No. C-31 549 HT.01.01.TH.2004 29 December 2004, registered at the South Jakarta Companies Register under no. 160/BH.09.03/2005 18 January 2005.

Line of Business

PMM is engaged in trade, services, construction, land transport, industry and mining.

Capital Structure

The capital structure and composition of shareholders on the date of this Prospectus PMM based on Deed of Statement of Circular Resolution of Shareholders No. 30 on 28 November 2008, prepared by Lolani Kurniati Ong Cherry-Idroes, SH., LLM., Notary in Jakarta and approved by the MOLHR of the Republic of Indonesia by Decision No. AHU-00 007-AH.01.10, 5 January 2009 are as follows:

Shareholders	Number of Shares	Nominal Value (Rp. 1,000,000 - per share)	(%)
Authorized Capital	1,000	1,000,000,000	
Issued and Paid up Capital			
PAMA	599	599,000,000	99.83
UTPE	1	1,000,000	0.17
Total Issued and Paid up Capital	600	600,000,000	100.00
Shares in Portfolio	400	400,000,000	

Management and Supervision

Based on Deed of Statement of Circular Resolution of Shareholders No. 9 dated 13 August 2009, made before Lolani Kurniati Ong Cherry-Idroes, SH., LLM., Notary in Jakarta which has been reported to the Ministry of Justice on 2 September 2009 and Deed of Statement of Circular Resolution of Shareholders No. 7 dated 12 October 2010, prepared before Lolani Kurniati Ong Cherry-Idroes, SH., LLM., Notary in Jakarta which has been reported to the Ministry of Justice on 29 October 2010, PMM has appointed members of the Board of Commissioners and Directors PMM as set out below.

Board of Commissioners:

President Commissioner : Bambang Tjahyono
 Commissioner : Dadi Sukarso Yuwono
 Commissioner : Ferdinand Christianto

Directors:

President Director : Dwi Priyadi
 Director : Theresa Chinthya AM
 Director : M. Surachman

Financial Highlights

The financial summary data below should be read in conjunction with financial statements of PMM for the years ended 31 December 2009 and 2010, which were not included in this Prospectus.



Balance Sheet

(Rp. millions)

	31 December	
	2009	2010
Current Asset	407,166	385,101
Non-current Asset	21,385	287,576
Total Asset	428,551	672,677
Current Liabilities	204,739	283,047
Non-current Liabilities	438	806
Total Liabilities	205,177	283,853
Total Equities	223,374	388,824
Total Liabilities and Equities	428,551	672,677

Income statement

(Rp. millions)

Description	31 December	
	2009	2010
Net Revenues	2,837,245	2,756,769
Cost of Revenues	(2,330,473)	(2,275,241)
Gross Profit	506,772	481,528
Operating Expense	(11,248)	(20,539)
Operating Income	495,524	460,989
Other Expense, net	(82,578)	(21,956)
Profit before Income Tax	412,946	439,033
Tax benefits	(129,788)	(123,852)
Net Income	283,158	315,181

Higher non-current assets was primarily caused by the loans granted to PAMA which amounted to Rp. 267.9 billion and the additional fixed assets owned by the PMM. The increase in current liabilities was primarily due to increased trade payables in addition to the advanced payment by PMM's customers. The increase in non-current liabilities were caused by the adjustment of the estimated employee payment in PMM. The increase in equity in PMM was due to the decreased dividend distributed to shareholders in 2010.

The increase in operating expenses was primarily caused by the increase in employee costs and an adjustment to the submission of tax return in 2009.

PT Nusantara Citra Jaya Abadi ("NCJA")**Brief History**

NCJA was established in Jakarta by Deed of Establishment No. 2 dated 1 February 1994, drawn before Herlien, SH, Notary in Bandung. This Deed has been approved by the MOLHR by Decree No. C2-4916.HT.01.01.TH.98 dated 8 May 1998.

Line of Business

NCJA is engaged in coal mining.

Capital Structure

The capital structure and composition of shareholders on the date of this Prospectus of NCJA is based on Deed of Statement of Circular Resolution of Shareholders No. 5 dated 15 March 2007, drawn before by Lolani Kurniati Irdham Idroes, SH, LLM., Notary in Jakarta are as follows:



Shareholders	Number of Shares	Nominal Value (Rp. 100,000 - per share)	(%)
Authorized Capital	10,000	1,000,000,000	
Issued and Paid up Capital			
PAMA	2,497	249,700,000	99.88
UTPE	3	300,000	0.12
Total Issued and Paid up Capital	2,500	250,000,000	100
Shares in Portfolio	7,500	750,000,000	

Management and Supervision

Based on Deed of Statement of Circular Resolution of Shareholders No. 7 dated 30 December 2008, drawn before Suzie Hanum Tadjoedin Fauziah, SH, Notary in Jakarta, General Meeting of Shareholders of NCJA has appointed members of the Board of Commissioners and Directors NCJA as follows :

Board of Commissioners:

President Commissioner : Dwi Priyadi
 Commissioner : Bambang Tjahjono

Board of Directors:

President Director : M. Surachman
 Director : Kumaraguru Nadaysen

Financial Highlights

The financial data summary below should be read in conjunction with the consolidated financial statements for the years ended 31 December 2009 and 2010, which was not included in this Prospectus.

Balance Sheet

	(Rp. millions)	
	31 December	
	2009	2010
Current Asset	319,751	273,370
Non-current Asset	602,000	602,000
Total Asset	921,751	875,370
Total Liabilities	573,778	691,514
Total Equities	347,973	185,856
Total Liabilities and Equities	921,751	875,370

Income statement

Description	(Rp. millions)	
	31 December	
	2009	2010
Net Revenues	-	-
Cost of Revenues	(342,295)	(110,445)
Gross Profit	(342,295)	(110,445)
Operating Expense	(116,473)	(73,502)
Operating Income	(458,768)	(183,947)
Other Expense, net	(1,637,037)	27,158
Profit before Income Tax	(2,095,805)	(156,789)
Tax benefits	(5,894)	(7,328)
Net Loss	(2,101,699)	(164,117)

The decline in equity was due to the net loss booked by NCJA in 2010.

Cost of revenues of NCJA in 2010 and 2009 was related to the cost of the mine closure plan of NCJA. Other expenses in 2009 were a result of the underpayment of taxes in 2008.

**PT Kadya Caraka Mulya ("KCM")*****Brief History***

KCM is a limited liability company incorporated under the laws of the Republic of Indonesia under the Deed of Establishment No. 24 dated 18 January 1988, drawn before Soenardi Adisasmito, SH, Notary in Jakarta, which was approved by the Minister of Justice of the Republic of Indonesia on 21 December 1988, registered at the KDP, and published in State Gazette dated 2 May 1989.

KCM has amended its articles of association to comply with Company Law by virtue of Deed of Resolution of Shareholders No. 14 dated 15 August 2008, drawn before Lolani Kurniati Irdham Idroes SH, LLM, Notary in Jakarta. This deed was approved by the MOLHR on 26 September 2008 and registered in the KDP on 10 June 2010.

Line of Business

KCM is engaged in coal mining.

Capital Structure

Based on Deed of Statement of Circular Resolution of Shareholders No. 3 dated 15 March 2007, approved by Decree of MOLHR No. W7-5666-HT.01.10 dated 24 April 2007, the capital structure and composition of the KCM shareholders of KCM on the date of the Prospectus are as follows:

Shareholders	Number of Shares	Nominal Value (Rp. 1,000,000 - per share)	(%)
Authorized Capital	32,500	32,500,000,000	
Issued and Paid up Capital			
PAMA	32,467	32,467,000,000	99.90
UTPE	33	33,000,000	0.10
Total Issued and Paid up Capital	32,500	33,500,000,000	100
Shares in Portfolio	-	-	-

Management and Supervision

Based on Deed of Statement of Circular Resolution of Shareholders No. 23, dated 18 November 2008, drawn before Yossy Nezzafitra, SH, Mkn, Notary in Jakarta, and the Deed of Statement of Circular Resolution of Shareholders No. 6 dated 16 April 2009, drawn before Lolani Kurniati-Idroes Ong Cherry, SH, LLM, Notary in Jakarta, the composition of the Board of Commissioners and Board of Directors of KCM are as follows:

Board of Commissioners:

President Commissioner : Bambang Tjahjono
Commissioner : Dwi Priyadi

Board of Directors:

President Director : M. Surachman
Director : Theresa Chintya
Director : Frans Kesuma

Financial Highlights

The financial summary data below should be read in conjunction with the financial statements of KCM for the years ended 31 December 2009 and 2010, which was not included in this Prospectus.



Balance Sheet

(Rp. millions)

	31 December	
	2009	2010
Current Asset	7,958	16,754
Non-current Asset	1,186	8,521
Total Asset	9,144	25,275
Current Liabilities	3,905	24,428
Non-current Liabilities	3,464	3,522
Total Liabilities	7,369	27,950
Total Equities	1,775	(2,675)
Total Liabilities and Equities	9,114	25,275

Income statement

(Rp. millions)

Description	31 December	
	2009	2010
Net Revenues	55,275	25,167
Cost of Revenues	(55,403)	(20,579)
Gross Profit	(128)	4,588
Operating Expense	(296)	(1,732)
Operating Income	(424)	2,856
Other Expense, net	697	(6,003)
Profit before Income Tax	273	(3,147)
Tax benefits	(78)	(1,304)
Net Income / (Loss)	195	(4,451)

The increase in current assets in 2010 was primarily due to the higher coal production and cash and cash equivalents. Higher non-current assets in 2010 was due to the increase in the deferred cost of making roads and bridges, purchase of new equipment and the restricted cash related to the mine reclamation area. The increase in current liabilities was related to the accounts payable to PAMA. The decline in equity value was associated with the occurrence of a net loss in 2010.

The decrease in net income in 2010 was due to declining sales volumes. There was also a decrease in cost of revenue in line with the top line revenue. In 2010 the increase in operating expenses and other expenses was a result of higher tax payments in 2009.

PT Ekasatya Yanatama ("ESY")**Brief History**

ESY was established in Jakarta by Deed No.19 dated 16 December 1993, drawn before Betty Herlina Lukma, SH, Notary in Bandung. This Deed was approved by the Minister of Justice of the Republic of Indonesia on 10 March 2007.

ESY has amended its articles of association to comply with the Company Law by virtue of Deed of Statement of Circular Resolution of Shareholders No. 4 dated 12 December 2008, drawn before Lolani Kurniati Irdham Idroes, SH, LLM, Notary in Jakarta which has obtained approval by the MOLHR on 26 August 2009.

Line of Business

ESY is engaged in coal mining.

Capital Structure

Based on Deed No. 4 dated 12 December 2008, drawn before Lolani Kurniati Irdham Idroes, SH, LLM Notary in Jakarta, which has obtained approval from the MOLHR on 26 August 2009, the capital structure and composition of shareholders of ESY is as follows:



Shareholders	Number of Shares	Nominal Value (Rp. 100,000 - per share)	(%)
Authorized Capital	150,000	15,000,000,000	
Issued and Paid up Capital			
PAMA	37,462	3,746,200,000	99.90
UTPE	38	3,800,000	0.10
Total Issued and Paid up Capital	37,500	3,750,000,000	100
Shares in Portfolio	112,500	11,250,000,000	

Management and Supervision

Based on the Deed of Statement of Circular Resolution of Shareholders No. 8 dated 12 October 2010, drawn before Lolani Kurniati Irdham Idroes, SH, LLM, Notary in Jakarta, which has been notified to the MOLHR and registered in the Company Registry on 3 November 2010, the composition of Board of Commissioners and Board of Directors of ESY are as follows:

Board of Commissioners:

President Commissioner : Dwi Priyadi
 Commissioner : Dadi Sukarso Yuwono

Board of Directors:

President Director : M. Surachman
 Director : Frans Kesuma

Financial Highlights

In the financial year ended 31 December 2009 and 2010, ESY was not in operation.

AllMakes Asia Pacific Pte Ltd ("AMAP")

Brief History

Information for AMAP is based on the Legal Opinion dated 25 March 2011 from Baker & McKenzie, Wong & Leo, Singapore.

AMAP is a corporation established on 8 October 2010 under Singapore law (Certificate of Good Standing).

Line of Business

Based on the Certificate of Good Standing issued by ACRA, AMAP is registered as a company conducting business in the wholesale of machinery and equipment NEC and wholesale and trading of equipment and the parts.

Capital Structure

Based on a review of the ACRA, AMAP's shareholding structure is as follows:

Issued Share Capital : S\$ 260,000
 Paid Share Capital : S\$ 260,000



Based on a review of the ACRA, AMAP's shareholder composition is as follows:

Shareholder names	ID Number	Ownership	Address
Multico Infracore Holdings	200903504R	S\$84,500	11 Tuas View Crescent Singapore 637643
PT Andalan Multi Kencana	T11UF0189F	S\$143,000	Jl. Raya Bekasi Km 22, Jakarta 13910, Indonesia
Prominent Ideas Overseas Ltd.	T11UF0190F	S\$32,500	Portcullis Trustnet Chambers P.O.Box 3444, Road Town, Tortola, British Virgin Islands

Management and Supervision

Based on the review of ACRA, the composition AMAP directors are:

- Widjaja Kartika
- Hasan Junus Satyana
- Gay Kah Ki
- Pepen Handianto Danuatmadja
- Iman Nurwahyu

Financial Highlights

AMAP was recently established in January 2011 and therefore, the company yet to have any audited financial statement.

TRANSACTIONS WITH RELATED PARTIES

The Group has a series of transactions with related parties and the Group will continue to carry out similar transactions in the future. Significant transactions with a related party that is buying and selling heavy equipment and spare parts and related aftermarket services, insurance services, financial services, transportation services and management services. The Company receives management fees as a form of compensation for directors of the Company as a commissioner placed on one of the associates.

Further details of material transactions with related parties is set out in the Audited Consolidated Financial Statement (note 33) contained in section XX of this Prospectus.



Below is a summary of transactions between the Company and a related party:

No.	Related Parties	Relationship	Nature of transaction	Transaction value in millions of Rupiah
1	PT Astra International Tbk	Main shareholder	Purchase of vehicles	1,819
2	PT Astra Agro Lestari Tbk and subsidiaries	Sister company	Sale of goods	59,410
3	PT Asuransi Astra Buana	Sister company	Insurance transaction	65,335
4	PT Traktor Nusantara and subsidiaries	One of the commissioners sits as a director in the company	Purchase of goods and services Sale of goods and services	15,851 1,760
5	PT Komatsu Indonesia	One of the commissioners sits is the Company's Vice President Director	Purchase of goods and services Sale of goods and services	5,053,700 200,554
6	PT Komatsu Astra Finance	Finance Director of the Company is a commissioner in Komatsu Astra Finance	Lease transaction	14,876
7	PT Astra Graphia Tbk and subsidiaries	Sister company	Operational lease	5,577
8	PT Serasi Autoraya and subsidiaries	Sister company	Operational lease Transportation services Sale of goods and services	65,608 1,884 1,037
9	PT Astra Otoparts Tbk and subsidiaries	Sister company	Purchase of goods	3,984
10	Mullico Marketing Service Pte,Ltd,Singapura	Same director as UTHI	Purchase of goods	51,048
11	PT Mullico Millenium Persada	Same director as UTHI	Purchase of tires	11,260
12	PT United Tractor Semen Gresik	Affiliated company	Purchase of spare parts	78,322
13	PT Komatsu Remanufacturing Asia	Affiliated company	Purchase of goods and services Sales of goods and services	613,307 45,362
14	Tadano Mullico (SE Asia) Pte Ltd, Singapura	Same director as UTHI	Purchase of goods	16,915

Transactions with related parties are not subject to terms and conditions and special conditions because it is a routine operational transaction. As with any third party, selling price, purchase price, operating lease expenses, insurance expenses and interest expense with related parties which have a special relationship are still based on negotiation.

A more detailed explanation regarding significant transactions with related parties are disclosed in the notes to the consolidated audited financial statements (Note 33) as contained in section XX of this Prospectus.

AGREEMENTS BETWEEN THE COMPANY AND THIRD PARTIES

In carrying out its business activities, the Group has established a series of transactions with third parties. Transactions with third parties that are significant are distribution agreements, contract mining services, maintenance contracts, credit facilities, guarantees, derivative financial instruments, the acquisition of a group of assets and loan agreements.

A more detailed explanation regarding significant transactions with third parties are disclosed in the notes to the consolidated financial statements (Note 31) as contained in section XX of this Prospectus.

1) Distribution Agreement

In April 2008, the Company entered into a distribution agreement with Komatsu Diesel Co. Ltd of Singapore, which is valid until 1 April 2012.



On 7 August 2006, the Company entered into a distribution agreement with Komatsu Ltd., Japan ("Komatsu") and PT Komatsu Marketing and Support Indonesia ("IPOC"), a wholly owned subsidiary of Komatsu. In this agreement, Komatsu appoints IPOC to supply spare parts and heavy equipment to the Company exclusively. This agreement is valid for a period of five years with automatic renewal, unless either party terminates the agreement.

On 1 August 2006, the Company entered into an agreement with Komatsu Forklift Co. Ltd., Japan ("KFA"), which the Company obtained exclusive rights as a distributor of KFA to Indonesia. This agreement is valid within a period of five years.

In August 2003, the Company entered into a distribution agreement with Komatsu Asia & Pacific Pte Ltd (Singapore), which is valid until 31 July 2004. In August 2004, the period of the agreement was amended for a period of five years with automatic renewal, unless either party terminates the agreement. The agreement gives the Company the exclusive right to sell products, including bulldozers, hydraulic excavators, wheel loaders and motor graders, in Indonesia.

In July 1995, the Company entered into a supply and purchase agreement with PT Komatsu Indonesia. The agreement was amended several times, most recently on 31 August 2004, and is valid for a period of five years with automatic renewal, unless either party terminates the agreement.

The Company also entered into distribution agreements with Nissan Diesel Motor Co. Ltd. (Japan), Tadano Iron Works Co. Ltd. (Japan), Bomag GmbH & Co. OHG (Germany), Scania CV Aktiebolag (Sweden) and Komatsu Forest Pty Ltd (Australia), wherein the Company has exclusive rights to sell products whose licenses are owned by these companies in Indonesia.

UTPE entered into license and technical assistance agreements with Komatsu Forklift Company Ltd. (Japan), Anhui Heli Machinery Import & Export Co., Ltd. (China), Hiab and Bernie Ostermeyer Investment Corporation Pty. Ltd. (Australia), called "licensors", where UTPE obtained a license to manufacture and sell products that use the licensed trademarks in Indonesia.

2) Mining Services Contracts

PAMA has three significant mining services contracts with PT Adaro Indonesia, PT Indominco Mandiri and PT Kideco Jaya Agung. Under these contracts, PAMA provides coal mining services. The term of the contracts are varied and will expire between 2013 and 2018.

3) Mining Cooperation as well as Sale and Purchase Agreement of Coal by Local Company Baramarta ("Baramarta")

PMM has a mining agreement with Baramarta, where PMM was appointed as contractor to carry out coal mining operations in certain mining areas in South Kalimantan and PMM also has coal purchase contracts with Baramarta. Both agreements are valid for a 23 year period starting 2 January 2009.

4) Stock Purchase Agreement

On 1 August 1994, the Company entered into a purchase of equipment and spare parts with Komatsu Asia & Pacific Pte Ltd, Singapore, whereby the Company obtained a credit facility of U.S.\$ 30 million for the purchase. On 31 December 2010, there were no credit facilities used (2009: U.S.\$1.1 million). The terms of payment for purchases that will be used for inventory (stock orders) is 120 days for purchases to be resold immediately (emergency orders) is 60 days. The facility is secured by inventory purchased.

5) Full Maintenance Contracts

The Company has Full Maintenance Contracts ("FMC") with customers. The contract period ranges from three to six years. Under these contracts, the Company provides repairs and maintenance of heavy equipment owned by the customer. In return, the Company charges FMC's expenses to customers. This contract requires the Company to guarantee the availability of the heavy equipment in accordance with the percentages specified in the contract.



6) Credit Facilities

On 31 December 2010, the Company and certain subsidiaries have a bank guarantee and letters of credit of U.S.\$130.3 million and Rp. 5 billion (2009: U.S.\$144.8 million and Rp. 5 billion), foreign exchange contract facility of U.S.\$1.5 million (2009: U.S.\$1.5 million) and interest rate swap facility of U.S.\$259.9 million and JPY 1.99 billion (2009: U.S.\$248.3 million and JPY3 billion) obtained from various banks. Facilities that have not been used by the Company and certain subsidiaries amounting to U.S.\$191.5 million and Rp. 3.8 billion on 31 December 2010 (2009: U.S.\$186.1 million, Rp. 4.8 billion, and JPY14.9 million). The use of bank guarantee and letters of credit are secured by restricted deposits.

7) Derivative Financial Instruments of PAMA

In connection with loans - other loans, PAMA entered into a Cross Currency Interest Rate Swap with Bank ANZ Panin with a notional amount of JPY1,298.43 million. In connection with the syndicated credit facility from 23 banks, PAMA entered in an Interest Rate Swap agreement with The Hongkong and Shanghai Banking Corporation Ltd (Jakarta branch), United Overseas Bank Limited (Singapore branch), Standard Chartered Bank (Jakarta branch) and PT Bank DBS Indonesia with a total notional value of U.S.\$ 145 million.

In relation to finance leases, PAMA entered into an Interest Rate Swap agreement with Standard Chartered Bank and ANZ Panin Bank with a notional value of U.S.\$25 million and U.S.\$37.47 million for the conversion of the floating interest rate into a fixed rate.

In relation to long-term loans that are denominated in JPY with the Japan Bank for International Cooperation, PAMA also performed a Cross Currency Swap contract with Standard Chartered Bank, Jakarta branch, with a notional principal amount of JPY690.65 million. The contract above was to cover potential losses from rising interest rates and lease financing loans. Those contracts are qualified as cash flow hedging. Therefore, any changes in the fair value are recorded as part of equity. On 31 December 2010, the accumulated loss recorded in equity amounted to Rp. 10.5 billion (2009: U.S.\$23.9 billion).

8) Heavy Equipment Repurchase Agreement

The Company signed several Back-to-Back Agreements with Komatsu Asia & Pacific Pte Ltd, Singapore ("CAC") in connection with repurchase agreements (Buy-Back Agreements) between the CAC with several customers and financing institutions. In accordance with the Buy-Back Agreement, customers have the option to sell back the heavy equipment purchased from the Company at prices specified in the agreement. In the event that customers exercise the option, the Company is liable to buy back heavy equipment in accordance with the repurchase agreements. On 31 December 2010, the repurchase agreement borne by the Company was U.S.\$1.5 million (2009: U.S.\$2.6 million).

9) Acquisition of a group of assets

a. In 2007, PAMA acquired a group of assets including shares in companies holding the coal mine with a total value of U.S.\$34 million. In 2007, PAMA also signed a Share Sale Agreement ("SSA") to acquire a 99% stake in DEJ from Dynamic Acres Sdn Bhd ("DASB"). For this transaction, PAMA paid out U.S.\$5.1 million and assumed debt of U.S.\$11 million. The total consideration paid for the acquisition was U.S.\$50.1 million, of which U.S.\$48.6 million, or the Rupiah equivalent of Rp. 444 billion, is for the mining properties and recorded as part of fixed assets.

On 31 December 2010, PAMA has a potential liability of U.S.\$5.3 million (2009: U.S.\$ 14.4 million) payable to a DASB as a consideration in connection with the potential additional coal reserves. These obligations will be paid according to pre-agreed conditions, especially the exploitation of obtaining permission from the authorities. As of the date of this report, permit for the exploitation of authority is still in process.

b. On 14 January 2010, PAMA signed a Share Sale Agreement, Agreement Making New Shares and Shareholders Agreement (collectively, the "PPS") with PT Mandira Sanni Pratama and PT Andalan Teguh Berjaya (collectively, the "Shareholders") to buy a 30% stake in PT Asmin Bronang and PT



Bara Bara Asmin Jaan (collectively, the "Asmin"), companies holding coal mining concessions, located in Kapuas district and Joyless Raya, Central Kalimantan province.

The amount paid will be agreed for the acquisition of the above is U.S.\$40.1 million and U.S.\$75 million. In January 2010, PAMA made an advance payment in cash of U.S.\$11.6 million and a total of U.S.\$28.6 million were placed in an escrow account. Disbursements from the escrow account will be partially based on preconditions that have been agreed to and not exceeding 12 months from the date of signing of the PPS or the date mutually agreed between PAMA and the Shareholders. As required by the PPS, the amount of U.S.\$20.2 million had been disbursed from the escrow account as partial payment of the pre-agreed conditions.

c. On 15 July 2010, the Company, through its subsidiary TTA, acquired shares in PT Bara Prima Agung ("ABP"). The amount paid for these purchases is U.S.\$15.9 million for the ownership stake of 60%. ABP has a land area of approximately 1,365 hectares in the village of Buhut, Kapuas district of Central, Kapuas, Central Kalimantan Province.

10) Commitments for Inventory and Capital Goods Purchases

On 31 December 2010, the Group had capital expenditure commitments for the acquisition of heavy equipment, machinery, and infrastructure valued at Rp. 218 billion (2009: Rp. 508 billion).

11) The loan agreements

Sumitomo Mitsui Banking Corporation

On 16 July 2010, the Company entered into an agreement with Sumitomo Mitsui Banking Corporation, Singapore branch, by which the Company obtained a revolving loan facility of U.S.\$20 million. The revolving loan facility was used for working capital. On 31 December 2010, there was no outstanding balance under this facility.

Mizuho Corporate Bank Ltd.

On 23 July 2010, the Company entered into an agreement with Mizuho Corporate Bank Ltd, Singapore branch, by which the Company obtained a revolving loan facility of U.S.\$20 million. The revolving loan facility was used for working capital. On 31 December 2010 there is no outstanding balance under this facility.

BNP Paribas

On 25 August 2010, the Company entered into an agreement with BNP Paribas, Singapore branch, by which the Company obtained a revolving loan facility of U.S.\$20 million. The revolving loan facility was used for working capital. On 31 December 2010, there is no outstanding balance under this facility.

Oversea-Chinese Banking Corporation Limited

On 22 October 2010, the Company entered into an agreement with the Oversea-Chinese Banking Corporation Limited, by which the Company obtained a revolving loan facility of U.S.\$20 million. The revolving loan facility was used for working capital. On 31 December 2010 there is no outstanding balance under this facility.

MISCELLANEOUS

Legal Process

At the time of publication of this Prospectus, the Company, Subsidiaries, Directors and Board of Commissioners does not face any material legal proceedings that have a significant impact on the sustainability of the business, financial condition, and plan for the Rights Issue IV.

**Environmental Issues**

The Group believes that its business activity at this time materially complies with all environmental regulations and standards applicable to the Group.

Social Responsibility

The Group recognizes that the support of all interested parties is essential to the success and continuity of their business activities. In order to give appreciation to the parties concerned, especially to local communities and local governments, each Subsidiary spearheaded the development program to improve the welfare of their surrounding communities. Each has a unique policy by considering the needs arising in each local community. In general, the program includes a series of activities including education, health and infrastructure. In practice, the Group works together with several nonprofit organizations as partners, including other companies under the Astra.

Business Group / Company Conglomerates

No	Name	Business	Relationship with the Company
1	PT Astra International Tbk	Conglomerate	Controlling Entity
2	PT Arya Kharisma	Automotive	Same controller
3	PT Astra Multi Trucks Indonesia	Automotive	Same controller
4	PT Astra Otoparts Tbk	Automotive	Same controller
5	PT Gaya Motor	Automotive	Same controller
6	PT Inti Pantja Press Industri	Automotive	Same controller
7	Pulogadung Pawitra Laksana	Automotive	Same controller
8	PT Tjahja sakti Motor	Automotive	Same controller
9	PT Astra Honda Motor	Automotive	Same controller
10	PT Astra Daihatsu Motor	Automotive	Same controller
11	PT Toyota-Astra Motor	Automotive	Same controller
12	PT Denso Indonesia	Automotive	Same controller
13	PT Kayaba Indonesia	Automotive	Same controller
14	PT Izusu Astra Motor Indonesia	Automotive	Same controller
15	PT Akebono Brake Astra Indonesia	Automotive	Same controller
16	PT GS Battery	Automotive	Same controller
17	PT Aisin Indonesia	Automotive	Same controller
18	PT AT Indonesia	Automotive	Same controller
19	PT Federal Nittan Industries	Automotive	Same controller
20	PT Inti Ganda Perdana	Automotive	Same controller
21	PT Astra Mitra Ventura	Financial Services	Same controller
22	PT Federal International Finance	Financial Services	Same controller
23	PT Sedaya Multi Incestama	Financial Services	Same controller
24	PT Astra Multi Finance	Financial Services	Same controller
25	PT Astra Sedaya Finance	Financial Services	Same controller
26	PT Sedaya Pratama	Financial Services	Same controller
27	PT Staco Estika Sedaya Finance	Financial Services	Same controller
28	PT Swadharma Bhakti Sedaya Finance	Financial Services	Same controller
29	PT Asuransi Astra Buana	Financial Services	Same controller
30	PT Garda Era Sedaya	Financial Services	Same controller
31	PT Bank Permata Tbk	Financial Services	Same controller
32	PT Toyota Astra Financial Services	Financial Services	Same controller



No	Name	Business	Relationship with the Company
33	PT Komatsu Astra Finance	Financial Services	Same controller
34	PT Astra Auto Finance	Financial Services	Same controller
35	PT Astra Agro Lestari Tbk	Agriculture business	Same controller
36	PT Astra Graphia Tbk	Information Technology	Same controller
37	PT Serasi Autoraya	Infrastructure and Logistics	Same controller
38	PT Astratel Nusantara	Infrastructure and Logistics	Same controller
39	PT Suryawara Prawira	Infrastructure and Logistics	Same controller
40	PT Brahmayasa Bahtera	Infrastructure and Logistics	Same controller
41	PT Intertel Nusaperdana	Infrastructure and Logistics	Same controller
42	PT Marga Mandalasakti	Infrastructure and Logistics	Same controller
43	PT PAM Lyonnaise Jaya	Infrastructure and Logistics	Same controller



VIII DESCRIPTION OF THE BUSINESS AND OUTLOOK

OVERVIEW

The Group is one of Indonesia's leading corporations, with interests in the heavy equipment, mining contracting and mining industries. Through its subsidiaries, the Group operates a diverse range of businesses that focus on the growing demand for Indonesia's natural resources. The Group's net revenue in 2010 increased by 27.6% to Rp. 37,323.9 billion as compared to Rp. 29,241.9 billion in 2009, and the Group's net income in 2010 increased by 1.5% to Rp. 3,872.9 billion as compared to Rp. 3,817.5 billion in 2009.

The Group's net revenue for the past five years is as follows:

(in million Rupiah)	For the year ended 31 December				
	2006	2007	2008	2009	2010
Net revenue	13,719.6	18,165.6	27,903.2	29,241.9	37,323.9
Revenue from Construction Machinery Business	5,925.6	8,697.7	12,368.2	10,980.8	17,274.8
% of total net revenue	43.2%	47.9%	44.4%	37.8%	46.3%
Revenue from Mining Contracting Business	7,795.0	7,844.3	11,619.1	15,418.5	16,928.5
% of total net revenue	56.8%	43.2%	41.6%	52.7%	45.4%
Revenue from Mining Business	-	1,623.6	3,915.9	2,842.6	3,120.6
% of total net revenue	-	8.9%	14.0%	9.7%	8.3%

Construction Machinery

The Company's heavy equipment business (the "Construction Machinery Business") has acted as the exclusive distributor of Komatsu products in Indonesia since 1973. The Company's products primarily serve four sectors of the Indonesian economy: mining, plantation, construction and forestry. The Company's distribution network includes 18 branches spread across Indonesia. The Company complements its Komatsu product line with sales of Nissan Diesel and Scania (heavy duty trucks), Bomag (vibratory rollers), Patria (forklifts), Tadano (cranes) and Valmet (forestry products). Supporting its heavy equipment sales, the Company also operates a parts and maintenance services division through its branch offices and spare parts depots strategically located across Indonesia.

For the year ended 31 December 2010, net revenue from the Construction Machinery Business was Rp. 17,274.8 billion, or 46.3% of the Company's total consolidated net revenue.

Mining Contracting

The Company provides mining contracting and integrated services to leading Indonesian mine operators (the "Mining Contracting Business") through its subsidiary, PAMA. PAMA offers its clients a variety of services that include mine design, exploration, extracting, hauling, barging and loading. As of the date of this Prospectus, PAMA has 14 projects with its customers that include some of Indonesia's leading mine operators, such as PT Adaro Indonesia, PT Indominco Mandiri, PT Kaltim Prima Coal, PT Kideco Jaya Agung and PT Jembayan Muarabara.

In addition, the Company is currently setting up a second brand for mining contracting under its subsidiary MPU. MPU will focus on medium sized mining contracts (those with a production size under five million tonnes per year), a market that PAMA has not previously served due to manpower and logistical constraints.

For the year ended 31 December 2010, net revenue from the Mining Contracting Business was Rp. 16,928.5 billion, or 45.4% of the Company's total consolidated net revenue.



Mining

In 2007, the Company entered the coal mining operator business ("Mining Business") through PAMA's acquisition of three companies which own coal mining concessions (NCJA, ESY and KCM) and the right to mine and sell coal based on a sale and purchase agreement with a third party, collectively known as the "DEJ Mines" in South Kalimantan. Prior to the acquisition in April 2007, these mines were operated through a sole operator, PT Dasa Eka Jasatama ("DEJ") with PAMA acting as the mining contractor. With PAMA's ownership of these coal mining concessions and the right to mine and sell the third party's coal as described above, the DEJ Mines have 16.5 million tonnes of estimated reserves (based on a stripping ratio of 1:12).

In 2008, the Company acquired TTA. The Company, through the subsidiary of TTA being TOP, owns a coal concession with approximately 36 million tonnes of gross estimated reserves. The mining concession right maintained by TOP allows the Company to mine for 20 years, and may be renewed twice, each for additional 10 year periods. TOP commenced its commercial production and sale of coal in May 2010.

In July 2010, TTA acquired a 60% interest in the coal mining concession of ABP. ABP's mine covers an area of approximately 1,365 hectares with approximately 9.2 million tonnes of gross estimated reserves. Subject to the issuance of IUP Production Operation, ABP is expected to commence commercial production and sale of coal in 2012.

For the year ended 31 December 2010, the DEJ Mines produced 2.6 million tonnes of 6,700 kcal/kg premium quality coal, while TOP produced 670,000 million tonnes of 6,300 kcal/kg quality coal. The Mining Business had a net revenue of Rp. 3,120.6 billion, or 8.3% of the Company's total consolidated net revenue for the year ended 31 December 2010.

The reserves figures stated above are based on the Company's internal survey done by PAMA's technical experts, including a geologist team, as of 31 December 2010.

Other Information

The Company's common shares are currently listed on the IDX and as of 31 December 2010, had a market capitalization of Rp. 79.2 trillion.

CORPORATE STRUCTURE

For a detailed breakdown of the Group's corporate structure, see Chapter VII - "*Information on the Group – Shareholding and Management Relationship between the Company and subsidiaries as well as associated companies and affiliated companies.*"

COMPETITIVE STRENGTHS

The Company believes that its competitive strengths include the following:

Strong focus on customer service excellence, reliability and trust

The Company believes that it is an enterprise known for service excellence across its three businesses. The Company has established a culture and vision around service excellence in everything it does. As a result the Company's brands, "United Tractors" and "PAMA," have become associated with strong customer service, reliability and trust. This strong reputation, a reflection of the Company's well-trained and dedicated workforce, allows the Company's businesses to market their various products and services in a focused and efficient manner. The Company has been recognized by many awards, such as "Best Managed Company, 2010" and "Best Mining Services Company, 2010", because it has been able to consistently deliver high quality products and services to its customers over a long period of time. The Company believes its brand commands respect and credibility and offers it a competitive advantage.

***Strong and extensive distribution network***

The Company has developed heavy equipment distribution networks in Indonesia through its 18 branch offices. This multi-channel distribution network has enabled the Company to become the largest distributor of heavy equipment in Indonesia. In addition, the Company believes it has one of the most comprehensive product offerings in Indonesia. Complementing its widely recognized Komatsu brand, the Company also offers a variety of products from prominent manufacturers such as Nissan Diesel, Scania, Bomag, Tadano and Valmet. In addition, the Company's three spare parts depots and four learning centres complement its distribution channels by offering its customers the best after-sales support in the country. The Company strives to sell a comprehensive solution to its customers, supporting its products with a full range of services. The Company believes the strength of its distribution network allows it to serve a wide range of clients, providing it with a steady cash flow stream.

Strong relationship with Komatsu

The Company has been the sole distributor of Komatsu products in Indonesia since 1973. The Company's high sales volumes have allowed it to strengthen its relationship with Komatsu Limited. Business consultants and engineers from Komatsu Limited's Japanese headquarters routinely travel to Indonesia to provide technical assistance to the Company as well as obtain feedback on Komatsu products sold by the Company. The strong relationship between Komatsu Limited and the Company allows the Mining and Mining Contracting Businesses to purchase equipment on competitive terms as well ensure that parts and services are available when they are needed.

Part of a leading Indonesian conglomerate

Principal Shareholder, Astra, currently owns 59.5% issued shares of the Company. Astra is one of Indonesia's most well-respected companies with more than 150 subsidiaries, employing approximately 145,000 people. It has a diversified set of businesses focusing on six core industries: automotive, financial services, heavy equipment, plantation, information technology, and infrastructure. Astra's finance companies and banks routinely provide financing to the Company's customers for the purchase of heavy equipment. Astra's plantation and infrastructure companies are also customers of the Construction Machinery Business. In addition, Astra provides the Group with best practices solutions in areas such as risk management, corporate governance and treasury, as well as providing credibility with investors that enhances the Group's ability to raise external funds.

Expertise in managing all aspects of mine development and operation

The Company believes that, through its 22 years of experience in the Mining Contracting Business, it has acquired a substantial amount of expertise that allows it to manage all aspects of mine development and operations. This experience has enabled the Company to become the market leader for mining contracting services in Indonesia, with approximately 40% of the country's market share in terms of net revenue. Market share data is based on publicly available production and revenue data of competitors listed on the IDX. For private competitors, the Company has estimated the production and revenue of such competitors based on various assumptions which it considers reasonable. The Company believes that its extensive experience in managing all aspects of the mining process gives it a significant advantage over its contracting competitors. In addition, the Company believes its experience as a mining contractor in Indonesia allows it to leverage this success into operating the Company's own mine concessions in an efficient, well-managed and productive manner.

***A strong management team comprising of professionals with diverse experience***

The Company's culture and vision of service excellence has allowed it to attract and retain a strong and experienced management team with diverse experience. In particular, the Company's management team has more than 20 years of experience in the operation and management of mining and heavy equipment businesses in Indonesia. The Company believes its experienced management team allows it to be proactive by anticipating changes in the marketplace and develop business solutions to meet these challenges. Each of the Company's three businesses' management teams work closely with the Company's management to ensure that the Company's strategy, culture and vision are implemented consistently across the Company.

Strong financial position with a stable and diversified earnings base

The Company believes it has a strong financial position with a stable and diversified earnings base. The Construction Machinery Business, in particular, through its heavy equipment sales and parts and services division generates steady and recurring income. The Mining and Mining Contracting Businesses help to diversify the Company's earnings. When the Construction Machinery Business experienced a significant downturn in business in 2009 due to the global financial crisis, earnings from the Mining Contracting Business continued to grow as a result of rising demand for coal. Currently, each of the three businesses has a strong financial position to finance investment growth and development. The Company believes this, together with its strong financial position, should allow it to raise additional funds at competitive rates.

STRATEGY***Maintain market leadership in the Construction Machinery Business through operational excellence***

The Company believes it can continue to outperform its competitors through its operational excellence. This will be accomplished by delivering more product offerings and better after-sales service. The Company intends to achieve operational excellence by:

- continuing to develop a skilled and well-trained work force;
- continually streamlining its operational processes;
- investing in state-of-the-art technologies;
- using the Company's consolidated purchasing power to achieve economies of scale; and
- improving safety, as measured by the lost time injury frequency rate.

Introduce new and innovative products that complement the Company's existing product portfolio

The Company intends to work proactively with its suppliers to ensure the Company offers the most innovative products to meet its customers constantly changing needs. For example, the Company's dump trucks, in the range of 24 tonnes to 320 tonnes, are the dump truck of choice for a large percentage of the mining operators and contractors in Indonesia.

In addition, innovations in machinery attachments and construction machinery equipment (such as light-weight vessels for dump trucks) may help capture additional market share in the coal mining industry. As such, the Company, through UTPE, intends to continue investing in the development of new attachments and construction machinery equipment.

***Expand the Company's existing generic parts sales***

The Company intends to build on its existing strength as the leader in Komatsu parts sales in Indonesia by expanding its generic parts offering. The Company believes its parts sales help to diversify the revenue stream of the Construction Machinery Business, as evidenced by the impact of the global financial crisis in 2009. The expansion of the generic parts business offers the Company an opportunity to attract new customers that have, in the past, been customers of some of the Company's competitors. To achieve this, the Company intends to expand its operations of AMK, a subsidiary of the Company established in 2010, through AMK's Singaporean subsidiary, AMAP, established in January 2011.

Expand the Mining Contracting Business into medium sized contracts

The Company believes there is significant potential in medium sized mining contracts. The Company intends to build on its existing strength as the leader in large mining contracts by offering mining contracting services to mining companies with an annual production of less than five million tonnes of coal. By leveraging PAMA's expertise and reputation in the marketplace, the Company intends to expand into the medium sized mining contracts through its subsidiary, MPU. The expansion of the mining contracting business offers the Company an opportunity to attract new customers that have been not previously been served by PAMA. The Company intends to transition select employees of PAMA to MPU to lead the effort and ensure the same level of quality service that has led to PAMA's position as a market leader in mining contracting services.

Achieve growth in the Mining Business through production and expansion of mining concessions

While the Company intends to continue to invest in exploration and production capacity at its existing mining concessions, the Company believes the growth of its Mining Business will primarily be driven by the acquisition of additional coal mining concessions. The Company intends to evaluate additional concession areas or new mining sites to be acquired in Indonesia to facilitate increased production for its Mining Business. The Company believes that its extensive experience in the exploration, development and operation of mines in Indonesia, along with the existing synergies with the Mining Contracting and Construction Machinery Business, will allow it to identify suitable business opportunities that it believes will enhance its revenue growth, operations and profitability.

Pursue new business opportunities in mine mouth power generation and coal infrastructure

The Company intends to seek out opportunistic investments in mine mouth power generation and coal infrastructure that will enable it to continue to move up the coal value chain. The Company believes that its extensive experience in the exploration, development and operation of mines and related infrastructure businesses in Indonesia will allow it to identify suitable business opportunities that it believes will enhance its revenue growth, operations and profitability. The Company believes the addition of coal infrastructure projects, including railways and port facilities, will not only result in increased revenues from the projects themselves, but also open up additional opportunities for the Mining Contracting Business. The Company will only pursue strategic investment opportunities that meet its rigorous financial and operational criteria.

Pursue growth in the coal transport business

The Company believes there is significant growth potential in offering coal barging and transshipment services. PAMA's position as Indonesia's leader for mining contracting services provides the Company with a unique opportunity to leverage its existing relationships with the country's leading coal producers and work up the coal value chain by offering an expanded array of services such as barging and transshipment. The Company intends to build on its existing barging and transshipment capabilities of its subsidiary, PML, through investment and development of a self-propelled barge, ship repair and shipyard services as well as a transloader. The Company intends to utilize the existing engineering expertise of UTPE and operational experience of PML to grow its coal transport capabilities.



CONSTRUCTION MACHINERY BUSINESS

The Construction Machinery Business offers a full range of heavy equipment product solutions to meet the needs of its customers that operate in a diverse range of industries. The Company's product choices include bulldozers, excavators, heavy duty trucks, rollers and other heavy equipment. In addition to Komatsu products, the Company offers machines from Nissan Diesel, Scania, Bomag, Valmet and Tadano. The Construction Machinery Business accounted for 46.3% of the Group's net revenue in 2010.

Key Sectors

While the Company serves customers across a broad range of industries, most of its sales are to four key industrial sectors: mining, plantation, forestry and construction.

In 2010, the Company sold 3,313 units to the mining sector, resulting in Komatsu sales to the sector increasing by 94%. Moreover, rising coal prices in Indonesia also impacted the sales performance of Nissan Diesel and Scania trucks which rose by 41% and 33% (in terms of sales volume), respectively, as compared to 2009.

The Company sold 1,037 units to the plantation sector in 2010. Growth in the plantation sector was primarily driven by rising prices for crude palm oil. The Company's customers were expanding their existing business as well as opening new plantations, which led to a 54% increase in Komatsu sales to the plantation sector in 2010.

In the past, construction has accounted for a larger share of the Company's revenue. However, as a result of strong growth in the plantation and mining sectors, the construction sector's relative share of the Company's business has reduced, although revenues from the sector continue to grow steadily.

The forestry sector has also experienced solid growth in recent years due to global demand for pulp and paper products. Sales to customers in this sector increased by 75% for Komatsu products in 2010.

The following chart illustrates the Company's Komatsu and non-Komatsu sales volumes (before elimination of intergroup transactions) over the previous five years:

	2006		2007		2008		2009		2010	
	<i>(Number of units)</i>									
KOMATSU	Unit	%	Unit	%	Unit	%	Unit	%	Unit	%
Mining	1,006	45	1,315	38	2,346	54	1,709	55	3,313	61
Plantation	604	27	1,144	33	1,022	24	674	22	1,037	19
Construction	342	15	569	16	595	14	455	15	577	11
Forestry	298	13	426	13	382	8	273	8	477	9
Total	2,250	100.0	3,454	100.0	4,345	100.0	3,111	100.0	5,404	100.0
NON-KOMATSU										
Nissan Diesel	287	22	369	23	781	38	634	42	892	58
Scania	195	15	304	19	278	14	350	23	464	30
Forklift	510	38	521	33	510	25	291	19	2	0
Other Equipment	328	25	407	25	473	23	236	16	190	12
Total	1,320	100.0	1,601	100.0	2,042	100.0	1,511	100.0	1,548	100.0



Komatsu Product

Komatsu is the Company's largest product line, accounting for 62% of net revenues from the Construction Machinery Business in 2010. Komatsu Limited, a Japanese manufacturer of heavy equipment since 1894, engages in the manufacturing, development, marketing and sales of a diverse range of industrial-use products. Komatsu's largest operating segment is its construction and mining equipment business. Komatsu's product offerings in the construction and mining equipment segment range from super-large machines capable of large-scale mining applications to small-sized units for urban use. Komatsu's principal products include hydraulic excavators (the Company's top selling product), backhoe loaders, wheel loaders, bulldozers, motor graders, rigid dump trucks and articulated dump trucks.

As the exclusive distributor of Komatsu products in Indonesia, the Company believes it is able to maintain a close relationship with Komatsu Limited. In 2010, the Company sold 5,404 Komatsu units, breaking its previous record of 3,111 units in 2009.

The Company makes various efforts in order to reduce the level of dependency on Komatsu, including by diversifying into other products, such as Nissan Diesel, Scania, Bomag and Tadano. In addition, the Company also seeks to increase sales of commodity spare parts (non-Komatsu) through its subsidiary, AMK.

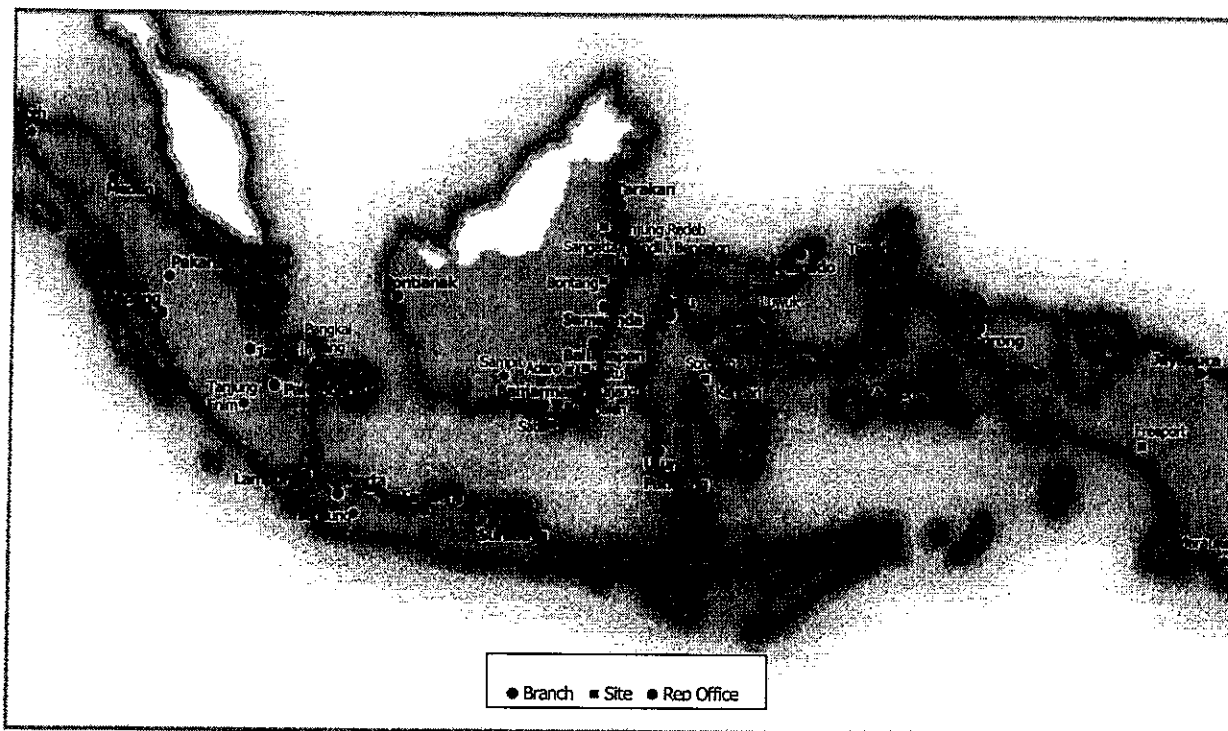
Non-Komatsu Products

The Company is also the exclusive distributor of Nissan Diesel, Scania, Bomag, Tadano and Valmet products in Indonesia, which is intended to complement the Komatsu line. In 2010, non-Komatsu sales increased to Rp. 1,433.2 billion, a 24% increase from 2009. The Company markets its non-Komatsu products across the mining, plantation, construction and forestry sectors.

Sales and Marketing

The Company sells its heavy equipment products through a professional in-house retail sales force, which is organized by geography. The Company believes this organizational structure improves the effectiveness of its sales force and better serves its customers. Sales of new heavy equipment generate cross-selling opportunities for the Company in the form of spare part sales, repair and maintenance services. The Company also responds to the needs of its customers by creating innovative sales and marketing strategies. For example, the Company created a mining sales division with dedicated agents that leverage the Company's existing understanding of the mining industry to better serve its mining clients.

The Company's distribution network includes 18 branch offices spread across Indonesia. The following map shows the locations of the Company's branches, site-support offices and representative offices as of 31 December 2010:



Customers

Sales attributable to the Company's five largest customers accounted for approximately 31% of total sales for the Construction Machinery Business in 2010. In the mining sector, key customers include: PAMA, PT Bukit Makmur Mandiri Utama, PT Sapta Indra Sejati, PT Freeport Indonesia Company, PT Madhani Talatah Nusantara, PT Asmin Koalindo Tuhup and PT Adaro Indonesia. In the plantation sector, key customers include: PT Borneo Indonusa, PT Alamindo Sejahtera, PT Fortuna Farmindo, PT Vysco Indo Pratama and PT Azkow. In the construction sector, key customers include: PT Antar Mitra Sejati, PT Godang Tuajaya and PT Dizamatra Powerindo. In the forestry sector, key customers include: PT Wira-Putra Perkasa, PT Kalimantan Prima S, PT Sarana Baja Perkasa, PT Wijaya Sukses Sejahtera and PT Rimba Raya Lestari.

The following chart illustrates the contribution percentage of the top five customers of the Company to net revenue for the Construction Machinery Business (before elimination of intergroup transaction) in the last five years:

Customer	For the year ended 31 December (unaudited)				
	2006	2007	2008	2009	2010
PAMA	10%	9%	21%	24%	16%
PT Bukit Makmur Mandiri Utama	8%	7%	5%	4%	8%
PT Sapta Indra Sejati	4%	6%	5%	4%	3%
PT Freeport Indonesia Company	2%	3%	2%	3%	2%
PT Madhani Talatah Nusantara	1%	2%			2%
PT Thiess Contractors Indonesia				3%	
PT Kaltim Prima Coal			2%		
Total	25%	28%	36%	38%	31%

The Company does not depend on specific construction machinery customers.



Pricing

The Company's sales headquarters formulates and adjusts the prices of its heavy equipment products and spare parts with reference to market trends and industry information, including changes in levels of demand for various products based on internal and external data, including market surveys and customer feedback. The Company also takes into account its cost base and competitors' prices. The sale prices of the Company's products are substantially the same within each designated marketing region but are affected by variations in transportation costs. The prices for the Company's services are determined by hourly charges based on the level of the technician's skill and experience. Given the high volume of sales, and the economies of scale that the Company enjoys as a result of this, the Company believes its heavy equipment products and services are generally competitively priced relative to comparable products offered by its domestic competitors.

Payment

Sales of the Company's heavy equipment products are settled through customer's own fund, leasing or bank financing at the time of delivery. Payment for spare parts are settled by invoice and payable upon agreed terms that vary from customer to customer.

Marketing

The Company places a high degree of emphasis on promoting customer awareness of the "United Tractors", "Komatsu" and other product brands it sells. The Company's in-house regional sales managers coordinate with its sales agents in the formulation and implementation of its marketing strategy. The Company keeps abreast of market trends and customer preferences as well as collects customer feedback. Furthermore, with a view to increase public awareness of its brand name, the Company has strategically pursued advertising campaigns through direct promotion to customers, using such channels as product launches, customer gatherings and exhibitions. The advertising campaigns are typically conducted and managed by Company staff. The Company will continue to organize seminars, trade shows and exhibitions in major cities in Indonesia in order to identify new groups of customers and promote its brand name and products. For certain key marketing events, the Company and the product manufacturer share the cost of the event. The Company and Komatsu Limited typically share the expenses involved with launching a new product in Indonesia, including marketing events, advertising campaigns and customer training. For the year ended 31 December 2010, the Company's advertising and marketing expenses attributable to the Construction Machinery Business amounted to approximately Rp. 36 billion.

Parts and After-Sales Services

As part of the Company's objective to provide quality products and ensure customer satisfaction, as well as provide a stable source of additional revenue, it has established an extensive network of after-sales service agents in Indonesia. The Company's after-sales services network comprises three spare parts depots and distribution centres as well as four learning centres in addition to the Company's existing distribution and sales offices. These service centres are strategically located throughout Indonesia providing customers an extensive geographic range for parts and services. Consolidated net revenue from parts and after-sales services grew by 19%, to Rp. 4.3 trillion in 2010 from Rp. 3.6 trillion in 2009. Parts and services sales accounted for 25% of total revenue from the Construction Machinery Business. The Company believes its parts and after-sales services business helps diversify the revenue stream for its Construction Machinery Business. For example, in 2009, when many of the Company's customers were choosing to delay the purchase of new heavy equipment due to the impact of the global financial crisis, revenue from the parts and after-sales services still increased as customer sought to extend the useful life of their existing heavy equipment.



Warranty

The Company offers its customers a standard warranty program that, in the case of Komatsu products, typically covers one year or 1,000 hour meters of use, whichever is earlier. Warranties on Komatsu products are fully backed by Komatsu Limited. During the warranty period, customers may request the Company's service technicians to repair or replace defective parts based on the warranty arrangement, and the Company then passes this cost on to Komatsu Limited. Following the expiration of the standard warranty period, the Company provides repair and maintenance to its customers for a fee.

Customer Service

The Company believes its after sales service is one of its key strengths. The Company aims to support its customers in order to maintain close relationships and ensure future sales, while providing an ongoing and profitable revenue stream. The Company provides after-sales services through its service workshops strategically located throughout Indonesia. The Company's mechanics are authorized to respond to customers' requests directly. Its network of service workshops at every branch, together with on-site workshops, enables the Company to serve its customers in a timely and efficient manner.

The Company offers a full range of services, from pre-purchase consultation to post-purchase service, such as equipment maintenance and equipment operator training. The Company's nationwide network of service centres allows it to be available to customers anytime, anywhere. The Company believes its customer service capabilities offer it a competitive advantage in Indonesia. For example, mining contractors, one of the Company's most important customer groups, cannot afford any prolonged down time due to equipment failures. Responding to this need, the Company offers two-day guaranteed parts and services to its mining customers located throughout Indonesia. The Company also offers a "Vehicle Health Monitoring System" on many of its high-end Komatsu products, which allows the Company to utilize GPS technology to monitor the location and usage statistics of its Komatsu products to determine when the equipment may need servicing. In addition, Company and Komatsu Limited technicians are periodically stationed at key customers' mine sites in order to offer training for new products.

Parts

In addition to the Company's full complement of heavy equipment machinery, it also supplies replacement parts for purchasers of the Company's products as well as those of its competitors. This provides an ongoing revenue stream beyond the sales of new equipment. While Komatsu is the primary supplier of parts and components, the Company maintains several other suppliers to avoid relying too heavily on one supplier.

AMK was established as a subsidiary of the Company in March 2010 to supply and develop commodity parts for heavy equipment. AMK currently offers more than 17,000 parts such as filters, hoses, ground engaging tools, batteries and other parts for use with both Company-distributed brands as well as those of some of its competitors. The parts are marketed under AMK's own brands, AllMakes, UTParts and HEO (Heavy Equipment Oil), as well as under other international brands such as Parker, Graco QTec and Turbo pre-cleaner. AMK has six distribution centres located in Pekanbaru, Jakarta, Surabaya, Banjarmasin and Samarinda. AMK's revenue for the year ended 31 December 2010 was Rp. 470.7 million (before elimination of intergroup transactions).

AMAP was established in Singapore in January 2011 as a joint venture between AMK (55% ownership), Multico Infra Core Holding Pte. Ltd. (32.5% ownership) and Prominent Ideas Overseas Ltd. (12.5% ownership) to offer AMK's generic parts to the greater Southeast Asian market, including Singapore, Malaysia, Philippines, Thailand, Cambodia, Vietnam and Myanmar. Multico Infra Core Holding Pte. Ltd. will contribute its material management expertise and Prominent Ideas Overseas Ltd. will contribute its overseas marketing and sales expertise. AMAP will initially focus its marketing efforts on filtration, battery, wear parts and lubricant products and while gradually seeking to expand its product offering.



Learning Centres

The Company maintains four learning centres strategically located across Indonesia. These learning centres offer customers specialized training in the use and maintenance of the Company's heavy equipment products. In addition to the Company's mechanics, operators and mechanics of the Company's customers may utilize the learning centres for a fee. To complement the training at the learning centres, the Company also offers on-site training for its customers. While not a significant source of revenue, the Company believes its learning centres give it a competitive advantage by building brand loyalty among its existing customers.

Engineering & Fabrication

Through the Company's subsidiary, UTPE, the Company is engaged in the design and manufacture of heavy equipment components and attachments. UTPE's products cater to a variety of industry sectors including forestry, plantation, industrial, construction, mining, oil and gas. The mining sector represented 70% of UTPE's total revenue. Revenue growth in this sector is due to an increase in sales of key product (light vessel dump truck), which increased by 78% to 663 units in 2010 as compared to 373 units in 2009, as a result of increased activity in the coal mining sector.

Continuing its innovative efforts, UTPE introduced a new product, New Light Vessel Series (for Komatsu Dump Truck HD1500 and HD785-7), which is lighter, at 12.6 tons compared to 15.4 tons previously, but has an increased capacity of 70 – 100m³ compared to 60m³ previously. Sales of New Light Vessel Series products represented 15% of UTPE's total revenue. Another new product is New Generation Side Bowl Door Tipper which represented 2% of total revenue. In 2010.

UTPE continues to expand its production infrastructure in the Jababeka area, Cikarang. The construction of Subcont Center was completed in December 2010. In addition, an additional 2.9 hectare production facility for the medium vessel was completed at the end of 2010, bringing the current total area of UTPE's production facility to 11.7 hectares.

UTPE's product quality is recognized by international standards, and its products are accepted in the export markets. In November 2010, UTPE received a Diamond Award (the highest achievement in all categories) from TKMPN XIV for Quality Control Project (QCP) in Batam.

On 26 November 2010, UTPE, PT Komatsu Indonesia and Kabushiki-kaisha Maruei Seisakusho, Ltd. ("Maruei Ltd.") entered into a joint venture agreement whereby UTPE, PT Komatsu Indonesia dan Maruei Ltd invested in PT Komatsu Patria Attachment ("KPA"). As of 31 January 2011, KPA is owned 45.0% by UTPE, 50.5% by PT Komatsu Indonesia and 4.5% by Marue Ltd. KPA products include various buckets for quarry and mining as well as bulldozer coal blades.

UTPE's consolidated net revenue for 2010 was Rp. 1,074 billion (before elimination of intergroup transactions), an increase of 48% from 2009.

Rentals and Used Equipment Sales

MPU, established in 2008, is the Company's rentals and used equipment sales subsidiary.

MPU rents equipment to customers in the mining, plantation, construction and forestry sectors on a one to three year term basis. MPU actively manages the size, quality, age and composition of its rental fleet and maintains its quality through the Company's on-site parts and services support. MPU typically contracts with an existing mining project to supply all the heavy equipment needed to service a particular project. In 2010, MPU rented 163 units of equipment.

MPU is also engaged in the purchase, recondition and sale of used heavy equipment. MPU sells used heavy equipment in a fully reconditioned or as is condition state to various industry sectors across Indonesia. While MPU purchases various brands for resale, it only reconditions brands which the Company distributes for resale. Reconditioning takes place at MPU's reconditioning centre in Jakarta that maintains six bays. With the exception of its "as-is" products, MPU offers warranties for Company products that vary in length and terms of service.



PAMA currently owns a share interest of 50.01% in MPU. With PAMA's interest in MPU, the Company expects to achieve synergies between PAMA and MPU whereby PAMA will sell its used equipment through MPU's dedicated sales and distribution team.

MPU's net revenue for 2010 was Rp. 181.1 billion (before elimination of intergroup transactions), an increase of 60.3% from 2009.

Remanufacturing and Reconditioning

KRA, a subsidiary established in 1999, specializes in the remanufacturing and reconditioning of Komatsu engines and heavy machinery. KRA is a joint venture between the Company and PT Komatsu Indonesia whereby the Company owns 49% of KRA and PT Komatsu Indonesia owns 51%. The operation is based in Balikpapan, East Kalimantan. Due to the high demand for heavy equipment in the mining sector, as well as the relatively limited supply of new equipment, there is a growing demand for refurbishment of machinery engines already in service. KRA is focused on building capacity to meet this growing demand.

KRA generated net revenues of Rp. 714.5 billion in 2010 (unaudited), an 18.6% increase from the previous year.

In 2006, the Company established its own remanufacturing and reconditioning facilities, currently available in four locations: Pekanbaru, Balikpapan, Jakarta and Sangatta. These facilities focus on remanufacturing engines and heavy machinery in small to medium sizes, so as not to directly compete with KRA, which remanufactures only large machines. In 2010, total production from the four facilities was 438 engines and 3,409 component units.

Competition

The heavy equipment industry in Indonesia is dominated by four major brands, namely Komatsu, Caterpillar, Hitachi and Kobelco. Relative market shares of these brands in Indonesia are 46%, 16%, 19% and 13%, respectively. Other competitors include Korean and Chinese manufacturers. Market share data is based on publicly available production and revenue data of competitors listed on the IDX. For private competitors, the Company has estimated the production and revenue of such competitors based on various assumptions which it considers reasonable.

The Company faces intense competition, however, the Company believes that the reliability of the heavy equipment the Company sells, as maintained by its network of branches, on-site offices and representative offices and strong after-sales service, makes it possible for the Company to maintain its existing customers as well as attract new customers in all market segments it serves.

Barging and Transshipment

In 2008, UTPE established PML to operate a coal barging and transshipment business. PML has the potential to carry four million tonnes of coal per year. PML currently operates a total of 14 sets of tug boats and barges, catering to several clients in Central and South Kalimantan, including those from the Company. PML focuses its transport service for coal from concessions belonging to the Group. Other customers of PML include PT Asmin Koalindo Tuhup and Glencore International. PML is currently in the process of developing new value added services including a ship yard and a transloader. In 2010, PML transported 1.96 million tonnes of coal by barging and 0.2 million tonnes of coal by transshipment. With the increase of tug boats and barges set in 2010, PML's net revenue for 2010 was Rp. 94.9 million (before elimination of intergroup transactions), an increase of 709.4% from 2009.



Awards

During 2010, the Company received various awards as recognition for its operational achievements in the Construction Machinery Business. The list below is a sample of the awards the Company has recently received:

- #6: Best Listed Companies 2010, Investor Award 2010
- The Best in Building and Managing Corporate Image, Indonesia's Most Admired Companies Award 2010, category : Heavy Equipment Distributor, Bloomberg Indonesia - Business Week Magazine
- #3: 2010 Best Managed Company, Finance Asia Magazine
- #2: 2010 Best Corporate Governance, Finance Asia Magazine
- #4: Indonesia Most Trusted Company 2010, based on Corporate Governance Perception Index Assessment, The Indonesian Institute for Corporate Governance

MINING CONTRACTING BUSINESS

The Mining Contracting Business, operated through the Company's subsidiary, PAMA, provides various contracting services, including coal mining and other construction services to mine concession holders. PAMA entered the mining contracting business in 1988 and has since experienced significant growth as coal concession holders sought expertise and capacity expansion. With more than 22 years of experience in the business, PAMA provides value to mine concession holders by operating mine sites efficiently and effectively. Because PAMA provides the necessary heavy machinery, mine concession holders do not need to invest in heavy machinery, and in turn, PAMA helps increase Construction Machinery sales by purchasing heavy machinery from the Company.

Underpinned by PAMA's reputation for efficiency and reliability, PAMA has been able to retain several leading coal operators in Indonesia as clients, including PT Adaro Indonesia, PT Indominco Mandiri, PT Kideco Jaya Agung, PT Jemberan Muarabara and PT Kaltim Prima Coal. In 2010, PAMA successfully produced approximately 77.8 million tonnes of coal with an overburden removal volume of 651.5 million bcm, an increase of 14.6% and 8.9%, respectively, from 2009. The Company estimates that approximately 30% of Indonesian coal production is produced by concession owners rather than mining contractors, representing a significant opportunity to grow the Mining Contracting Business. The Company believes the use of mining contracting services reduces the level of uncertainty of a coal mine operator's production costs on a per tonne basis by shifting the responsibility for providing substantially all of the equipment, materials and labour from the operator to the mining contractor.

In 2010, net revenue from the Mining Contracting Business was Rp. 16,928.5 billion, accounting for 45.4% of the Group's total net revenue (after elimination of intergroup transactions).

Set out below is a table displaying PAMA's coal production, overburden removal and net revenues from mining contracting operations for the years ended 31 December 2006, 2007, 2008, 2009 and 2010.

	2006	2007	2008	2009	2010
Coal production (million tonnes)	42.5	54.3	59.0	67.9	77.8
Overburden removal (million bcm)	339.7	354.3	441.7	597.9	651.5
Net revenue (Rp. billion)	7,795.0	7,844.3	11,619.1	15,418.5	16,928.5



The Company believes PAMA will continue to experience growth over the next few years fuelled by a growing global demand for coal as an alternative source of energy. Indonesia has a distinct competitive advantage over other major coal producers from Australia, South Africa, the United States and Canada due to Indonesia's close proximity to fast growing coal consumers such as India and China.

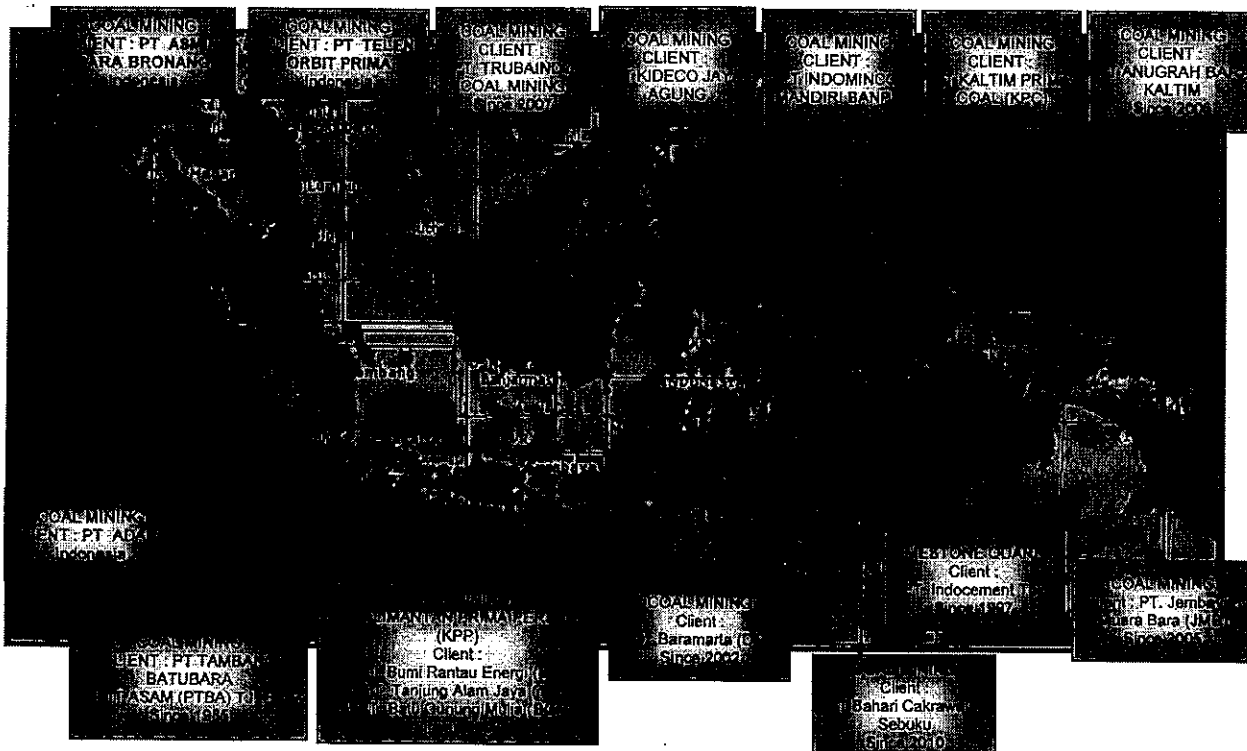
Projects

PAMA provides mining and related services to non-affiliated companies principally at 14 open-cut coal mines across Indonesia, pursuant to medium and long-term contracts that range from three to ten years in length. Contracts are due for extension as follows:

Due for Extension	Number of Projects
1-3 years	4
4 or more years	10

In general, PAMA's contracts state targets for coal production and overburden removal. The contract also involves agreement clauses which allow negotiation for adjustments related to the following factors: (a) rise or fall in operating costs, in which the determining factor is generally the increase of fuel and heavy equipment price; (b) variations or significant changes in mining activities, such as site relocation, as such changes will affect the working fee and operating costs; and (c) standby rate covering situations (other than contractor's negligence) which may delay the project. For coal extraction, fees typically depend on the stripping ratio of overburden to coal, the harshness of the soil, and the elevation, gradation and contour of the mining site. Customers typically pay fees on a monthly basis based on the amount of coal produced and the amount of overburden removed. Additional fees are charged for ancillary services such as infrastructure construction, reclamation and rehabilitation and transshipment.

The locations of PAMA's principal mining contracting projects are shown in the map below:



Source: contracts owned by the Company



The following chart illustrates the contribution percentage of the top five customers of Perseroan to net revenue of Mining Contracting Business in the last five years:

Customer	For the year ended 31 December (unaudited)				
	2006	2007	2008	2009	2010
PT Adaro Indonesia	28%	23%	16%	16%	14%
PT Indominco Mandiri	20%	24%	22%	17%	16%
PT Kaltim Prima Coal	17%	15%	12%	12%	12%
PT Kideco Jaya Agung	8%	9%	8%	14%	13%
PT (Persero) Tambang Batubara Bukit Asam Tbk.	5%				
PT Jembayan Muarabara		7%	10%	13%	15%
Total	77%	78%	68%	71%	70%

Services

Under its mining contracting arrangements, PAMA typically assumes total operational responsibility for mining as well as transporting the coal to the beginning of the coal chain for a fee based upon the actual amount of coal delivered and the extraction costs incurred. PAMA's responsibilities under its typical mining contracts include land clearing, waste removal, overburden removal, coal mining, transport to the mine stockpile and transport of the coal product to the port stockpile. PAMA is also responsible for pit drainage and environmental controls. In addition, PAMA also offers its clients other value-added services such as port, road and other infrastructure construction.

PAMA typically assumes overall technical responsibility for the operations of the sites it is entrusted to mine. This responsibility includes drilling and geology, coal quality control, planning and scheduling (production and processing), the shipping of the coal and the environmental management of the mines. PAMA uses its own fleet of heavy equipment (primarily purchased from the Construction Machinery Business) to perform these functions.

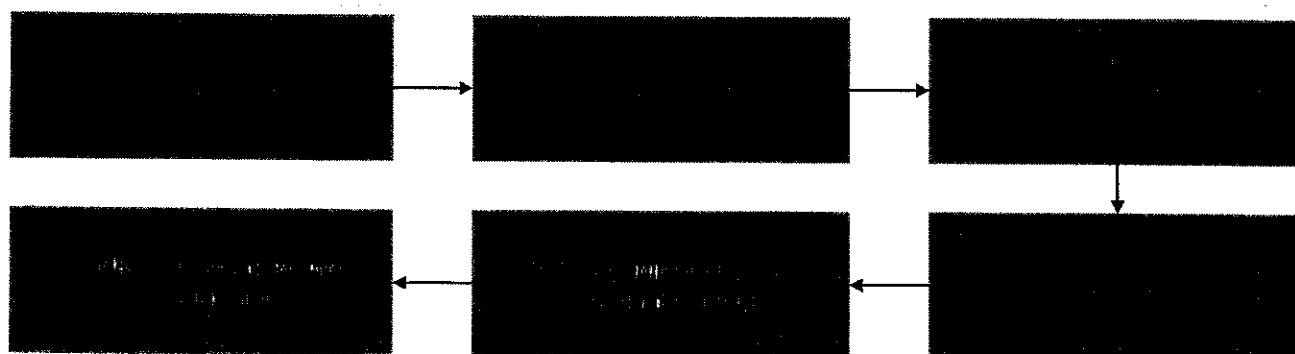
PAMA conducts its mining operations by conventional truck-and-shovel open pit methods using auxiliary equipment, such as excavators, bulldozers and graders. PAMA operates its mine sites 24 hours per day, seven days per week.

Although the mine operator has ultimate responsibility for site activity, PAMA as the mining contractor is involved in the planning process, including revising the preliminary mine plan together with the mine operator, taking into account short-term variations in mining conditions and the operator's coal sales requirements.

Mining Logistics

PAMA uses the standard truck-and-shovel open-pit mining method commonly used in Indonesia. PAMA's mining stages consist of the following six major steps: (1) exploration; (2) mine planning; (3) overburden removal, coal mining and processing; (4) coal hauling; (5) transshipment/coal terminal loading; and (6) mine reclamation and rehabilitation.

Flow Chart of Mining Stages





1. Exploration

PAMA conducts exploration activities at each of its mining projects on an ongoing basis. Exploration activities include data collection, geological modeling, financial evaluation and market research.

Data collection is the process of identifying the location, layout and quality of a coal deposit. It is based on field mapping, which is a survey of surface features, and borehole drilling, the depth of which varies between deposits depending on the depth and configuration of the coal seams. Field mapping and borehole drilling are typically supplemented by a geophysical survey.

Geological modeling is the process of transferring the data from each observation point into a three dimensional representation of the coal seam. This is required to estimate the quantity of the coal in a particular seam and impacts PAMA's selection of a mining method. The geological model also provides coal quality data. This data is then translated into proved and probable reserves, which is defined as coal that can be economically mined. For all of PAMA's projects, data collection and geological modeling will improve the confidence level of its reserves.

To determine whether the commencement of mining is economically viable at a particular project, a financial evaluation is conducted. This evaluation considers coal price, demand for the product, capital investment, mining, processing and transportation costs and defines the shape, size and depth of the excavation. Generally, PAMA mines down to the depth at which incremental mining costs are equal to the value of the coal. In addition to the financial evaluation, PAMA conducts market research to determine the demand for the coal, the price and potential customers.

2. Mine Planning

With information collected through PAMA's exploration activities, it prepares mine plans in relation to further exploration and operation of each pit within its projects. PAMA begins with a conceptual life-of-mine plan and determines the potential production profiles for a particular concession throughout its life. PAMA accounts for surface features such as topography, position of rivers and creeks, local villages and associated infrastructure, and begins planning for rehabilitation of disturbed areas. As more exploration data is collected, the geological model is revised, which necessitates revision to mine plans. It is through competent mine planning that PAMA believes it can adjust its production in line with changes to the long term coal price environment to either take advantage of previously uneconomic coal or by reducing strip ratios to maintain a profitable operation.

3. Overburden Removal, Coal Mining and Processing

At all operating projects, mining is conducted using the conventional open pit mining method by PAMA's dedicated fleet of excavators and rigid body dump trucks supported by ancillary equipment such as bulldozers, graders and water trucks.

Overburden removal commences by removing vegetation and the layer of topsoil and stockpiling the topsoil for rehabilitating the disturbed areas. From the initial box cut, waste is initially hauled out of the pit to an external waste dump. Once there is sufficient space at the bottom of the mined out pit, backfilling commences. The overburden is typically drilled and blasted. Once coal is exposed, it is mined, normally without drilling and blasting, and delivered to the stockpiles for further treatment if required.

4. Coal Hauling

PAMA extracts coal and then transfers it via trucks to locations closer to a river or the open sea where barge loading facilities can load the coal onto barges for transfer to a terminal or other vessel loading options. In the barge loading facilities, coal is blended with other coal types, if necessary, and stockpiled. It is then loaded onto barges via conveyors.



5. Transshipment

For the DEJ Mines, coal is barged from ports managed by PAMA to the open sea. Group companies are employed for certain portions of barge transportation services. Barges are towed from the barge loading facilities at each project where coal is unloaded via cranes and conveyor belts and stored in stockpiles. With the terminal's blending capabilities, different quality coal is blended to meet customer requirements. Through reclaiming gates situated under each stockpile and another set of conveyor belts, the coal is released from the stockpiles and loaded onto ocean going vessels. Once loaded, these vessels are sent to customers.

Quality Control

The quality control process occurs during all stages of the PAMA's mining operations to ensure that the product delivered satisfies the minimum quality requirements specified in its sales contracts. This process primarily starts with the geological modeling and the detailed scheduling included in the various mine plans.

Quality control begins during exploration drilling, where coal samples taken from the cores of boreholes are analyzed by an independent laboratory to assess the quality of such coal. The next phase of quality control is during production coal quality drilling. During this stage, the coal quality of a particular coal seam is confirmed for consistency. Coal from different seams and separate pits is then scheduled and mined in accordance with the detailed mine plan in order to meet the project's requirements. The coal is separately stockpiled according to its quality classification and additional testing is conducted on samples from each stockpile to ensure consistency.

During the barge loading stage, coal loaded on each barge is sampled and analyzed by an independent laboratory before the barges are sent to the open sea for transshipment. In the process of loading coal on vessels, coal samples are again taken before the vessels leave the port and coal quality is certified by an independent laboratory.

6. Mine Reclamation and Rehabilitation

PAMA has been involved in the planning of mine reclamation and rehabilitation strategies for its mining projects taking into account the geological characteristics of each mine. Most of the overburden is placed into mined out areas of the pit as mining progresses. As reclaimed areas reach their design profile, they are graded, topsoil is spread on the surface and native plants and crops are planted.

PAMA restores its mining projects by using a contemporaneous mining and rehabilitation system that, PAMA believes, is efficient and environmentally friendly. Under this system, topsoil is stripped and stockpiled. PAMA's practice is to maximize in-pit dumping wherever possible to minimize the total area disturbed by the mining operation. Erosion control systems, perimeter drains and water-settling ponds are installed to intercept and treat water discharged from the mining site. Topsoil is placed back onto external waste emplacements which have been graded and contoured. The topsoil is mulched, seeded with grasses and fertilized, and replanted primarily with acacia, mahogany and sengon trees.

Moving Up the Coal Value Chain

PAMA intends to offer its clients additional value added services in the near term. These services include coal infrastructure services, a mine mouth power plant as well as partnering with a leading Indonesian university to develop proprietary technology for increasing Calorific Value in coal.



Subcontractors

PAMA relies on a number of subcontractors at each of its mine sites to provide services such as rental of equipment for road maintenance and repair and mineral hauling, where PAMA then performs its own work. By hiring subcontractors, PAMA is able to concentrate its resources on its core activities. In 2010, approximately 13.2% (after elimination for the DEJ Mines) of PAMA's cost of revenue from the Mining Contracting Business was attributable to the payment of subcontractors.

Equipment

PAMA operates a fleet of overburden and coal haulage trucks, excavators and shovels and wheel loaders, together with auxiliary equipment such as bulldozers, graders, road compactors, water trucks, service trucks, lighting plants, pumps, crane trucks and manholes. PAMA's fleet of heavy equipment units are used for both specific mining projects and for general use. PAMA purchases approximately 90% of its heavy vehicles and supporting equipment from the Construction Machinery Business at prevailing market prices. As at 31 December 2010, PAMA owned and operated approximately 2,783 major pieces of equipment, including 254 excavators (245 - 400 tonne class), 1,697 dump trucks (240 - 1,462 tonne class), 227 bulldozers, 136 prime mover trucks, 288 trailers and 181 other supporting equipment.

Work Health and Safety Standards

PAMA continually seeks to minimize the exposure arising from injuries, occupational disease, property damage and incidents of environmental degradation through the implementation of the PAMA Safety Management System. This system places significant emphasis on hazard identification, risk assessment and the development of appropriate control systems. This comprehensive management system includes safety management plans, rules, codes of practice, manuals and procedures with which its employees and subcontractors are required to comply. PAMA's safety department also conducts internal safety audits on a quarterly basis to ensure that its personnel comply with this system. The MEMR also reviews PAMA's audits and conducts its own independent review. The Company believes PAMA's emphasis on worker health and safety is demonstrated by the relatively low level of work-related incidents at its mine sites. In 2010, PAMA experienced a lost time injury frequency rate, defined as the accident frequency rate for each one million working hours, of 0.27.

Environment

Bapedal, the Government agency responsible for implementing the Government's environmental regulations and policies, and local government agencies supervise PAMA's mining operations. Bapedal reports directly to the President of Indonesia and coordinates its activities with various Government agencies, including the Ministry of Energy and Mineral Resources.

PAMA is committed to environmental management at all of its mine sites. PAMA has implemented an environmental management system in accordance with the Government's Environmental Monitoring Plan and formulated post-mining recovery and rehabilitation plans to satisfy land designation, function and layout stipulated by the Government. PAMA uses its environmental management plan to control acid mine drainage, control sediment in runoff water from mining areas and manage hydrocarbons and waste products. PAMA also hires third-party independent environmental specialists to conduct annual audits to monitor compliance with environmental standards and identify opportunities for improvement. While the responsibility for environmental management ultimately rests with the concession owner, PAMA attempts to work closely with its clients to employ a collaborative approach to environmental management at all of its mine sites.

Community Development

PAMA seeks to minimize any negative impact on the communities in which it operates. PAMA continues to employ a large local workforce and actively engage, support and provide funds for the local villages and regional communities. PAMA has developed and implemented an extensive community development program that includes: education, skill and training; economic development;



health and nutrition; and social, cultural and infrastructure development. PAMA holds regular meetings with senior representatives from surrounding villages to discuss progress and implementation of the community assistance programs and to address any issues, concerns or complaints that may arise. In 2010, PAMA spent Rp. 15.1 billion on community development projects.

Competition

PAMA had an approximate 40% share of the Indonesian mining contracting market in 2010, in terms of net revenue. In addition to other mining contractors, PAMA also competes against mining concession owners who are vertically integrated. PAMA estimates that approximately 30% of the coal produced in Indonesia is done by concession owners themselves. The Company believes this represents a significant growth opportunity for PAMA. The Company calculated market share data and obtained coal concession owners data based on publicly available production and revenue data of competitors listed on the IDX. For private competitors, the Company has estimated the production and revenue of such competitors based on various assumptions which it considers reasonable.

PAMA's competitive strength is underpinned by 22 years of experience, strong customer relationships, a sound reputation for reliability and efficiency and a synergistic relationship with Indonesia's largest heavy equipment distributor. In light of the expected growth in the Indonesian coal sector driven by rising coal prices, the Company believes that PAMA is well positioned to maintain and develop its position as a market leader for mining contracting services in Indonesia.

Marketing

PAMA's marketing strategy is focused on increasing the volume of its business primarily by growing in tandem with its existing customers as well as seeking out new clients, primarily those concession owners who had previously maintained their own operations. PAMA's in-house business development team carries out PAMA's marketing functions, including direct customer outreach, magazine advertisements and promotional activities, such as client events and trade expositions.

Many of the PAMA's customers expect to increase their production levels substantially over the next few years. In keeping with this strategy, PAMA's management will focus on improvements in the quality of services it provides to ensure that the business retains its existing customers and is awarded new contracts when they become available. PAMA faces an ever changing business environment as a result of various factors such as:

- a growing trend of mine owners outsourcing mining operations to contractors;
- environmental and work safety issues;
- subcontractors evolving into competitors; and
- community demands.

MPU's Entry Into the Medium Sized Mining Contracting Business

Medium sized mining contracts, typically characterized by those producing less than five million tonnes of coal per year, have become a significant new opportunity in the mining contracting market. The Company believes that this market offers potential to grow the Company's revenue. Due to the size, organizational and operational efficiencies of PAMA, it has primarily handled large mining contracts in the past. In order to address this growing market, MPU has set up a mining contracting business to focus on medium sized mining contracts. MPU intends to leverage the expertise and reputation of PAMA to help establish its client base. PAMA expects to transfer certain personnel to MPU's new mining contracting division in an effort to maintain a consistent level of quality and service across the two business units. MPU expects to begin its mining contracting operations in 2011.

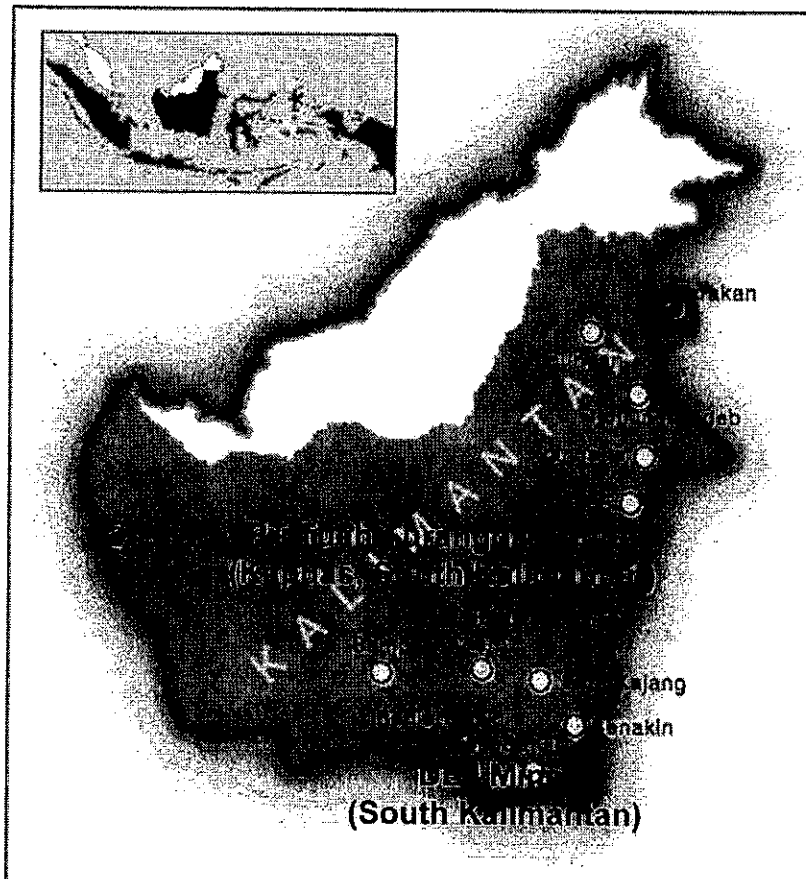
Awards

- Best Mining Services Company - Tambang Award.
- Best CEO in Mining Services - Tambang Award.
- Grand Prize Winner - Jardine Pride in Performance Award.
- Business Outperformance - Jardine Pride in Performance Award .
- Gold Medal - International Convention and Quality Concept Competition in India

MINING BUSINESS

The Company, through PAMA, entered the coal mining business in 2007 by acquiring the DEJ Mines. In 2008, PAMA acquired TTA and the coal mining concession, TOP. TTA further strengthened its coal mining business in 2010, by acquiring 60% of ABP, which is located adjacent to TOP in Central Kalimantan.

The map below shows the location of the Company's existing mine concession areas:



Coal Contracts of Work

The Company maintains a CCoW at its DEJ Mines. CCoWs provide that work is to be completed in phases and prescribe maximum time periods within which the work for each phase is to be completed. The initial concession area granted under a CCoW is typically relatively large, but portions of the concession area will be progressively relinquished during each phase as and when such portions are identified as not holding coal deposits of commercial significance. CCoWs are effective until 30 years after the exploitation license is granted, unless an extension is granted. CCoWs



provide that the ownership of the coal deposits remains with the Government until coal is mined and delivered to customers, and provide for product or revenue sharing of any such coal mined. The Government is entitled to receive 13.5% of the coal produced and the Company's mines while the remaining 86.5% is for the Company. The Government may elect to receive its share of the coal or it may appoint the Company to sell the whole or part of its share of the coal.

IUPs

The Company maintains IUPs for mines owned by TTA through TOP and ABP. For further information on IUPs, see Chapter IX regarding "Regulatory Overview – IUPs".

The following table summarizes information about the Company's concessions as of the date of this Prospectus:

Concession Holding Company	Location	Measured/ Mineable Reserves*	Type of Concession	Date of Concession	Concession Grantor	Phase	Concession Area (Hectares)	Expiry Date of Current Phase	Royalty/ Regional Development Fee
PT Nusantara Citra Jaya Abadi**	Banjar Regency, South Kalimantan	-	KP	6 December 2000	Regent	Mine closure	114	December 2011	7.5% of FOB price
PT Ekasatya Yanatama ***	Kota Baru Regency, South Kalimantan	2 million tonnes / 600 thousand tonnes	CCoW	8 November 2001	Republic of Indonesia	Construction	5,588	20 November 2012	13.5% of FOB price
PT Kadya Caraka Mulya	Banjar Regency, South Kalimantan	15 million tonnes / 1.9 million tonnes	CCoW	12 December 2006	Republic of Indonesia	Operation Production	4,628	13 December 2030	13.5% of FOB price
PT Telen Orbit Prima	Buhut Regency, Central Kalimantan	0 million tonnes / 36 million tonnes	IUP	31 December 2009	Regent	Operation Production	4,900	31 December 2029	7.0% of FOB price
PT Agung Bara Prima****	Kapuas Regency, Central Kalimantan	0 million tonnes / 9.2 million tonnes	IUP	31 December 2009	Regent	Exploration	1,365	16 November 2010	-

Notes:

(*) Based on internal research done by PAMA's technical experts, including geologist team, as of 31 December 2010.

(**) The mines owned by NCJA are currently in the mining closure process.

(***) PAMA intends to sell all of its shares in ESY to a third party. PAMA has executed a Binding Sale and Purchase Agreement dated 12 October 2010. The sale and purchase will be conditional upon fulfillment of condition precedents, which, among others, include delivery of payment.

(****) In the process of obtaining Production Operation IUP.



The DEJ Mines

In 2007, the Group entered the coal mining operator business through PAMA's acquisition of three companies which owned coal mining concessions (NCJA, ESY and KCM) and the right to mine and sell coal based on a sale and purchase agreement with a third party, collectively known as the "DEJ Mines" in South Kalimantan. Prior to the acquisition in April 2007, these mines were operated through a sole operator, PT Dasa Eka Jasatama ("DEJ") with PAMA acting as the mining contractor. With PAMA's ownership of these coal mining concessions and the right to mine and sell the third party's coal as described above, DEJ Mines has 16.5 million tonnes of estimated reserves (based on a stripping ratio of 1:12) according to internal research of the Company conducted by the expert team of PAMA, including the geologist expert team per 31 December 2010.

At the current production rate, the Company expects reserves at DEJ Mines to be depleted by 2014. The coal at the DEJ Mines is of 6,700 kcal/kg premium quality. Under the product sharing provision of the CCoW, the Government is entitled to a 13.5% royalty value at the site's FOB price or at the price of the contractor's final load.

Mining Operations

PAMA performs substantially all of the coal mining operations at the DEJ Mines since 2002. PAMA currently operates three mining pits, the south pit, north pit and west pit, as well as a few small ancillary pits. Excavation at DEJ Mines is carried out below sea level and up to 80, 110 and 40 meters deep.

Mining operations are carried out in several stages. See "Description of the Business and Outlook – Mining Contracting Business" for a flow chart and details of the mining stages.

PAMA has continuously sought to upgrade and expand the roads and infrastructure surrounding the DEJ Mines, such as the port facilities, water storage dams, offices, accommodation camps and jetty, first as the mining contractor and now as the mine operator.

DEJ Mines Coal

The DEJ Mine yields bituminous coal which the majority has a high-end calorific value at 6,700 and is primarily used by customers in the power plant industry in both developed and developing countries due to its cleaner burning characteristics, relatively low ash and sulphur content.

The following table presents the average benchmark marketing specifications of DEJ Mines coal as determined on an air-dried basis ("adb") or, in the case of total moisture, on an as received basis ("arb"):

Parameter	Typical Specification
Ash	13%
Sulphur	0.90%
Calorific Value	6,700 kcal/kg
Total Moisture	13%
Inherent Moisture	5.0%
Hardgrove Grindability Index.....	40

Source : Geoservice and Sucofindo surveys



Coal Production and Sales Volume

The following table sets forth the volumes of coal mined and processed, production volumes, process yield, sales volumes, overburden removed and strip ratio for DEJ Mines coal for the periods indicated:

	For the Year Ended 31 December 2009	For the Year Ended 31 December 2010
Sales volume (in thousands of tonnes)	2,398	2,584
Production volume (in thousands of tonnes)	2,355	2,175
Overburden removed (in thousands of bcm)	26,243	25,584
Strip ratio (bcm of overburden/tonne of coal mined)	11.1	11.8

Source : The Company's internal data

PT Telen Orbit Prima ("TOP")

In February 2008, the Group acquired a coal mining concession located in Buhut Village, Kecamatan Kapuas Tengah, Kapuas Regency, Central Kalimantan, known as TTA. This mining concession is operated through TOP, a subsidiary of TTA. The TOP site contains approximately 36 million tonnes of gross estimated reserves based on the Company's internal research done by PAMA's technical experts, including a geologist team, as of 31 December 2010. The mining concession right maintained by TOP allows the Company to mine for 20 years, and may be renewed twice, each for additional 10 year periods. The coal's calorific value is 6,300 kcal/kg (adb basis), making it suitable for consumption by power plants. The Group acquired the right to the mining concession under an IUP. The local government is entitled to a 7% royalty valued at FOB price. TOP commenced its commercial production and sale of coal in May 2010 and has produced 670,000 tonnes of coal.

Mining Operations

PAMA performs substantially all of the coal mining operations at the TOP mine site. PAMA operates two mining pits from which it extracts the majority of its coal, as well as a few small ancillary pits.

PAMA continues to upgrade and expand the roads and infrastructure surrounding the TOP mine site, such as constructing a hauling road from Buhut to Paringlahung, setting up a crushing plant, jetty and a stockpile.

The TOP mine has an on-site coal processing plant capable of processing up to 8,740 tonnes of coal per day with a stockpile capacity of 300,000 tonnes. In addition, TOP utilizes two loading ports, each with a loading rate of 1,000 tonnes per hour and stockpile capacities of 300,000 tonnes and 180,000 tonnes, respectively.

The map below displays the current state of the TOP mine as at 31 December 2010.



TOP Coal

The TOP Mine yields sub-bituminous coal, which has a medium-high calorific value at 6,300 kcal/kg and is primarily used by customers in the power plant industry in both developed and developing countries due to its cleaner burning characteristics, relatively low ash and sulphur content.

The following table presents the benchmark marketing specifications of TOP coal as determined on an air-dried basis ("adb") or on an as received basis ("arb") except as noted:

Parameter	Typical Specification
Ash	10.5%
Sulphur	0.47%
Calorific Value	6,300 kcal/kg
Total Moisture	13.7%
Inherent Moisture	7.4%
Hardgrove Grindability Index.....	48

Source : Geoservice and Sucofindo survey



Coal Production and Sales Volume

The following table sets forth the volumes of coal mined and processed, production volumes, process yield, sales volumes, overburden removed and strip ratio for TOP coal for the periods indicated.

	For the Year Ended 31 December 2009	For the Year Ended 31 December 2010
Sales volume (in thousands of tonnes)	-	469
Production volume (in thousands of tonnes)	-	670
Overburden removed (in thousands of bcm)	-	6,670
Strip ratio (bcm of overburden/tonne of coal mined)	-	10.0

Source : The Company's internal data

PT Agung Bara Prima ("ABP")

In July 2010, TTA acquired a coal mining concession located in Buhut Village, Kecamatan Timpah, Kapuas Regency, Central Kalimantan, known as ABP. The ABP site contains approximately 9.2 million tonnes of gross estimated reserves based on internal research done by PAMA's technical experts, including a geologist team, as of 31 December 2010. The coal's calorific value is 6,300 kcal/kg (adb basis), making it suitable for consumption by power plants. ABP is currently awaiting the issuance of the Mining Business License Operation & Production (IUP Production Operation) from the Kapuas Regency government. Upon the issuance of IUP Production Operation, commercial production and sale of coal from the ABP site is expected in 2012, with an expected initial output of approximately 500,000 tonnes of coal per year.

Mining Operations

As of the date of this Prospectus, mining operations at the ABP mine site have not begun.

The map below displays the current state of the ABP mine as at 31 December 2010.



ABP Coal

The ABP mine site is expected to yield sub-bituminous coal, which has a medium-high calorific value at 6,300 kcal/kg and is primarily used by customers in the power plant industry in both developed and developing countries due to its cleaner burning characteristics, relatively low ash and sulphur content.

Marketing and Sales

PAMA sells DEJ Mines coal to Noble Resources for a total sales volume of approximately 135,000 tonnes per month at an FOB-barged price at Hasnur Port, which is located on the Putting River. PAMA also sells to Glencore International for a total sales volume of approximately 67,000 tonnes per month at an FOB-vessel price at Anchorage Point in Taboneo. A relatively small amount of DEJ Mines coal is also sold directly to end-users.

TTA sells all of its coal from the TOP mines on short term contracts to a number of companies for use in power plants located in Japan and a number of coal trading companies worldwide. Once the quality and supply of TTA coal are reliably established, the Company expects that future contracts for TTA coal are likely to be on a long term basis.

Sales are made on an FOB basis at the point when the coal is loaded onto barges at one of the Company's barge loading facilities. A royalty of 13.5% share (in the case of CCoWs) or other royalty amount (in the case of IUPs) is calculated and paid based on the Company's selling price.

In addition to the sales discussed above, the Company, through PAMA, must comply with a domestic sales obligation of 26% of coal produced per year in accordance with a decree issued by MEMR. Currently, the Company primarily fulfills its domestic sales obligation by selling coal to PT Perusahaan Listrik Negara (Persero) ("PLN") and to penetrate cement industries in 2011 within the price level required under the coal benchmark price set by the Government from time to time.

The Company's marketing and sales functions are performed by PAMA's in-house sales staff.



Competition

The international coal markets are highly competitive. The Company's coal mining business is smaller by comparison to the larger Indonesian and international coal operators. The Company believes, however, that it still enjoys significant economies of scale due to the Company's size and experience in the Mining Contracting Business. The Company faces competition from the large coal producers in Indonesia, and to a lesser extent, coal producers from other countries such as Australia, South Africa, Canada and the United States. Within Indonesia, the Company's primary competitors are small to medium sized coal mining companies producing similar high-quality coal. The Company believes that Indonesia has recently become the largest exporter of thermal coal in the world. The Company believes Indonesian coal producers enjoy a competitive advantage over international competitors when selling coal to primary end-users in Asia given the proximity of Indonesian mines to countries such as India and China and the lower transportation costs that result from this proximity. The Company also believes it enjoys distinct competitive advantages over its domestic counterparts due to PAMA's long history and track record in the Mining Contracting Business, the close relationship with Komatsu and the quality characteristics of its coal.

LITIGATION

The Group is not currently involved in, nor has it been involved in, any material legal or arbitration proceedings, including those that are pending or known to be contemplated, which may have, or have had in the 12 months preceding the date of this Prospectus, a material effect on its financial position or profitability.

EMPLOYEES

As of 31 December 2010, the Group employed 18,786 people to operate and manage its three businesses. See "Information on the Group – Human Resources" for a breakdown of the Group's full-time employees across its three business segments.

The Group believes that its relationship with its employees is a good one. The Company is not involved in any material labour disputes and is not aware of any circumstances that would give rise to any material labour disputes affecting its business operations.

Recruitment and Training

The Group gives priority to the recruitment and training of its employees. It believes that a continued focus on the transfer of skills, staff development and leadership training contributes to a pool of talented employees necessary for the future growth of the Company.

ENVIRONMENTAL MATTERS

The Group believes that its operations are currently in compliance in all material respects with environmental regulations and standards applicable across the three businesses and holds AMDAL and UKL/UPL documents for activities with a major environmental impact, such as PAMA's coal mining operations, the Company's factory activities, branch offices and heavy equipment workshops throughout Indonesia. With respect to the mining contracting services and heavy equipment after sales activities conducted in mining areas owned by clients, clients are responsible for their own environmental compliance.

The Company and certain Subsidiaries are engaged in business activities related to the environment where, in conducting its operations, the Company and certain Subsidiaries must have the required environmental licenses, among others:

**a) Construction Machinery Business**

As the exclusive distributor of Komatsu heavy equipment, the Company has performed environmental management in accordance with the provisions of Environmental Monitoring (UPL) and Environmental Management (UKL) to the applicable environmental authorities, as stated in the Letter of Approval No. 852/M/9/1993 dated 22 September 1993 for central office area. In addition, the Company has obtained environmental approval from the applicable authorities responsible for all branches.

The reporting of environmental waste management has been conducted by the Company and its branches except for Jambin, Jayapura, Medan and Pontianak which are now in the process of reporting.

b) Mining Contracting Business

As a mining contractor, the Company, through PAMA, provides mining services for mining concession owners. The responsibility for environmental management remains with the mining concession owners.

As a mining contractor, PAMA has obtained:

1. Approval of UKL and UPL based on the letter of approval from the Department of Spatial Planning and the Environmental Government of Bogor District No. 660/1647/PD-DTRIH dated 18 December 2003.
2. Interim Waste Storage Permit B3 No.658.31/1.405/Dal – BLH dated 5 July 2010 issued by the Head of the Environmental Agency Bogor District.
3. Waste Water Disposal Permit from the Bogor Regent through Decision of Bogor Regent No.658.31/021/B/00036/BPT/2010 on Waste Water Disposal Permit for PAMA in the Dayeuh Village, Cileungsi Sub-district dated 20 July 2010.
4. IPLC with No.56/2008 dated 27 February 2008 issued by the Head of Environmental Management Regional DKI Jakarta Province.

PAMA has done the reporting of environmental waste management to the applicable authorities.

c) Mining Business

For the Mining Business, the Company through KCM and TOP has obtained:

1. Approval AMDAL for TOP No. 680/33/AMDAL/2010 dated 8 February 2010.
2. Approval AMDAL, RKL and RPL for KCM No. 461528/SJN.T/2000 dated 8 November 2010.

KCM and TOP have done the reporting of environmental waste management to the applicable authorities.

Types of waste produced by the Company include:

1. Liquid waste including used oil from the usage of heavy equipment, paint thinner and waste water from the washing unit, dining room and bathroom;
2. Solid waste including paint crusts, used goods, sludge from waste production and garbage;
3. Gas waste including gas particles from welding activities or manufacturing of heavy equipments; and



- Dust waste including dust particles from the painting of heavy equipment or air dust from the street as well as activities of other companies surrounding the Company.

The Company handles liquid waste, either in the form of domestic or production waste, by using waste water treatment plant (IPAL). The end products of the domestic waste are used by the Company for watering plants and/or trees around the Company's surroundings, while the end products of the production waste are used for washing heavy equipments. The usage of the end products of domestic and production waste are done after meeting quality standards according to the applicable regulations as well as the implementation of recycling (re-use) of waste generated. The monitoring of waste water management is conducted by the Company on a daily basis.

For solid waste that falls into B3 category (hazardous and toxic), the Company performs its waste management by storing such waste in TPS B3 (B3 waste temporary storage), after which, the Company will deliver such waste to the Waste Management Centre Industry (PPLI) as determined. The Company will deliver solid waste within a period of at least 90 days. For solid waste that is not of category B3 or non-B3, the Company will store in a temporary storage before being sent to landfills (TPA) by the local Sanitation Department.

For gas and dust waste, the Company makes periodic examination of emission-generating equipment every six months. In this regard, the Company also performs control and prevention efforts covering:

- Installation of smoke chimneys directed upward to reduce the concentration of gas emissions produced by generators;
- Perform periodic and optimal maintenance on engines of generators and forklift to reduce exhaust emissions;
- Installation of exhaust fans, scrubbers and fans to reduce dust pollution;
- Perform green efforts by planning trees around the Company's surrounding.

The Company continues to manage and maintain the level of pollution of waste produced, as reflected in the following table:

Results of Air Testing Inside the Company's Room

No	Parameter	Unit	Quality *)	Result
1	Dust (TSP)	$\mu\text{g}/\text{Nm}^3$	10000	64
2	Carbon Monoxide (CO)	$\mu\text{g}/\text{Nm}^3$	29.000	22
3	Nitrogen Dioxide (NO ₂)	$\mu\text{g}/\text{Nm}^3$	5600	58
4	Sulfur Dioxide (SO ₂)	$\mu\text{g}/\text{Nm}^3$	5200	22

Notes:

Testing performed at PT Karsa Buana Lestari laboratory

Dates: 7 – 10 August 2010

No. LHP: 457/LHP/VIII/2010

Results of Noise Testing for the Company

Sample code	Measurement Time (WIB)	Noise	Unit
Dust (TSP)	$\mu\text{g}/\text{Nm}^3$	10000	64
K I	13.30	52	db (A)
K II	13.45	74	db (A)
K III	14.00	70	db (A)

Notes:

Based on testing in KBL LAB Laboratory

Dates: 7 – 10 August

K I = Inside waiting room

K II = Front parking lot without project

K III = Back portion without project

**Results of Ambient Air Testing for the Company****Results of Field Testing**

No	Parameter	Results
1	Temperature	33 °C
2	Humidity	60 % RH
3	Wind direction	Utara Selatan
4	Weather	Sunny

Test Results

No	Parameter	Time Measured	Quality *)	Results
1	Sulfur Dioxide (SO ₂)	1 hour	900 µg/Nm ³	202
2	Carbon Monoxide (CO)	1 hour	26000 µg/Nm ³	396
3	Nitrogen Dioxide (NO ₂)	1 hour	400 µg/Nm ³	74
4	Ozone (O ₃)	1 hour	200 µg/Nm ³	16
5	Dust (TSP)	1 hour	-	195

Notes:

Testing done at PT Karsa Buana Lestari laboratory

Dates: 7 – 10 August 2010

No. LHP: 457/LHP/VIII/2010

Result of Waste Water Testing for the Company

No	Parameter	Unit	Results	Quality
1	Zat padat terlarut	mg/L	167.6	1000
2	Zat padat tersuspensi	mg/L	1	100
3	Air raksa (Hg)	mg/L	<0.001	0.002
4	Ammonia	mg/L	0.13	5
5	Arsen (As)	mg/L	-	0.1
6	Besi (Fe)	mg/L	0.56	5
7	Fluorida	mg/L	0.19	2
8	Cadmium	mg/L	<0.003	0.05
9	Chlorine	mg/L	*	1
10	Chromium (Cr)	mg/L	<0.006	0.5
11	Chromium Hexavalent	mg/L	*	0.1
12	Nikel (Ni)	mg/L	<0.010	0.1
13	Nitrat	mg/L	2.05	10
14	Nitrit	mg/L	0.72	1
15	pH		7.5	9-Jun
16	Seng (Zn)	mg/L	0.04	2
17	Sulfida	mg/L	0.01	0.05
18	Tembaga	mg/L	<0.006	1
19	Timah Hitam (Pb)	mg/L	<0.023	0.1
20	Mangan	mg/L	0.09	2
21	Fenol	mg/L	0.015	0.5
22	Minyak dan Lemak	mg/L	1.19	5
23	Senyawa Aktif Biru Metilen	mg/L	0.02	1
24	Cyanida	mg/L	-	0.05
25	Organik (KMnO ₄)	mg/L	18.06	85
26	BOD (20 C, 5 hari)	mg/L	5.6	75
27	COD (dichromat)	mg/L	23.6	100

Notes:

*) nothing identified

-) not analyzed

Test done by Environmental Laboratory BPLHD

No: 1822/LAB.2S – LC/VI/2010

Dates: 07 June – 15 June 2010



INSURANCE

The Group maintains insurance within the range of coverage, which it believes to be consistent with industry practice. The following is a sample of the Group's most significant insurance coverage through policies issued by Indonesian insurers:

- fire, riot, and disaster (earthquake, volcanic eruption and tsunami) insurance through PT Asuransi Astra Buana, a related party. The Company has insurance coverage with PT Asuransi Astra Buana for Property / Industrial All Risks and Earthquake Insurance with coverage worth Rp. 3,317,640,331,845, and is valid until 1 July 2011. This insurance covers the risk of loss and damages to all of the Company's properties, including those caused by loss or damage resulting from natural disasters according to the standard policy for natural disasters;
- stock throughput and marine cargo insurance, with varying liability limits depending on the type of vessel or the location. The Company has insurance coverage with PT Asuransi Astra Buana for Marine Cargo Insurance with coverage as stated in the policy and is valid until the closing of such insurance by the issuer. Insurance coverage is open cover in nature, that is dependent on the number of heavy equipment units and spare parts which are transported in each shipment. The insurance covers all of the domestic shipping, import and export cargo, aircraft, heavy equipment and spare parts, machinery or goods in connection with the Company, either new or used; and
- heavy equipment insurance and third party/public liability insurance for mining contracting. The Company has insurance coverage with PT Asuransi Astra Buana for heavy equipment with coverage worth U.S.\$310,460 and is valid until 16 June 2011. The insurance covers only one unit of HD785-5 dump truck owned by a customer of the Company located in Sangatta, Kalimantan.

A substantial portion of the Group's insurance coverage has been reinsured by international insurers.

CORPORATE GOVERNANCE

General Meeting of Shareholders

The highest corporate organ is the Shareholders whose rights are represented in General Meeting of Shareholders (GMS). GMS is a shareholders body that conducts important decisions related to and based on the business interest of the Company.

Under the Articles of Association, GMS Company consists of:

- Annual GMS held every year, no later than six months after the closing of the Company's accounting year.
- Extraordinary GMS that is convened any time it is required.

Board of Commissioners

The Board of Commissioners is a corporate organ whose function is to supervise the Company in general and specific sense, and give counsel to Board of Directors. The Board of Directors is a corporate organ who is responsible for the management of the Company's operations in accordance with its purpose and objective. Further, the Board of Commissioners and the Board of Directors form sub-organs appropriate to the needs of the Company for the smooth running of its operations.



The Board of Commissioners is responsible as a committee or collectively in overseeing the performance of duties and responsibilities of the Board of Directors, providing advice to the Board of Directors and ensuring that the Company implements the principles of good corporate governance. The position of each of the Board of Commissioners, including the President Commissioner, is equivalent. The responsibility of the President Commissioner is to coordinate the activities of the Board of Commissioners.

To assist the Board of Commissioners in its decision making and guidance, several committees were set up to provide the necessary input according to their respective fields. Currently, the Company has three committees under the Board of Commissioners, i.e. the Audit Committee, the Nomination and Remuneration Committee and the Executive Committee.

The Company has complied with BAPEPAM & LK Regulation No. IX.I.5, Attachment to Chairman of BAPEPAM & LK Decision No. Kep.29/PM/2004 dated 24 September 2004 and IDX Regulation No 1-A dated 19 July 2004. Out of six Commissioners, three, or 50% of the total number of Commissioners, are Independent Commissioners. At least one of the Independent Commissioners has an accounting and finance background, and banking experience that will ensure competent supervision over financial matters.

Directors

The Board of Directors is jointly responsible for managing the Company's value driver to reach its ultimate function. Decision making by the Board of Directors is commensurate with the division of task and authority, but the performance of each member remains the Board of Director's joint responsibility. Consistent with egalitarian principle, all members of the Board of Directors, including the President Director, are on equal footing. The President Director is in charge of coordinating the activities of all members of the Board of Directors.

INDUSTRY OUTLOOK

All of the data presented in this section has been taken from publicly available sources. This information has not been independently verified by the Company, the Financial Advisers or any of their respective advisers.

INDONESIAN HEAVY MACHINERY INDUSTRY

Overview

Increased activity in the mining, plantation and forestry sectors, supported by increasing demand and relatively high world commodity prices, has opened an opportunity for the Company's Construction Machinery division to increase the sale of heavy equipment in the short-term and mid-term. Furthermore, the lack of infrastructure facilities in Indonesia and support from the Government in relation to the growth of the construction and infrastructure sectors have provided the Company an opportunity to grow and increase its market share in the mid to long-term. Specifically, in the Forestry sector, a tendency to use raw material from industrial forests provides an opportunity for the Company's Construction Machinery division to grow in the future. From a banking perspective, financing for heavy equipment is a safe and promising opportunity due to its business-to-business characteristic and also its relatively high credit rating compared with other industries. Positive fundamentals and liquidity have opened an opportunity for the Company to increase its heavy equipment sales.

Heavy machinery products sold in the Indonesian market include excavators, backhoe loaders, wheel loaders, bulldozers, motor graders and dump trucks. Excavators have been in highest demand in the market due to their wide range of functions, extending from land clearing for plantation estate expansion to earth extraction in coal mining operations. Bulldozers and dump trucks are also in high demand in the market.

The Indonesian heavy machinery industry serves four key end markets including mining, plantation, forestry and construction. Indonesia's heavy machinery sales decreased significantly after the Asian financial crisis but have since recovered to pre-Asian financial crisis levels, benefiting from buoyant sector fundamentals in the mining and the plantation sectors. Compared to the pre-crisis period, the composition of machinery sales have changed and demand primarily stems from the mining and plantation sectors as opposed to the construction sector as before the financial crisis.

Market Demand

Mining

The Indonesian mining sector has been the key growth driver of the heavy equipment industry's growth in recent years due to the booming Indonesian coal mining industry. See the "COAL MINING INDUSTRY" section below for further details on the Indonesian coal mining industry.

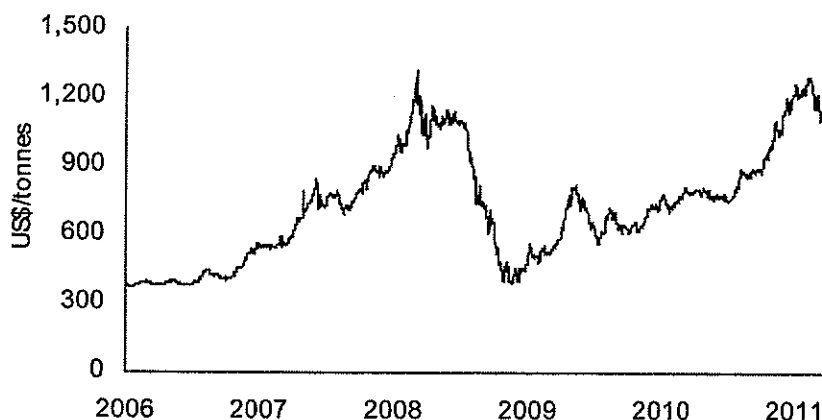
Plantation

The Indonesian plantation sector, particularly the palm oil plantation sector, has been an important source of demand for heavy machinery.

Palm oil is a form of edible vegetable oil obtained from the fruit of the oil palm tree. Demand for the relatively low priced oil has soared in the last decade for its use in food and consumer products. Palm oil is one of the most widely produced vegetable oils in the world and is a very common cooking ingredient in the regions where it is produced. In addition to being less expensive, palm oil is semi-solid at room temperature, making it ideal for baking and food production. Furthermore, increasing focus on trans-fats, especially in the United States, has increased the demand for palm oil in the commercial food industry as a cheaper vegetable oil alternative. Palm oil is also an important component of many soaps, washing powders and personal care products. Recently, palm oil is becoming increasingly popular and gaining more importance as a biofuel feedstock in light of the growing focus on environmentally-friendly energy sources.

The increase in demand for palm oil has led to global shortages in supply and has driven up the crude palm oil ("CPO") price. Indonesia is the key beneficiary as one of the two dominant palm oil producers in the world, together with Malaysia. The rise of Indonesia as a leading palm oil producer is mainly due to aggressive plantation expansion allowed by the availability of land in Borneo and other previously non-developed areas, which has generated increasing demand for heavy machinery as palm oil plantations are usually expanded by clearing existing forest land and draining peat swamps.

Crude Palm Oil ("CPO") Price



Source : Bloomberg as of March 2011



Forestry

The forestry sector is a significant contributor to heavy machinery demand in Indonesia. Approximately 133 million hectares, or 75% of Indonesia's territory, is classified as forest, making it the eighth largest in the world as of 2005, according to the Food and Agriculture Organization. Indonesia is also the third largest tropical plywood producer after Malaysia and China, and the third largest tropical log producer after Brazil and China as of 2009, according to the International Tropical Timber Organization.

Illegal logging has been a large problem facing the Indonesian forestry industry since the 1970s and 1980s when the government initially set out policies to aggressively exploit Indonesian forestry resources, which later led to the rapid growth of the wood-based processing industry, but later began to restrain the aggressive exploitation of Indonesia's forests due to environmental concerns. The wood-based processing industry began to rely on illegal logs in order to maintain its production capacity.

To protect the remaining forest in Indonesia from illegal logging, the Government has implemented various forest conservation policies, which led forest concession areas and the number of logging companies to decline in early 2000s. But more recently the forest concession areas have remained stable, generating solid demand for heavy machinery.

Construction

The growth of the construction sector has been a high priority for the Government. During the first Infrastructure Summit held in January 2005, the Government offered 91 infrastructure projects with an estimated value of more than U.S.\$20 billion in total in an effort to attract private investment in infrastructure projects. During the second Infrastructure Summit held in November 2006, the government offered 111 infrastructure projects with an estimated value of more than U.S.\$19 billion in total to potential investors. Toll road and power plant construction projects accounted for the largest portion of the offered projects during both Infrastructure Summits. For instance, the Government expects to construct more than 1,800 kilometres of toll roads for Java, worth several billion U.S. Dollars, over the next few years. At this stage, the Government is working with different financial institutions on the financing of these projects. In addition, the Government has also endorsed a bill on highway development, which is expected to help eliminate barriers to the construction of toll roads, such as land clearance problems.

Given Indonesia's need to improve its infrastructure facilities to support and improve its future economic growth, the construction sector is expected to remain an important source of demand for heavy machinery in Indonesia.

Key Players

Given the high need for heavy machinery products in Indonesia for extracting its natural resources and expanding its agricultural business as well as for supporting its forestry and infrastructure development, the Government has encouraged the growth and supply of heavy machinery. Despite this, few new major players have emerged in Indonesia due to the highly capital-intensive nature of the heavy machinery industry. Consequently, the industry has been dominated by a few established global players including Komatsu, Caterpillar, Hitachi and Kobelco.

Established global heavy machinery manufacturers typically distribute their products on an exclusive local agent basis in Indonesia. The distributing agents support their sales operations and provide after sale services and replacement parts. PT United Tractors, PT Trakindo Utama, PT Hexindo Adiperkasa, PT Daya Kobelco are the sole agents of Komatsu, Caterpillar, Hitachi and Kobelco, respectively, in the Indonesian market.



INDONESIAN MINING CONTRACTING INDUSTRY

Overview

The owners of coal concessions have increased production and development of new coal concessions given the relatively high price of coal and demand for coal from thermal coal-fired power generation. The increase in coal production has opened an opportunity for the Company, one of the most experienced mining contractors in Indonesia. The Company is supported with easy access to heavy equipment from Komatsu, to increase its market share, its efficiency and operational synergies as well as its financial performance.

Given Indonesia is a resource-rich country, demand for mining contracting services is high. The use of mining contracting services provides mine operators with numerous benefits. The mine operators can avoid high capital investment outlays in developing machinery fleets and mining technical know-how and reduce the level of uncertainty of production costs by shifting the responsibility for providing substantially all of the equipment, materials, supplies and labour needed to conduct the mining operations to the mining contractors. This allows the mine operators to better manage their operating costs, reduce the impact of global fluctuations in the heavy equipment and other mining supplies, and provides the operators with significantly more flexibility in terms of its production rates and mine planning while they can better focus on marketing efforts and selling activities for mining products. In addition, the mining contractors have the requisite knowledge, understanding and established relationships with local communities, which provides the mine operators better access to extract the natural resources while minimizing social and security issues with local communities.

Indonesia's mining contractors have enjoyed buoyant operating conditions in recent years in light of Indonesia's booming coal mining industry. Major mining contracting clients include PT Bumi Resources Tbk, PT Adaro Indonesia, PT Kideco Jaya Agung, PT Indo Tambangraya Megah, PT Berau Coal, PT Tambang Batubara Bukit Asam, PT Bayan Coal and Straits Asia. See the "COAL MINING INDUSTRY" section for more details on the Indonesian coal mining industry.

Mining contractors provide a wide range of services assuming overall technical responsibility for mine operations, which includes mine design, exploration, land clearing, pit drainage, waste removal, overburden removal, coal mining, extracting/processing, hauling, barging and loading as well as coal quality control and environmental controls. Some mining contractors rely on subcontractors to provide services such as road maintenance and repair and mineral hauling.

Mining contractors normally use and maintain their own heavy equipment fleets comprising haulage trucks, excavators, shovels and wheel loaders, together with auxiliary equipments such as bulldozers, graders, road compactors, water trucks, service trucks, lighting plants, pumps, crane trucks and manhauls.

Key Players

The major mining contractors in Indonesia include PAMA, PT Bukit Makmur Mandiri Utama, PT Thiess Contractors Indonesia, PT Darma Henwa Tbk, PT Delta Dunia Makmur Tbk and PT Saptaindra Sejati.

New major players are likely to emerge only gradually given relatively high entry barriers for the industry. Mining contractors need to incur large initial capital investments to develop the machinery fleet and the requisite specialized technical expertise. They also need to develop a reputation of being able to provide reliable and professional expertise in operating mining sites, which takes time to establish.



Contracting Agreements

Mining contracting agreements typically last on average from three to five years, normally with a renewal option before expiration. The contracts of mining contractors with track records of consistently delivering production targets are normally renewed.

The fees are typically agreed upon on a fixed-term basis where they would vary on the type of services performed and the degree of difficulty in carrying out the work. Fee renegotiation clauses are normally added in the agreements to provide both parties the flexibility to adjust to changes in the cost structure and/or commodity price levels resulting from changes in market conditions. The fees are typically denominated in U.S. Dollars.

As the mine operators tend to diversify their contractor base to ensure smooth production flow, it is normal for an established mining contractor to serve several mine operators in Indonesia.

COAL MINING INDUSTRY

Global Coal Mining Industry

Overview

The Company's experience in managing all aspects of mining development and operations, supported by strong demand for coal, robust coal prices and Indonesia's competitive advantage as a coal producing country, should provide opportunities for the Company to benefit from its efficient management and operation of mining concessions.

Coal is a widely distributed natural resource that is mined in many countries around the world. The coal industry is divided into two key segments: thermal coal and coking coal. Thermal coal, also referred to as steaming coal, is used in combustion processes to produce steam for electricity and heat. Coking coal, also referred to as metallurgical coal, is principally used in iron and steel production. Coal is generally considered the cheapest fossil fuel on a contained heat basis, and with fuel costs being the biggest cost component, is widely used as an energy source in electricity generation. Other advantages of coal include relatively stable supply from a wide range of geographic locations, easy and safe storage, and ease of transportation. These factors have led to a dependence on coal by the electricity-generating industry, especially by regulated utilities in energy-importing countries.

The trade in thermal coal has developed and grown rapidly following the two oil crises in the 1970's and is predominantly seaborne in nature. The global market is divided into two regions, the Asia Pacific and the Atlantic regions. The dominant suppliers to the Asia Pacific market are Australia, Indonesia and Vietnam. China, a traditional exporter, has turned into a net importing country as of 2009, as its power requirements grow in tandem with its economy. Supplies to the Atlantic are dominated by South Africa and Colombia, with additional coal coming from Venezuela, Poland, Russia, Indonesia and Australia. The market segregation is predominantly due to the relatively high cost of shipping coal over long distances. The thermal coal trade has seen an emerging trend of increased regional sales from the Pacific to the Atlantic as European demand draws a greater proportion of Indonesian and Australian coal, principally as result of the United States moving from an exporter to net importer, and of the inability of other Atlantic suppliers to meet the shortfall.

The growth of the international coal trade can also be attributed to the decline of coal production in certain developed countries due to prohibitive costs of production and coal reserve depletion. Industry deregulation has been a key feature in the power sector, the main consumer of thermal coal, in recent years. With increased competition in the power sector, the trend has been the continued usage of coal as the lower cost alternative in power generation.



According to BP Statistical Review of World Energy, global energy consumption totalled 9,293 million tonnes and 11,164 million tonnes oil equivalent in 2000 and 2009, respectively. Although consumption for each energy source increased in absolute terms during this period, the share of total consumption has either remained constant or declined for each energy source except for coal, whose share increased from 25% to 29%. This illustrates the trend of increasing demand for coal-fired energy.

Global Energy Consumption in 2000

(Million tonnes oil equivalent ¹)	2000	Share of total
Oil	3,559	38%
Coal	2,340	25%
Natural gas	2,199	24%
Hydro-electricity	610	7%
Nuclear energy	585	6%
Total consumption	9,293	100%

Global Energy Consumption in 2009

(Million tonnes oil equivalent ¹)	2009	Share of total
Oil	3,882	35%
Coal	3,278	29%
Natural gas	2,653	24%
Hydro-electricity	740	7%
Nuclear energy	611	5%
Total consumption	11,164	100%

Source: BP Statistical Review of World Energy 2010

Note 1: 1 metric tonne equivalent to 7.33 barrels based on worldwide average gravity

World coal reserves are abundant. According to BP Statistical Review of World Energy, global proved reserves of coal are estimated to be 826 billion tonnes as of 2009 with a reserves-to-production ratio of 119 years. Coal reserves are widely distributed with particular concentration in countries including the United States, Russia, China, Australia, India, Mongolia, South Africa and Indonesia. The Asia Pacific region accounted for approximately 31% of total proven reserves as of the end of 2009.

Global and Asia Pacific Coal Production

According to BP Statistical Review of World Energy, global coal production grew at a Compounded Annual Growth Rate ("CAGR") of 4% from 2005 to 2009, while the coal production in the Asia Pacific region grew at a CAGR of 8% during the same period. In 2009, the Asia Pacific region contributed 65% of total production worldwide.

Global Coal Production

(Million tonnes oil equivalent ¹)	2005	2006	2007	2008	2009	5 Year CAGR	2009 Share of Total
Asia Pacific	1,637	1,764	1,872	2,044	2,213	8%	65%
North America	619	635	630	638	578	-2%	17%
Europe & Eurasia	438	445	446	453	420	-1%	12%
Africa	141	140	142	145	143	0%	4%
South and Central America	46	51	54	57	53	3%	2%
Middle East	1	1	1	1	1	4%	0%
Total World	2,882	3,036	3,144	3,337	3,409	4%	100%

Source: BP Statistical Review of World Energy 2010

Note 1: 1 metric tonne equivalent to 7.33 barrels based on worldwide average gravity



Among the Asia Pacific countries, China contributed 70% of total coal production in the region while its production grew at a CAGR of 9% from 2005 to 2009. Indonesia is the fastest growing coal producing country in the region which recorded a CAGR of 13% from 2005 to 2009 while the country contributed 7% of the total production in the region in 2009.

Asia Pacific Coal Production

(Million tonnes oil equivalent ¹)	2005	2006	2007	2008	2009	5 Year CAGR	2009 Share of Total
China	1,120	1,205	1,282	1,426	1,553	9%	70%
Australia	206	210	217	220	228	3%	10%
India	162	170	181	196	212	7%	10%
Indonesia	94	119	133	141	155	13%	7%
Rest of Asia Pacific	56	60	58	62	66	4%	3%
Total Asia Pacific	1,637	1,764	1,872	2,044	2,213	8%	100%

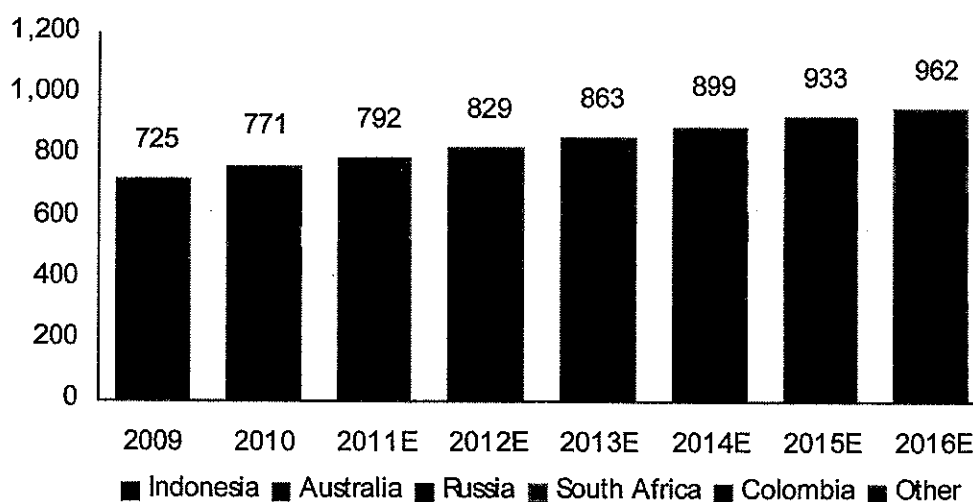
Source: BP Statistical Review of World Energy 2010

Note 1: 1 metric tonne equivalent to 7.33 barrels based on worldwide average gravity

The recent flooding event in Queensland, Australia starting in December 2010 has significantly limited the regions' ability to supply coal to the international market. Queensland accounts for c. 60 million tonnes ("mt") or 9% of global thermal coal export. It has been estimated that 5mt of export from Queensland would be lost due to flood damage to mines and rail infrastructure. Australia's national weather bureau has forecasted more abnormally high rainfall in Queensland during the December to March wet season, which will continue to affect the country's thermal coal exports. Indonesia, the world's largest thermal coal exporter, is expected to gain more market share in the short and medium term due to the supply shocks in Australia.

Seaborne Thermal Coal Exports

Global thermal coal exports grew 6% from 725mt in 2009 to 771mt in 2010, mainly driven by growing demand from developing countries in Asia such as China and India to meet their power generation needs. Indonesia is the largest thermal coal exporting country in the world accounting for 32% of global export volumes in 2010. Going forward, Indonesia's domestic coal demand is projected to increase following significant expansions of domestic coal-fired electricity generation capacity. However, expansion plans from Indonesian coal producers is expected to be sufficient to support growth in both export and domestic markets. Indonesia's thermal coal export volume is expected to grow from 270mt in 2010 to 340mt in 2016, a CAGR of 4%. Australia, the world's second largest thermal coal exporting country, is expected to experience the strongest export growth from 2010 to 2016 with a CAGR of 10%, compared to a CAGR of 4% for global exports during the same period.



Source: ABARE as of March 2011



Global and Asia Pacific Coal Consumption

According to BP Statistical Review of World Energy, total world coal consumption grew at a CAGR of 3% from 2005 to 2009 while the coal consumption in the Asia Pacific region grew at a CAGR of 7% during the same period. In 2009, the Asia Pacific region comprised 66% of the total consumption worldwide. Strong economic development in Asian countries is widely expected to continue to spur electricity demand and coal consumption. In 2009, the global top three consumers, China, the United States and India, accounted for 47%, 15% and 7% of the total global consumption, respectively.

Global Coal Consumption

(Million tonnes oil equivalent ¹)	2005	2006	2007	2008	2009	5 Year CAGR	2009 Share of Total
Asia Pacific	1,644	1,774	1,903	2,023	2,152	7%	66%
North America	615	606	615	602	531	-4%	16%
Europe & Eurasia	514	527	528	517	456	-3%	14%
Africa	101	103	106	111	107	2%	3%
South and Central America	21	21	23	24	23	1%	1%
Middle East	9	9	9	9	9	0%	0%
Total World	2,904	3,039	3,184	3,286	3,278	3%	100%

Source: BP Statistical Review of World Energy 2010

Note 1: 1 metric tonne equivalent to 7.33 barrels based on worldwide average gravity

Among the Asia Pacific countries, China is the largest and fastest growing consumer in the region, and comprised 71% of total coal consumption in the region in 2009, with its consumption growing at a CAGR of 9% from 2005 to 2009. India, Japan, South Korea and Australia comprised 11%, 5%, 3% and 2% of the total consumption in the region in 2009, respectively.

Asia Pacific Coal Consumption

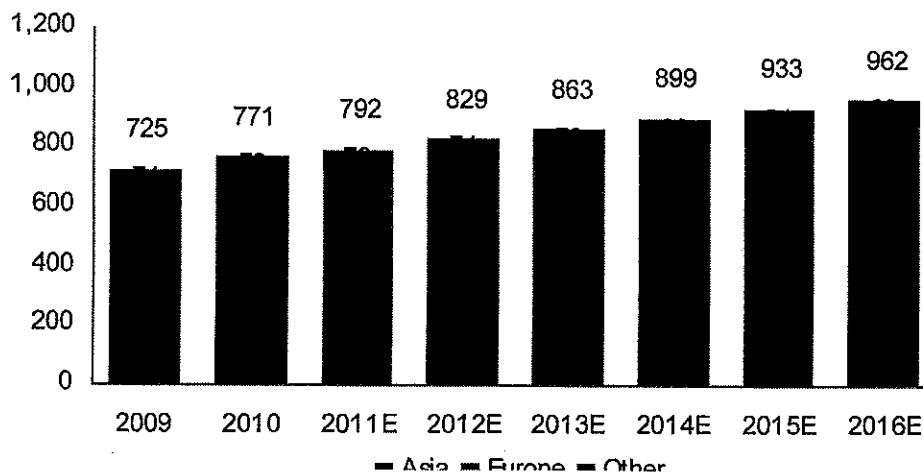
(Million tonnes oil equivalent ¹)	2005	2006	2007	2008	2009	5 Year CAGR	2009 Share of Total
China	1,101	1,215	1,314	1,406	1,537	9%	71%
India	184	195	210	231	246	7%	11%
Japan	121	119	125	129	109	-3%	5%
South Korea	55	55	60	66	69	6%	3%
Australia	54	56	54	51	51	-1%	2%
Rest of Asia Pacific	130	134	140	140	140	2%	7%
Total Asia Pacific	1,644	1,774	1,903	2,023	2,152	7%	100%

Source: BP Statistical Review of World Energy 2010

Note 1: 1 metric tonne equivalent to 7.33 barrels based on worldwide average gravity

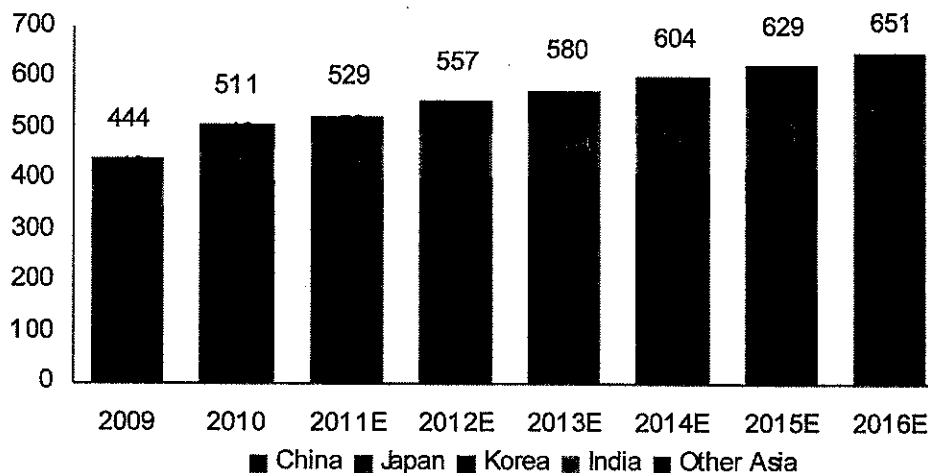
Seaborne Thermal Coal Imports

Global thermal coal imports increased 6% from 725mt in 2009 to 771mt in 2010, mainly driven by growing demand to meet power generation needs from developing countries in Asia. From 2009 to 2010, Asia's thermal coal imports grew 15% while imports from Europe and other countries declined 9% and 1%, respectively, during the same year. Going forward, it is expected that Asia will continue to lead global thermal coal import growth, albeit at a lower CAGR of 4% from 2010 to 2016. As economies in the region grow and per capita income increases, a significant proportion of increased electricity demand is expected to be supplied by coal-fired power stations. By 2016, Asia's share of world thermal coal imports is expected to increase to 68%, from 66% in 2010.



Source: ABARE as of March 2011

Asian growth has primarily been driven by growing demand from developing countries such as India and China, whose thermal coal imports grew 24% and 20%, respectively, from 2009 to 2010. In the future, India is expected to lead import growth with a forecasted CAGR of 14% from 2010 to 2016, mainly driven by rapid expansion of domestic coal-fired electricity generation capacity. In the mean time, China's thermal coal import growth is expected to slow to a CAGR of 2% during the same period due to lower electricity consumption growth associated with assumed weaker economic growth and lower domestic coal prices. By 2016, India's share of Asia's total thermal coal imports is expected to reach 20%, increasing from 12% in 2010.



Source: ABARE as of March 2011

Indonesian Coal Mining Industry

Overview

The Company's experience in managing all aspects of mining development and operations, supported by strong demand for coal, robust coal prices and Indonesia's competitive advantage as a coal producing country, opens doors for the Company to benefit from its efficient management and operation of mining concessions. The Indonesian coal industry has seen continued growth due to the cost competitiveness, transport and infrastructure advantages and environmental attractiveness of its coal. The purchase of competitively priced Indonesian coal with low ash, low sulfur properties, mid to high in calorific value, and used for either blending or stand-alone use, has been an attractive strategy for major power stations in Asia and elsewhere.



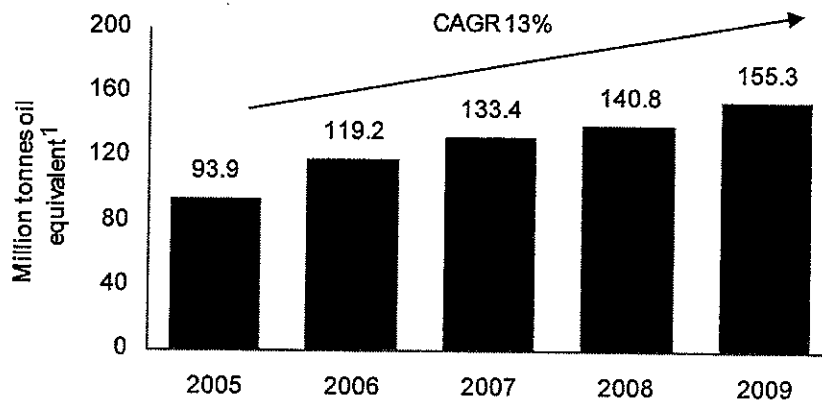
The bulk of Indonesia's coal resources are located on the islands of Kalimantan and Sumatra, predominantly in the provinces of East Kalimantan, South Kalimantan and South Sumatra. The main coal prospects developed today are on the islands of Sumatra and Kalimantan, with the latter predominating in both production and interest level from new investors. According to BP Statistical Review of World Energy, the total proven reserves of Indonesia as of 2009 were 4,328 million tonnes with a reserves-to-production ratio of 27 years.

Coal Production in Indonesia

Based on BP Statistical Review of World Energy, the coal production in Indonesia grew at a CAGR of 13% from 94 million tonnes oil equivalent in 2005 to 155 million tonnes oil equivalent in 2009.

Indonesia's coal exports are mostly thermal coal. Indonesia has grown to be the world's largest exporter of thermal coal. Indonesian coal is largely exported to Asian countries including Japan, South Korea, Taiwan, India and China as well as to Europe and Americas. Major thermal coal producers in Indonesia include PT Bumi Resources, PT Adaro Indonesia, PT Kideco, PT Indo Tambangraya Megah, PT Berau Coal and PT Tambang Batubara Bukit Asam.

Indonesia Coal Production Volume



Source : BP Statistical Review of World Energy 2010

Note1 : 1 metric tonne equivalent to 7.33 barrels on worldwide average gravity

Coal Consumption in Indonesia

Indonesia's domestic coal consumption is primarily derived from power plants including state owned power utilities such as PLN and its subsidiary, Indonesia Power and Independent Power Producers ("IPPs"), and to a lesser extent from cement makers, pulp and paper plants and general industrial consumers.

The domestic coal demand in Indonesia is expected to show stronger growth in the near term. Given the continuously high oil prices and serious domestic power shortages, the Government has set out a policy that would increase coal's share of the country's energy mix through increasing coal-fired power generation and expanding coal usage in other industries including cement and paper.

Implementation of this policy has included two 10,000 megawatt programs which aim to add a total of 20,000 megawatts to the national grid by 2012. The first 10,000 megawatt program includes the construction of 35 power plants, all of which will be coal-fired. The second 10,000 megawatt program includes the construction of 83 power plants, of which 2,600 megawatts will be generated from coal plants. These programs are expected to significantly increase domestic coal consumption upon completion.



Price Setting

Thermal coal is a "cost linked" commodity, with prices exceeding or falling below the marginal cost of production for high cost producers only temporarily, in cases of extreme short-term undersupply and oversupply situations. The main determinants of price are perceptions of the supply and demand balance in the short term, perceptions of cost of production in the longer term, productivity in coal mining and price of competitive fuels. Thermal coal prices are generally dependant on the energy level that the coal can provide, with the base price set for an energy level of 6,700 kilocalories per kilogram on an "air dried" basis and then adjusted pro rata. Coal purchased and sold in the Asia Pacific market are primarily through term contracts, which specify prices and annual price adjustments, coal quality, specifications, tonnages, cargo sizes and delivery arrangements.

Australian thermal coal has dominated the seaborne thermal coal trade; although its position as the world's largest thermal coal producer has been overtaken by Indonesia. Despite the emergence of Indonesia, the North Asian power utility market is still dominated by Australian thermal coal as Indonesian coal is predominantly sub-bituminous in nature (high moisture and low energy), and thus less preferred, even though there is a global trend towards the use of cleaner (low sulfur and low nitrogen) Indonesian coal as a blending product to reduce overall raw material costs and to meet environmental standards.

Historically, Australian producers and Japanese Power Utilities ("JPUs") would negotiate annually, normally between September and December each year, to determine the price that would apply for the new Japanese fiscal year. The price agreed reflects the view on the demand and supply outlook for the year and is used as the reference price for the supply of all Australian coals to JPUs and subsequently used by JPUs as the reference price when negotiating with their suppliers from other countries. This would then form the "Japanese benchmark price" at which other Asian suppliers would supply thermal coals to other North Asian buyers. Later on, as result of the oversupply situation in early 2000, the market evolved such that non-Japanese buyers and some JPUs found it advantageous to negotiate contracts directly with suppliers depending on contract volumes, risk profiles and views on the spot price trends, rather than being guided by the Japanese benchmark price.

Pricing for Indonesian coals is determined through negotiations between buyers and sellers, with the Japanese benchmark price serving as a reference point. Indonesian coal is generally not comparable to Australian benchmark delivered coal due to differences in coal properties and energy content and tend to be priced at a discount to Australian coal.

With the growth of the Asian thermal coal spot market, Asian buyers have also adopted spot market index linked pricing for a small proportion of their needs. The most relevant indices for the Asian thermal coal trade would be the Barlow Jonker Index and the ACR Asian Index.

The Barlow Jonker Index is an indicator of the spot price for thermal coal loaded free-on-board ("FOB") at the Port of Newcastle, New South Wales, Australia, to any destination. The spot price applies to thermal coal with the properties (air dried basis) of 2.5% inherent moisture, 8.0% total moisture, calorific value of 6,700 kcal/kg, 15.0% ash (maximum), 0.8% sulfur (maximum) and 30.0% volatile matter (minimum).

The ACR Asia index tracks the weighted average actual shipment price of all thermal coal exported from New South Wales and Queensland to Japan, South Korea, Hong Kong and Taiwan. No adjustments are made for quality and the index comprised of cargo shipped under both spot and term contracts.

The Indonesian Coal Index ("ICI") has become another relevant price benchmark. Produced by Argus Media and PT Coalindo Energy since 2006, the ICI serves as a critical tool for assessing the most widely spot-traded grades of Indonesian coal. The index comprises four different grades of Indonesian coal ranging from 4,200 kcal/kg to 6,500 kcal/kg. It is widely used as a reference for tenders, contract negotiations, competitive analysis, production planning and royalty calculations. The Indonesia government also uses ICI in determining fulfillment of domestic sales quotas by producing companies.

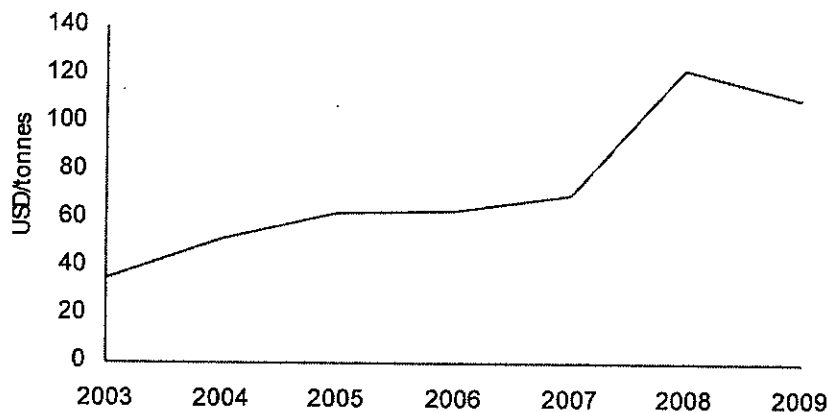


From the 1990s to early 2000, a general downtrend in coal prices was witnessed as the cost of production in U.S. Dollar terms declined. The decline in costs in real terms could be attributed to the depreciation of currencies of key producing countries against the U.S. Dollar, improvement in mining, productivity, consolidation and restructuring in the industry and the general oversupply of thermal coal. From 2003, prices have risen rapidly to reach historical highs primarily due to the tightening of supply caused by infrastructure constraints, while demand continued to grow at a fast pace, particularly in East Asia. The emergence of China as a key consumer and the reduction of its exports in order to meet domestic consumption needs added to the supply constraints. The increase in oil prices also contributed substantially to a rise in operational costs and together with slower productivity gains, has put upward pressure on coal prices.

Thermal coal prices began to rapidly rise post the second half of 2007 as a result of supply disruptions, strong demand growth and high energy prices generally. At the same time, exchange rates for foreign currencies had appreciated against the U.S. Dollar, productivity had declined and operational costs had risen. By July 2008, the Newcastle benchmark spot price had reached its historical high of US\$192.50/t. The Newcastle spot price subsequently declined in late 2008, corresponding to a decline in energy prices, global economic downturn, weaker global economic growth in key Asian countries and a stronger US Dollar.

Since March 2009, global thermal coal prices have been recovering as the economic outlook improves combined with growing demand from China and India to meet domestic energy needs. The Newcastle spot prices recently hit US\$138.5/t due to extreme weather problems in Australia and still trades above US\$130/t as of 15 March 2011.

Japan Thermal Coal Import Price



Source : BP Statistical Review of World Energy 2010

IX REGULATORY OVERVIEW

INDONESIAN MINING REGULATIONS

1. Overview

Prior to 2009, mining in Indonesia was regulated by Law No. 11 of 1967 on Basic Mining Regulation ("**Old Mining Law**") along with its implementation regulations. The Old Mining Law stated that to conduct a mining business, a company or a person must have a mining concession in the form of a KP. Furthermore, the government could appoint a contractor that holds a coal mining concession through a CCoW.

The Old Mining Law provided that authority over the control and regulation of strategic and vital mineral resources, including coal, in Indonesia vested in the MEMR, while authority over the control and regulation of non-strategic and non-vital mineral resources vested in the regional governments of Indonesia where mineral resources are located.

The Old Mining Law empowered the MEMR to license government institutions, state-owned enterprises, private entities and individual persons to undertake general mining activities, including the exploration for, and exploitation of, mineral resources through KP. The Old Mining Law also empowered the MEMR to allow parties (whether foreign parties or domestic parties) to act as contractors through CCoW to conduct coal mining activities that had not or could not be undertaken by Government institutions or state-owned enterprises and others through a KP.

Currently, the Old Mining Law has been revoked by the Mining Law approved by the President of the Republic of Indonesia on 12 January 2009. One of the objectives of the Mining Law is to provide equal treatment to foreign and domestic investors introduced under the Investment Law (as defined below) of 2007, and includes, among other things, (i) the abolishment of the contract of work system; (ii) the introduction of a license based system equally applicable to both foreign and domestic investors; (iii) the allowance of foreign investment while also requiring divestment; (iv) the authorization of the Government to designate mining areas (*Wilayah Pertambangan*) within Indonesia; (v) the requirement of a tender process for the granting of new coal mining concessions; (vi) the regulation of larger mining areas and reduction terms for production; (vii) the requirement to comply with onshore processing obligations; and (viii) the regulation of mining services contractors. Mining concessions are granted in the form of a license, and contractual-based concessions will no longer be available for new mining projects.

The types of licenses available under the Mining Law are:

- (i) IUP (*Izin Usaha Pertambangan* – Mining Business License)
- (ii) IUPK (*Izin Usaha Pertambangan Khusus* – Special Mining Business License)
- (iii) IPR (*Izin Pertambangan Rakyat* – Peoples Mining Business License).

Mining business may be conducted only within a "*Wilayah Pertambangan* - Mining Area." The Mining Area is determined by the central Government (after coordinating with the relevant Regional Government) after consultation with the Indonesian Parliament. The sub-sets of Mining Area are:

- (i) WUP (*Wilayah Usaha Pertambangan* – Mining Business Area);
- (ii) WPR (*Wilayah Pertambangan Rakyat* – Peoples Mining Area) for local communities; and
- (iii) WPN (*Wilayah Pencadangan Negara* – State Reserve Area).

Treatment of KPs

The Mining Law is completely silent as to the status of existing KPs (i.e., whether they are grandfathered for their terms), whether they are to be treated as IUPs or whether those KPs may be converted to new forms of IUP.

Treatment of KPs was later clarified by Government Regulation No. 23 of 2010 on The Realization of Mineral and Coal Mining Business Activities ("GR 23/2010"). Pursuant to GR 23/2010. All existing KPs, Regional Mining Licenses and People's Mining Licenses are still valid until its expiry dates and:

- must be converted to IUPs or IPRs within 3 months from the date of enactment of GR 23/2010 (GR 23/2010 was issued on 1 February 2010);
- all KP holders are obligated to submit to the relevant issuing authority an activity plan for their entire KP area covering the period until the expiry of the KP term; and
- must carry out onshore processing and refinery within 5 years after the date of enactment of the Mining Law.

Treatment of CCoW

Pursuant to Article 169(a) of the Mining Law, all CCoWs entered into prior to the enactment of the Mining Law shall remain valid until the period of expiration of the CCoW.

Despite Article 169(a), Article 169(b) states that the provisions of CCoWs, other than those regarding state revenue, must be adjusted by no later than one year after the enactment of the Mining Law (the Mining Law was enacted on 12th January 2009). The wording of Article 169(b) implies that the CCoWs must be "adjusted" but does not expressly prescribe that the adjustment shall be limited to matters required to make the CCoW consistent with the Mining Law (i.e., the broad wording of Article 169(b) allows the Government to modify the contents of the CCoW). Despite the broad wording, MEMR has publicly stated that in its interpretation of Article 169(b), any adjustments to the CCoWs will be only modifications necessary to bring their provisions in line with the principles of the Mining Law.

Furthermore, GR 23/2010 regulates that CCoWs which have not obtained a first and/or second extension may be extended into an IUP extension without a tender process. During this period, business activity is conducted in accordance with the provisions in GR 23/2010, except for state revenue matters giving more benefit to the state.

2. IUPs

IUPs are divided into two stages:

- (i) IUP Exploration (covering general survey, exploration and feasibility study activities); and
- (ii) IUP Production Operation (covering construction, mining, processing and refinery, and transportation and selling activities).

Holders of Exploration IUP are guaranteed to obtain the Production Operation IUP by submitting an application and meeting the requirements for obtaining the Production Operation IUP.

As set out above, IUPs may be granted only over WIUP (*Wilayah Izin Usaha Pertambangan* – Mining Business Area).

WIUPs for coal and minerals are granted through a competitive tender process. After obtaining a WIUP, the winner of the tender has to submit an application to the relevant issuing authority to obtain an IUP for such WIUP.

If another mining commodity (other than the commodity to be mined under the relevant IUP) is found within the WIUP, the IUP holder has priority to mine such other commodity by establishing a new business entity and applying for an appropriate IUP for such commodity. If the IUP holder does not wish to mine the other commodity, the opportunity to mine it may be given to other parties through a tender process or an application of WIUP (depending on the type of commodity). After obtaining the

WIUP, the other party has to coordinate with the initial IUP holder on mining activities carried out in the WIUP.

One Company, One WIUP

GR 23/2010 prevents a company from holding more than one mining concession area (WIUP) unless the company has conducted an initial public offering.

A company holding multiple existing KPs under the previous regime is entitled to retain those multiple concessions, which may also be converted into multiple IUPs.

Issuing Authority for IUPs

The overriding principle for determining who has the authority to award WIUPs for a mining area (and, upon the award of the WIUP, to issue IUPs) is as follows:

- Where the WIUP is within a single Regency, the Bupati/Mayor;
- Where the WIUP is cross-Regency within a single Province, Governor; and
- Where the WIUP covers more than one Province, MEMR.

For coal, once the successful tender winner is awarded the WIUP by the relevant level of Government as mentioned above, the Exploration IUP is issued by that same level of government. However, once exploration is completed and the mining company is ready to proceed to a production and operation phase, the question of who is the issuing authority of the Production Operation IUP becomes more complicated.

GR 23/2010 specifies the issuing authorities for Production Operation IUP:

- Where the mining area, processing and refining facility and port facility are located within a single Regency, the Bupati/Mayor;
- Where the mining area, processing and refining facility and port facility are located across Regencies but within a single Province, the Governor; and
- Where the mining location, processing and refining facility and port facility are located across Provinces, MEMR.

A further level of complexity arises where, based on the environmental impact study, it is believed that the environmental effect could have an impact on:

- one Regency, the Production Operation IUP is granted by the Regent/Mayor based on a recommendation from MEMR and Governor;
- cross-Regency within a single Province, the Production Operation IUP is granted by the Governor based on recommendation from the Bupati/Mayor; and
- cross-Province, the Production Operation IUP is granted by MEMR based on a recommendation from the Bupati/Mayor and Governor.

Other IUPs

Aside from the above mentioned IUP stages there are two other types of IUP:

- Special Production Operation IUP for Transportation and Sale (IUP-OP for transportation and sale)

This type of IUP is granted to companies specifically trading in coal or metallic mineral in Indonesia. IUP-OP for transportation and sale is issued by MEMR if transportation and sale activities are conducted across provinces and countries, by the Governor if across regencies, or by the head of the relevant regency if within one regency.

- Special Production Operation IUP for Processing and Refinery (IUP-OP for processing and refinery)

This type of IUP is granted to companies engaged specifically in the processing and refinery of coal and mineral in Indonesia. The issuing authority for this type of IUP depends on the origin of the mining commodity and the location of the processing and refinery facility. If they are located in different provinces, the issuing authority will be MEMR, if they are located in different regencies, the issuing authority will be the relevant Governor and if they are located within one regency, the issuing authority will be the head of the relevant regency.

The holder of this IUP may also conduct processing and refinery of mining commodity originated outside Indonesia, for which MEMR will be the issuing authority.

3. IUPKs

IUPKs are granted over WPN (i.e., certain areas designated by the Government and the Indonesian Parliaments as "State Reserves Area" because they are of particular national significance due to their ability to generate revenue.)

Some of the key facets of an IUPK are as follows:

- An IUPK is issued (and administered) by MEMR, not the Regional or Provincial Governments (regardless of whether it crosses Regional or Provincial boundaries).
- IUPKs apply to minerals including coal, copper, lead, gold, iron, nickel and bauxite.
- IUPKs are to be issued to State/Region Owned Companies (BUMN/BUMD) having priority over other investors.
- Private sector companies may obtain an IUPK through a tender process.
- Like an IUP, IUPKs are issued as Exploration IUPK and Operation Production IUPK.

WIUPK (*Wilayah Izin Usaha Pertambangan Khusus* – Special Mining Business Area) is offered to BUMN/BUMD. If after being offered no BUMN/BUMD is interested in the WIUPK, then the WIUPK will be offered to private investors through a tender process and the winner of the tender shall be obligated to pay compensation for data and information in accordance with the tender costs. After obtaining the WIUPK, the BUMN/BUMD or the tender winner must submit an application for an IUPK from MEMR.

4. Domestic Market Obligation

Pursuant to the Mining Law and Regulation of MEMR No. 34 of 2009 on Prioritizing Domestic Mineral and Coal Supply ("**PerMen 34/2009**"), mining companies have the obligation to meet domestic mineral and coal supply demands (or Domestic Market Obligations – DMO).

(a) *Formulation of DMO – Relationship of RKAB and DMO Plan*

The formulation of DMO obligation is primarily driven by how much coal/mineral the local consumers require.

In general, the process involves the following:

- (i) Domestic consumers submit to MEMR their respective forecasted mineral and coal (including the mineral/coal specification) needs for the relevant year, which MEMR will then review at the latest in March.
- (ii) MEMR reviews and calculates DMO requirements based on the submission of domestic consumers and information contained in the production plan of mining companies. MEMR needs to come up with a DMO plan for the relevant year at the latest in June each year. The DMO plan (the "**DMO Plan**") shall cover:

The forecasted domestic needs of mineral and coal for the relevant year, supplemented by a list of the consumers and their respective coal/mineral volume and specification needs; and

The minimum coal and mineral DMO Percentage for the mining companies.
- (iii) The mining companies submit their respective work programs and budgets (*Rencana Kerja dan Anggaran Biaya* or "**RKAB**") for the relevant year to the issuers of their respective mining licenses and a copy to the Director General of Minerals, Coal and Geothermal ("**DGMCG**"), at the latest in November every year.

The RKAB will have to state commitments to fulfil the DMO obligations based on the minimum percentage of DMO referred to in the DMO plan.

(b) What Constitutes DMO Obligation

The following constitutes the fulfillment of the DMO obligation:

- (i) The domestic sale of coal/minerals by mining companies to domestic and actual users of such coal/minerals who use such coal/minerals as raw materials and/or source of fuels (as applicable) pursuant to the applicable DMO Plan set out by MEMR and mining companies' respective RKABs.
- (ii) Subject to certain requirements under PerMen 34/2009, the domestic sale of coal or minerals by mining companies to domestic coal/minerals traders.

In general, a sale of mineral/coal to domestic traders will not be deemed a sale within the framework of DMO fulfillment. However, PerMen 34/2009 provides an exception where sale to domestic traders may be considered as fulfilling DMO obligations, provided that:

- The sale to such local traders is undertaken within June to November of the relevant year;
 - The local traders hold valid mineral/coal trading licenses (IUP-OP for transportation and sale); and
 - The relevant sale and purchase agreements between the mining companies and such local traders are attached to the annual RKAB of the mining companies for the relevant year;
- (iii) Transfer of any DMO portion which is not purchased by prescribed domestic purchasers, with prior approvals of MEMR.
 - (iv) Any DMO credits purchased by other mining companies.

PerMen 34/2009 introduces the concept of DMO credits trade. The DMO credits trade enables mining companies to fulfil their DMO commitments as set out in their respective annual RKABs.



In general, trading of DMO credit must comply with the following requirements:

- A mining company (Mining Company A) has exceeded its DMO commitment in the relevant year;
- Another mining company (Mining Company B) will not likely fulfill its DMO commitment for the relevant year;
- Mining Company A may sell and transfer its excess DMO commitment (the DMO credit) to Mining Company B;
- The purchase price of such DMO credit is subject to the agreement of Mining Company A and Mining Company B, provided that, the maximum price of the DMO credit is the equal to the international index or market selling price of the relevant product applicable in the current month (the month in which transaction of the DMO credit occurs).

(c) The Minimum Percentage of DMO

Based on MEMR Decree No. 2360 K/30/MEM/2010 on The Determination of the Needs and the Minimum Percentage of Coal Domestic Sale Obligation In 2011, dated 31 August 2010 ("**MEMR Decree 2360/2010**"), MEMR sets 24.17% as the minimum percentage of DMO for Coal in 2011.

(d) Prohibition on Export of Purchased DMO Products by Domestic DMO Purchasers

PerMen 34/2009 prohibits domestic purchasers of DMO products from "exporting" the purchased DMO minerals/coal.

(e) Sanction

In general, violation of PerMen 34/2009 is subject to administrative sanctions. The sanctions may be imposed by MEMR, the Governor or the Mayor/Bupati depending on the relevant level of authority.

MEMR has the authority to impose sanctions on:

- (i) mining companies with MEMR-issued mining licenses (including CCoW and CoW companies) that fail to:
- fulfill their DMO commitments (in a relevant year);
 - submit quarterly DMO implementation reports; and/or
 - submit notification to MEMR stating their failure to satisfy DMO commitments; and
- (ii) domestic purchasers (as listed in the DMO Plan) that fail to purchase the designated DMO mineral/coal.

The Governor, the Mayor or the Bupati (as applicable) has the authority to impose sanctions on mining companies whose mining licenses it has issued and that fail to:

- (iii) fulfill their DMO commitments (in a relevant year);
- (iv) submit quarterly DMO implementation reports; and/or
- (v) submit notification to MEMR stating their failure to satisfy the DMO commitments.

The sanctions for violation of PerMen 34/2009 are generally administrative in nature. These range from warning letters (maximum three letters, with each letter valid for one month) to, if the party does not comply after the warning letters, a reduction of up to:

- 50% of the following year's total mineral/coal supply allocation for the relevant domestic purchaser; or

- 50% of the total mineral/coal production of the following year's production for the relevant mining company.

5. Mining Services

Mining services are regulated under the Mining Law's implementing regulation, i.e., Regulation of Minister of Energy and Mineral Resources No. 28 of 2009 on The Operation of Mineral and Coal Mining Service Businesses ("**PerMen 28/2009**"). To a certain extent, PerMen 28/2009 redefines certain mining service business activities and practices which have been implemented in the Indonesian mining sector. For example:

- mining companies now have to directly conduct certain coal/mineral mining, processing and refining activities that have been traditionally contracted out to mining contractors;
- local and national mining contractors rather than foreign-owned mining contractors are now given preferential treatment in securing mining service contracts; and
- there are stricter requirements for a mining company using subsidiary/affiliated mining contractors.

Actual Mining Activities Undertaken by Mining Companies

PerMen 28/2009 allows the mining companies to hire mining service companies to conduct overburden removal, including stripping, and to transport coal, except for transporting coal from the mine pit to the surface of the mine. However, certain mining activities, namely coal/mineral extraction (which, arguably, involves blasting activity at the coal/mineral seam) and loading will have to be undertaken by mining companies themselves. Due to the obligation to undertake coal/mineral extraction and loading, mining companies will have to procure their own mining equipment, the related manpower and expertise to undertake those activities.

Local, National and Foreign (Other) Contractors

The Mining Law provides that local and national mining companies must use local and national contractors. PerMen 28/2009 provides the following definitions:

- "**Local Contractor**": a service company in the form of an Indonesian legal or non-legal entity established in a certain municipality / regency / province, originates its entire capital domestically (Indonesia) and undertakes activities only within the municipality / regency / province in which it is established.
- "**National Contractor**": a service company in the form of an Indonesian legal entity which originates its entire capital domestically (Indonesia) and undertakes activities within or outside the territory of the Republic of Indonesia.
- "**Other (Foreign) Contractor**": an Indonesian legal entity whose capital is partly or entirely owned by foreign parties.

Based on PerMen 28/2009, if mining companies wish to engage "Other/Foreign" contractors, the mining company will have to first make a newspaper publication announcement (in connection with the mining service contract), and there must be no local and/or national contractors who are financially and technically capable of undertaking the work and meeting the requirements set out by the mining companies. The overall process of electing foreign contractors (including determination of capability) must be fair, transparent and reasonable. Accordingly, while tender is not specifically mandated, it seems to be the clearest way of satisfying the requirements of PerMen 28/2009.

If "Other/Foreign" contractors are appointed, PerMen 28/2009 requires that those contractors subcontract part of the contracted work (from the mining companies) to appropriately competent Local Contractors.



Use of Subsidiary/Affiliated Contractors

Consistent with the Mining Law, unless otherwise stated as per the following, PerMen 28/2009 expressly prohibits the use of subsidiary and/or affiliated contractors without prior written consent from DGMCG on behalf of MEMR. One of the main drivers of the Indonesian government's prohibition on the use of subsidiary/affiliated contractors is the desire to stop the transfer pricing practices carried out for many years by some Indonesian mining companies.

Based on PerMen 28/2009, mining activities undertaken within a mining company's mining area may be contracted out to subsidiary and/or affiliated contractors, provided that:

- a competitive tender process (where non-affiliated contractors are given the opportunity to bid for the work) has been undertaken;
- the mining company provides a guarantee that no transfer pricing will take place and reports to DGMCG; and
- the company secures prior written approval from DGMCG on behalf of MEMR.

PerMen 28/2009 provides that subsidiaries and/or affiliates subject to PerMen 28/209 include all business entities which the mining company has a direct share ownership.

On 10 May 2010, the DGMCG issued Regulation No.376.K/30/DJB/2010, on the Procedures and Requirements of the Approval Application for the Participation of Subsidiaries and/or Affiliates in the Mining Service Business ("Regulation 376/2010"). This new regulation implements Article 9 of the PerMen 28/2009, which requires an IUP holder or an IUPK holder to obtain MEMR approval before its subsidiary and/or affiliate provides mining services. Through Regulation 376/2010, the DGMCG, on behalf of the MEMR, provides guidelines on how subsidiaries and/or affiliates of an IUP/IUPK holder should provide such mining services.

Under Regulation 376/2010, a subsidiary and/or an affiliate is defined as a business entity directly owned by the holder of the IUP or IUPK.

Direct ownership means:

- the IUP holder or the IUPK holder is a direct shareholder who owns at least 20% of the shares in its subsidiary and/or affiliate;
- the IUP holder or the IUPK holder is a direct shareholder and owns more than 50% of the voting rights in the subsidiary and/or affiliate, based on an agreement to directly control the financial policy and operations of such subsidiary and/or affiliate; or
- the IUP holder or the IUPK holder has the authority to appoint and dismiss the financial director and operational director or its equivalent in its subsidiary and/or affiliate.

Regulation 376/2010 allows a subsidiary and/or an affiliate to provide mining services after the IUP or IUPK holder, as applicable, has carried out an open tender process (which includes making two announcements of the tender process in a newspaper publication) and failed to find a winner. Such appointment is subject to the approval of the MEMR and the DGMCG.

Non-Core Mining Activities

PerMen 28/2009 does not provide a detailed explanation on what activities fall within the mining service business category of "Non-Core Mining Service Business."

IUJP and SKT

Based on PerMen 28/2009, mining contractors and providers of Non-Core Mining Service Businesses are required to have a Mining Service Business License (*Ijin Usaha Jasa Pertambangan - IUJP*) and Registered Statement Letter (*Surat Keterangan Terdaftar - SKT*), respectively. IUJPs and SKTs are valid for a maximum period of three years and may be extended prior to their respective expiry dates. MEMR, the Governor, the Mayor and/or the Regent may issue the IUJPs/SKTs based on their respective levels of authority.

Transitional Provisions – Grandfathering of Existing Mining Services Contracts

PerMen 28/2009 provides that existing contractual arrangement with mining companies (KP holders, CCoW holders and CoW holders) as of 30 September 2009 must, by 30 September 2012, be modified to comply with the requirements of PerMen 28/2009.

6. Reclamation and Post Mining

Provisions on the obligation for reclamation and post-mining activities is governed under the Government Regulation Number 78 of 2010 on Reclamation and Post-Mining ("**GR 78/2010**"). Based on GR 78/2010, reclamation and post-mining obligations are divided as follows:

- (i) Reclamation for the holders of Exploration IUP and Exploration IUPK.
Such reclamation have to be conducted over the damage/polluted land caused by the exploration activities; and
- (ii) Reclamation and post-mining for the holders of Production Operation IUP and Production Operation IUPK.
Such reclamation and post-mining have to be conducted over the damage/polluted land caused by the mining activities conducted with the following systems and methods:
 - open mining; and
 - underground mining.

The Implementation of Reclamation and Post-Mining Process

Generally, the implementation of reclamation and post mining process includes the following steps:

- (i) Before conducting any exploration activities, the holders of Exploration IUP and Exploration IUPK prepare a Exploration Phase Reclamation Plan based on environmental laws and regulations.
- (ii) The holders of Exploration IUP and Exploration IUPK that have completed the feasibility study activities submit to the relevant MEMR, Governor, or Regent/Mayor authority, a request for the approval of a five year Production Phase Reclamation Plan and a Post-Mining Plan. The Production Phase Reclamation Plan and the Post-Mining Plan are submitted together with the applicaiton for the Production Operation IUP and Production Operation IUPK.
- (iii) The relevant MEMR, Governor, or Regent approves:
 - The Production Phase Reclamation Plan within a maximum period of 30 calendar days from the issuance of the Production Operation IUP and Production Operation IUPK; and
 - The Post-Mining Plan within a maximum period of 60 calendar days from the issuance of the Production Operation IUP and Production Operation IUPK.
- (iv) The reclamation to the damaged/polluted land caused by the exploration activities must commence within 30 calendar days after mining activities cease on damaged/polluted land that is not in the Production Operation stage.



- (v) The holders of Production Operation IUP and Production Operation IUPK shall submit a report on the reclamation activities once a year to the relevant MEMR, Governor, or Regent/Mayor authority.
- (vi) The holders of Production Operation IUP and Production Operation IUPK must commence post-mining activities according to the post-mining plan within 30 calendar days after mining activities cease.
- (vii) The holders of Production Operation IUP and Production Operation IUPK shall submit a progress report on the post-mining activities on a quarterly basis to the relevant MEMR, Governor, or Regent/Mayor authority.

Reclamation and Post-Mining Guarantee

The holders of IUP and IUPK are obligated to provide a reclamation guarantee, in relation to its exploration and Production Operation activities, and a post-mining guarantee, in relation to its Production Operation activities.

(i) Exploration Phase Reclamation Guarantee

Exploration IUP/IUPK holders are obligated to deposit an Exploration Phase Reclamation Guarantee based on the Exploration Phase Reclamation Plan. The Exploration Phase Reclamation Guarantee must be deposited in a state-owned bank in the form of a time deposit and must be incorporated in the Exploration RKAB.

The Exploration Phase Reclamation Guarantee must be deposited within 30 calendar days after the Exploration RAKB is approved by the relevant MEMR, Governor, or Regent/Mayor authority.

(ii) Production Operation Phase Reclamation Guarantee

Production Operation IUP/IUPK holders are obligated to provide a Production Operation Phase Reclamation Guarantee in any of the following forms:

- a joint account in a government bank;
- a time deposit in a government bank;
- a bank guarantee issued by a government bank or a national private bank; or
- accounting reserve.

The Production Operation Phase Reclamation Guarantee must be provided within 30 calendar days from the date the Production Operation Phase Reclamation Plan is approved by the applicable MEMR, Governor, or Regent/Mayor authority.

(iii) Post-Mining Guarantee

Production Operation IUP/IUPK holders are obligated to provide a Post-Mining Guarantee in the form of an annual time deposit in a government bank within 30 calendar days from the date the Post-Mining Plan is approved by the applicable MEMR, Governor, or Regent/Mayor authority.

Handover of the Reclamation Land and the Post-Mining Land

Based on GR 78/2010, the holders of IUP and IUPK are obligated to handover reclaimed land to the entitled party according to the prevailing laws and regulations of the applicable MEMR, Governor, or Regent/Mayor authority.

The holders of Production Operation IUP or Production Operation IUPK that have concluded post-mining activities, are obligated to handover the post-mining land to the entitled party according to the prevailing laws and regulations of the applicable MEMR, Governor, or Regent/Mayor authority.

Penalty

The applicable MEMR, Governor, or Regent/Mayor authority may impose a penalty for a violation of the GR 78/2010, in form of:

- warning letters;
- temporary suspension of the activities; and/or
- revocation of IUP or IUPK.

7. Divestment Obligation

Although the Mining Law gives foreign investors the ability to invest directly in a company holding a license based concession, GR 23/2010 requires foreign capital holders of IUP and IUPK to divest its shares after five years of production so that at least 20% of the shares are held by Indonesian parties. This divestment provision limits foreign ownership in mining concession companies to 80% five years after the start of production.

The key tenets of the divestment provisions are:

- (i) The obligation is triggered where there are "foreign capital" holders. GR 23/2010 defines "foreign capital" as including "an Indonesian legal entity whose entire capital is owned by a foreign party." This suggests that the divestment obligation does not apply if an IUP company is 99% foreign owned and 1% Indonesian owned Indonesian foreign investment (PMA) company (as none of the shares in the IUP company would be deemed to be "foreign capital" because the PMA company is not 100% foreign owned). Such an interpretation seems to circumvent the purpose of the provision.
- (ii) The offer is first made to the Central Government, then to the Regional Government, then to the State-Owned/BUMN and Regional-Owned Government/BUMD companies (through tender) and then to "National Private Business entities" (through tender). Accordingly, this process provides a preference to the earlier parties over the latter parties.
- (iii) "National Private Business entities" is defined as any legal entity whose shares are 100% held domestically. This definition will likely exclude Indonesian listed companies with any of foreign shareholding element.

The 20% Indonesian shareholding requirement must be maintained even in the event of a capital increase of the mining company. It is not yet clear how a foreign shareholder in a mining company should handle a funding default (if funds are required) of the 20% Indonesian partner. Joint venture arrangements (and Articles of Association of mining companies) should address this scenario by either allowing the foreign shareholder to cover the Indonesian partner's shortfall as a preferred loan, or triggering a put option whereby the Indonesian partner will be required to transfer its 20% shares to another Indonesian participant as determined by the foreign shareholder.

8. Domestic Processing and Refinery

Pursuant to GR 23/2010, holders of Production Operation IUP and Production Operation IUPK are obligated to conduct processing and refinery to increase the added value of the mineral/coal they produce. Processing and refinery may be done by the holders of IUP/IUPK Production Operation or in cooperation with companies that hold a Special Production Operation IUP for processing and refinery.

9. Minimum Coal Pricing

In an effort to further implement the Mining Law, on 23 September 2010, the MEMR issued Regulation No 17 of 2010 on Guidelines on the Determination of the Reference Price of Mineral and Coal Sales ("**Regulation 17/2010**").



Requirements to follow reference price

Article 2(1) of Regulation 17/2010 provides that IUP holders are obligated to sell minerals/coal based on the relevant reference price, whether for domestic or export sales, and whether the sale is being made to third parties or affiliates. While the provision does not specifically state that mine owners "must sell at not less than the reference price," the regulation imposes a sanction on mine owners for breaching Article 2(1) of Regulation 17/2010, ensuring that sales are made at not less than the relevant reference price.

Although not entirely clear, the regulation suggests that the reference pricing obligations only apply to mine owners (holding Production Operation IUPs) and not to traders (who are required under the Mining Law to hold a special Production Operation IUP for transport and sale). Accordingly, once the initial sale is made from a mine owner to a domestic trader, that trader is free to re-sell the coal without regard to the new regulation's requirements.

For coal, separate reference prices are determined for thermal coal and metallurgical coal. For thermal coal, a separate reference price exists for low rank coal. No formal definition of low rank coal exists. However in the past, the MEMR has referred to low rank as any coal with a gross calorific value (adb basis) of less than 5,100 kcal/kg. The MEMR monthly reference price calculations issued over the last year have applied their current formula (discussed further below) across a range of GCV values down to 3,000 kcal/kg (GAR).

The relevant reference price formulas are to be further determined by the DGMCG. While formal DGMCG decision has not yet been issued, the DGMCG has in the past published reference prices based on a basket of local and international indices, including Indonesian Coal Index, globalNEWC, Platts and Newcastle Export Index.

For coal, the regulation provides that coal sales can be conducted in the form of (i) Free on Board (FOB) mother vessel, (ii) FOB barge, (iii) inside an island to an end user and (iv) on a Cost, Insurance & Freight (CIF) or Cost and Freight (C&F) basis. However, the regulation does not directly address how other forms of sales are to be treated (e.g., selling coal to trader on ex-mine basis, selling coal to another mine owner for blending at stockpile, etc.).

The reference price as issued will be an FOB mother vessel price, where the contract price of coal sales made by a mine owner on an FOB mother vessel basis must be based on the reference price. Where the sale is further upstream from the mother vessel point of sale (e.g., FOB barge), the regulation contemplates subtracting an "adjustment price" as approved by the Directorate General. The "adjustment price" is designed to cover the transportation costs of barging, surveyor costs, transshipment costs and/or insurance costs. Future Director General regulations on the "adjustment price" are anticipated. The provisions of these future regulations are still unknown (e.g., will the Government agree an adjustment component for every load out point for every mine in Indonesia?).

Reference price used in calculation of royalties

For the purposes of royalty calculation, the Regulation 17/2010 provides that where a sale is effected on FOB mother vessel basis, the Government will take the higher of the contractually-agreed coal price or the reference price in calculating the royalty. This indicates that the production royalty (e.g., for coal IUP companies currently ranging between 3-7% of sales price) will be imposed on not just the coal costs but also the barge transportation and transshipment costs. In the past, the MEMR has permitted coal mining companies to deduct certain expenses from the calculation of coal production royalties. However, the MEMR has now decided that no such deductions will be made, and instead, the royalties will be assessed on the full delivered cost FOB mother vessel. This is likely an indirect way of increasing the effective rate of royalties (without changing the headline numbers of 3-7% as set out in Government Regulation 45/2003).

Sanctions

There has been a long-running debate in mining circles on whether the appropriate sanction for failing to sell coal and minerals at the reference price should be the payment of royalties and taxes at an "assumed" price at the applicable reference price. However the Regulation 17/2010 imposes written warning penalties for the first three non-performances, then progresses to temporary suspensions of exports (for 3 months maximum) and if the obligations under the temporary suspension have not been fulfilled, finally a revocation of the IUP.

Due to the severity of such sanctions, mining companies will need to pay particular notice to the requirements of this new regulation.

Applicability to existing concessions and contracts

The regulation requires the holders of IUPs, Contracts of Works and CCoWs to comply with its provisions. Similar to other Ministerial Regulations that have been issued to implement the 2009 Mining Law, this Ministerial Regulation pays no regard to the "lex specialis" standing of a number of the Parliamentary-approved Contracts of Work/CCoW. The MEMR has tabled, as part of the amendments to existing Contracts of Work/CCoW, a new provision to be inserted into those contracts which requires the mining companies to apply the minimum pricing requirements in accordance with the regulations. The question remains however, pending any amendments mutually agreed by the mining companies and the MEMR, whether those mining companies can continue to follow their existing contracts, or whether they must immediately start complying with these new regulations.

Existing Sales Contracts

Existing sales contracts are not grandfathered. Spot sales contracts must be conformed to the new regulation by 23 March 2011, and term sales contracts must be conformed by 23 September 2011. However, an exception exists for an IUP or Contract of Work/CcoW company that has already renegotiated the sales prices of existing contracts based on past directives from the MEMR. In such cases, the mining company does not need to further renegotiate prices. This exception likely relates to certain directives issued by MEMR to mining companies (largely CCoW companies) over the past couple of years which instructed those mining companies to renegotiate coal prices under fixed price contracts.

10. Production Limitation

The Government has the authority to impose production limitation on mining companies. GR 23/2010 provides these rationales behind the potential production limits:

- (i) To meet environmental objectives;
- (ii) To conserve mineral and coal resources; and
- (iii) To control the mineral and coal prices.

Details on how the production limitations will be imposed and the associated safeguards for industry will be addressed in a future Ministerial Regulation.

11. Deadrent and Royalties

The holder of license based concessions (IUP/IUPK/KP) is obligated to pay a royalty and deadrent in accordance with the applicable laws and regulations. Because the implementing regulations on deadrent and royalty of the Mining Law have not been issued, the regulations of the Old Mining Law still controls deadrent and royalty (as long as it does not contravene the provisions of the Mining Law).

Currently the royalty and deadrent payments for coal mining are stipulated in Government Regulation No. 45 of 2003 on the Tariff of the Non-Tax State Revenue Applies in the Department of Energy and Mineral Resources ("GR 45/2003"). The royalty for coal ranged from 3% to 7% of the sale price (the percentage depends on the quality of the coal). Deadrent is payable annually and the amount ranges from Rp. 500.00 per hectare to Rp. 25,000 per hectare (depending on the mining stage, whether it's in general survey or already in exploitation/production).

The Mining Law provides that IUPK holders will also be charged with an additional royalty of 10% of net profit, with 4% payable to the Central Government, 1% to the Provincial Government in which the mine is located, 2.5% to the Regional Government in which the mine is located and 2.5% to the other Regional Governments in the Province in which the mine is located.

12. Land Rights

The granting of WIUP/WIUPK only gives the right to mine in the WIUP/WIUPK and does not give the IUP/IUPK holder the rights to the surface land delineated by the WIUP/WIUPK.

Production Operation IUP/IUPK holders are obligated to settle part or all land rights within the area delineated by WIUP/WIUPK by paying compensation based on a mutual agreement with the landowner. The compensation can be in the form of lease, acquisition or borrow to use (*Pinjam Pakai*).

INVESTMENT

Capital investment in Indonesia is governed by Law No. 25 of 2007 on Capital Investment ("**Investment Law**"), Presidential Regulation No. 36 of 2010 regarding List of Business fields which are Closed and Open with Certain Requirements for Capital Investment ("**Negative List**") and Regulation of the Head of Investment Coordinating Board No. 12 of 2009 on Guidelines and Procedure of Capital Investment Application ("**PerKa 12/2009**").

Both domestic and foreign capital investment are governed by the Investment Law, and the Negative List provides which line of business are opened for foreign investment and which are closed with certain requirements. Pursuant to the Negative List, mining is a line of business that is 100% open to foreign investor. However, GR 23/2010 stipulates a requirement for foreign capital holders of IUP and IUPK to divest their shares after five years of production so that at least 20% of the shares are held by Indonesian parties.

The Investment Law does not limit the investment period for PMA (foreign capital investment)/PMDN (domestic capital investment) companies.

In the event of nationalization, the Government will compensate foreign investors for the investment based on the "market price" of the nationalized assets. The market price will be determined by the independent appraisal appointed by the parties. If the parties cannot reach an agreement on the amount of compensation, the Investment Law provides for arbitration to settle the matter.

The Investment Law provides that, if there is a dispute between the Government and an investor that cannot be settled amicably, the dispute can be settled either through arbitration or by the courts.

The Investment Law generally formalizes the current resolution process of a dispute between a foreign investor and the Indonesian Government, and takes into account the nature of the dispute itself (e.g. tax, and administrative actions, which have their own specific courts).

In addition, the Mining Law provides that mining companies are to handle disputes arising from the implementation of IUP/IUPK through Indonesian courts and arbitration.

FORESTRY REGULATION

Law No. 41 of 1999 concerning Forestry, as amended by Law No. 19 of 2004, which ratifies Government Regulation in Lieu of Law No. 1 of 2004 ("**Forestry Law**") classifies State Forest areas into three principal categories, namely conservation forests, protected forests and production forests. The Forestry Law and its implementing regulations provide that the following restrictions apply to mining activities in the three different types of forestry areas:

- (i) Conservation forests (e.g., National Parks, Nature Reserves (Cagar Alam) etc.): no mining activities (whether exploration or exploitation, whether open cut or underground) permitted.
- (ii) Protected forests: with limited exceptions (see below), no open cut mining activities permitted. Underground mining is permitted with certain requirements.
- (iii) Production forests: open cut and underground mining activities are permitted.

When mining activities are allowed in a State Forest, the mining activities must be approved by the Ministry of Forestry ("MoF") through a *Pinjam Pakai* (borrow and use permit) for pre-exploitation and exploitation phase activities.

Additionally, the recently issued Government Regulation No. 24 of 2010 on Use of Forest Area ("**GR 24/2010**") provides that in respect of *Pinjam Pakai* approvals for mining activities in State Forest where the activity has significant impact, wide scope or strategic value, the approval of the Indonesian Parliament is required prior to the issuance of the *Pinjam Pakai*. These criteria are to be further clarified in a MoF decree to be issued in the future.

Exploration activities in State Forest

GR 24/2010 in conjunction with MoF Regulation No. P.43/Menhut-II/2008 on Guidelines on *Pinjam Pakai* of Forest Area ("P.43") provides that in order for a mining company to carry out exploration activities within a Production Forest or a Protected Forest, the company must obtain a *Pinjam Pakai* permit for exploration activities from the MoF. The terms of the *Pinjam Pakai* permit for exploration activities will be the same as the terms of the mining licence.

If the application for the *Pinjam Pakai* permit for exploration activities is approved, the Head of Forestry Planology Board, on behalf of the MoF, will issue a Forest Area Activities License, which contains obligations that must be fulfilled by the applicant.

Exploitation activities in State Forest

Before mining companies can carry out any mine construction or production activities in the forest area, GR 24/2010, in conjunction with P.43, provides that mining companies must obtain a *Pinjam Pakai* permit.

Application for Pinjam Pakai

The application for the *Pinjam Pakai* must be submitted to the MoF, along with the following documents:

- (i) Forest utilization working plan attached with relevant location map on 1:50,000 scale and the most recent satellite imaging (with detail resolution of 15 meter or more) signed by the applicant;
- (ii) recommendation from the Governor (if the mining licence is issued by the Regent);
- (iii) environmental analysis impact (AMDAL) that has been approved by the authorized authority;
- (iv) a copy of the relevant mining licence;

- (v) a technical recommendation from the President Director of Perum Perhutani, if the applied area is Perum Perhutani's working area;
- (vi) a statement from the KP company that it is able to fulfill all of its obligations, and bear all costs and expenses in relation to the application; and
- (vii) a recommendation from the DGMCG of MEMR.

If the *Pinjam Pakai* application is approved, the MoF will issue an In-Principle Approval to *Pinjam Pakai* which is valid for two years and can be extended based on evaluation results. The In-Principle Approval does not allow the holder to carry out mining activities. An In-Principle Approval only sets out certain obligations that need to be fulfilled by the holder in order to obtain the final *Pinjam Pakai* permit.

In addition, where the relevant Province in which the mining area is located has forest area of less than 30% of the total area of the watershed, island, and/or Province, the *Pinjam Pakai* applicant must:

- (i) provide and transfer non-forest land to MoF which is clear and clean as compensation for the *Pinjam Pakai* forest area with a ratio of compensation land of at least 1:2 with a ratio of compensation land of at least 1:2;
- (ii) undertake all costs resulting from designating a forest area from compensated land;
- (iii) conduct and undertake reforestation costs of the compensated land.

If the relevant Province is one where the total forest area exceeds 30% of the total area of the watershed, island, and/or Province, then no compensation land is required to be provided, but instead the applicant must pay:

- (i) the Non-Tax State Revenue (PNBP) for Utilization of Forest Area according to Government Regulation No. 2 of 2008 on Kind and Tariff on Non-Tax State Revenue from the Use of Forest Area for the need of Development outside Forestry Activity which is effective within the Ministry of Forestry ("GR 2/2008") and other prevailing laws and regulations; and
- (ii) conduct planting for watershed rehabilitation with a minimum ratio of 1:1.

Since two obligations above will be conducted after the issuance of the *Pinjam Pakai*, the applicant must provide a statement letter committing to fulfill these obligations.

Apart from the above, the *Pinjam Pakai* holder is obligated to:

- (i) to pay Forest Resources Provision (PSDH) and Reforestation Fund (*Dana Reboisasi/DR*);
- (ii) on the area where utilization licence exists, to pay Forest Utilization Business License Fees (*luran Izin Usaha Pemanfaatan Hutan/IIUPH*) that has been paid by the utilization licence holder based on the size of the area in accordance with the prevailing regulations; and
- (iii) to pay forest management or forest utilization investment cost to the forest manager or the utilisation licence holder for the total area used for *Pinjam Pakai*.

After the fulfillment of all of the above requirements, the MoF will grant a *Pinjam Pakai*. The term of *Pinjam Pakai* will be the same with the term of the mining licence. The *Pinjam Pakai* will be evaluated by the MoF every five years.

Pursuant to Decree of Minister of Forestry No. P.4/Menhut-II/2011 dated 14 January 2011 on the Guidelines for Forest Reclamation, a mining company whose mining activities are conducted within a forest, based on the Land-use of Forest Area Permit (*Izin Penggunaan Kawasan Hutan*) from the Minister of Forestry, is required to include forest reclamation as a part of their holistic activities of mining. It further stipulates that the reclamation has to commence without waiting until the end of

mining operation or within a maximum period of one year from the completion of mining activities or from the expiry of the Land-use of Forest Area Permit (*Izin Penggunaan Kawasan Hutan*).

These reclamation activities are required to be consolidated in a five years plan and further elaborated in the annual plan. The reclamation plan will be assessed by the Directorate General of Watershed Management and Social Forestry at the Ministry of Forestry, on behalf of the Minister. If it is found to be adequate, a recommendation will be issued by the Directorate General of Watershed Management and Social Forestry at the Ministry of Forestry, on behalf of the Minister of Forestry, and it will be approved by MEMR, the head of region or and/or regency government. If the mine period is less than five years, the reclamation plan will be adjusted in relation to the mine period, while the assessment and the approval by and/or from the related authorities will follow the "5 years plan" produces.

The Land-use of Forest Area Permit holder is to establish a special body, which consist of experts in the field of forestry, agriculture, mining, soil and other field related to forest reclamation, that will execute the forest reclamation obligation. A report concerning the progress of reclamation and rehabilitation activities and comprising of a quarterly and an annual report must be submitted periodically to the Directorate General of Watershed Management and Social Forestry at the Ministry of Forestry, the Directorate General of Forestry Planology at the Ministry of Forestry and the Directorate General of Minerals, Coal and Geothermal at the Ministry of Energy and Mineral Resources and to the Provincial Technical Agency that handles forestry matters and the Regent/City Technical Agency that handles forestry matters.

Proposed Moratorium on Forestry Licenses

There have been recent press reports in Indonesia regarding a two-year moratorium to be imposed by the Indonesian Government on the conversion of land use in peatland and primary forest areas. This moratorium arises out of certain bi-lateral commitments made between the Indonesian and Norwegian Governments to combat climate change, where Indonesia made commitments in the moratorium in return for funding from Norway.

Formal regulations have not yet been issued by the Indonesian Government to implement this moratorium. However, there is considerable concern amongst press reports and mining industry officials that the moratorium may be extended to apply to the grant of Pinjam Pakai to mining companies seeking to mine in peatland and primary forest areas. The draft of the relevant Presidential Decree implementing the moratorium seeks to apply the ban to new applications (and it will not seek to cancel existing Pinjam Pakai approvals already granted). Not retrospectively applying new regulations is consistent with Indonesian legislative practice.

The final form of the moratorium regulations could have a significant impact on the ability of a mining company to mine its concession area (if any or all of its area is located within forest area and it has yet to obtain *Pinjam Pakai*).

ENVIRONMENTAL REGULATION

Environmental protection in Indonesia is governed by various laws, regulations and decrees, including:

- Law No. 32 of 2009 regarding Environmental Protection and Management ("Environmental Law") which revokes the previous law on the same matter, Law No. 23 of 1997 ("Law 23/1997");
- Government Regulation No. 27 of 1999 regarding Environmental Impact Analysis (*Analisa Mengenai Dampak Lingkungan Hidup* or "AMDAL");
- Regulation of the State Minister of Environmental Affairs No. 11 of 2006 regarding businesses and/or action plans which must be completed with AMDAL ("Regulation 11");

- Decree of the Minister of Energy and Mineral Resources No. 1453K/29/MEM/2000 dated November 3, 2000 concerning the Technical Guidelines with respect to the Organization of the Government Duty in the Field of General Mining ("Decree 1453");
- Decree of the Minister of Energy and Mineral Resources No. 1457 K/28/MEM/2000 dated November 3, 2000 concerning Technical Guidelines for Environmental Management in the Field of Mines and Energy ("Decree 1457");
- Minister of Energy and Mineral Resources Regulation No. 18 of 2008 dated May 29, 2008 concerning Reclamation and Mine Site Closure ("Regulation 18");
- Regulation of The State Ministry of Environmental Affairs No. 13 of 2010 on Environmental Management Effort (*Upaya Pengelolaan Lingkungan* or "UKL") and Environment Monitoring Effort (*Upaya Pemantauan Lingkungan* or "UPL") and Statement of Commitment to the Manage and monitor the Environment (*Surat Pernyataan Kesanggupan Pengelolaan dan Pemantauan Lingkungan Hidup* or "SPPL").

The Environment Law, which was enacted on October 3, 2009 to replace the previous Law 23/1997, introduces several materials provisions including:

- a new permit, the Environmental Permit (*Izin Lingkungan*) is a mandatory for a company which is required to obtain an AMDAL or a UKL/UPL. The Environmental Permit would be a prerequisite to obtain the relevant business licenses and if the Environmental Permit is revoked, the business license would terminate as well. The Environmental Law requires all existing environmental permits to be integrated into environmental permit within one year as of the enactment of Environmental Law.
- an environmental audit is now required for (i) businesses in high-risk sectors or (ii) companies that do not appear to comply with environmental laws and regulations.
- all holders of environmental permit must provide an environmental guarantee to be placed in designated state owned-banks in order to ensure recovery of environmental functions.
- any business which potentially has important impact to the environment must conduct environmental risk analysis.
- all waste disposals require licensing and may only be conducted in specified locations determined by the Minister of Environmental Affairs.

The imposition of remedial and preventative measures and sanctions (such as the obligation to rehabilitate tailings areas, the imposition of substantial criminal penalties and fines and the cancellation of approvals or concessions) to remedy or prevent pollution caused by operations. The sanctions imposed range from one to 15 years of imprisonment applicable to any person who caused environmental pollution or environmental damage and/or fines ranging from Rp. 500 million to Rp. 15 billion. The imprisonment and the amount of fine will be increased by one-third if the criminal offense is conducted on behalf of a company. A monetary penalty may be imposed in lieu of performance of an obligation to rehabilitate damaged areas.

The above matters will be further regulated in a number of implementing regulations which has not been issued. In the interim, all implementing regulations of Law 23/1997 will remain valid to the extent they are not contradictory to the Environmental Law.

Regulation 11 and Decree 1457 stipulate, among other matters, that mining companies whose operations have a significant environmental or social impact must prepare and maintain an AMDAL document which consists of Terms of Reference on Environmental Impact Analysis (*Kerangka Acuan*

Analisis Dampak Lingkungan or "KA ANDAL"), an Environmental Impact Analysis (*Analisis Dampak Lingkungan* or "ANDAL"), an Environmental Management Plan (*Rencana Pengelolaan Lingkungan* or "RKL") and an Environmental Monitoring Plan (*Rencana Pemantauan Lingkungan* or "RPL"). Where the AMDAL document is not required, under Decree 1457, a mining company must prepare an UKL and an UPL.

Waste water disposal is regulated by Government Regulation No. 82 of 2001 concerning Water Quality Management and Water Pollution Control ("Government Regulation 82"). Government Regulation 82 requires responsible parties, including mining companies, to submit reports regarding their disposal of waste water detailing their compliance with the relevant regulations. Such reports are to be submitted to the relevant mayor or regent, with a copy provided to the Minister of Environmental Affairs, on a quarterly basis.

The Decree of the Minister of Environmental Affairs No. 113 of 2003 concerning Waste Water Quality Standard for Coal Mining Business and/or Activities ("Decree 113") further regulates mining companies' treatment of waste water. Decree 113 obliges mining companies to (i) process their waste water from mining activities and processing/washing activities in accordance with mandated quality standards stipulated in Decree 113; (ii) manage water that is affected by mining activities by way of sedimentation pools; and (iii) examine the location for the point of compliance of the waste water from mining activities where the waste water from the sedimentation pools and/or the waste water treatment facilities is discharged into streams and rivers. Under Decree 113, mining companies must comply with requirements stipulated in their respective concessions or licenses regarding disposal of waste water and submit an analysis of the waste water and daily flow rate to the regent or mayor, with copies to the governor and the Minister of Environmental Affairs and other related government institutions on a quarterly basis.

Mining companies must also comply with other regulations, including Government Regulation No. 18 of 1999, as amended by Government Regulation No. 85 of 1999 regarding Management of Hazardous and Toxic Waste Materials, and Government Regulation No. 74 of 2001 regarding Management of Hazardous and Toxic Materials (*Bahan Berbahaya dan Beracun*), relating to the management of certain materials and waste. Flammable, poisonous or infectious waste from mining operations is subject to these regulations unless we can prove scientifically that they fall outside the categories set forth in such regulations. These regulations require a company that uses such materials or produces waste to obtain a license in order to store, collect, utilize, process and accumulate such waste. This license may be revoked and operations may be required to cease if the regulations relating to such waste are violated.

The activities of storing and collecting used lubricant oil is regulated by the Decree of the Head of Regional Environmental Impact Controlling Agency (*Badan Pengendalian Dampak Lingkungan Daerah*) No. 255 of 1996 concerning the Procedure and Requirements on the Storing and Collecting of Used Lubricant Oil ("Decree 255") which provides, among other things, that an entity which collects used oil for further use or processing must comply with certain requirements, as regulated by Decree 255, including obtaining a license, meeting certain specifications with regard to the buildings where used oil is to be stored, setting up a standard procedure on storage and transportation of used oil and submitting quarterly periodic reports with regard to these activities.

Decree 1453 provides technical guidelines for the preparation of the AMDAL, RKL and RPL documents for general mining activities. Decree 1453 states that regional governments are responsible for the monitoring the implementation of regulation of environmental matters and issuance of the approval of AMDAL. Pursuant to Decree 1453, holders of KPs, contracts of work and coal contracts of work are required to provide to the relevant regional government an Annual Environmental Management and Monitoring Plan (*Rencana Tahunan Pengelolaan dan Pemantauan Lingkungan* or "RTKPL") at the beginning of the exploitation or production stage. From that time on, holders are also required to provide an Annual Environmental Management Plan (*Rencana Tahunan Pengelolaan Lingkungan* or "RTKL"), and provide a reclamation guarantee to be deposited with the government bank or foreign exchange bank (*bank devisa*). Guidelines for the preparation of the RTKPL and RTKL and procedures for the deposit of a reclamation guarantee are contained in Decree 1453.

Decree of the Minister of Mines and Energy No. 1211.K/008/M.PE/1995 dated July 17, 1995 regarding Prevention and Management of Destruction and Pollution of the Environment in General Mining Activities ("Decree 1211") requires a mining company to have the facilities and bear the costs and expenses of performing activities to prevent and minimize environment pollution and destruction resulting from its mining activities. For this purpose, the mining company must, among others:

- appoint a Head of Technical of Mine (*Kepala Teknik Tambang*) who is required to directly manage the prevention of environmental damage and pollution caused by general mining activities and submit a report regularly every six months to the Head of Mine Inspection (*Kepala Pelaksana Inspeksi Tambang* or "KAPIT"), and a copy to the Head of Implementation of Regional Mine Inspection (*Kepala Pelaksana Inspeksi Tambang Wilayah*);
- submit a RTKL, which includes information regarding reclamation activities to the Head of Mine Inspection (KAPIT) and a copy to the Head of Regional Mine Inspection Implementation (*Kepala Pelaksana Inspeksi Tambang Wilayah*); and
- submit an Annual Plan for Environment Monitoring (*Rencana Tahunan Pemantauan Lingkungan*) to the Head of Mine Inspection (KAPIT) and a copy to the Head of Implementation of Regional Mine Inspection (*Kepala Pelaksana Inspeksi Tambang Wilayah*).

Under Decree 1211, mining companies are also required to provide a reclamation guarantee, the amount of which has to be approved by the Directorate General of Mineral, Coal and Geothermal, in a form of security deposit in the relevant company's account in the appointed bank.

In relation to the reclamation and closing of mines, pursuant to Minister of Energy and Mineral Resources Regulation No. 18 of 2008 on Reclamation and Closing of Mines, a holder of a mining business license must provide reclamation and closing of mines guarantee in the form of time deposit, bank guarantee, insurance or accounting reserve. The amount guaranteed will be determined by the Minister, Governor or Regent/Major as relevant, having jurisdiction over the mining operational area. Failure to provide the guarantee will result in administrative sanctions in the form of written warning, temporary suspension of part or all of the mining activities and/or revocation of the mining license.

REGIONAL GOVERNMENT LAW

Indonesia is divided into provinces, which are further subdivided into regencies and municipalities. The regencies and municipalities within a province are autonomous in most of their activities and, therefore, are not subservient to the provincial government.

In 1999, the Government of Indonesia adopted Law No. 22 of 1999 ("Law 22/1999"), which transferred and delegated to the regional governments certain powers that had previously been exercised by the Government of Indonesia. On October 15, 2004, the Government of Indonesia enacted Law No. 32 of 2004 concerning the regional government, as amended by Government Regulation in Lieu of Law No. 3 of 2005 which was later reaffirmed as law by Law No. 8 of 2005 and lastly amended by Law No. 12 of 2008 ("Law 32/2004") that replaced Law No. 22 of 1999 and, as was the case with Law 22/1999, substantially changed the legal and regulatory framework of the mining industry in Indonesia.

Law 32/2004 requires that regional governments maintain fair and harmonious relationships with the Government of Indonesia and other regional governments when discharging their governmental affairs, including in connection with the utilization of natural and other resources. The governmental affairs affected include matters such as (i) authority and responsibility for, and utilization, maintenance and control of the impact on, cultivation and conservation of natural and other resources; (ii) profit sharing from the utilization of natural and other resources; and (iii) environmental harmonization, space arrangement plans and land rehabilitation. To the date, the Government has issued several implementing regulations of Law 32/2004, inter alia, the Government Regulation No. 38 of 2007 on the Division of Governmental Duties between the Central Government, Provincial Government and Regency Government ("Government Regulation 38").



Government Regulation 38 stipulates that energy and mineral resources affairs are divided among the governmental levels of the central, provincial and regional governments. The reGENCY and municipal government may choose whether to manager energy and mineral resources affairs if such reGENCY and municipal government that such management may significantly increase their community welfare.



X FINANCIAL HIGHLIGHTS

Prospective purchasers should read the summary consolidated financial information presented below in conjunction with the Group's consolidated financial statements and the notes to those consolidated financial statements included in this Prospectus. Prospective purchasers should also read the section of this Prospectus entitled "Management's discussion and analysis of financial condition and results of operations".

The following summary consolidated financial information and operating data of the Group as at 31 December 2009 and 2010 and for the years then ended are derived from the Group's audited consolidated financial statements included elsewhere in this Prospectus. The summary consolidated financial information and operating data as at 31 December 2006, 2007 and 2008 and for each of the years then ended are derived from the Group's audited consolidated financial statements, which are not included in this Prospectus. The Group's consolidated financial statements as of and for the periods indicated herein, have been audited with an unqualified opinion by KAP Tanudiredja, Wibisana & Rekan (a member firm of PwC global network, formerly KAP Haryanto Sahari & Rekan), independent public accountants.

Unless otherwise stated, all financial information is prepared and presented in accordance with Indonesian GAAP.

	For the year ended 31 December				
	2006	2007	2008	2009	2010
	(in million Rupiah)				
Income Statement:					
Net Revenue	13,719,567	18,165,598	27,903,196	29,241,883	37,323,872
Cost of Revenue	(11,338,614)	(14,918,211)	(22,403,992)	(22,570,824)	(30,528,174)
Gross Profit	2,380,953	3,247,387	5,499,204	6,671,059	6,795,698
Operating Expense	(1,043,835)	(850,200)	(1,340,541)	(1,404,587)	(1,633,177)
Operating Income	1,337,118	2,397,187	4,158,663	5,266,472	5,162,521
Other (expense)/income, net	8,816	(354,875)	(312,258)	168,662	(123,852)
Share of results of associates	5,875	6,049	5,542	9,104	22,591
Profit before income tax ..	1,351,809	2,048,361	3,851,947	5,444,238	5,061,260
Income tax expenses	(409,904)	(542,315)	(1,166,512)	(1,594,543)	(1,186,745)
Income before minority interest	941,905	1,506,046	2,685,435	3,849,695	3,874,515
Minority Interest.....	(11,533)	(13,009)	(24,693)	(32,154)	(1,584)
Net Income	930,372	1,493,037	2,660,742	3,817,541	3,872,931
EBITDA ⁽¹⁾	2,385,994	3,779,211	5,941,127	7,519,062	8,094,910

Note:

(1) We calculate EBITDA as operating profit plus depreciation of fixed assets, depreciation of mining properties and amortization of deferred charges. EBITDA is not a measure of financial performance under Indonesian GAAP and should not be considered an alternative to net income, operating profit, cash flow from operating activities or any other measure of financial performance or liquidity presented in accordance with Indonesian GAAP. EBITDA excludes some, but not all, items that affect net income and operating profit and these measures may vary among other companies. Therefore, EBITDA may not be comparable to similarly titled measures of other companies. We use EBITDA as a supplemental financial measure because we believe that it is an indicative measure of our operating performance as it is frequently used by securities analysts, investors and other interested parties in evaluating companies in our industry.



The following table reconciles our operating profit under Indonesian GAAP to EBITDA for the years ended 31 December 2008, 2009 and 2010.

	For the Year Ended 31 December				
	2006	2007	2008	2009	2010
	(in million Rupiah)				
Operating profit	1,337,118	2,397,187	4,158,663	5,266,472	5,162,521
Add / (Less):					
Depreciation of fixed assets and mining properties	1,021,655	1,335,101	1,740,178	2,203,929	2,856,567
Amortization of deferred charges	27,221	46,923	42,286	48,661	75,822
EBITDA	2,385,994	3,779,211	5,941,127	7,519,062	8,094,910

	As of 31 December				
	2006	2007	2008	2009	2010
	(in million Rupiah)				
Balance Sheets:					
Current Assets:					
Cash and cash equivalents	914,887	1,036,406	3,324,942	2,769,187	1,343,220
Trade receivables.....	2,046,808	3,000,397	3,470,549	4,462,606	5,214,881
Other receivables	14,028	7,122	160,088	107,392	134,807
Inventories.....	1,603,720	2,121,187	5,246,343	3,966,358	6,931,631
Prepaid taxes	477,593	437,707	406,643	506,224	1,170,065
Advances and prepayments ..	345,506	433,837	275,025	177,666	738,158
Total current assets	5,402,542	7,036,656	12,883,590	11,989,433	15,532,762
Non-current Assets:					
Restricted cash and time deposits.....	57,488	25,199	316	7,057	14,863
Other receivable - related parties.....	39,243 ⁽²⁾	45,460 ⁽²⁾	51,176 ⁽²⁾	55,554	59,421
Loan receivable - third party....	230,010	-	-	-	-
Derivative financial instruments.....	-	-	-	-	26,512
Deferred tax assets.....	73,222	41,707	56,247	32,367	154,890
Fixed assets	5,191,454	5,527,058 ⁽¹¹⁾	9,505,248 ⁽¹¹⁾	9,610,510	11,039,320
Mining properties.....	-	-	-	2,225,216	2,222,054
Investment in associates.....	-	-	-	49,430	134,861
Long-term investments.....	162,589 ⁽¹²⁾	241,975 ⁽¹²⁾	207,002 ⁽¹²⁾	256,862	308,162
Investment property	-	-	-	22,291	30,336
Deferred exploration and development expenditures.....	-	-	55,748	88,894	101,641
Deferred charges	91,298 ⁽³⁾	84,564 ⁽³⁾	88,394 ⁽³⁾	67,214	76,092
Total non-current assets	5,845,304	5,965,963	9,964,131	12,415,395	14,168,152
Total assets	11,247,846	13,002,619	22,847,721	24,404,828	29,700,914
Current Liabilities:					
Short-term bank loans	83,354	60,202	465,378	31,200	190,819
Trade payables	1,814,932	2,172,727	4,366,722	4,164,316	5,531,387
Other payables.....	26,140	109,204	82,027	132,778	118,381
Taxes payable	75,082	264,645	584,607	541,435	133,744
Accrued expenses	92,669	261,899	409,106	664,172	652,143
Customer deposits	83,424	273,438	374,659	210,143	407,718
Deferred revenue	82,533	84,581	146,540	124,482	42,874
Provision.....	-	46,016 ⁽⁴⁾	17,473 ⁽⁴⁾	52,690	51,466



	2006	2007	As of 31 December 2008	2009	2010
	(in million Rupiah)				
Current portion of long-term loans:					
- Bank loans	1,283,639	886,459	848,283	869,478	2,011,371
- Finance leases	485,343	610,992	307,167	212,979	324,930
- Amount due to related parties.....	1,300	-	-	-	-
- Other borrowings	-	483,570	272,173	255,059	454,392
Total current liabilities	4,028,416	5,253,733	7,874,135	7,258,732	9,919,225
Non-Current Liabilities					
Other liabilities	20,167 ⁽⁵⁾	15,469 ⁽⁶⁾	61,816 ⁽⁷⁾	34,603	26,721
Deferred tax liabilities.....	1,126	12,080	514,180	497,932	456,477
Provision	121,994 ⁽⁸⁾	90,352 ⁽⁸⁾	223,196 ⁽⁹⁾	295,159	434,242
Amount due to related parties.....	7,016	2,322	4,236	-	-
Long-term debt, net of current portion:					
- Bank loans	965,829	985,615	2,531,208	1,433,242	1,966,376
- Finance leases	698,599	354,581	108,517	363,689	419,373
- Other borrowings	763,504 ⁽¹⁰⁾	502,280	327,628	570,391	313,094
Total non-current liabilities	2,578,235	1,962,699	3,770,781	3,195,016	3,616,283
Minority Interest	46,758	52,852	71,198	107,370	29,068
Equity					
Share capital	712,902	712,902	831,720	831,720	831,720
Additional paid-in capital	374,254	374,254	3,781,563	3,781,563	3,781,563
Exchange difference from financial statements translation.....	131,607	141,186	187,721	135,504	120,690
Difference in the equity transactions of subsidiaries.....	30,310	104,709	21,795	132,981	197,662
Investment fair value revaluation reserve.....	82,114	57,480	65,691	65,691	65,691
Fixed assets revaluation reserve	22,750	22,750	-	-	-
Retained earnings:					
- Appropriated	71,290	142,580	142,580	166,344	166,344
- Unappropriated	3,169,210	4,177,474	6,100,537	8,729,907	10,972,668
Total Equity	4,594,437	5,733,335	11,131,607	13,843,710	16,136,338
Total liabilities and equity ...	11,247,846	13,002,619	22,847,721	24,404,828	29,700,914

Notes:

(2) Balances of Rp. 38,409 million, Rp. 42,516 million and Rp. 45,635 million were presented separately as loan to employees on the balance sheets in the consolidated financial statements as at 31 December 2006, 2007 and 2008, respectively.

(3) Balances of Rp. 4,062 million, Rp. 2,844 million and Rp. 4,961 million were presented separately as other assets on the balance sheets in the consolidated financial statements as at 31 December 2006, 2007 and 2008, respectively.

(4) Balances of Rp46,016 million and Rp. 17,473 million were presented separately as employment benefit obligations – current on the balance sheets in the consolidated financial statements as at 31 December 2007 and 2008, respectively.

(5) Balance of Rp. 20,167 million was presented separately as deferred gain from sale and leaseback transactions on the balance sheets in the consolidated financial statements as at 31 December 2006.

(6) Balance of Rp. 12,789 million and Rp. 2,680 million were presented separately as deferred gain from sale and leaseback transactions and derivative payable, respectively on the balance sheets in the consolidated financial statements as at 31 December 2007.

(7) Balances of Rp. 6,521 million and Rp. 55,295 million were presented separately as deferred gain on sale and leaseback transactions and derivative payable, respectively on the balance sheets in the consolidated financial statements as at 31 December 2008.



(8) Balance of Rp. 121,994 million and Rp.90,352 million were presented separately as employee benefit obligations – long term on the balance sheets in the consolidated financial statements as at 31 December 2006 and 2007, respectively.
 (9) Balances of Rp. 187,119 million and Rp. 36,077 million were presented separately as employee benefit obligation – long term and estimated liabilities for restoration and rehabilitation on the balance sheets in the consolidated financial statements as at 31 December 2008.
 (10) Balance of Rp. 763,504 million was presented as third party borrowings on the balance sheet in the consolidated financial statement as at 31 December 2006.
 (11) Balances of mining properties of Rp. 443,760 million and Rp. 2,545,481 million were presented as fixed asset on the balance sheet in the consolidated financial statement as at 31 December 2007 and 2008.
 (12) Balances of investment in associates of Rp. 29,252 million, Rp. 32,363 million and Rp. 43,290 million were presented as long-term investments on the balance sheet in the consolidated financial statement as at 31 December 2006, 2007 and 2008.

	As of 31 December				
	2006	2007	2008	2009	2010
(in million Rupiah)					
Statements of Cash Flows:					
Net cash flows provided by operating activities	1,721,743	2,657,778	4,253,895	5,101,022	2,423,881
Net cash flows used in investing activities	(1,187,987)	(1,016,525)	(4,951,114)	(3,060,468)	(3,629,170)
Net cash flows (used in) / provided by financing activities	(154,736)	(1,453,973)	2,852,523	(2,208,471)	(90,100)
Net increase/(decrease) in cash and cash equivalents..	379,020	187,280	2,155,304	(167,917)	(1,295,389)
Cash and cash equivalent at the beginning of the year.....	589,875	914,887	1,036,406	3,324,942	2,769,187
Effect of exchange rate changes on cash and cash equivalents.....	(54,008)	(65,761)	133,232	(387,838)	(130,578)
Cash and cash equivalents at the end of the year	914,887	1,036,406	3,324,942	2,769,187	1,343,220

Ratios

	31 December				
	2006	2007	2008	2009	2010
Growth Ratios (%)					
Net Revenues	3.3	32.4	53.6	4.8	27.6
Operating Income	(21.8)	79.3	73.5	26.6	(2.0)
Net Income	(11.5)	60.5	78.2	43.5	1.5
Cost of Revenue	6.2	31.6	50.2	0.7	35.3
Operating Expense	17.2	(18.6)	57.7	4.8	16.3
Assets	5.8	15.6	75.7	6.8	21.7
Liabilities	1.9	9.2	61.4	(10.2)	29.5
Equity	11.9	24.8	94.2	24.4	16.6
Operating Ratios (%)					
Gross Profit / Net Revenue	17.4	17.9	19.7	22.8	18.2
Operating Income / Net Revenue	9.7	13.2	14.9	18.0	13.8
Net Income / Net Revenue	6.8	8.2	9.5	13.1	10.4
Operating Income / Average Equity	30.7	46.4	49.3	42.2	34.4
Net Income / Average Equity	21.4	28.9	31.6	30.6	25.8
Operating Income / Average Assets	12.2	19.8	23.2	22.3	19.1
Net Income / Average Assets	8.5	12.3	14.8	16.2	14.3



	31 December				
	2006	2007	2008	2009	2010
Financial Ratios (times)					
Current Assets / Current Liabilities	1.3	1.3	1.6	1.7	1.6
Total Liabilities / Total Equity	1.4	1.3	1.0	0.8	0.8
Total Liabilities / Total Assets	0.6	0.6	0.5	0.4	0.5
Inventory Turn Over (times)					
(Cost of Revenue / Average Net Inventories)	6.0	8.0	6.1	4.9	5.6
Inventory Level (days)					
(Net Inventories / Cost of Revenue x 360)	51	51	84	66	82
AR Turn Over (times)					
(Net Revenue / Average Net Trade Receivables)	6.2	7.2	8.6	7.4	7.7
AR Period (days)					
(Net Trade Receivables / Net Revenue x 360)	54	59	45	55	50
Gearing PAMA					
Gross Debt to Equity Ratio	164%	112%	126%	68%	86%
Net Debt to Equity Ratio	142%	95%	74%	51%	75%
Interest Coverage (times)	5.2	6.9	16.1	33.6	33.7
Non Secured Total Assets Ratio (times)	3.6	3.28	3.19	5.27	3.59



XI SHAREHOLDERS EQUITY

The following table sets out the Shareholders' Equity position of the Company for the year ended 31 December 2008, 2009 and 2010, extracted from the consolidated financial statements of the Company and its subsidiaries which have been audited with an unqualified opinion by Kantor Akuntan Publik (KAP) Tanudiredja, Wibisana & Rekan (a member firm of PwC global network, formerly KAP Haryanto Sahari & Rekan).

Shareholders Equity	As of 31 December		
	2008	2009	2010
	(in million Rupiah)		
Authorized Capital.....	1,500,000	1,500,000	1,500,000
Issued and fully paid capital.....	831,720	831,720	831,720
Additional paid-in capital.....	3,781,563	3,781,563	3,781,563
Exchange differences due to Financial Statement translation.....	187,721	135,504	120,690
Difference in the equity transactions of subsidiaries.....	21,795	132,981	197,662
Investment fair value revaluation reserve.....	65,691	65,691	65,691
Appropriated retained earnings.....	142,580	166,344	166,344
Unappropriated Retained Earnings.....	6,100,537	8,729,907	10,972,668
Total shareholders' equity.....	11,131,607	13,843,710	16,136,338

(Rp. millions)

	Equity position as of 31 December 2010 at par value of Rp. 250 per share	Total of 403,257,853 shares at par value of Rp. 250 and an offer price of Rp. 15,050 per share	Proforma Equity as of 31 December 2010 after the Rights Issue IV
Authorized Capital.....	1,500,000	1,500,000	1,500,000
Issued and fully paid capital.....	831,720	100,814	932,534
Additional paid-in capital.....	3,781,563	5,968,217	9,749,780
Exchange differences due to Financial Statement translation.....	120,690	-	120,690
Difference in the equity transactions of subsidiaries.....	197,662	-	197,662
Investment fair value revaluation reserve.....	65,691	-	65,691
Appropriated retained earnings.....	166,344	-	166,344
Unappropriated retained earnings.....	10,972,668	-	10,972,668
Total shareholders' equity.....	16,136,338	6,069,031	22,205,369



XII DIVIDEND POLICY

The following table sets out the cash dividends per share declared and paid by the Company since the Rights Issue III:

<u>Year</u>	<u>Interim (Rp.)</u>	<u>Final (Rp.)</u>	<u>Total (Rp.)</u>	<u>Pay out Ratio</u>	<u>Date of Final Dividend Payment</u>
2008	100	220	320	36%	26 June 2009
2009	130	330	460	40%	1 July 2010
2010	160				

Subject to the Company's future cash flow requirements and the approval of its shareholders through a GMS, the Company intends to continue its dividend payments in 2011. The Company has paid a minimum cash dividend of 10% of net income after tax since 2003 and intends to adhere to this dividend policy, subject to the results of a GMS as well as the Company's financial condition, profit margin and future cash needs.

The Company has paid cash dividends during the fiscal years 2008, 2009 and interim 2010. The Rights Shares in context of the Rights Issue IV will enjoy the same rights and privileges and rank *pari passu* with the existing Shares, including the right to receive dividend payments. A person will only be entitled to voting rights, dividends and other rights as a Shareholder of the Company if such person is registered as a Shareholder of the Company.

XIII TAXATION

Income tax on dividends paid in respect of shares is payable under the prevailing regulations. Based on Republic of Indonesia Law No. 36 of 2008 dated 23 September 2008 (effective on 1 January 2009) on the fourth amendment of Republic of Indonesia Law No. 7 of 1983 with regards to income tax, dividend income or share of profits earned by a limited liability company as a domestic taxpayer, corporation, state owned enterprise, or local government-owned enterprise, as a result of capital participation in a commercial entity established and domiciled in the Republic of Indonesia, such dividend or profit shall not be subject to income tax if the following requirements are fulfilled:

1. The dividend is paid out of the Company's retained earnings; and
2. In the case where the recipient of a dividend is a limited liability company, a state or local government-owned enterprise, the ownership in the enterprise paying the dividend must be at a minimum of 25 per cent of the total paid-in capital.

Dividends paid to shareholders will be subject to the income taxes as follow:

- Final income tax under article 4 paragraph 2 (PPH pasal 4 ayat 2) of 10% from the gross amount for the local individual taxpayers
- Income tax under article 23 (PPH pasal 23) of 15% from the gross amount for local legal entity taxpayers and own the Taxpayer Identification Number (NPWP)
- Income tax under article 23 (PPH pasal 23) of 30% from the gross amount for legal entity taxpayers that do not have their Taxpayer Identification Number (NPWP)
- Income tax under article 26 (PPH pasal 26) of 20% from the gross amount for non-resident taxpayers or as stated in the tax treaty between the Republic of Indonesia and the country where the shareholders reside. The shareholders who are also non-resident taxpayers and wish to apply for any tax adjustments as stated in the tax treaty agreement, must present a letter stating the residence status, as required by the Directorate General of Tax Regulation No. PER 61 and 62.

In accordance with Republic of Indonesia Government Regulation No.41 of 1994 with regards to the Income Tax from the Sale of Shares on the Stock Exchange, in conjunction with Republic of Indonesia Government Regulation No. 14 of 1997 on the Amendment of Republic of Indonesia Government Regulation No. 41 of 1994 on Income Tax from the Sale of Shares on the Stock Exchange, and Directorate General of Taxes Circular Letter No. SE-06/Pj.4/1997 dated 20 June 1997 on Collection of Income Tax on the Proceeds of the Sale of Shares on the Stock Exchange, below are the applicable rules:

- In respect of the income received or obtained by a private or corporate taxpayer as a result of a transaction for the Sale of Shares on the Stock Exchange, a final income tax shall be charged at a rate of 0.10 percent on the gross value of the transaction. Payment shall be made by way of the deducting of the tax due by the Stock Exchange through a stock broker at the time of payment for the share transaction.
- The founding shareholders shall be imposed with an additional income tax of 0.5 percent of the value of total founding shares he owned since the effective date of 29 May 1997 onwards or at the time of an Initial Public Offering (IPO) if the IPO is conducted after 29 May 1997.



- The founding shareholders shall be facilitated in fulfilling his tax obligations through the self-assessment in respect to the provisions described above. In such situation, the founding share owners for tax purposes may conduct a final calculation of how much income earned from the transaction. The payment of this supplemental income tax shall be made by the Company in the name of the founding shareholders within a period of no later than one (1) month after the shares are traded on the Stock Exchange. Should the founding shareholders opt not to follow this payment method, the income tax assessment shall be carried out based on generally prevailing income tax rates as provided for in Article 17 of Law No. 7 of 1983 on Income Tax as most recently amended by Law No. 36 of 2008.

In accordance with Republic of Indonesia Minister of Finance Regulation No. 234/PMK.03/2009 dated 29 December 2009 on "The Exemption from Income Tax of Certain Investment Fields that Produce Income for Pension Funds", income obtained from pension funds approved by the Minister of Finance of the Republic of Indonesia is exempted from income tax provided that such income is received from the dividend of shares of limited liability companies listed in a Stock Exchange in Indonesia.

PROSPECTIVE INVESTORS OF THIS RIGHTS ISSUE IV ARE STRONGLY ADVISED TO CONSULT THEIR RESPECTIVE TAX CONSULTANTS ON THE TAX CONSEQUENCES RESULTING FROM THE SUBSCRIPTION, OWNERSHIP OR SALE OF SHARES PURCHASED IN ACCORDANCE WITH THIS RIGHTS ISSUE IV.



XIV CAPITAL MARKET SUPPORTING PROFESSIONALS

The capital market supporting professionals engaged in this Rights Issue IV are as follows:

Auditor **KAP Tanudiredja, Wibisana & Rekan
(PricewaterhouseCoopers)**
Plaza 89 Building
Jl. HR Rasuna Said Kav. X-7 No. 6
Jakarta 12940, Indonesia

STTD No: 03/STTD-AP/PM/1992
Date of STTD: 22 July 1992
Member of IAPI: No.234 valid until 31 December 2008
Appointment letter no: 2011000514
Date of appointment: 29 March 2011

The role and responsibilities of the auditor are to audit the Group's consolidated financial statements in accordance with auditing procedures established by the Indonesian Institute of Certified Public Accountants. Those standards require that the Auditor plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on the test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as the evaluating the overall financial statement presentation.

Legal Counsel **Hadiputranto, Hadinoto & Partners**
The Indonesia Stock Exchange Building, Tower II, 21st floor
Jl. Jenderal Sudirman Kav 52-53
Jakarta 12190, Indonesia

STTD No: 93/STTD-KH/PM/1996
Date of STTD: 22 July 1996
Member of PERADI No. G.96.10875 valid until 31 December 2012 and Member of HKHPM No. 89021 valid until 31 July 2013
Appointment letter no: 252711-v1
Date of appointment: 7 March 2011

The role and responsibilities of the Legal Counsel are to audit the Company's legal matters based on documents provided by the Company. The result of the legal audit will be provided in the legal audit documents, which reflects information on the Company in Prospectus from a legal point of view.

This role and responsibilities of the Legal Counsel are in accordance with the professional standards and prevailing capital markets regulations in order to fulfil the transparency principals. The scope of duty of the Legal Counsel is to conduct legal audit on facts of the Company provided by the Company to the Legal Counsel. The results of the legal audit have been provided in the legal audit documents, which reflect information on the Company from a legal point of view. The legal audit becomes the basis of and is an inseparable part of the legal opinion issued by the Legal Counsel.

**Notary****Sutjipto, S.H.**

Menara Sudirman, 18th Floor
Jl. Jend. Sudirman Kav. 60
Jakarta 12190, Indonesia.

STTD No: 11/STTD-N/PM/1996

Date of STTD: 20 March 1996

Member of INI: No. 211.5.047.051050

With Aulia Taufani, S.H., Notary Replacement, in accordance with the appointment based on Decree of the Central Supervisory Council Notary No. 14/KET.CUTI-MPPN/III-14/2009 dated 3 September 2009

Appointment letter no: LUT/068/9980-D/III/2011

Date of appointment: 29 March 2011

The role and responsibilities of the Notary are to issue notarial Deeds in relation to the agreements between the Company and the Share Registrar and the Company and the Standby Purchaser in respect of the Standby Purchase Agreement for the Rights Issue IV, and the minutes of the Extraordinary General Shareholders' Meeting for the Rights Issue IV.

Share Registrar**PT Raya Saham Registra**

Plaza Sentral Building, 2nd floor
Jl. Jenderal Sudirman Kav 47-48
Jakarta 12930, Indonesia

STTD No: KEP-79/PM/1991

Date of STTD: 18 September 1991

Appointment letter no: 001/DIR-RSR/UNTR/2011 and 002/DIR-RSR/UNTR/2011

Date of appointment: 8 March 2011

The role and responsibilities of the Share Registrar are to register the shareholders list entitled to the proposed Rights Issue IV, distribute Right Certificates in electronic form by KSEI, to reconcile the payment of shareholders' subscription the right with the paying agent Bank, allot and refund the funds.

The capital market supporting professionals have stated that they have no relationship with the Company, 1direct or indirect (as defined in the Law No. 8 of 1995 on Capital Market).

XV STANDBY PURCHASER

In accordance with the Deed of Standby Purchaser Agreement No. 210 dated 29 March 2011, drawn up before Aulia Taufani, S.H., replacement of Sutjipto, S.H., Notary in Jakarta, between the Company and PT Astra International Tbk, appointed PT Astra International Tbk as the Standby Purchaser.

PT Astra International Tbk
Jl. Gaya Motor Raya No.8
Sunter, Jakarta 14340
Indonesia

As stipulated in the Deed of Standby Purchaser Agreement, the Standby Purchaser has agreed to about the following statements:

If the Right Shares offered in this Rights Issue IV are not fully subscribed by the holders of the Rights, the remaining Rights Shares will be allotted to any other holders of the Rights Shares applied to subscribe for more than their entitlement in proportion to the Rights Shares that have been exercised by it as states on the Rights certificates at the Recording Date.

If there are still remaining Rights Shares that have not been subscribed, such remaining Rights Shares, as stipulated in the Deed of Standby Purchaser Agreement, will be subscribed by the Standby Purchaser.

Following is the condition must be fulfilled in relation to the Deed of Standby Purchaser Agreement:

1. The Company has lodged Registration Statement to BAPEPAM & LK regarding the Rights Issue IV
2. Shareholders' of the Company have approved the Rights Issue IV in the Company's General Meeting of Shareholders

The Deed of Standby Purchaser Agreements also stipulates the following terms about the termination of agreement which are:

1. The Deed of Standby Purchaser Agreement will be automatically terminated if the Registration Statement fails to become effective within six months starting from the date of the Company's Financial Statement included in this Prospectus
2. The Standby Purchaser can inform the Company about the termination of agreement any time up to 2 (two) business days before the date of the General Meeting of Shareholders in the following circumstances:
 - a. if every statement and guarantee set out by the Company in the Deed of Standby Purchaser Agreements proves to be wrong or false;
 - b. if there are changes in the economic and financial conditions in Indonesia;
 - c. if an event outside the Standby Purchaser's control such as worker strike, fire, explosions, flood, war, riot, or Acts of God happen

The Standby Purchaser has an affiliation with the Company as defined in Law No. 8 of 1995 dated 10 November 1995 regarding Capital Market as well as its ancillary regulations because the Standby Purchaser is the majority shareholder of the Company.

The Standby Purchaser clarifies that it has the adequate funds and is committed to subscribe the Rights Shares that have not been exercised by shareholders or the Rights' holders. PT Astra International Tbk has committed to exercise its entitlement of the Rights.

XVI TERMS FOR APPLICATION AND PURCHASE OF RIGHTS SHARES

Requirement for Share Applicants

The Company has appointed PT Raya Saham Registra ("Raya Saham" or the "Registrar") to undertake all administrative matters and to act as an administration agent with respect to the Rights Issue IV, in accordance with a Securities Administration Agreement and Administrative Agent for the Limited Public Offering IV PT United Tractors Tbk No. 211 dated 29 March 2011 made before Aulia Taufani, S.H., replacement of Sutjipto, S.H., Notary in Jakarta, between the Company and the Registrar.

Entitled Applicants

Subject to certain exceptions, Shareholders (as defined) are entitled to purchase new Shares in the Rights Issue IV, on the basis that each Shareholder will be issued 4 (four) Rights Shares for every 33 (thirty three) Existing Shares. Each Right would entitle the shareholder to subscribe for 1 (one) Right Share with an Offering Price of Rp. 15,050 (fifteen thousand and fifty Rupiah) per Rights Share payable in full at the time of application.

An applicant who is entitled to purchase the new Shares is the legal holder of the Rights, i.e. Shareholders who receive the Rights Certificate from the Company and have not sold their Rights and the last Rights holders/buyers on the Rights Certificate or in the "Endorsement" column on the Rights Certificate, or Rights holders who are registered in the collective depository system of KSEI.

The applicant should be an Indonesian and/or foreign individual and/or legal entity as stipulated in Law No. 8 of 1995 dated 10 November 1995 relating to Capital Markets.

Distribution of Rights, Prospectus and Forms

- (a) For Shareholders whose Shares are in the collective depository system in KSEI (the "Collective Depository"), the Rights shall be distributed to them electronically through the securities account of their respective member of the IDX (the "Stock Exchange Member") or custodian bank at KSEI (the "Custodian Bank") at the latest one working day after the Record Date for entitled Shareholders for Rights, on 13 May 2011 at 16:00 Western Indonesian Time (WIB). A Prospectus, Application for Additional Shares forms and other forms will be distributed by the Company to KSEI and can be obtained by the Shareholders from their respective Stock Exchange Member or Custodian Bank.
- (b) For Shareholders whose Shares are not converted into scripless form in the Collective Depository, the Company shall issue Rights Certificates in the Shareholders' names to all Shareholders.

Shareholders with registered addresses whether in or outside Jakarta, including Non-Indonesian Shareholders, shall collect the Rights Certificates, Prospectus, Application for Additional Shares Forms and other forms at the Registrar's office of the Company during business days and hours on 13 May 2011. Such Shareholders are required to present their valid original identification card (KTP/Passport/KITAS) together with a copy. For Shareholders who authorise a third party to collect the documents, the third party would be required to produce an original Powers of Attorney duly executed by the relevant Shareholder for whom he/she is collecting the documents, together with the Shareholder's valid original (together with a copy) identification card (KTP/Passport/KITAS).



Registration of Rights Certificates

Rights holders registered in the Collective Depository who wish to exercise their Rights, including Non-Indonesian Shareholders who, subject to compliance with the laws of their jurisdiction, shall submit their application through their respective Stock Exchange Member or Custodian Bank appointed to manage the securities. The Stock Exchange Member or Custodian Bank shall submit the application or instruction to exercise through C-BEST system based on the procedures provided by the KSEI. In executing the exercise instruction, the Stock Exchange Member or Custodian Bank must satisfy the following conditions:

- (c) Rights holders must provide sufficient funds to exercise the Rights at the time of submission of application; and
- (d) such funds to exercise the Rights must be made available to the securities account of the Rights holder who are exercising their Rights.

On the next business day, KSEI shall provide a list of Rights holders registered in the Collective Depository who have exercised their Rights and deliver payment for such exercise to the Company's account.

The Rights Shares shall be distributed by the Company or Raya Saham to KSEI and KSEI will then distribute the Rights Shares electronically to each of the securities accounts of the Rights holders who have exercised their Rights. The Rights Shares shall be distributed by the Company or the Registrar no later than two business days following the date of receipt of the application from KSEI and the payment has been transferred in good funds to the Company's account.

Shareholders whose shares have not yet been registered into the collective depository system of KSEI (the "Rights Certificate Holders") and who wish to exercise their Rights, including non-Indonesian shareholders who, subject to compliance with the laws of their jurisdiction, shall submit an application to exercise the Rights to the at the following address:

PT Raya Saham Registra
Plaza Sentral Building, 2nd floor
Jl. Jenderal Sudirman Kav 47-48
Jakarta 12930, Indonesia

and by delivering the following documents:

- (a) original Rights Certificate duly signed and completed;
- (b) original receipt of payment in the form of transfer/cash receipt from the bank to which the payment is made;
- (c) copy of valid Identification Card/Passport/KITAS (for individuals) or copy of the Articles of Association with the list of board of directors attached (for institutions/legal entities);
- (d) original Power of Attorney (if authorised by another party) in the form and substance acceptable to the Company duly stamped with Rp. 6,000 stamp duty and attached with a copy of the identification card of the person who authorised and granted the Power of Attorney. Foreign applicants are also obliged to provide the complete name and address of the person authorised to act on their behalf as well as the registered overseas name and address of the foreign applicant giving the authority; and
- (e) If the Rights Certificate Holders require the Rights Shares to be in electronic/scripless form, the application submitted to the Registrar through the appointed Stock Exchange Member or Custodian Bank shall comprise the following:



- i. original Power of Attorney in the form and substance acceptable to the Company from the Rights Certificate holder to the Stock Exchange Member or Custodian Bank to submit application to exercise Rights and manage securities over the Rights Shares in the Collective Depository on behalf of the grantor;
- ii. original Securities Deposit Form issued by KSEI duly signed and completed; and
- iii. a splitting fee (*biaya pemecahan*) of Rp. 3,300 per Rights Certificate including value added tax.

In the event the Rights Certificate Holders do not wish for their Rights Shares to be entered in the Collective Depository, the Company shall issue Rights Shares in the form of a Collective Shares Certificate ("CSC")

The exercise of the Rights shall be registered with the office of the Registrar. Registration may be made starting from 16 May 2011 until 30 May 2011 during business days and hours (Monday to Friday, 09:00–15:00 WIB).

Failure to follow the terms and instructions for shares application as contained in the Rights Certificate and Prospectus may result in the cancellation of the application/order. Exercise of the Rights is only deemed effective when the payment for such exercise is received in good funds in the bank account of the Company in accordance with the conditions described in the Prospectus.

Application for Additional Shares

Entitled Shareholders who do not sell their Rights or the last buyers/holders of the Rights Certificates whose names are listed in the Rights Certificates or Rights holders registered in the Collective Depository, may apply for additional shares in excess of their allocated Rights by completing the additional shares application section in the Rights Certificates and/or Application for Additional Shares Forms for a minimum amount of 500 shares or its multiple.

1. Rights holders not registered in the Collective Depository who wish for their Rights Shares to be in electronic/scripless form must submit an application to the Registrar through their respective Stock Exchange Member or Custodian Bank by delivering the following:
 - a) original Application Forms duly completed;
 - b) original Power of Attorney in the form and substance acceptable to the Company from the Rights holder to the relevant Stock Exchange Member or Custodian Bank to submit an application for additional shares and manage securities over the allotted Rights Shares in the Collective Depository and other authorisations as may be conferred in connection with the application for additional shares on behalf of the grantor;
 - c) copy of valid Identification Card/Passport/KITAS (for individuals) or copy of the articles of association with the list of board of directors attached (for institution/legal entity);
 - d) original bank receipt of transfer/bank draft/cheque/cash to the account of the Company from the bank;
 - e) original of Securities Deposit Form issued by KSEI duly completed for the purpose of distribution of Rights Shares by the Registrar; and

- f) a fee of Rp. 1,650 per Rights Certificate or a minimum of Rp. 25,000 plus value added tax of 10% per Rights Certificate.
2. Rights holders registered in the Collective Depository shall complete and deliver the Application Form for Additional Shares accompanied by the following documents:
- a) original exercise instruction which has been successfully settled through C-BEST under the said Rights holder's name (applicable only for Rights holders in the Collective Depository who exercised their Rights through the C-BEST system);
 - b) original Form of Securities Deposit issued by KSEI duly completed for the purpose of distribution of Rights Shares by the Registrar; and
 - c) original bank receipt of transfer/bank draft/cheque/cash to the account of the Company from the bank to which the payment is made.
 - d) a fee of Rp. 1,650 per Rights Certificate or a minimum of Rp. 25,000 plus value added tax of 10% per Rights Certificate.

Payment for additional shares must be made and received in good funds in the Company's bank account at the latest by 1 June 2011. Failure to follow the instructions for share applications as set out in the Prospectus may result in the cancellation of the application.

3. Rights holders not registered in the Collective Depository who wish for their allotted Rights Shares to remain in script form must submit an application to the Registrar through their respective Stock Exchange Member of Custodian Bank by sending the following documents:
- a) original Application Forms for Additional Shares duly completed;
 - b) original Power of Attorney from the rights holders to Stock Exchange Member or Custodian Bank to apply for purchase of additional shares and the management of securities over the allotted Rights Shares in the Collective Depository of KSEI and other authorizations as may be conferred in connection with the application for additional shares on behalf of grantor;
 - c) copy of valid Identification Card/Passport/KITAS (for individuals) or copy of the articles of association with the list of board of directors attached (for institution/legal entity); and
 - d) original bank receipt of transfer/bank draft/cheque/cash to the account of the Company from the bank to which the payment is made;

Allotment of Applications for Additional Shares

Allotment of applications for additional shares shall be made on 3 June 2011 and shall be audited in accordance with Bapepam & LK Regulation No. VIII.G.12, under the following conditions:

- in the event that the amount of all ordered shares, including order for additional shares, does not exceed the total amount of shares offered in the Rights Issue IV, then all orders of additional shares shall be fulfilled; or
- in the event that the amount of all ordered shares, including order for additional shares, exceeds the total amount of shares offered in the Rights Issue IV, then a proportional allotment system based on the amount of Rights already exercised by each Shareholder who ordered additional shares, will be applied to such Shareholders.



Terms of Payments

Payment for share subscription in this Rights Issue IV by direct order to the Registrar must be made in full in Rupiah upon submission of the application in cash or cheque, bank draft or transfer by specifying the number of Right Certificate or Application Form for Additional Shares. The payment must be made to the bank account of the Company as follows:

Bank Permata, Kelapa Gading Square Branch
Account name: PT United Tractors Tbk
No.: 0701278690

All cheques and bank drafts shall be immediately cleared on the date of receipt. If the clearing of the cheque or bank draft is rejected by the bank, the order of such shares shall be deemed to be cancelled. If the payment is made by cheque or book entry settlement or transfer or bank draft, the date of payment shall be counted upon the date of receipt of such cheque/transfer/bank draft in good funds in the bank account of the Company.

For any order of additional shares, payment must be made on the day of the order and must be received in good and clear funds in the bank account of the Company by no later than 1 June 2011.

Applicants will be responsible for any expenses incurred in relation to the purchase of shares for the purpose of the Rights Issue IV. Failure to comply with the terms of payment will result in the cancellation of the application.

Receipt for Share Applications

Upon receipt of share applications, the Registrar on behalf of the Company shall provide applicants with a Receipt for Share Application forming part of the Rights Certificate, stamped and duly signed as evidence of application. Rights holders registered in the Collective Depository shall receive confirmation of their Rights application (exercise) from C-BEST through their accounts with KSEI.

Cancellation of Share Applications

The Company has the right to cancel share applications, in whole or in part, subject to the applicable terms and conditions. Notice of cancellation shall be announced together with the announcement of allotment of shares applications.

The following may cause the cancellation of share applications, among others:

1. Right Certificates or Application Forms for Additional Shares not completed according to the instructions/conditions for shares application as contained in the Right Certificates and Prospectus;
2. failure to fulfil the terms of payment; and
3. failure to fulfil the requirements for completion of application documents.

Refunds

If a share application is not fulfilled in whole or in part, or in the event of the cancellation of the relevant share application, a refund will be paid by the Company in whole or in part in Rupiah by cheque in the name of the applicant. Refunds shall be made no later than two business days after the allotment date, i.e., 7 June 2011 and may be collected at the office of the Registrar on business days and hours (Monday to Friday, 09:00–15:00 WIB). Cheques collected after 7 June 2011 may only be collected at the registered office of the Company.



Refunds may only be collected by the applicants or their proxies by presenting the original valid KTP/Passport/KITAS (for individuals) or copy of the Articles of Association (for Institution/Legal Entity) and, for proxies, by presenting the original Power of Attorney duly signed on Rp. 6,000 stamp duty and by presenting the original and copies of valid KTP/Passport/KITAS from the grantor and proxy.

Interest on any delay of refund shall be calculated based on the average interest rate of one year deposit of PT Bank Central Asia Tbk, PT Bank Mandiri (Persero), PT Bank Rakyat Indonesia (Persero), and PT Bank Danamon Indonesia Tbk, effective on the refund date. The Company will not be liable for such interest on any delay of refund if the delay is caused by the applicant who did not collect the refund within the specified time.

For Rights Certificate Holders registered in the Collective Depository who have exercised their Rights through KSEI, the refund shall be distributed by KSEI.

Delivery of Rights Shares and its Credit to Securities Accounts

Rights Shares for applicants who exercise their Rights according to their shareholding through KSEI shall be credited to the securities account within two business days following the receipt of their Rights exercise application from KSEI and payment for such exercise have been received in good funds in the Company's bank account.

Rights Shares for Rights Certificate Holders who exercise their Rights according to their shareholding shall receive CSC or scrip shares at the latest two business days after the receipt of the shares application by the Registrar and payment in good funds in the Company's bank account.

Shares from allotment of additional shares shall be available for collection in the form of CSC, scrip shares or shall be electronically distributed in the Collective Depository of KSEI no later than two business days after the allotment.

Allocation of Unsubscribed Shares

In the event that the Shares offered in this Rights Issue IV are not fully subscribed by the Rights holders, the remaining Shares shall be allocated to other Shareholders who have applied for Rights Shares in excess of their Rights as mentioned in the Rights Certificates, in proportion with the total amount of Rights they have already exercised.

In the event that after such allocation/allotment, there are still remaining unsubscribed Shares, such remaining unsubscribed Shares may be purchased by the Standby Purchasers pursuant to their respective standby purchase agreements.

XVII INFORMATION REGARDING RIGHTS

Shares offered in the Rights Issue IV shall be issued based on Rights that can be traded either outside the stock exchange (over the counter) or through the stock exchange.

Shareholders Entitled to Receive Rights

Subject to certain exceptions, Shareholders (as defined) are entitled to the Rights. Each Shareholder holding 33 (thirty three) Existing Shares is entitled to 4 (four) Right, where each Right shall entitle its holder to subscribe for one Rights Share.

Entitled Rights Holders

Entitled Rights holders (the "Rights Holders") are:

1. Shareholders that are entitled to receive Rights and do not sell their Rights;
2. buyers of Rights whose names are stated in the Rights Certificates; or
3. Rights holders in KSEI's collective depository,

as of the date of the last Rights trading period.

Trading of Rights

Rights Holders may sell or transfer their Rights during the trading period, commencing on 16 May 2011 and ending on 30 May 2011.

Trading of Rights must comply with the prevailing laws in Indonesia, including, but not limited to tax and capital market regulations, including rules of the stock exchange where the Rights are being traded, namely the IDX, and the KSEI regulations. For greater certainty, Rights Holders are advised to consult with their investment advisor, stock exchange broker, investment manager, legal consultant, public accountant or other professional consultants.

Rights in the collective depository of KSEI are traded on the stock exchange, whereas Rights Certificates in the prescribed form may only be traded outside the stock exchange (over the counter).

Settlement of Rights trading through the stock exchange shall be conducted by book entry settlement of the relevant securities account under the name of the Stock Exchange Members/Custodian Banks with KSEI.

All expenses and taxes that may be incurred as a result of trading and transfer of Rights shall be borne by the Rights Holders or future Rights Holders.

Form of the Rights

For Rights Certificate Holders, the Company shall issue Rights Certificates which specify the names and addresses of the Rights holders, the amounts of shares owned, and the amount of Rights that can be used to purchase new shares, and columns on the amount of shares that will be purchased, the price that must be paid and the amount of additional shares orders.

For Shareholders whose shares are in the collective depository system of KSEI, the Company shall not issue Rights Certificates, but shall credit the Rights through the securities account in the name of the Stock Exchange Member/Custodian Bank appointed by each Shareholder.



Application to Split the Rights

Rights Certificate Holders who intend to sell or transfer a part of their Rights may contact the Registrar to obtain the Rights in the denominations which they prefer. Rights Holders may split their Rights Certificates during the period between 13 May 2011 and 27 May 2011.

Each split shall be subject to expenses borne by the applicant for the amount of Rp. 3,300 per new Rights Certificates resulting from the split. Such expenses include value added tax.

Value of Rights

- (a) The value of the Rights offered by each Rights Holder may be different from one Right to another, based on the prevailing supply and demand in the market at the time of the offer.
- (b) Below is a theoretical calculation of the value of Rights in this Rights Issue IV. The calculation is merely a theoretical illustration and is not intended to be a guarantee or estimation of the value of the Rights. This illustration is provided to provide a general outlook in calculating the value of the Rights:

If the share price on the date of the last trading day of shares with Rights (Cum Rights)

$$= \text{Rp. C}$$

Execution price of the Rights Issue IV (Exercise Price)

$$= \text{Rp. E}$$

If each holder of O shares is entitled to purchase N new shares, the amount of all shares after the Rights exercise is O + N

Consequently, the theoretical price of the new shares starting on the trading date of shares without Rights (Theoretical Ex Rights Price) is:

$$= \frac{(\text{Rp. C} \times \text{O}) + (\text{Rp. E} \times \text{N})}{(\text{O} + \text{N})}$$

$$= \text{Rp. N}$$

Theoretical Price of Rights = Rp. N – Rp. E

Rights Split

In accordance with Regulation No. IX.D.1 regarding Fraction Rights from a Rights Split, these must be sold by the Company and the proceeds shall be put into the Company's account.

Use of Rights Certificates

Rights Certificates are a proof of Rights granted by the Company to its holders to purchase common registered shares of the Company offered in the Rights Issue IV. Rights Certificates are not redeemable for cash or anything else from the Company. Photocopies of Rights Certificates cannot be traded. Proof of Rights ownership for Rights Holders in KSEI's collective depository system shall be distributed by KSEI through the Rights Holders' Stock Exchange Members/Custodian Banks.



Others

The Rights Holders or prospective Rights Holders are responsible for any expenses incurred in the transfer of Rights.

For more information, investors should contact the Registrar who is acting as the Company's Securities Administration Agent for the Rights Issue IV.



XVIII DISTRIBUTION OF PROSPECTUS, FORMS AND RIGHTS CERTIFICATES

The Company has published information in relation to the proposed Rights Issue IV in newspapers

1. For Shareholders whose shares are in the collective depository system in KSEI, the Rights shall be distributed to them electronically through the securities account of their respective member of the IDX (the "Stock Exchange Member") or custodian bank at KSEI (the "Custodian Bank") at the latest one working day after the record date for entitled shareholders for Rights, on 13 May 2011 at 16:00 WIB. A prospectus, application for additional shares forms and other forms will be distributed by the Company to KSEI and can be obtained by the Shareholders from their respective Stock Exchange Member or Custodian Bank.
2. For Shareholders whose Shares are not in the collective depository system in KSEI, the Company shall issue Rights Certificates in the Shareholders' names to all Shareholders.

The shares and Rights Shares to be issued upon an exercise of the Rights have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold within the United States. Accordingly, persons in the United States are not permitted to exercise the Rights and the Company reserves the right to treat as invalid any Rights or other documentation presented for exercise of Rights that (i) appears to have been executed in or dispatched from the United States or to be transmitted from or on behalf of a person in the United States, (ii) provides an address in the United States for the registration of, or the delivery of definitive certificates for, the Rights Shares, or (iii) otherwise appears to involve a possible violation of the registration requirements of the Securities Act or the securities laws of any jurisdiction. Shareholders whose address on the Company's share registrar are in the United States as of the record date on 12 May 2011 or whom the Company otherwise has reason to believe are in the United States will be deemed to be in the United States and are not permitted to exercise the Rights. The Rights which are to be received by the shareholders which, based on the above or the laws of their respective jurisdiction, cannot be exercised, may be sold through IDX during Rights Trading Period between 16 May 2011 until 30 May 2011

Shareholders with registered addresses whether in or outside Jakarta, Bogor, Tangerang and Bekasi ("Jabotabek") shall collect the Rights Certificate, Prospectus, Application for Additional Shares Forms and other forms at the Registrar's office of the Company during business days and hours on 13 May 2011. Such shareholders are required to present their valid original identification card (KTP/Passport/KITAS) together with a copy. For shareholders who authorize a third party to collect the documents, the third party would be required to produce an original Powers of Attorney duly executed by the relevant Shareholder for whom he/she is collecting the documents, together with the Shareholders' valid original (together with a copy) identification card (KTP/Passport/KITAS)

PT Raya Saham Registra
Gedung Plaza Sentral, 2nd Floor
Jl. Jenderal Sudirman Kav 47-48
Jakarta 12930, Indonesia
Telp: (6221) 252 5666, Fax: (6221) 252 5028
Corporate Action Division

If until 30 May 2011, Shareholders whose name is registered as a shareholder of the Company dated 12 May 2011 do not collect the Rights Certificate, Prospectus, Application for Additional Shares Forms and other forms and do not contact the Company's Registrar, any losses arising will be the responsibility of those Shareholders and not the Company nor its Registrar.



XIX ADDITIONAL INFORMATION

For more information or any inquiries regarding this prospectus, shareholders may contact the following:

PT United Tractors Tbk

Headquarter:

Jl. Raya Bekasi Km. 22 Cakung

Jakarta 13910, Indonesia

PO Box 3238/JKT

Telp: (6221) 460 5959, Fax: (6221) 460 0655

www.unitedtractors.com

PT Raya Saham Registra

Gedung Plaza Sentral Lt. 2

Jl. Jenderal Sudirman Kav 47-48

Jakarta 12930, Indonesia

Telp: (6221) 252 5666, Fax: (021) 252 5028

Corporate Action Division



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XX FINANCIAL STATEMENTS



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PT UNITED TRACTORS Tbk AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2010 AND 2009

**BOARD OF DIRECTORS' STATEMENT
REGARDING
THE RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2010 AND 2009
AND FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009
PT UNITED TRACTORS Tbk AND SUBSIDIARIES**

We, the undersigned:

1. Name : Djoko Pranoto
Office address : Jl. Raya Bekasi Km 22
Cakung, Jakarta 13910
Residential address : Jl. Kelapa Lilin Raya NB 8
No.1B Kelapa Gading
Jakarta Utara
Telephone : 021 – 4605959
Title : President Director


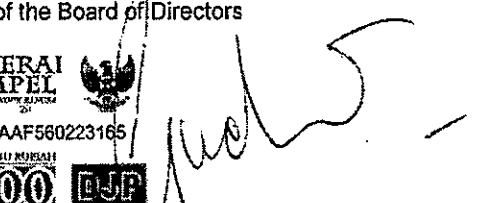



2. Name : Gidion Hasan
Office address : Jl. Raya Bekasi Km 22
Cakung, Jakarta 13910
Residential address : Jl. Simfoni Mas IV
B. 7/11 Kelapa Gading
Jakarta Utara
Telephone : 021 – 4605959
Title : Director of Finance and Administration

declare that:

1. We are responsible for the preparation and presentation of PT United Tractors Tbk and subsidiaries' consolidated financial statements;
2. PT United Tractors Tbk and subsidiaries' consolidated financial statements have been prepared and presented in accordance with the accounting principles generally accepted in Indonesia;
3. a. All information in the PT United Tractors Tbk and subsidiaries' consolidated financial statements has been disclosed in a complete and truthful manner;
b. PT United Tractors Tbk and subsidiaries' consolidated financial statements do not contain any incorrect information or material fact, nor do they omit information or material fact;
4. We are responsible for PT United Tractors Tbk and subsidiaries' internal control system;
5. On 24 February 2011 and 19 April 2011, the Company has issued board of director's statement regarding the responsibility for the consolidated financial statements as at 31 December 2010 and 2009 and for the years ended 31 December 2010 and 2009. For the purpose of the Company's plan of Right Issue IV, the Company has reissued the consolidated financial statements in order to confirm the disclosure requirements of the Capital Market and Financial Institution Supervisory Agency.

Thus this statement is made truthfully.

For and on behalf of the Board of Directors






Djoko Pranoto
President Director
Gidion Hasan
Director of Finance and Administration

Jakarta, 27 April 2011



**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF**

PT UNITED TRACTORS Tbk

We have audited the accompanying consolidated balance sheets of PT United Tractors Tbk (the "Company") and subsidiaries as at 31 December 2010 and 2009 and the related consolidated statements of income, changes in equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards established by the Indonesian Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of PT United Tractors Tbk and subsidiaries as at 31 December 2010 and 2009, and the consolidated results of their operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in Indonesia.

Our audits were conducted for the purpose of expressing an opinion on the consolidated financial statements taken as a whole. The supplementary information on schedule 5/75 to 5/80 in respect of PT United Tractors Tbk (parent company only) financial information as at and for the years ended 31 December 2010 and 2009 is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Kantor Akuntan Publik Tanudiredja, Wibisana & Rekan
Plaza 89, Jl. H.R. Rasuna Said Kav. X-7 No.6 Jakarta 12940 - INDONESIA, P.O. Box 2473 JKP 10001
T: +62 21 5212901, F: + 62 21 52905555 / 52905050, www.pwc.com/id



Prior to this report, we have issued independent auditors' report dated 24 February 2011 on the consolidated financial statements of PT United Tractors Tbk and subsidiaries as at 31 December 2010 and 2009 and for the years then ended, with unqualified opinion. For the purpose of Right Issue IV, on 19 April 2011, the Company reissued its consolidated financial statements as of 31 December 2010 and 2009 and for the years then ended, to amend certain disclosures in order to conform to the relevant disclosure requirements required by the Indonesian Capital Market and Financial Institution Supervisory Agency, as disclosed in Note 39a. Subsequently, on 27 April 2011, the Company made another reissuance of its consolidated financial statements as of 31 December 2010 and 2009 and for the years then ended, to amend certain disclosures in order to conform to the relevant disclosure requirements required by the Indonesian Capital Market and Financial Institution Supervisory Agency, as disclosed in Note 39b.

JAKARTA
27 April 2011

Drs. Haryanto Sahari, CPA
Licence of Public Accountant No. 98.1.0286

NOTICE TO READERS

The accompanying consolidated financial statements are not intended to present the consolidated financial position, consolidated results of operations, and consolidated cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Indonesia. The standards, procedures and practices utilised in Indonesia to audit such consolidated financial statements may differ from those generally accepted in countries and jurisdictions other than Indonesia. Accordingly, the accompanying consolidated financial statements and the auditor's report thereon are not intended for those who are not informed about Indonesian accounting principles and auditing standards, and their application in practice.

**CONSOLIDATED BALANCE SHEETS
AS AT 31 DECEMBER 2010 AND 2009**

(Expressed in millions of Rupiah, except par value per share)

	<u>Notes</u>	<u>2010</u>	<u>2009</u>
ASSETS			
Current assets			
Cash and cash equivalents	2d,4	1,343,220	2,769,187
Trade receivables:			
- Third parties (net of allowance for doubtful accounts of 2010: Rp 82,643; 2009: Rp 67,272)	2e,5	5,169,075	4,419,648
- Related parties	2e,2z,5	45,806	42,958
Other receivables:			
- Third parties (net of allowance for doubtful accounts of 2010 and 2009: Rp 20,000)	2e	89,372	86,960
- Related parties	2e,2z,33b	45,435	20,432
Inventories (net of allowance for inventory obsolescence and write down of 2010: Rp 41,504; 2009: Rp 22,746)	2f,6	6,931,631	3,966,358
Prepaid taxes	2w,15a	1,170,065	506,224
Advances and prepayments	7	<u>738,158</u>	<u>177,666</u>
Total current assets		<u>15,532,762</u>	<u>11,989,433</u>
Non-current assets			
Restricted cash and time deposits	2d,4c	14,863	7,057
Other receivables - related parties	2z, 33b	59,421	55,554
Derivative financial instruments	2o, 31h	26,512	-
Deferred tax assets	2w,15d	154,890	32,367
Long-term investments	2h,8	308,162	256,862
Investment in associates	2g,9	134,861	49,430
Fixed assets (net of accumulated depreciation of 2010: Rp 9,524,926; 2009: Rp 7,030,812)	2j,2l,10	11,039,320	9,610,510
Mining properties (net of accumulated depreciation of 2010: Rp 466,796; 2009: Rp 326,165)	2k,2l,11	2,222,054	2,225,216
Investment property	2i	30,336	22,291
Deferred exploration and development expenditure	2m	101,641	88,894
Deferred charges	2n	<u>76,092</u>	<u>67,214</u>
Total non-current assets		<u>14,168,152</u>	<u>12,415,395</u>
TOTAL ASSETS		<u>29,700,914</u>	<u>24,404,828</u>

The accompanying notes form an integral part of these financial statements.

**CONSOLIDATED BALANCE SHEETS
AS AT 31 DECEMBER 2010 AND 2009**

(Expressed in millions of Rupiah, except par value per share)

	<u>Notes</u>	<u>2010</u>	<u>2009</u>
LIABILITIES			
Current liabilities			
Short-term bank loans	2r,12	190,819	31,200
Trade payables:			
- Third parties	2p,13	4,877,238	3,842,143
- Related parties	2p,2z,13	654,149	322,173
Other payables:			
- Third parties		87,468	100,012
- Related parties	2z,33b	30,913	32,766
Taxes payable	2w,15b	133,744	541,435
Accrued expenses	16	652,143	664,172
Customer deposits		407,718	210,143
Deferred revenue		42,874	124,482
Provision	2q,2t,28	51,466	52,690
Current portion of long-term debt:	2r		
- Bank loans	17	2,011,371	869,478
- Finance leases	2j,2z,18	324,930	212,979
- Other borrowings	14	<u>454,392</u>	<u>255,059</u>
Total current liabilities		<u>9,919,225</u>	<u>7,258,732</u>
Non-current liabilities			
Other liabilities		26,721	34,603
Deferred tax liabilities	2w,15d	456,477	497,932
Provision	2q,2s,2t,28	434,242	295,159
Long-term debt, net of current portion:	2r		
- Bank loans	17	1,966,376	1,433,242
- Finance leases	2j,2z,18	419,373	363,689
- Other borrowings	14	<u>313,094</u>	<u>570,391</u>
Total non-current liabilities		<u>3,616,283</u>	<u>3,195,016</u>
TOTAL LIABILITIES		<u>13,535,508</u>	<u>10,453,748</u>
MINORITY INTEREST	2b,19	<u>29,068</u>	<u>107,370</u>
EQUITY			
Share capital:			
Authorised - 6,000,000,000 ordinary shares with par value of Rp 250 per share, issued and fully paid 3,326,877,283 shares	2u,20	831,720	831,720
Additional paid-in capital	2u,21	3,781,563	3,781,563
Exchange difference from financial statements translation	2b	120,690	135,504
Difference in the equity transactions of subsidiaries	2b,22	197,662	132,981
Investment fair value revaluation reserve	2h,8	65,691	65,691
Retained earnings:			
- Appropriated	23a	166,344	166,344
- Unappropriated		<u>10,972,668</u>	<u>8,729,907</u>
Total equity		<u>16,136,338</u>	<u>13,843,710</u>
TOTAL LIABILITIES AND EQUITY		<u>29,700,914</u>	<u>24,404,828</u>

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009
(Expressed in millions of Rupiah, except net earnings per share)

	<u>Notes</u>	<u>2010</u>	<u>2009</u>
Net revenue	2v,24	37,323,872	29,241,883
Cost of revenue	2v,25	<u>(30,528,174)</u>	<u>(22,570,824)</u>
Gross profit		6,795,698	6,671,059
Operating expenses			
Selling expenses	2v,26	(358,470)	(272,315)
General and administrative expenses	2v,26	<u>(1,274,707)</u>	<u>(1,132,272)</u>
Total operating expenses		<u>(1,633,177)</u>	<u>(1,404,587)</u>
Operating income		<u>5,162,521</u>	<u>5,266,472</u>
Other (expenses)/income			
Foreign exchange gain, net	2c	22,242	283,105
Interest and finance charges	27	(207,141)	(188,467)
Interest income	2v,27	66,941	99,699
Gain on sale of investment	3	52,020	-
Gain on disposal of fixed assets	10	38,663	48,996
Dividend income	8	4,815	3,971
Other expenses, net		<u>(101,392)</u>	<u>(78,642)</u>
Total other (expense)/income, net		<u>(123,852)</u>	<u>168,662</u>
Shares of results of associates	9	<u>22,591</u>	<u>9,104</u>
Profit before income tax		5,061,260	5,444,238
Income tax expense	2w,15c	<u>(1,186,745)</u>	<u>(1,594,543)</u>
Income before minority interest		3,874,515	3,849,695
Minority interest	19	<u>(1,584)</u>	<u>(32,154)</u>
Net income		<u>3,872,931</u>	<u>3,817,541</u>
Net basic earnings per share (in full Rupiah)	2x,34	<u>1,164</u>	<u>1,147</u>

The accompanying notes form an integral part of these financial statements.

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**
(Expressed in millions of Rupiah)

	Notes	Share Capital	Additional paid-in capital	Exchange difference from financial statements translation	Difference in the equity transactions of subsidiaries	Investment fair value revaluation reserve	Retained earnings		Total equity
							Appropriated	Unappropriated	
Balance as at 1 January 2009		831,720	3,781,563	187,721	21,795	65,691	142,580	6,100,537	11,131,607
Exchange difference from financial statements translation	2b	-	-	(52,217)	-	-	-	-	(52,217)
Difference in the equity transactions of subsidiaries	2b,22	-	-	-	111,186	-	-	-	111,186
Appropriation to statutory reserve	23a	-	-	-	-	-	23,764	(23,764)	-
Cash dividends	23b	-	-	-	-	-	-	(1,164,407)	(1,164,407)
Net income		-	-	-	-	-	-	3,817,541	3,817,541
Balance as at 31 December 2009		<u>831,720</u>	<u>3,781,563</u>	<u>135,504</u>	<u>132,981</u>	<u>65,691</u>	<u>166,344</u>	<u>8,729,907</u>	<u>13,843,710</u>
Balance as at 1 January 2010		831,720	3,781,563	135,504	132,981	65,691	166,344	8,729,907	13,843,710
Exchange difference from financial statements translation	2b	-	-	(14,814)	-	-	-	-	(14,814)
Difference in the equity transactions of subsidiaries	2b,22	-	-	-	64,681	-	-	-	64,681
Cash dividends	23b	-	-	-	-	-	-	(1,630,170)	(1,630,170)
Net income		-	-	-	-	-	-	3,872,931	3,872,931
Balance as at 31 December 2010		<u>831,720</u>	<u>3,781,563</u>	<u>120,690</u>	<u>197,662</u>	<u>65,691</u>	<u>166,344</u>	<u>10,972,668</u>	<u>16,136,338</u>

The accompanying notes form an integral part of these financial statements.

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2010 and 2009**
(Expressed in millions of Rupiah, except otherwise stated)

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	36,536,624	28,084,400
Payments to suppliers	(29,693,816)	(19,549,060)
Payments to employees	(2,059,744)	(1,641,357)
Payments of corporate income tax	(2,279,855)	(1,783,261)
Interest paid	(164,590)	(197,635)
Interest received	66,909	99,699
Receipts from corporate income tax refunds	18,353	88,236
Net cash flows provided from operating activities	<u>2,423,881</u>	<u>5,101,022</u>
CASH FLOWS FOR INVESTING ACTIVITIES		
Acquisition of fixed assets	(3,223,570)	(3,148,232)
Proceeds from sale of investment subsidiary, net of deconsolidated cash and cash equivalent	31,202	14,005
Acquisition of mining property	(134,119)	(4,500)
Proceeds from sale of fixed assets	46,535	71,324
Advance for acquisition of shares in associate	(372,768)	-
Dividends received	23,550	6,935
Net cash flows used for investing activities	<u>(3,629,170)</u>	<u>(3,060,468)</u>
CASH FLOWS FOR FINANCING ACTIVITIES		
Increase in restricted cash and time deposits	(7,806)	(6,741)
Proceeds/(repayments) of short-term bank loans	189,519	(434,351)
Proceeds from long-term bank loans	4,128,303	1,234,400
Addition to amounts due from related parties	(21,004)	(16,873)
(Payment)/receipts of amounts due to related parties	(1,669)	28,530
Principal repayments under finance leases	(329,531)	(362,732)
Repayments of long term bank loans	(2,358,590)	(1,784,529)
(Payments)/receipts other borrowing	(25,176)	314,249
Dividends paid	(1,629,228)	(1,165,300)
Dividends paid by subsidiaries to minority shareholders	-	(9,989)
Payment of facility fee for long-term bank loans	(34,918)	(5,135)
Net cash flows for financing activities	<u>(90,100)</u>	<u>(2,208,471)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,295,389)	(167,917)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	2,769,187	3,324,942
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(130,578)	(387,838)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>1,343,220</u>	<u>2,769,187</u>

The accompanying notes form an integral part of these financial statements.

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2010 and 2009**
(Expressed in millions of Rupiah, except otherwise stated)

	<u>2010</u>	<u>2009</u>
Significant activities not affecting cash flows		
Acquisition of fixed assets through finance leases, other borrowings and trade payables (Note 10)	887,747	568,627
Disposal of net assets of subsidiary (Note 3)	166,484	-

The accompanying notes form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**31 DECEMBER 2010 DAN 2009**

(Expressed in millions of Rupiah, except par value per share)

1. GENERAL INFORMATION

PT United Tractors Tbk (the "Company") was established in Indonesia on 13 October 1972 under the name of PT Inter Astra Motor Works, based on Deed of Establishment No. 69 of Djojo Muljadi, S.H. The Deed of Establishment was approved by the Minister of Justice of the Republic of Indonesia in Decision Letter No. Y.A.5/34/8 dated 6 February 1973 and was published in State Gazette No. 31, Supplement No. 281 dated 17 April 1973. The Articles of Association have been amended from time to time, including the amendment that was effected by Deed No. 25 dated 16 August 2000 of Refizal, S.H., notary in Jakarta, with respect to the increase in authorised share capital from Rp 500 billion to Rp 1,500 billion. This amendment was approved by the Minister of Law and Legislation of the Republic of Indonesia in Decision Letter No. C-16066.HT.01.04.TH.2000 dated 2 August 2000 and was published in State Gazette No. 51 dated 26 June 2001, Supplement No. 249. The most recent amendment to the Articles of Association was by the Deed of Resolution of Meeting No.35, dated 20 May 2009 made before Benny Kristianto, S.H., notary in Jakarta, to conform with Indonesian Company Law No. 40 of 2007. The Deed was approved by the Ministry of Justice and Human Rights of the Republic of Indonesia based on Decision Letter No. AHU-AH.0110-2319 dated 11 November 2009.

The main activities of the Company and its subsidiaries (together, the "Group") include sales and rental of heavy equipment and related after sales services, coal mining and mining contracting. Included in mining contracting is integrated mining contracting service.

The Company commenced commercial operations in 1973.

The Company, through its majority shareholder, PT Astra International Tbk ("Astra"), is part of Jardine Matheson Holdings Ltd.

The Company is domiciled in Jakarta with 18 branches, 17 site offices, and 12 representative offices throughout Indonesia. The head office is located at Jalan Raya Bekasi Km. 22, Cakung, Jakarta.

On 19 July 1989, the Company through Initial Public Offering offered 2.7 million of its shares to the public with a nominal par value of Rp 1,000 (full Rupiah) at an offering price of Rp 7,250 (full Rupiah) per share.

In April 2000, the Company distributed bonus shares of 248.4 million shares, whereby each holder of five existing shares received nine new shares from the capitalisation of the fixed assets revaluation reserve.

In July 2000, the Company carried-out:

- A stock-split of par value from Rp 1,000 (full Rupiah) per share to Rp 250 (full Rupiah) per share. As a result, the number of shares increased from 386,400,000 shares to 1,545,600,000 shares;
- An increase in authorised share capital from 500 million shares amounting to Rp 500 billion to 6 billion shares amounting to Rp 1,500 billion; and
- An employee stock options plan .

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2010 DAN 2009

(Expressed in millions of Rupiah, except par value per share)

1. GENERAL INFORMATION (continued)

On 14 May 2004, the Company through Limited Public Offering II issued 1,261,553,600 shares, with offering price of Rp 525 per share.

On 19 August 2008, the Company through Limited Public Offering III issued 475,268,183 shares, with offering price of Rp 7,500 per share.

As at 31 December 2010 and 2009, the composition of the Company's Boards of Commissioners and Directors were as follows:

	2010	2009
Board of Commissioners		
President Commissioner	Prijono Sugiarto	Prijono Sugiarto
Vice President Commissioner:	Benjamin William Keswick	Benjamin William Keswick Michael D. Ruslim*
Commissioners:	Simon Collier Dixon	Simon John Mawson Hagianto Kumala**
Independent Commissioners:	Soegito Stephen Z. Satyahadi Anugerah Pekerti	Soegito Stephen Z. Satyahadi Anugerah Pekerti
Board of Directors		
President Director	Djoko Pranoto	Djoko Pranoto
Vice President Director	Bambang Widjanarko E.S	Bambang Widjanarko E.S
Directors:	Gidion Hasan Hendrik Kusnadi Hadiwinata Iman Nurwahyu Edhie Sarwono	Gidion Hasan Hendrik Kusnadi Hadiwinata Iman Nurwahyu Edhie Sarwono Arya N. Soemali
Corporate Secretary	Sara K. Loebis	Sara K. Loebis
Audit Committee		
Audit Committee Chairman	Anugerah Pekerti	Anugerah Pekerti
Audit Committee Member	Candelario A. Tambis	Candelario A. Tambis
Audit Committee Member	Fred B. G. Tumbuan	Fred B. G. Tumbuan
Internal Audit	Prasetya Josep	Prasetya Josep

*) Passed away on 20 January 2010

**) Resigned effective from 15 December 2009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2010 DAN 2009

(Expressed in millions of Rupiah, except par value per share)

1. GENERAL INFORMATION (continued)

The consolidated financial statements include the accounts of the Company and the following domestic and foreign subsidiaries:

Subsidiaries	Business activity	Domlcile	Commencement of commercial operations	Percentage of ownership (direct and indirect)		Total assets (before elimination)	
				2010 %	2009 %	2010	2009
Direct ownership							
PT Pamapersada Nusantara ("Pamapersada")	Mining contracting	Indonesia	1993	100	100	15,906,450	13,737,758
UT Heavy Industry(S) Pte Ltd ("UTHI")	Trading and assembling of heavy equipment	Singapore	1994	100	100	1,095,078	473,655
PT United Tractors							
Pandu Engineering ("UTPE") ⁽ⁱ⁾	Assembling and production of machinery	Indonesia	1983	100	100	847,054	645,147
PT Multi Prima Universal ("MPU")	Trading and renting used heavy equipment	Indonesia	2008	100	100	682,045	445,171
PT Tuah Turangga Agung ("TTA")	Mining and trading	Indonesia	2006	100	100	665,126	110,723
PT Andalan Multi Kencana ("AMK") ⁽ⁱⁱ⁾	Trading of spareparts	Indonesia	2010	100	-	583,852	-
PT Bina Pertiwi ("BP")	Trading of heavy equipment	Indonesia	1977	100	100	310,756	177,061
PT Komatsu Remanufacturing Asia ("KRA") ⁽ⁱⁱⁱ⁾	Remanufacturing of heavy equipment	Indonesia	1997	49	51	-	348,147
Indirect ownership							
PT Kalimantan							
Prima Persada ("KPP")	Mining and port services	Indonesia	2003	100	100	967,907	1,061,351
PT Prima Multi Mineral ("PMM")	Mining services	Indonesia	2007	100	100	672,676	428,551
PT Telen Orbit Prima ("TOP")	Mining concessions	Indonesia	2005	100	100	485,039	100,815
PT Patria Maritime Lines ("PML") ^(iv)	Shipping services	Indonesia	2008	70	70	155,972	55,239
PT Pama Indo Mining ("PIM")	Mining contracting	Indonesia	1997	60	60	47,105	40,704
PT Kadya Caraka Mulya ("KCM")	Mining concessions	Indonesia	2007	100	100	25,275	9,144
PT Agung Bara Prima ("ABP") ^(v)	Mining concessions	Indonesia	-	60	-	8,426	-
PT Nusantara Citra Jaya Abadi ("NCJA")	Mining concessions	Indonesia	2007	100	100	875	922
PT Anugrah Gunung Mas ("AGM") ^(vi)	Mining concessions	Indonesia	-	100	100	140	-
PT Ekasalya Yanatama ("ESY") ^(vii)	Mining concessions	Indonesia	-	100	100	-	-

(i) On 12 January 2009, Pamapersada disposed 0.01% of its interest in UTPE to PT Arya Kharisma (related party)

(ii) AMK was established on 17 May 2010

(iii) Refer to Note 3

(iv) On 9 September 2009, UTPE disposed 30% of its interest in PML to PT Orion Maritime Lines

(v) ABP was acquired on 15 July 2010

(vi) AGM was acquired on 9 December 2009

(vii) Dormant

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2010 DAN 2009**

(Expressed in millions of Rupiah, except par value per share)

1. GENERAL INFORMATION (continued)**Coal Contract of Work ("CCOW")**

On 20 November 1997, ESY entered into a CCOW with the Government of Indonesia whereby ESY was appointed as sole contractor for coal mining operation for 30 years with respect to specific mining areas in South Kalimantan. On 31 May 1999, KCM also entered into the same contract with the Government of Indonesia.

As stipulated in the CCOW, the Government is entitled to receive a royalty of 13.5% from the Company's total coal production, in cash value at free on board ("FOB") price or at the price of the contractor's final load out at the agreement area ("at sale point") whereby the determination of location and coal price of the Government's share will be based on the transaction between contractor and buyer.

Coal Mining Rights

Based on the Decree of the Director General of General Mining No. 704 K/24.01/DJP/2000 dated 6 December 2000, NCJA was granted an exploitation concession for 11 years for 114 hectares located in the Banjar regency, South Kalimantan province.

Mining Business Permit

Based on the Decree of the Regent of Kapuas No. 531 year 2009, TOP was granted an Production Operation Mining Business Permit for 20 years for 4,897 hectares located in the Kapuas regency, Central Kalimantan province.

Based on the Decree of the Regent of Kapuas No. 472 year 2009, AGM was granted an Exploration Mining Business Permit for three years for 5,000 hectares located in the Kapuas regency, Central Kalimantan province.

Based on the Decree of the Regent of Kapuas No. 449 year 2009, ABP was granted an Exploration Mining Business Permit for one year for 1,365 hectares located in the Kapuas regency, Central Kalimantan province.

As stipulated in the Coal Mining Rights and related regulations, the Government is entitled to receive a royalty of 7% of the selling price of coal which has calories of more than 6,100 cal/gr.

As at 31 December 2010, the Group had approximately 18,786 employees (2009: 15,656 employees).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**31 DECEMBER 2010 DAN 2009**

(Expressed in millions of Rupiah, except par value per share)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Group were prepared by the Board of Directors and completed on 27 April 2011.

The following are the significant accounting policies adopted in preparing the consolidated financial statements, which are in conformity with accounting principles generally accepted in Indonesia and Indonesian Capital Market and Financial Institution Supervisory Agency regulations regarding guidelines on financial statements presentation.

a. Basis of preparation of the consolidated financial statements

The consolidated financial statements have been prepared under historical cost except for investment property, investments in equity securities that are classified as trading and available-for-sale and derivative financial instruments, which are carried at fair value.

The consolidated financial statements have also been prepared on the basis of the accruals concept, except for the consolidated statements of cash flows.

The consolidated statements of cash flows are prepared based on the direct method by classifying cash flows into operating, investing and financing activities.

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in Indonesia requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

Figures in the consolidated financial statements are rounded to and stated in millions of Rupiah unless otherwise stated.

New accounting standards

There have been no changes to the accounting policies except for the adoption of the following revised standards and withdrawal of a standard which are mandatory for annual period beginning on 1 January 2010:

- PSAK No. 26 (Revised 2008) "Borrowing Costs".
- PSAK No. 50 (Revised 2006) "Financial Instruments: Presentation and Disclosures" and PSAK No. 55 (Revised 2006) "Financial Instruments: Recognition and Measurement".

The adoption and withdrawal of those standards did not have a material impact on the financial position and transaction result of the Group.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2010 DAN 2009**

(Expressed in millions of Rupiah, except par value per share)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**b. Principles of consolidation**

The consolidated financial statements include the financial statements of the Company and domestic and foreign companies, in which the Company directly or indirectly has the capability to control those companies.

Minority interests in the results and the equity of controlled entities are shown separately in the consolidated statements of income and balance sheets, respectively.

All material transactions and balances between consolidated companies within the Group have been eliminated.

Where control of an entity is obtained during a financial period, its results are included in the consolidated statements of income from the date on which control commences. Where control ceases during a financial period, its results are included in the consolidated financial statements for the part of the period during which control existed.

The purchase method of accounting is used to account for acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition

The assets and liabilities of foreign entity subsidiaries domiciled outside Indonesia, are translated into Rupiah at the exchange rate prevailing at the balance sheet date as published by Bank Indonesia. The historical exchange rate is used for equity. Revenue and expenses are translated using the rate at the transaction date or at an average rate when revenue and expenses are earned and incurred throughout the periods. The difference resulting from the translation of subsidiaries in foreign entity's financial statements is presented as "Exchange difference from financial statements translation" under the equity section in the consolidated balance sheets.

Changes affecting the equity of subsidiaries are recorded in "Difference in the equity transactions of subsidiaries" within the equity section of the consolidated balance sheets

The accounting policies adopted in preparing the consolidated financial statements have been consistently applied by subsidiaries unless otherwise stated.

c. Foreign currency transactions and balances

Transactions denominated in foreign currency are translated into Rupiah at the exchange rate prevailing at the date of the transactions. At the dates of the balance sheets, monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at that date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2010 DAN 2009

(Expressed in millions of Rupiah, except par value per share)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**c. Foreign currency transactions and balances (continued)**

Exchange gains and losses arising on transactions in foreign currency or on the translation of foreign currency monetary assets and liabilities are recognised in the consolidated statements of income.

The main exchange rates used, based on the middle rate published by Bank Indonesia, are as follows (in full Rupiah):

	<u>2010</u>	<u>2009</u>
European Euro ("EUR")	11,956	13,510
United States Dollar ("USD")	8,991	9,400
Australian Dollar ("AUD")	9,143	8,432
Singapore Dollar ("SGD")	6,981	6,699
Swedish Kroner ("SEK")	1,331	1,315
Japanese Yen ("JPY")	110	102

d. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, cash in banks and other short-term highly liquid investments with original maturities of three months or less.

Cash and time deposits, which are restricted in use, are classified as "Restricted cash and time deposits".

e. Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, except where the effect of discounting would be immaterial, less provision for doubtful receivables.

Allowance for doubtful receivable is established when there is objective evidence that the outstanding amounts will not be collected. Doubtful accounts are written-off during the period in which they are determined to be not collectible.

f. Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is generally determined by the specific identification method for units of heavy equipment and work in progress, and the average method for spare parts, raw materials and general supplies. The cost of finished goods and work in progress comprises materials, labour and an appropriate proportion of directly attributable fixed and variable overheads.

Cost of coal inventories is determined on a weighted average basis and comprises sub-contractors' costs and overheads related to mining activities.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2010 DAN 2009**

(Expressed in millions of Rupiah, except par value per share)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**f. Inventories (continued)**

Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

An allowance for obsolete and slow moving inventory is determined based on the estimated future usage or sale of individual inventory items.

g. Investments in associates

Investments in companies of which the Company has between 20% and 50% of the voting rights or over which the Company has significant influence but not control, are accounted for under the equity method. Based on this method, the cost of the investments is adjusted by the Company's share in the net income or losses of the associates since the date of acquisition and dividends distributions.

Loss exceeding the carrying value of the investment is recognised if the Group has committed to provide financial support or guarantee the associates' obligation.

Unrealised gains on transactions between the Company or subsidiaries with its associates are eliminated to the extent of the Company's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The carrying amount of an investment in associates should be reduced to its realisable value if there has been a permanent decline in the value of the investment.

h. Investments in equity instruments

Investments in equity instruments are initially recognised at fair value plus transaction costs. Subsequent measurement of investments depends on their classification.

Investments are classified as available-for-sale investments and carried at fair value. Unrealised gains and losses arising from changes in the fair value are recognised in equity. On disposal of an investment, the cumulative fair value adjustments recognised in equity is recognised in the consolidated statements of income.

Investments in equity instruments that do not have readily determinable fair values are stated at cost.

At each balance sheet date, the Group assesses whether there is objective evidence that an investment is impaired. If there is a permanent decline in the fair value, the decline is charged to the consolidated statements of income. Any subsequent increase in the fair value of investment carried at fair value is recognised in equity.

Dividends from investments in equity securities are recognised when declared.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2010 DAN 2009

(Expressed in millions of Rupiah, except par value per share)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**i. Investment property**

Investment property represents land or buildings held for operating lease or for capital appreciation, rather than for use or sale in the ordinary course of business.

Investment property is stated at fair value at the initial recognition, then adjusted to fair value, which represents open market value determined annually by independent valuers. Change in the fair value of investment property is recorded as "Other income/(expenses)" in the consolidated statements of income.

j. Fixed assets and depreciation**Direct ownership**

Fixed assets are stated at cost, less accumulated depreciation.

Fixed assets are depreciated using the straight-line method over their expected economic useful lives as follows:

	<u>Years</u>
Buildings	15 - 20
Leasehold improvements	5 - 20
Heavy equipment	5 & 8
Heavy equipment for hire	5
Tools, machinery and equipment	2 - 16
Transportation equipment	5 - 20
Furniture and fixtures	5 - 10
Office equipment	3 - 10

Subsequent costs are included in the asset's carrying amount and recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statements of income during the financial period in which they are incurred.

When assets are retired or disposed of, their carrying values and the related accumulated depreciation are eliminated from the consolidated financial statements, and the resulting gains and losses on the disposal of fixed assets are recognised in the consolidated statements of income.

The costs of the construction of buildings and plant and the installation of machinery are accumulated as construction in progress. These costs are capitalised as fixed assets when the construction or installation is substantially complete. Depreciation is charged from the date when assets are available for use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2010 DAN 2009

(Expressed in millions of Rupiah, except par value per share)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**j. Fixed assets and depreciation (continued)****Direct ownership (continued)**

Interest and other borrowing costs, such as discount fees, on loans either directly or indirectly used in financing construction of a qualifying asset, are capitalised up to the date when construction is substantially completed.

For borrowings directly attributable to a qualifying asset, the amount to be capitalised is the actual borrowing costs incurred during the period, less any income earned on the temporary investment of such borrowings.

For borrowings that are not directly attributable to a qualifying asset, the borrowing cost eligible for capitalisation is determined by applying the capitalisation rate to the expenditure on those assets. The capitalisation rate is the weighted average of the borrowing costs divided by total borrowings for the period, excluding borrowings specifically for the purpose of obtaining qualifying assets.

Fixed assets under finance leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Fixed assets acquired under finance leases are presented at the present value of all lease payments plus the purchase option which should be paid at the end of the lease term.

A related liability is recognised and each lease payment is allocated to the liability and finance charges. The corresponding rental obligations, net of finance charges are included in other long-term liabilities, except for those with maturities of 12 months or less which are included in current liabilities. The interest element of the finance cost is charged to the consolidated statements of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. The related assets are depreciated similarly to directly owned assets.

Sale and leaseback transaction should be treated as two separate transactions. The difference between the selling price and the book value of the asset sold should be recognised as a deferred gain or loss, which should be amortised in proportion to the depreciation of the leased assets if the leaseback is a finance lease or in proportion to rent expense if the leaseback is an operating lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**31 DECEMBER 2010 DAN 2009**

(Expressed in millions of Rupiah, except par value per share)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**k. Mining properties**

Mining properties are contractual rights to mine coal reserves in specified concession areas and are stated at cost less accumulated depreciation and impairment losses. The value attributable to the mining properties is depreciated using the units of production method from the date of the commencement of commercial operations. The depreciation is calculated based on estimated reserves. Changes in estimated reserves are accounted for, on a prospective basis, from the beginning of the period in which the change occurs.

l. Impairment of non-financial assets

At each balance sheet date, the Group review whether there is any indication of asset impairment or not.

Fixed assets and other non-current assets, including intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

m. Deferred exploration and development expenditure

Exploration expenditure incurred is capitalised and deferred, on an area of interest basis, provided one of the following conditions is met:

- (i) Such costs are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- (ii) Exploration activities in the area of interest have not yet reached the stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in or in relation to the area of interest area are still continuing.

Ultimate recoument of exploration expenditure deferred is dependent upon successful development and commercial exploitation, or alternatively, sale of the respective area. Each area of interest is reviewed at the end of each accounting period. Exploration expenditure in respect of an area of interest, which has been abandoned, if any, or for which a decision has been made by the Group's director against the commercial viability of the area of interest, is written off in the period the decision is made.

Mine development expenditure and incorporated costs in developing an area of interest prior to commencement of operations in the respective area, as long as they meet the criteria for deferral, are capitalised.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2010 DAN 2009**

(Expressed in millions of Rupiah, except par value per share)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**m. Deferred exploration and development expenditure (continued)**

Deferred exploration and development expenditure represents the accumulated costs relating to general investigation, administration and licences, geology and geophysics expenditure and costs incurred to develop a mine before the commencement of commercial production.

Deferred exploration and development expenditure is amortised on a straight-line method from the date of commercial production of the respective area of interest, over the lesser of the life of the mine and the remaining term of the CCOW.

n. Deferred charges

Costs associated with the acquisition or renewal of various technical and licence agreements, technical drawings to produce new components and computer system development costs are deferred and amortised using the straight-line method. Deferred charges are amortised over the expected useful period and the term of the respective agreements.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years).

o. Derivative financial instruments

Derivative instruments are initially recognised in the consolidated balance sheet at fair value on the date the contracts are entered into and are subsequently remeasured at their fair values.

The method of recognising the resulting gains or losses is dependent on whether the derivative financial instrument is designated as a hedging instrument for accounting purposes at the outset and the nature of the risk being hedged.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges for accounting purposes and that are effective, are recognised in equity. When a hedging instrument expires, or when a hedge no longer meets the criteria for hedge accounting, the cumulative gain or loss in the equity section is recognised as "Other income/(expenses)" in the consolidated statements of income.

Changes in the fair value of derivatives that do not meet the criteria of hedging for accounting purposes are recorded in the consolidated statements of income.

The fair value of derivative financial instruments is classified as a non-current asset or liability if the remaining maturities of the derivative financial instruments are greater than 12 months.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**p. Trade payables**

Trade payables are initially measured at fair value and subsequently measured at amortised cost, using the effective interest method.

q. Provision

Provision is recognised when the Group have a present obligation (legal or constructive) as a result of past events when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate as the amount of the obligation can be made.

r. Borrowing

Borrowings are initially recognised at fair value, net of transaction costs incurred. Subsequently, borrowings are stated at amortised cost using the effective interest method.

Borrowing costs, which are directly attributable to the acquisition or construction of a qualifying asset, are capitalised until the asset is substantially completed.

Borrowings are classified under non-current liabilities unless their maturities are within 12 months after the balance sheet date.

s. Restoration, rehabilitation and environmental expenditure

The Group's policy is to meet or surpass the requirements of the CCOW, Mining Concessions and all applicable environmental regulations issued by the Government of Indonesia, by application of technically proven and economically feasible measures. The Group's environmental management includes, but is not limited to, top soil replacement, dredging of sediment ponds and dams, water quality control, waste handling, planting and seeding.

The estimated liability for restoration and rehabilitation costs is based principally on legal and regulatory requirements. Such estimated costs as a result of production activities are expensed as production cost. Estimates are reassessed regularly and the effects of change are recognised prospectively.

t. Employee benefits**Short-term employee benefits**

Short-term employee benefits are recognised when they accrue to the employees.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**t. Employee benefits (continued)****Pension benefits and other post-employment benefits**

A defined benefit plan is a pension plan that defines an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Company and certain subsidiaries pay fixed contributions into Astra Pension Fund Two and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

The pension benefit obligation is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the yield at the balance sheet date of government bonds that are denominated in Rupiah in which the benefits will be paid and that have terms to maturity similar to the related pension obligation.

In accordance with Labour Law No. 13/2003 ("Law 13/2003"), the Company and certain subsidiaries are required to provide pension benefits, with minimum benefits as stipulated in Law 13/2003. If the pension benefits based on Law No. 13/2003 are higher, the difference is recorded as part of the overall benefit obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the fair value of plan assets or 10% of the present value of the defined benefit obligations are charged or credited to the consolidated statements of income over the employees' expected average remaining service lives.

Past service costs are recognised immediately in the consolidated statements of income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

The Company and certain subsidiaries also provide other post-employment benefits, such as service pay, retirement preparation leave and separation pay. The service pay benefit vests when the employees reach their retirement age. The separation pay benefit is paid to employees in the case of voluntary resignation, subject to a minimum number of years of service. These benefits have been accounted for using the same methodology as for the defined benefit pension plan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2010 DAN 2009

(Expressed in millions of Rupiah, except par value per share)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**t. Employee benefits (continued)****Pension benefits and other post-employment benefits (continued)**

Entitlement to retirement preparation leave vests typically three months before retirement. The service pay benefit vests when the employees reach their retirement age. These benefits are accounted for using the same methodology as for the defined benefit pension plan.

Other long-term employee benefits

Other long-term benefits such as long service leave and jubilee awards are calculated using the projected unit credit method and discounted to present value.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the current consolidated statements of income.

Stock-Based Compensation

The Company provided stock-based compensation program that was settled by equity instruments. The fair value of employee services received as a substitute for the options granted was recognized as an expense. Amount expensed over the vesting period was determined by the fair value of option given. The fair value of options granted was estimated using option pricing model "Black Scholes".

At each balance sheet date, the Company revised its estimates of the number of expected to be exercised option. Impact of change on original estimates, if any, were recognized in the consolidated income statement.

The proceeds received from net of the attributable transaction costs were credited in share capital (nominal value) and share premium when the options were executed.

u. Shares and share issuance costs

Ordinary shares are classified as equity.

Share issue costs which are an incremental cost directly attributable to the issue of new shares or options are shown in equity as deduction, net of tax, from the proceeds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**31 DECEMBER 2010 DAN 2009**

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**v. Revenue and expense recognition**

Net revenue is measured at fair value of the consideration received or receivable. Net revenue represents revenue earned from the sale of the Group's products and services provided in the normal course of business, net of discounts, returns, sales incentives, value added tax and export duty. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below.

Revenue from integrated mining contracting services is recognised when services are completed and rendered to customers.

For construction machinery and mining business, revenue from domestic sales is recognised when goods are delivered and services are rendered to customers. Revenue from export sales is recognised when goods are shipped.

Revenue from Full Maintenance Contracts ("FMC") is recognised on a percentage of completion basis as soon as it can be estimated reliably. The stage of completion is measured by reference to cost incurred to date compared to estimated total costs for each contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is immediately recognised as current year expense.

Interest income is recognised when incurred on an accrual basis.

Expenses are recognised as incurred on an accrual basis.

w. Taxation

Deferred income tax is provided using the balance sheet liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses carried forward can be utilised.

Amendments to taxation obligations are recorded when an assessment is received or, if objected to/appealed against, when the result of the objection or appeal is determined.

x. Net basic earning per share

Net basic earnings per share are computed by dividing net income by the weighted average number of ordinary shares outstanding during the period.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2010 DAN 2009**

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**y. Dividends**

Final dividend distributions are recognised as a liability when the dividends are approved in the Company's General Meeting of Shareholders. Interim dividend distributions are recognised as a liability when the dividends are approved by a Board of Directors' resolution and a public announcement has been made.

z. Transactions with related parties

The Group enter into transactions with related parties as defined in PSAK 7 "Related Party Disclosures".

All significant transactions and balances with related parties are disclosed in the notes to the consolidated financial statements.

aa. Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and return that are different from those of segments operating in other economic environments.

ab. Financial asset and liabilities

Company's financial assets include cash and cash equivalents, other receivables, restricted cash and time deposits, financial derivatives and investments available for sale.

Company's financial liabilities include short-term bank loans, trade payables, other payables, accrued expenses, other liabilities and long-term debt.

Effective interest rate method

The effective interest method is a method used to calculate amortised cost of financial assets or financial liabilities and method for allocating interest income or interest expense over a relevant period. Effective interest rate is the interest rate that is appropriate for discounting the estimated cash payments or receipts in the future over the expected life of a financial instrument, or if more appropriate, used a shorter period to obtain the net carrying value of financial assets or financial liabilities. At the time of calculating effective interest rates, the Group estimates cash flows with considering all contractual terms in such financial instruments but not consider future credit losses.

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(Expressed in millions of Rupiah, except par value per share)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ab. Financial asset and liabilities (continued)

Derecognition

Derecognition of financial assets are carried out when contractual rights of cash flows arising from the financial asset expire, or when the financial asset has been transferred and substantially all the risks and benefits of asset ownership have been transferred (if, for substantially all risks and benefits are not transferred, the Group will conduct an evaluation to ensure sustainable involvement of the existing controls do not prevent the derecognition). Financial obligations are derecognised when the obligation had been canceled or expired.

3. DIVESTMENT OF A SUBSIDIARY

On 7 January 2010, the Company sold 2% of its shares in a subsidiary, PT Komatsu Remanufacturing Asia ("KRA") to the minority shareholder, Komatsu Asia & Pacific Pte Ltd, Singapore, a third party at USD 6 million, or equivalent to Rp 55.3 billion. The difference of Rp 52 billion between the carrying value and the proceeds from the sale was recognised as gain on sale of investment in the consolidated statements of income.

The sale has reduced the Company's ownership from 51% to 49%, which consequently eliminates the Company's control over KRA. Accordingly KRA is no longer considered as a subsidiary of the Company and treated as an associate.

Commencing 7 January 2010, the financial statements of KRA are not consolidated to the Company's financial statements, and the investment in KRA is accounted for under the equity method of accounting.

The following is the effect of deconsolidated of KRA's financial statements as at the date of divestment:

	<u>2010</u>
Cash and cash equivalent	24,148
Other current assets	221,848
Non-current assets	102,152
Current liabilities	(176,202)
Non-current liabilities	<u>(5,462)</u>
	<u>166,484</u>

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4. CASH AND CASH EQUIVALENTS

	<u>2010</u>	<u>2009</u>
Cash on hand	2,401	2,291
Cash in banks - third party	1,153,144	1,435,104
Time deposits - third party	<u>202,538</u>	<u>1,338,849</u>
	<u>1,358,083</u>	<u>2,776,244</u>
Less:		
Restricted cash and time deposits - third party	<u>(14,863)</u>	<u>(7,057)</u>
	<u>1,343,220</u>	<u>2,769,187</u>

a. Cash in banks - third party

	<u>2010</u>	<u>2009</u>
Rupiah:		
PT Bank Permata Tbk	77,314	231,169
PT Bank Rakyat Indonesia (Persero) Tbk	76,580	4,740
PT Bank Danamon Indonesia Tbk	53,394	5,745
Standard Chartered Bank, Jakarta branch	17,902	29,058
Deutsche Bank AG, Jakarta branch	17,897	10,343
Citibank N.A., Jakarta branch	11,218	40,163
PT Bank Mandiri (Persero) Tbk	7,772	33,204
PT Bank Negara Indonesia (Persero) Tbk	6,857	7,435
PT Bank DBS Indonesia	6,805	9
Others (below Rp 5 billion each)	<u>6,790</u>	<u>11,527</u>
	<u>282,529</u>	<u>373,393</u>
Foreign currencies		
USD:		
Standard Chartered Bank Jakarta branch	297,683	648,489
PT Bank Permata Tbk	231,464	100,697
PT Bank Danamon Indonesia Tbk	118,837	57,951
PT Bank Negara Indonesia (Persero) Tbk	113,050	68,732
Citibank N.A., Jakarta branch	40,116	40,597
PT Bank Mandiri (Persero) Tbk	19,705	19,731
The Bank of Tokyo-Mitsubishi UFJ, Ltd., Jakarta branch	5,054	67
PT Bank CIMB Niaga Tbk	2,752	6,805
PT Bank Central Asia Tbk	1,773	54,409
Others (below Rp 5 billion each)	<u>6,475</u>	<u>17,265</u>
	<u>836,909</u>	<u>1,014,743</u>
Other foreign currencies	<u>33,706</u>	<u>46,968</u>
Total cash in banks - third party	<u>1,153,144</u>	<u>1,435,104</u>

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4. CASH AND CASH EQUIVALENTS (continued)

b. Time deposits - third party

	<u>2010</u>	<u>2009</u>
Rupiah:		
PT Bank Tabungan Pensiunan Nasional Tbk	68,239	-
PT Bank Rakyat Indonesia (Persero) Tbk	27,000	-
PT Bank UOB Indonesia	17,400	-
PT Bank Permata Tbk	17,114	27,000
PT Bank Negara Indonesia (Persero)Tbk	13,975	-
PT Bank Mandiri (Persero) Tbk	10,200	3,200
PT Bank Mega Tbk	7,747	72,866
PT Bank CIMB Niaga Tbk	4,000	5,500
PT Bank Danamon Indonesia Tbk	-	35,111
United Overseas Bank Ltd, Jakarta branch	-	16,980
Others (below Rp 5 billion each)	-	1,627
	<u>165,675</u>	<u>162,284</u>
Foreign currencies:		
USD:		
PT Bank Permata Tbk	36,863	148,520
PT Bank Negara Indonesia (Persero) Tbk	-	299,091
PT Bank CIMB Niaga Tbk	-	270,720
PT Bank International Indonesia Tbk	-	240,076
PT Bank OCBC NISP Tbk	-	173,128
PT Bank UOB Indonesia	-	37,600
	<u>36,863</u>	<u>1,169,135</u>
EUR:		
Standard Chartered Bank, Jakarta branch	-	7,430
	-	7,430
Total time deposits - third party	<u><u>202,538</u></u>	<u><u>1,338,849</u></u>

Time deposits earned the following rates:

	<u>2010</u>	<u>2009</u>
Rupiah	6.00% - 9.00%	5.50% -14.00%
USD	0.50% - 2.00%	0.01% - 7.60%
EUR	-	0.05%

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4. CASH AND CASH EQUIVALENTS (continued)

c. Restricted cash and time deposits - third party

As at 31 December 2010, restricted cash and time deposits totaling Rp 14.8 billion (2009: Rp 7 billion) were pledged as security for additional investments, bank guarantees and letters of credit (refer to Note 31f).

Restricted cash and time deposits earned interest at 5.5%-6.0% (2009: 0%-7%).

5. TRADE RECEIVABLES

	<u>2010</u>	<u>2009</u>
Third parties:		
Rupiah	580,844	370,271
Foreign currencies:		
USD	4,641,773	4,101,652
JPY	23,806	13,527
EUR	5,295	1,470
	<u>4,670,874</u>	<u>4,116,649</u>
Less:	5,251,718	4,486,920
Allowance for doubtful accounts	<u>(82,643)</u>	<u>(67,272)</u>
Total third parties	<u>5,169,075</u>	<u>4,419,648</u>
Related parties:		
Rupiah:		
PT United Tractors Semen Gresik	6,297	2,733
PT Astra Agro Lestari Tbk and subsidiaries	6,026	5,182
Others	375	133
	<u>12,698</u>	<u>8,048</u>
USD:		
PT Komatsu Indonesia	23,194	29,495
Multico Marketing Service Pte Ltd, Singapore	4,575	4,862
PT Astra Agro Lestari Tbk and subsidiaries	3,659	549
PT Serasi Logistics Indonesia	1,676	-
Others	4	4
	<u>33,108</u>	<u>34,910</u>
Total related parties	<u>45,806</u>	<u>42,958</u>
Total	<u>5,214,881</u>	<u>4,462,606</u>

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5. TRADE RECEIVABLES (continued)

The aging analysis of trade receivables is as follows:

	<u>2010</u>	<u>2009</u>
Not overdue	3,485,469	3,309,253
Overdue < 30 days	669,851	691,175
Overdue 31 - 60 days	549,269	265,645
Overdue 61 - 90 days	302,614	104,538
Overdue > 90 days	<u>290,321</u>	<u>159,267</u>
	5,297,524	4,529,878
Less:		
Allowance for doubtful accounts	<u>(82,643)</u>	<u>(67,272)</u>
	<u>5,214,881</u>	<u>4,462,606</u>

Movements in the allowance for doubtful accounts are as follows:

	<u>2010</u>	<u>2009</u>
Beginning balance	67,272	92,193
Increase/(reversals) in allowance, net	16,201	(21,148)
Write-offs	<u>(830)</u>	<u>(3,773)</u>
Ending balance	<u>82,643</u>	<u>67,272</u>

As at 31 December 2010 and 2009, none of the Group's trade receivables were used as collateral.

Based on the review of the status of the individual accounts receivable at the end of period, the Group's management believes that the allowance for doubtful accounts is adequate to cover losses from the non-collection of the accounts.

Refer to Note 33 for details of transactions and balances with related parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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6. INVENTORIES

	<u>2010</u>	<u>2009</u>
Finished goods:		
- Heavy equipment	3,022,723	1,435,797
- Spare parts for sale	2,009,415	1,524,459
Raw materials	35,101	28,140
Coal	260,455	49,259
Spare parts	237,553	350,816
Work in progress	61,980	76,847
General supplies	278,047	110,778
Completely-knocked-down units ("CKD")	1,869	2,372
Inventories-in-transit	<u>1,065,992</u>	<u>410,636</u>
	<u>6,973,135</u>	<u>3,989,104</u>
Less:		
Allowance for inventory obsolescence and write down:		
- Heavy equipment	(20,189)	(13,654)
- Spare parts for sale	<u>(21,315)</u>	<u>(9,092)</u>
	<u>(41,504)</u>	<u>(22,746)</u>
	<u>6,931,631</u>	<u>3,966,358</u>

Movements in the allowance for inventory obsolescence and write down are as follows:

	<u>2010</u>	<u>2009</u>
Beginning balance	22,746	60,601
Increase/(reversals) in allowance	20,652	(20,954)
Write-offs	(646)	(16,843)
Effect of divestment of subsidiaries	(1,230)	-
Translation difference	<u>(18)</u>	<u>(58)</u>
Ending balance	<u>41,504</u>	<u>22,746</u>

The Group's management believes that the allowance for inventory obsolescence and write down is adequate to cover losses from obsolete and slow-moving inventories.

As at 31 December 2010, the Groups' inventories were insured to PT Asuransi Astra Buana, a related party (refer to Note 33) and some third-party insurance companies, against losses from fire or theft under certain blanket policies amounting to the equivalent of Rp 2 trillion (2009: Rp 1.7 trillion) except for coal and inventory in transit. Inventories in transit are insured through a third party with a total coverage of the value of inventories in transit itself.

The Group's management believes that the insurance coverage is adequate to cover possible losses arising from such risks.

As at 31 December 2010 and 2009, none of the subsidiaries' inventories were used as collateral.

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6. INVENTORIES (continued)

As at 31 December 2010, there is none of the Company's spare parts for sale inventories were used as security for a trade payable owed to Komatsu Asia & Pacific Pte Ltd, Singapore ("KAP") (2009: USD 1.1 million) (refer to Notes 13 and 31d).

7. ADVANCE AND PREPAYMENTS

	<u>2010</u>	<u>2009</u>
Advances:		
- Shares acquisition	372,768	-
- Purchase of inventories	107,191	34,217
- Purchase of fixed assets	67,245	80,752
- Others	<u>120,960</u>	<u>41,850</u>
	668,164	156,819
Prepayments	<u>69,994</u>	<u>20,847</u>
	<u><u>738,158</u></u>	<u><u>177,666</u></u>

Refer to Note 31j for details of shares acquisition.

8. LONG-TERM INVESTMENTS**a. Available for sales investment**

	<u>Domicile</u>	<u>Percentage of ownership</u>		<u>2010</u>	<u>2009</u>
		<u>2010</u>	<u>2009</u>		
Stated at fair value					
Third parties:					
PT Tambang Batu Bara Bukit Asam (Persero) Tbk ("PTBA") ⁱ⁾	Jakarta	0.39%	0.39%	206,550	155,250
Stated at acquisition cost					
Related parties:					
PT Komatsu Indonesia ⁱⁱ⁾	Jakarta	5%	5%	101,210	101,210
PT Swadaya Harapan Nusantara	Jakarta	0.13%	0.13%	2	2
Third parties:					
- PT Coalindo Energy	Jakarta	4%	4%	<u>400</u>	<u>400</u>
				<u><u>308,162</u></u>	<u><u>256,862</u></u>

i) Measurement of the fair value of investments available for sale is determined based on bid prices in the capital market on 31 December 2010. Investment is owned by PT Pamapersada, a subsidiary. Investment fair value adjustment recorded in "Differences arising from changes in equity of subsidiaries" in the equity section of the consolidated balance sheets (refer to Note 22).

ii) Until 2005, investments are carried at fair value and fair value adjustment recorded in "Accumulated investment fair value adjustment". Since the company's shares are no longer traded in the stock market, last fair value is considered as cost.

b. Dividend income

Dividend income received from investment in shares of PTBA and PT Coalindo Energi was Rp 4.8 billion (2009: Rp 4 billion).

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9. INVESTMENTS IN ASSOCIATES

	Domicile	Percentage of ownership		2010	2009
		2010	2009		
Equity method					
PT Komatsu Remanufacturing Asia ¹⁾	Balikpapan	49%	51%	84,905	-
PT United Tractors Semen Gresik	Gresik	45%	45%	40,968	41,585
PT Harmoni Mitra Utama	Jakarta	35%	35%	8,988	7,845
				<u>134,861</u>	<u>49,430</u>

i) Refer to Note 3

Below is the movement of investment in the associates:

	United Tractors Semen Gresik		Harmoni Mitra Utama		Komatsu Remanufacturing Asia		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Beginning balance	41,585	35,415	7,845	7,875	-	-	49,430	43,290
Addition	-	-	-	-	81,577	-	81,577	-
Share of results/(loss)	3,686	9,134	1,143	(30)	17,762	-	22,591	9,104
Dividends	(4,303)	(2,964)	-	-	(14,434)	-	(18,737)	(2,964)
Ending balance	<u>40,968</u>	<u>41,585</u>	<u>8,988</u>	<u>7,845</u>	<u>84,905</u>	<u>-</u>	<u>134,861</u>	<u>49,430</u>

*) Refer to Note 3

10. FIXED ASSETS

	2010					
	Beginning balance	Additions	Reclassifications	Disposals	Divestment of subsidiary ¹⁾	Ending balance
Acquisition cost:						
Direct ownership						
Land	433,360	90,238	3,751	(6,544)	(25,365)	495,440
Buildings	596,316	47,878	85,630	(1,721)	(41,975)	686,128
Leasehold improvements	440,236	142,091	29,525	-	-	611,852
Heavy equipment	11,053,138	1,902,779	1,528,426	(181,937)	-	14,302,406
Heavy equipment for hire	357,158	83,513	163,026	-	-	603,697
Tools, machinery, and equipment	1,078,834	435,403	159,094	(1,352)	(38,654)	1,633,325
Transportation equipment	195,920	68,428	734	(11,659)	(1,473)	251,950
Furniture and fixtures	19,318	3,190	115	(130)	(1,431)	21,062
Office equipment	278,770	47,184	3,445	(1,008)	(2,675)	325,716
	<u>14,453,050</u>	<u>2,820,704</u>	<u>1,973,746</u>	<u>(204,351)</u>	<u>(111,573)</u>	<u>18,931,576</u>
Finance leases						
Tools, machinery, and equipment	1,251,344	456,148	(667,658)	-	-	1,039,834
Construction in progress						
Tools, machinery and equipment	862,937	839,204	(1,185,465)	-	(1,909)	514,767
Buildings and leasehold improvements	73,991	141,047	(129,880)	-	(7,089)	78,069
	<u>936,928</u>	<u>980,251</u>	<u>(1,315,345)</u>	<u>-</u>	<u>(8,998)</u>	<u>592,836</u>
Total acquisition cost	<u>16,641,322</u>	<u>4,257,103</u>	<u>(9,257)</u>	<u>(204,351)</u>	<u>(120,571)</u>	<u>20,564,246</u>

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10. FIXED ASSETS (continued)

2010 (continued)						
Beginning balance	Additions	Reclassifications	Disposals	Divestment of subsidiary	Ending balance	
Accumulated depreciation:						
Direct ownership						
Buildings	(110,339)	(44,922)	2,163	880	4,039	(148,179)
Leasehold improvements	(113,893)	(84,612)	216	-	-	(198,289)
Heavy equipment	(5,514,208)	(2,043,875)	(382,404)	181,894	-	(7,758,593)
Heavy equipment for hire	(55,481)	(76,076)	(75)	-	-	(131,612)
Tools, machinery, and equipment	(521,221)	(156,547)	(20,323)	1,293	16,161	(680,637)
Transportation equipment	(130,508)	(18,362)	-	11,370	377	(137,123)
Furniture and fixtures	(11,767)	(2,695)	-	127	624	(13,711)
Office equipment	(174,936)	(42,420)	155	915	1,595	(214,693)
	<u>(6,632,335)</u>	<u>(2,489,509)</u>	<u>(400,268)</u>	<u>196,479</u>	<u>22,796</u>	<u>(9,282,837)</u>
Finance leases						
Tools, machinery, and equipment	(398,477)	(246,427)	402,815	-	-	(242,089)
Total accumulated depreciation	<u>(7,030,812)</u>	<u>(2,715,936)</u>	<u>2,547</u>	<u>196,479</u>	<u>22,796</u>	<u>(9,524,926)</u>
Net book value	<u>9,610,510</u>					<u>11,039,320</u>

*) Refer to Note 3

2009						
Beginning balance	Additions	Reclassifications	Disposals	Divestment of subsidiary	Ending balance	
Acquisition cost:						
Direct ownership						
Land	395,129	38,317	-	(86)	-	433,360
Buildings	532,306	54,289	9,882	(161)	-	596,316
Leasehold improvements	164,814	117,493	157,992	(63)	-	440,236
Heavy equipment	6,981,226	3,178,086	1,164,089	(270,263)	-	11,053,138
Heavy equipment for hire	54,962	332,526	(30,330)	-	-	357,158
Tools, machinery, and equipment	976,937	23,940	134,318	(56,361)	-	1,078,834
Transportation equipment	152,350	45,007	-	(1,437)	-	195,920
Furniture and fixtures	15,321	4,021	-	(24)	-	19,318
Office equipment	242,996	48,121	-	(12,347)	-	278,770
	<u>9,516,041</u>	<u>3,841,800</u>	<u>1,435,951</u>	<u>(340,742)</u>	<u>-</u>	<u>14,453,050</u>
Finance leases						
Tools, machinery, and equipment	1,661,145	568,627	(977,232)	(1,196)	-	1,251,344
Construction in progress						
Tools, machinery and equipment	1,136,023	48,127	(321,213)	-	-	862,937
Buildings and leasehold improvements	146,148	111,905	(184,062)	-	-	73,991
	<u>1,282,171</u>	<u>160,032</u>	<u>(505,275)</u>	<u>-</u>	<u>-</u>	<u>936,928</u>
	<u>12,459,357</u>	<u>4,570,459</u>	<u>(46,556)</u>	<u>(341,938)</u>	<u>-</u>	<u>16,641,322</u>

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10. FIXED ASSETS (continued)

2009 (continued)					
Beginning balance	Additions	Reclassifications	Disposals	Divestment of subsidiary	Ending balance
Accumulated depreciation:					
Direct ownership					
Buildings	(99,248)	(12,929)	1,740	98	(110,339)
Leasehold improvements	(43,737)	(70,163)	-	7	(113,893)
Heavy equipment	(3,444,868)	(1,712,213)	(626,462)	269,335	(5,514,208)
Heavy equipment for hire	(30,545)	(50,399)	25,483	-	(55,461)
Tools, machinery, and equipment	(525,583)	(23,053)	(7,923)	35,338	(521,221)
Transportation equipment	(111,771)	(20,168)	-	1,431	(130,508)
Furniture and fixtures	(9,029)	(2,756)	-	19	(11,767)
Office equipment	(150,185)	(38,939)	-	12,187	(174,938)
	<u>(4,414,967)</u>	<u>(1,928,620)</u>	<u>(607,162)</u>	<u>318,414</u>	<u>(6,632,335)</u>
Finance leases					
Tools, machinery, and equipment	(839,462)	(194,305)	634,385	805	(398,477)
Total accumulated depreciation	<u>(5,254,429)</u>	<u>(2,122,925)</u>	<u>27,223</u>	<u>319,319</u>	<u>(7,030,812)</u>
Net book value	<u>7,204,928</u>				<u>9,610,510</u>

The percentage of completion for construction in progress as at 31 December 2010 was approximately 30% - 95% (2009: 45% - 95%) of total budgeted costs.

Details of the gain on disposal of fixed assets are as follows:

	<u>2010</u>	<u>2009</u>
Proceeds from sale	46,535	71,324
Less:		
Net book value	<u>(7,872)</u>	<u>(22,328)</u>
Gain on disposal of fixed assets	<u>38,663</u>	<u>48,996</u>

Depreciation was allocated to the following:

	<u>2010</u>	<u>2009</u>
Cost of revenue	2,643,655	2,050,087
General and administrative expenses	<u>72,281</u>	<u>72,838</u>
	<u>2,715,936</u>	<u>2,122,925</u>

Land rights are held under renewable "Hak Guna Bangunan" and "Hak Guna Usaha" titles, which will expire between 2011 and 2035.

The Group has 118 plots (2009: 132 plots) of land under "Hak Guna Bangunan" titles, which will expire between 2011 and 2035. The Group's management believes that the "Hak Guna Bangunan" titles are renewable when expired.

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10. FIXED ASSETS (continued)

As at 31 December 2010 and 2009, none of the Company's fixed assets were used as collateral for bank loans to the Company. Meanwhile, some subsidiaries' fixed assets were used as collateral for finance lease (refer to Note 18) and other borrowings (refer to Note 14)

As at 31 December 2010, a significant portion of the fixed assets of the Group were insured to PT Asuransi Astra Buana, a related party (refer to Note 33) and some third-party insurance companies against losses from fire or theft under certain blanket policies with coverage amounts of Rp 687 billion and USD 1.62 billion, equivalent to Rp 15.2 trillion (2009: Rp 519 billion and USD 1.3 billion, equivalent to Rp 12.7 trillion). The Group's management believes the insurance coverage is adequate to cover possible losses arising from such risks.

11. MINING PROPERTIES

	<u>2010</u>	<u>2009</u>
Acquisition cost		
Carrying value – beginning balance	2,551,381	2,545,481
Addition	138,820	5,900
Deduction	<u>(1,351)</u>	<u>-</u>
	<u>2,688,850</u>	<u>2,551,381</u>
Accumulated Depreciation		
Carrying value – beginning balance	(326,165)	(245,161)
Depreciation	<u>(140,631)</u>	<u>(81,004)</u>
	<u>(466,796)</u>	<u>(326,165)</u>
	<u><u>2,222,054</u></u>	<u><u>2,225,216</u></u>

Mining properties is primarily a contractual right to conduct mining of reserve coal found in certain mining concessions that will expire between 2011 until 2037. Depreciation is allocated to cost of revenue.

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12. SHORT-TERM BANK LOANS

	<u>2010</u>	<u>2009</u>
The Company	134,865	-
Subsidiaries	<u>55,954</u>	<u>31,200</u>
	<u>190,819</u>	<u>31,200</u>
The Company		
USD:		
The Bank of Tokyo – Mitsubishi UFJ Ltd, cabang Jakarta	<u>134,865</u>	-
	<u>134,865</u>	-
Subsidiaries		
USD:		
UTHI:		
- Sumitomo Mitsui Banking Corporation	42,955	-
- PT Bank Negara Indonesia (Persero) Tbk	8,504	-
PML:		
- Standard Chartered Bank, Jakarta branch	4,495	-
KRA*:		
- Mizuho Corporate Bank Ltd, Singapore branch	-	28,200
Rupiah:		
BP		
PT Bank CIMB Niaga Tbk	<u>-</u>	<u>3,000</u>
	<u>55,954</u>	<u>31,200</u>

*) Refer to Note 3

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12. SHORT-TERM BANK LOANS (continued)**The Company****Bank of Tokyo-Mitsubishi UFJ Ltd, Jakarta branch**

The Company has a credit facility from The Bank of Tokyo-Mitsubishi UFJ Ltd (Jakarta branch) of USD 15 million to finance working capital requirements with an interest rate at SIBOR plus a certain margin. This facility will expire on 30 September 2011.

This credit facility agreement requires the Company to comply with several administrative requirements and financial covenants. The administrative requirements include maintaining majority ownership by PT Astra International Tbk ("Astra") (refer to Note 20). The financial covenants include restricting the Company from entering into a merger or corporate reconstruction and that payment of cash dividends shall not exceed 50% of the consolidated net income.

As at 31 December 2010 the outstanding amount for this facility was USD 15 million or equivalent to Rp 134.9 billion (2009: nil).

In January 2011, the entire outstanding balance under this facility was been fully paid. In March 2011, the credit facility agreement was canceled by the Company.

Citibank, N.A.

On 19 October 2010, the Company obtained a bank overdraft credit facility from Citibank, N.A. for the Company's working capital of USD 20 million.

As at 31 December 2010, there was no outstanding amount from this facility.

Subsidiaries**i. UT Heavy Industry (S) Pte Ltd ("UTHI")****Sumitomo Mitsui Banking Corporation**

Import facilities of the Company with a maximum limit of USD 5 million are used by UTHI on behalf of the Company to issue letters of credit for importing heavy equipment and spare parts with interest rate at SIBOR plus a certain margin. The facilities are available in multiple currencies.

As at 31 December 2010, the facility used was USD 4.8 million, or equivalent to Rp 42.9 billion (2009: nil).

PT Bank Negara Indonesia (Persero) Tbk

Import facilities of the Company with a maximum limit of USD 30 million are used by UTHI on behalf of the Company to issue letters of credit for importing heavy equipment and spare parts with an interest rate at SIBOR plus a certain margin. The facilities are available in multiple currencies.

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12. SHORT-TERM BANK LOANS (continued)

Subsidiaries (continued)

i. UT Heavy Industry (S) Pte Ltd ("UTHI") (continued)

PT Bank Negara Indonesia (Persero) Tbk (continued)

As at 31 December 2010, the facility used was USD 0.9 million, or equivalent to Rp 8.5 billion (2009: nil).

ii. PT United Tractors Pandu Engineering ("UTPE")

PT Bank DBS Indonesia

UTPE has working capital facilities from PT Bank DBS Indonesia ("DBS") for a total amount of USD 8.5 million. These facilities comprise import facilities of USD 6.5 million and revolving credit facilities of USD 2 million. As at 31 December 2010 and 2009, no inventory was pledged as covenant to this facility.

The repayment term of each facility is determined when UTPE draws down the loan facility. This facility will expire on 24 February 2011 and has been extended to 26 December 2011.

UTPE is required to comply with certain administrative requirements, among others, to maintain an ownership ratio of the Company of a minimum of 51% of total outstanding shares (refer to Note 1). UTPE is also required to comply with the following financial covenants :

- maintain minimum interest coverage ratio of one,
- maintain maximum debt to equity ratio of 150%,
- maintain minimum current ratio of 100%,
- maintain minimum net worth of Rp 75 billion, and
- maintain security coverage of 100% of pledged raw material and 10% of pledged deposit.

As at 31 December 2010 and 2009, there is no outstanding amount from this facility.

PT Bank CIMB Niaga Tbk

On 8 June 2006, UTPE entered into a Credit Agreement with PT Bank CIMB Niaga Tbk for a total facility of USD 1.5 million to finance working capital requirements. The cross collateralised trade receivables and inventories were pledged as covenant to this facility. This facility will expire on 31 December 2011.

UTPE is required to comply with certain administrative requirements and financial covenants. The most significant administrative requirement is to provide regular reports to the bank. The most significant financial covenant is to maintain a maximum debt to equity ratio of two.

The interest rate was set at six-month-SIBOR plus a certain margin per annum.

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12. SHORT-TERM BANK LOANS (continued)**Subsidiaries** (continued)**ii. PT United Tractors Pandu Engineering ("UTPE")** (continued)**PT Bank CIMB Niaga Tbk** (continued)

As at 31 December 2010 and 2009, there was no outstanding amount from this facility.

Standard Chartered Bank, Jakarta branch

In January 2007, UTPE obtained General Banking Facilities from the Standard Chartered Bank (Jakarta branch) to the aggregate amount of USD 7 million, which is available in multiple currencies. The facilities will expire on 31 December 2011. The facilities comprise a trade financing facility and revolving loan facility with a combined limit of USD 9 million. These facilities are intended to support UTPE's working capital requirement with an interest rate set at cost of fund plus a certain margin. No collateral was pledged on these facilities.

As at 31 December 2010 and 2009, there was no outstanding amount from this facility.

iii. PT Patria Maritime Lines ("PML")**Standard Chartered Bank, Jakarta branch**

In April 2010, PML entered into an agreement with Standard Chartered Bank (Jakarta branch), whereby PML obtained a money market loan facility of USD 3 million. This facility will expire on 31 March 2011. The interest rate is calculated from the cost of funds plus a certain margin.

As at 31 December 2010, the facility used was USD 0.5 million, or equivalent to Rp 4.5 billion.

iv. PT Bina Pertiwi ("BP")**PT Bank CIMB Niaga Tbk**

The short-term loan from PT Bank CIMB Niaga Tbk has a maximum limit of Rp 5 billion and letter of credit facilities of USD 3 million and bears a fixed interest rate per annum. The cross collateralised trade receivables and inventories were pledged as covenant to this facility. As at 31 December 2010, there was no outstanding amount from this facility (2009: Rp 3 billion). The facility expired on 30 September 2010 and is not extended.

As at 31 December 2010, the Group were in compliance with all of the above requirements and covenants in the various agreements with the lenders.

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12. SHORT-TERM BANK LOANS (continued)

Short-term bank loans attracted interest at the following rates:

	<u>2010</u>	<u>2009</u>
USD	2.27% - 2.50%	1.21% - 8.71%
Rupiah	-	13.50% - 14.25%

13. TRADE PAYABLES

	<u>2010</u>	<u>2009</u>
Third parties:		
Rupiah	2,075,283	1,001,133
Foreign currencies:		
USD	2,617,861	2,753,961
JPY	93,280	47,129
AUD	38,388	10,570
EUR	34,810	24,357
SGD	15,202	4,240
Other currencies	<u>2,414</u>	<u>753</u>
Total trade payables to third parties	<u>4,877,238</u>	<u>3,842,143</u>
Related parties:		
Rupiah:		
PT Serasi Autoraya and subsidiaries	29,184	13,365
PT Harmoni Mitra Utama	6,761	6,153
Others (below Rp 1 billion each)	<u>2,065</u>	<u>2,656</u>
	<u>38,010</u>	<u>22,174</u>
Foreign currencies:		
USD:		
PT Komatsu Indonesia	472,719	292,016
PT Komatsu Remanufacturing Asia*	132,988	-
Multi Corporation (S) Pte Ltd, Singapore	20	559
PT Multico Millenium Persada	4,309	4,555
Others (below Rp 1 billion each)	1,504	1,364
SGD:		
Multico Marketing Service Pte Ltd, Singapore	2,654	1,248
Others (below Rp 1 billion each)	268	247
Other foreign currencies	<u>1,677</u>	<u>10</u>
	<u>616,139</u>	<u>299,999</u>
Total trade payables to related parties	<u>654,149</u>	<u>322,173</u>
Total	<u><u>5,531,387</u></u>	<u><u>4,164,316</u></u>

*) Refer to Note 3

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13. TRADE PAYABLES (continued)

Trade payables arose from the purchase of inventories and services. Purchases from Komatsu Asia & Pacific Pte Ltd, Singapore ("KAP") required inventory as collateral (refer to Note 31d).

Refer to Note 33 for details of transactions and balances with related parties.

14. OTHER BORROWINGS

	<u>2010</u>	<u>2009</u>
Marubeni Corporation	386,742	186,769
JA Mitsui Leasing Ltd	209,893	336,327
Sumitomo Mitsui Finance and Leasing Company Ltd	157,364	264,671
Orion Maritime Lines	13,487	-
Sumitomo Corporation	-	22,279
Komatsu Marketing and Support Indonesia	-	15,404
	<u>767,486</u>	<u>825,450</u>
Total	767,486	825,450
Less: non-current portion	<u>(313,094)</u>	<u>(570,391)</u>
Total other borrowings, current portion	<u>454,392</u>	<u>255,059</u>

The above borrowings mostly are related to purchase credit agreements for items of heavy equipment entered into by Pamapersada. These borrowings are to be repaid in instalments over periods of one to three years. The interest rates applied are in the range of 1.93% - 8.62% (2009: 2.46 % - 7.10%).

All heavy equipments financed by these borrowings are pledged as collateral for the underlying borrowings (refer to Note 10).

To reduce the risk from fluctuation of interest rates and exchange rates, Pamapersada has entered into a Cross Currency Interest Rate Swap with PT ANZ Panin Bank for part of the facility from JA Mitsui Leasing Ltd (refer to Note 31h).

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15. TAXATION

a. Prepaid taxes

Prepaid taxes represent overpayments of corporate income tax and other taxes which have not been audited by the Directorate General of Tax ("DGT") and payments of tax assessments received by the Group for which objections and appeals have been submitted to the DGT.

	<u>2010</u>	<u>2009</u>
The Company		
Corporate income tax		
Prior years	63,502	7,621
Current year	41,339	55,674
Value Added Tax	<u>1,030</u>	<u>-</u>
Total	<u>105,871</u>	<u>63,295</u>

	<u>2010</u>	<u>2009</u>
Subsidiaries		
Corporate income tax	715,203	256,265
Value Added Tax	<u>348,991</u>	<u>186,664</u>
	<u>1,064,194</u>	<u>442,929</u>
Total	<u>1,170,065</u>	<u>506,224</u>

b. Taxes payable

	<u>2010</u>	<u>2009</u>
The Company		
Other taxes payable		
- Article 21	40,048	18,780
- Article 23	1,168	1,343
- Article 26	-	6
- Value Added Tax	<u>-</u>	<u>80,413</u>
	<u>41,216</u>	<u>100,542</u>
Subsidiaries		
Corporate income tax payable	43,278	398,641
Other taxes payable		
- Article 4(2)	168	32
- Article 15	250	-
- Article 21	30,984	33,130
- Article 23	7,347	7,965
- Article 26	651	11
- Value Added Tax	<u>9,850</u>	<u>1,114</u>
	<u>92,528</u>	<u>440,893</u>
Total	<u>133,744</u>	<u>541,435</u>

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15. TAXATION (continued)

c. Income tax expenses

Income tax expenses for the years ended 31 December 2010 and 2009 are as follows:

	2010			2009		
	The Company	Subsidiaries	Consolidated	The Company	Subsidiaries	Consolidated
Current						
- Non final	512,550	828,894	1,341,444	388,474	1,186,843	1,575,317
- Final	11,916	4,209	16,125	10,693	8,223	18,916
Deferred	(17,929)	(152,885)	(170,824)	(23,445)	23,755	310
	<u>506,537</u>	<u>680,208</u>	<u>1,186,745</u>	<u>375,722</u>	<u>1,218,821</u>	<u>1,594,543</u>

The reconciliation between income tax expense and the theoretical tax amount on the Company's profit before income tax is as follows:

	2010	2009
Consolidated profit before income tax	5,061,260	5,444,238
Net profit before income tax – subsidiaries	(2,425,658)	(4,001,358)
Add back consolidation eliminations	<u>1,757,580</u>	<u>2,750,383</u>
Profit before income tax – the Company	<u>4,393,182</u>	<u>4,193,263</u>
Tax calculated at the rate of 20% (2009: 23%)	878,636	964,450
Income not subject to tax	(371,999)	(620,056)
Income subject to final tax	(14,246)	(13,049)
Non-deductible expenses	14,542	31,468
Mining properties	(13,714)	-
Others	<u>1,402</u>	<u>2,216</u>
Income tax expense – the Company	494,621	365,029
Final income tax expense – the Company	<u>11,916</u>	<u>10,693</u>
Total income tax expense – the Company	506,537	375,722
Income tax expense – subsidiaries	<u>680,208</u>	<u>1,218,821</u>
Consolidated income tax expenses	<u>1,186,745</u>	<u>1,594,543</u>

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15. TAXATION (continued)

c. Income tax expenses (continued)

The reconciliation of profit before income tax and the estimated taxable income for the years ended 31 December 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Profit before income tax – the Company	<u>4,393,182</u>	<u>4,193,263</u>
Temporary differences:		
Difference between commercial and tax depreciation	10,548	22,556
Employee benefits obligation	16,599	14,502
Amortisation of deferred charges	(8,024)	450
Accrued expenses	39,751	65,641
Deferred revenue	<u>(37,793)</u>	<u>14,076</u>
	<u>21,081</u>	<u>117,225</u>
Permanent differences:		
Shares of results of subsidiaries and associates	(1,859,994)	(2,695,895)
Rental income subject to final tax	(11,309)	(6,537)
Interest income subject to final tax	(49,811)	(50,196)
Gain on sale of land and building	(10,112)	-
Non-deductible expenses	72,708	136,817
Others	<u>6,998</u>	<u>(5,660)</u>
	<u>(1,851,520)</u>	<u>(2,621,471)</u>
Estimated taxable income of the period	<u>2,562,743</u>	<u>1,689,017</u>
Current tax – the Company	512,550	388,474
Final income tax expense – the Company	11,916	10,693
Less: prepaid tax – the Company	<u>(565,805)</u>	<u>(454,841)</u>
Overpayment corporate income tax of the Company	<u>(41,339)</u>	<u>(55,674)</u>

In these consolidated financial statements, the amount of taxable income for the year 2010 is based on preliminary calculations. The amount of taxable income for 2009 agrees with the 2009 corporate income tax returns.

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15. TAXATION (continued)

d. Deferred tax assets and liabilities

Details of deferred tax assets and liabilities of the Company and subsidiaries which have net deferred tax assets (liabilities) are as follows:

	2010					
	Beginning balance	Reclassifications	Movement in the current year	Charge to equity	Divestment of subsidiaries	Ending balance
The Company						
Allowance for doubtful accounts	(1)	-	-	-	-	(1)
Difference between commercial and tax depreciation	17,200	-	2,110	-	-	19,310
Mining properties	(533,990)	-	13,714	-	-	(520,276)
Employee benefits obligation	18,434	-	3,320	-	-	21,754
Amortisation of deferred charges	(83)	-	(1,605)	-	-	(1,688)
Accrued expenses	27,683	-	7,950	-	-	35,633
Deferred revenue	12,902	-	(7,559)	-	-	5,343
Investment fair value revaluation	(16,423)	-	-	-	-	(16,423)
Deferred tax liabilities of the Company, net	(474,278)	-	17,930	-	-	(456,348)
Deferred tax liabilities of subsidiaries, net	(23,654)	22,180	1,345	-	-	(129)
	(497,932)	22,180	19,275	-	-	(456,477)
Deferred tax assets of subsidiaries, net	32,367	(22,180)	151,550	(4,405)	(2,442)	154,890
	2009					
	Beginning balance	Reclassifications	Movement in the current year	Charge to equity	Divestment of subsidiaries	Ending balance
The Company						
Allowance for doubtful accounts	(1)	-	-	-	-	(1)
Difference between commercial and tax depreciation	12,689	-	4,511	-	-	17,200
Mining Properties	(533,990)	-	-	-	-	(533,990)
Employee benefits obligation	15,534	-	2,900	-	-	18,434
Amortisation of deferred charges	(173)	-	90	-	-	(83)
Accrued expenses	14,554	-	13,129	-	-	27,683
Deferred revenue	10,087	-	2,815	-	-	12,902
Investment fair value revaluation	(16,423)	-	-	-	-	(16,423)
Deferred tax liabilities of the Company, net	(497,723)	-	23,445	-	-	(474,278)
Deferred tax liabilities of subsidiaries, net	(16,457)	341	(216)	(5,848)	(1,474)	(23,654)
	(514,180)	341	23,229	(5,848)	(1,474)	(497,932)
Deferred tax assets of subsidiaries, net	56,247	(341)	(23,539)	-	-	32,367

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15. TAXATION (continued)

e. Tax assessment letters

The Company

In April 2009, the Company received SKPLB (Surat Ketetapan Pajak Lebih Bayar/ Assessment for overpayment) on Corporate Income Tax ("CIT") for the 2007 fiscal year of Rp 275 million and also received SKPKB (Surat Ketetapan Pajak Kurang Bayar/ Assessment for underpayment) on other taxes for the 2007 fiscal year of Rp 2.2 billion. The underpayment was paid on 26 May 2009 and charged to the 2009 consolidated statement of income.

In June 2010, the Company received SKPLB on CIT for the 2008 fiscal year of Rp 324 million of Rp 7.6 billion as reported and recorded in prepaid taxes and the difference was charged to the current year consolidated statement of income. The Company also received SKPKB on other taxes for 2008 fiscal year of Rp 13.3 billion. The underpayment was paid on 15 July 2010 and charged to the current year consolidated statement of income.

The Company is currently being audited by the Tax Office for the 2009 fiscal year. As of the date of these consolidated financial statements, the Tax Office has not issued any tax audit findings.

Subsidiaries**Pamapersada and subsidiaries**

As at 31 December 2010, Pamapersada and subsidiaries have received a number of assessments for various taxes and in respect of various fiscal years. Pamapersada and subsidiaries have accepted a portion of these assessments totalling Rp 127.6 billion which has been charged in the 2010 consolidated statements of income (2009: Rp 59.5 billion).

For the remaining amounts, the Group has filed objections and appeals. As at 31 December 2010 and 2009, the amount of assessments in the process of objection and appeal were as follows:

	<u>2010</u>	<u>2009</u>
Corporate income tax	109,568	116,584
Other taxes	<u>61,173</u>	<u>67,473</u>
	<u>170,741</u>	<u>184,057</u>

PT United Tractors Pandu Engineering ("UTPE")

On 6 April 2009, UTPE received a SKPLB for corporate income tax for the 2007 fiscal year amounting to Rp 6.6 billion of Rp 7.3 billion claimed by UTPE. As at 31 December 2010, due to an administrative matter, UTPE had not yet received the remaining claim of Rp 504 million. UTPE decided to charge the remaining claim to the current year consolidated statement of income.

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15. TAXATION (continued)

f. Administration

Under the taxation laws of Indonesia, the companies within the Group submit tax returns on the basis of self assessment. The DGT may assess or amend taxes within ten years of the time the tax becomes due, or until the end of 2013, whichever is earlier. There are new regulations applicable for the 2008 fiscal year and subsequent years stipulating that the DGT may assess or amend taxes within five years of the time the tax becomes due.

g. Amendment of Income Tax Law

In September 2008, a new income tax law was enacted. The law was effective from 1 January 2009 and will provide a 28% flat rate of corporate income tax. The rate will be further reduced to 25% in 2010 onwards.

Effective from 1 January 2008, a 5% corporate income tax reduction is granted to public companies if they meet certain conditions as set out in the tax regulations. The facility is not applicable if in a particular period any of the conditions is not met. The Company has assessed such conditions and believes it is qualified to apply the 5% reduction for the 2010 and 2009 fiscal years.

Deferred tax assets and liabilities have been calculated using these enacted tax rates.

16. ACCRUED EXPENSE

	<u>2010</u>	<u>2009</u>
Marketing, production and sub-contractors	219,015	209,679
Employee benefits	103,731	81,075
Royalties	86,432	86,905
Repairs and maintenance	45,553	41,150
Transportation	22,697	13,402
Interest	17,050	9,625
Others	157,665	222,336
	<u>652,143</u>	<u>664,172</u>

17. LONG-TERM BANK LOANS

	<u>2010</u>	<u>2009</u>
The Company	-	47,000
Subsidiaries	3,977,747	2,255,720
	3,977,747	2,302,720
Less:		
Current portion	<u>(2,011,371)</u>	<u>(869,478)</u>
Non-current portion	<u>1,966,376</u>	<u>1,433,242</u>

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17. LONG-TERM BANK LOANS (continued)

a. The Company

	2010			2009		
	Current	Non Current	Total	Current	Non Current	Total
Syndicated credit Facility						
Revolving Facility (2010:nil; 2009: USD 5 million)	-	-	-	47.000	-	47.000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>47.000</u>	<u>-</u>	<u>47.000</u>

On 17 April 2007, the Company signed a USD 70 million Revolving Facility Agreement with a group of eight lenders. Arrangers for this facility were PT Bank Mandiri (Persero) Tbk, The Hongkong and Shanghai Banking Corporation Limited (Jakarta branch), Mizuho Corporate Bank Limited, Oversea-Chinese Banking Corporation Limited, Standard Chartered Bank, ABN Amro Bank N.V. (Jakarta branch, currently RBS Bank), BNP Paribas and Sumitomo Mitsui Banking Corporation. Sumitomo Mitsui Banking Corporation (Singapore branch) served as the facility agent.

This revolving facility is intended to refinance the syndicated credit facility, working capital and general funding with three-year maturity and an option to extend for two years. The interest rate for the facility is SIBOR plus a certain margin per annum. Acting as a guarantor is UTHI (refer to Note 31g). This facility requires the Company to comply with several administrative and financial covenants such as maintaining ownership in Pamapersada and UTHI at a minimum of 51% and 100% (refer to Note 1), respectively. In addition, the Company is required to maintain its status as a listed company, ensuring a gearing ratio not exceeding 80% and an interest coverage ratio not less than 3:1.

As at 31 December 2009, the outstanding loan under this facility was USD 5 million, or equivalent to Rp 47 billion.

This facility expired on 17 April 2010.

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17. LONG-TERM BANK LOANS (continued)**a. The Company (continued)**

Details of subsidiaries' bank loans are as follows:

Borrowings	2010			2009		
	Current	Non-current	Total	Current	Non-Current	Total
Pamapersada						
Syndicated credit facilities						
- Facility A - term loan (2010: USD 145 million; 2009: USD 217.5 million)	651,848	651,848	1,303,696	681,500	1,363,000	2,044,500
- Facility B - revolving loan (2010: nil; 2009: USD 10 million)	-	-	-	94,000	-	94,000
Japan Bank for International Cooperation, Japan (2010: USD 44.9 million; JPY 690.6 million; 2009: JPY 1.1 billion)	134,500	345,748	480,248	41,220	70,242	111,462
Sumitomo Mitsui Banking Corporation, Singapura (2010: USD 50 million; 2009: nil)	224,775	224,775	449,550	-	-	-
Oversea-Chinese Banking Corporation Ltd, Singapura (2010: USD 30 million; 2009: nil)	179,820	89,910	269,730	-	-	-
Standard Chartered Bank (2010: USD 25 million;; 2009: nil)	112,388	112,388	224,776	-	-	-
Mizuho Corporate Bank Ltd, Singapore (2010: USD 25 million; 2009: nil)	112,387	112,387	224,774	-	-	-
DBS Bank Limited, Singapore (2010: USD 20 million; 2009: nil)	89,910	89,910	179,820	-	-	-
The Bank of Tokyo-Mitsubishi UFJ, Ltd(2010: USD 20 million ; 2009: nil)	179,820	-	179,820	-	-	-
HSBC Bank Australia Ltd (2010: USD 20 million; 2009: nil)	-	179,820	179,820	-	-	-
The Hongkong & Shanghai Banking Corp., Ltd (2010: USD 20 million; 2009: nil)	179,820	-	179,820	-	-	-
Citibank, N.A. (2010: USD 20 million; 2009: nil)	89,910	89,910	179,820	-	-	-
PT Bank Ekonomi Raharja Tbk. (2010: USD 10 million; 2009: nil)	44,955	44,955	89,910	-	-	-
Nordea Bank A (Publ), Sweden (2010: nil; 2009: USD 0.6 million)	-	-	-	5,758	-	5,758
PML						
Standard Chartered Bank (2010: USD 4 million; 2009: nil)	11,238	24,725	35,963	-	-	-
	<u>2,011,371</u>	<u>1,966,376</u>	<u>3,977,747</u>	<u>822,478</u>	<u>1,433,242</u>	<u>2,255,720</u>

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17. LONG-TERM BANK LOANS (continued)

b. Subsidiaries

i. Pamapersada

Syndicated credit facility

On 24 September 2007, Pamapersada obtained syndicated credit facilities from 23 banks. The syndication was led by six mandated lead arrangers, which were DBS Bank Ltd, The Hongkong and Shanghai Banking Corporation Limited, Mizuho Corporate Bank Ltd/PT Bank Mizuho Indonesia, Standard Chartered Bank, Sumitomo Mitsui Banking Corporation, and United Overseas Bank Ltd. Acting as the agent is Standard Chartered Bank Ltd (Hong Kong branch).

The facilities consist of Facility A (term loan facility) amounting to USD 290 million and Facility B (revolving loan facility) amounting to USD 135 million. The facilities are used to refinance previous syndicated credit facilities, to finance working capital funding requirements and for general corporate funding purposes.

Facility A is repayable in ten installments (semi-annual) starting from the sixth month after the date of the agreement, while Facility B has a three-year maturity, with an option to extend for another two years.

According to the facility agreement, Pamapersada should ensure that:

- The gearing ratio shall not exceed 3.5:1,
- The consolidated interest coverage ratio shall not be less than 3:1,
- The dividend declaration and payment shall not exceed 50% of consolidated net profit excluding extra ordinary gain or loss and forex gain or loss, and
- The ownership of the Company should be maintained at a minimum of 51% (refer to Note 1).

The interest rates for the above facilities are LIBOR plus certain margins.

To reduce the risk from fluctuation of interest rates, Pamapersada has entered into an Interest Rate Swap with The Hongkong and Shanghai Banking Corporation Limited (Jakarta branch), United Overseas Bank Ltd (Singapore branch), Standard Chartered Bank (Jakarta branch), and PT Bank DBS Indonesia to translate the floating interest rate into a fixed rate for all Facility A (refer to Note 31h).

As at 31 December 2010, the outstanding balance of the loan was USD 145 million, or equivalent to Rp 1,303.7 billion for Facility A (2009: Facility A amounting to USD 217.5 million or equivalent to Rp 2,044.5 billion and Facility B amounting to USD 10 million or equivalent to Rp 94 billion). Facility A will be repayable in the amount of USD 72.5 million per year from 2011 to 2012.

Facility B has been ended on 14 September 2010 and was not extended.

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17. LONG-TERM BANK LOANS (continued)

b. Subsidiaries (continued)

i. Pamapersada (continued)

Nordea Bank AB (Publ), Sweden

In 2007, Pamapersada received additional loan facilities from Nordea Bank AB (Publ) amounting to SEK 25.6 million. The facilities were repayable in semi-annual instalments up to March 2010 and bore interest at LIBOR plus a certain margin.

As at 31 December 2010, there was no outstanding loan under these facilities (2009: USD 0.6 million, or equivalent to Rp 5.8 billion).

Japan Bank for International Cooperation, Japan

On 27 March 2007, Pamapersada signed a loan agreement totalling JPY 2 billion with Japan Bank for International Cooperation ("JBIC"). The loan is co-financed by Australia New Zealand Banking Group Limited (Tokyo branch) and Mizuho Corporate Bank Ltd.

The proceeds of the loan are utilised to purchase mining equipment from Komatsu Ltd (Japan).

This facility will be repayable in semi annual installments up to September 2012.

According to the loan agreement, Pamapersada should ensure that:

- The gearing ratio shall not exceed 3.5:1,
- The interest coverage ratio shall not be less than 3:1, and
- The non-secured total asset ratio should be no less than 1.2.

To reduce the risk from fluctuation of exchange rate, Pamapersada entered into a Cross Currency Swap with Standard Chartered Bank, Jakarta branch for the loan (refer to Note 31h).

In February 2010, Pamapersada also signed a loan agreement on buyer's credit amounting to USD 49.9 million with JBIC. The loan is co-financed by The Bank of Tokyo-Mitsubishi UFJ, Ltd.

This facility will be repayable in semi annual installments up to March 2015.

As at 31 December 2010, the outstanding loan for this facility was JPY 690.6 million or equivalent to Rp 76.1 billion and USD 44.9 million or equivalent to Rp 404.1 billion (2009: JPY 1.1 billion or equivalent to Rp 111.5 billion) which will be repayable from 2011 to 2012 of JPY 405.29 million and JPY 285.36 million, respectively for the loan in JPY currency and repayable in five years from 2011 to 2015, of USD 9.99 million (2011-2014) and USD 4.99 million (2015), respectively for the loan in USD currency.

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17. LONG-TERM BANK LOANS (continued)

b. Subsidiaries (continued)

i. Pamapersada (continued)

Mizuho Corporate Bank Ltd., Singapore

On 2 July 2010, Pamapersada signed a bilateral loan agreement of USD 25 million with Mizuho Corporate Bank Ltd., Singapore branch. These facilities comprise a term facility of USD 12.5 million and revolving facility of USD 12.5 million.

As at 31 December 2010, the outstanding balance of the loan was USD 12.5 million, or equivalent to Rp 112.39 billion for the term facility and USD 12.5 million, or equivalent to Rp 112.39 billion for the revolving facility. The revolving facility will expire within 1 (one) year. The term facility will be repayable from 2012 to 2013 of USD 6.25 million per year.

Citibank N.A., Jakarta

On 9 July 2010, Pamapersada signed a bilateral loan agreement of USD 20 million with Citibank N.A., Jakarta branch. These facilities comprise a term facility of USD 10 million and revolving facility of USD 10 million.

As at 31 December 2010, the outstanding balance of the loan was USD 10 million, or equivalent to Rp 89.9 billion for the term facility and USD 10 million, or equivalent to Rp 89.9 billion for the revolving facility. The revolving facility will expire within 1 (one) year. The term facility will be repayable from 2012 to 2013 of USD 5 million per year.

Sumitomo Mitsui Banking Corporation Ltd., Singapore

On 9 July 2010, Pamapersada signed a bilateral loan agreement of USD 50 million with Sumitomo Mitsui Banking Corporation Ltd., Singapore branch. These facilities comprise a term facility of USD 25 million and revolving facility of USD 25 million.

As at 31 December 2010, the outstanding balance of the loan was USD 25 million, or equivalent to Rp 224.8 billion for the term facility and USD 25 million, or equivalent to Rp 224.8 billion for the revolving facility. The revolving facility will expire within 1 (one) year. The term facility will be repayable from 2012 to 2013 of USD 12.5 million per year.

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(Expressed in millions of Rupiah, except par value per share)

17. LONG-TERM BANK LOANS (continued)**b. Subsidiaries (continued)****i. Pamapersada (continued)****Standard Chartered Bank, Jakarta**

On 20 August 2010, Pamapersada signed a bilateral loan agreement of USD 25 million with Standard Chartered Bank, Jakarta branch. These facilities comprise a term facility of USD 12.5 million and revolving facility of USD 12.5 million.

As at 31 December 2010, the outstanding balance of the loan was USD 12.5 million, or equivalent to Rp 112.4 billion, each for the term facility and revolving facility. The revolving facility will expire within 1 (one) year. The term facility will be repayable from 2012 to 2013 of USD 6.25 million per year.

Oversea-Chinese Banking Corporation Ltd., Singapore

On 24 August 2010, Pamapersada signed a bilateral loan agreement of USD 40 million with Oversea-Chinese Banking Corporation Ltd., Singapore branch. These facilities comprise a term facility of USD 20 million and revolving facility of USD 20 million.

As at 31 December 2010, the outstanding balance of the loan was USD 10 million, or equivalent to Rp 89.9 billion for the term facility and USD 20 million, or equivalent to Rp 179.8 billion for the revolving facility. The revolving facility will expire within 1 (one) year. The term facility will be repayable from 2012 to 2013 of USD 5 million per year.

DBS Bank Ltd., Singapore

On 1 September 2010, Pamapersada signed a bilateral loan agreement of USD 20 million with DBS Bank Ltd., Singapore branch. These facilities comprise a term facility of USD 10 million and revolving facility of USD 10 million.

As at 31 December 2010, the outstanding balance of the loan was USD 10 million, or equivalent to Rp 89.9 billion for the term facility and USD 10 million, or equivalent to Rp 89.9 billion for the revolving facility. The revolving facility will expire within 1 (one) year. The term facility will be repayable from 2012 to 2013 of USD 5 million per year.

HSBC Bank Australia Ltd.

On 15 September 2010, Pamapersada signed a bilateral loan agreement amounting to USD 20 million with HSBC Bank Australia Ltd. The facility represents a term facility.

As at 31 December 2010, the outstanding balance of the loan was USD 20 million, or equivalent to Rp 179.8 billion. The facility will be repayable from 2012 to 2013 of USD 10 million per year.

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17. LONG-TERM BANK LOANS (continued)

b. Subsidiaries (continued)

i. Pamapersada (continued)

The Hongkong and Shanghai Banking Corporation Ltd., Jakarta

On 15 September 2010, Pamapersada signed a bilateral loan agreement of USD 20 million with The Hongkong and Shanghai Banking Corporation Ltd., Jakarta branch. The facility represents a revolving facility. The revolving facility will expire within 1 (one) year.

As at 31 December 2010, the outstanding balance of the loan was USD 20 million, or equivalent to Rp 179.8 billion.

PT Bank Ekonomi Raharja Tbk.

On 15 September 2010, Pamapersada signed a bilateral loan agreement of USD 10 million with PT Bank Ekonomi Raharja Tbk. These facilities comprise a term facility of USD 5 million and revolving facility of USD 5 million.

As at 31 December 2010, the outstanding balance of the loan was USD 5 million, or equivalent to Rp 44.96 billion for the term facility and USD 5 million, or equivalent to Rp 44.96 billion for the revolving facility. The revolving facility will expire within 1 (one) year. The term facility will be repayable from 2012 to 2013, of USD 2.5 million per year.

The Bank of Tokyo-Mitsubishi UFJ Ltd., Jakarta

On 28 September 2010, Pamapersada signed a bilateral loan agreement of USD 20 million with The Bank of Tokyo-Mitsubishi UFJ Ltd., Jakarta branch. The facility represents a revolving facility. The revolving facility will expire within 1 (one) year.

As at 31 December 2010, the outstanding amount of this facility was USD 20 million, or equivalent to Rp 179.8 billion.

ii. PT Patria Maritime Lines ("PML")

Standard Chartered Bank, Jakarta branch

In May 2010, PML obtained a committed term loan facility from Standard Chartered Bank (Jakarta branch) of USD 7.5 million that is valid up to 2014. This facility is intended for purchasing vessels, with an interest rate set at SIBOR plus certain margins. No collateral was pledged for this facility. As at 31 December 2010 the outstanding amount for this facility amounted to USD 4 million or equivalent to Rp 35.96 billion.

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17. LONG-TERM BANK LOANS (continued)

c. Interest rate

Interest rates on bank loans for 2010 and 2009 were as follows:

	<u>2010</u>	<u>2009</u>
USD	1.19% - 5.45%	4.03% - 8.78%
JPY	5.3%	2.9% - 4.24%
Rupiah	-	13.5% - 14.25%

As at 31 December 2010, the Company and subsidiaries were in compliance with all of the above requirements and covenants set forth in the agreements with the lenders.

18. FINANCE LEASES

	<u>2010</u>	<u>2009</u>
Related parties:		
PT Komatsu Astra Finance	<u>394,477</u>	<u>514,778</u>
Third parties	<u>349,826</u>	<u>61,890</u>
	<u>744,303</u>	<u>576,668</u>

The future minimum lease payments under the lease agreements as at 31 December 2010 and 2009 were as follows:

	<u>2010</u>	<u>2009</u>
Within one year	348,900	228,598
Between one and two years	280,091	136,739
Between two and five years	<u>152,156</u>	<u>246,202</u>
	781,147	611,539
Less:		
Future finance charges	<u>(36,844)</u>	<u>(34,871)</u>
Present value of finance leases	744,303	576,668
Less: current portion	<u>(324,930)</u>	<u>(212,979)</u>
Non-current portion	<u>419,373</u>	<u>363,689</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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18. FINANCE LEASES (continued)

Leased assets represent machinery and heavy equipment. All leased assets are pledged as collateral for the underlying finance leases (refer to Note 10). Several finance lease transactions require a security deposit as collateral in respect of the lease payables.

To reduce the risk from fluctuation of interest rate, Pamapersada has entered into an Interest Rate Swap with Standard Chartered Bank and ANZ Panin Bank to translate the floating interest rate into a fixed rate for part of finance lease from PT Komatsu Astra Finance and third party (refer to Note 31h).

19. MINORITY INTEREST

	2010					
	Minority interest	Beginning balance	Shares of net income/(loss)	Addition/ (divestment) of Subsidiary	Dividends	Ending balance
PT Pama Indo Mining	40%	11,994	2,593	-	(1,660)	12,927
PT Patria Maritime Line	30%	13,797	(1,005)	-	-	12,792
PT United Tractors Pandu Engineering	0.0%	3	1	-	-	4
PT Agung Bara Prima	40%	-	(5)	3,350	-	3,345
PT Komatsu Remanufacturing Asia*	-	81,576	-	(81,576)	-	-
Total		107,370	1,584	(78,226)	(1,660)	29,068

	2009					
	Minority interest	Beginning balance	Shares of net income/(loss)	Addition/ (divestment) of Subsidiary	Dividends	Ending balance
PT Komatsu Remanufacturing Asia	49%	60,803	30,762	-	(9,989)	81,576
PT Pama Indo Mining	40%	10,395	1,599	-	-	11,994
PT United Tractors Pandu Engineering	0.0%	-	1	2	-	3
PT Patria Maritime Line	30%	-	(208)	14,005	-	13,797
Total		71,198	32,154	14,007	(9,989)	107,370

*) Refer to Note 3

20. SHARE CAPITAL

The following is the composition of shareholders as at 31 December 2010 and 2009 based on the reports provided by PT Kustodian Sentral Efek Indonesia and PT Raya Saham Registra:

Shareholders	2010		
	Number of shares issued and fully paid	Percentage of ownership (%)	Amount
PT Astra International Tbk	1,979,391,158	59.50	494,848
Others (each ownership less than 5%)	1,347,486,125	40.50	336,872
	3,326,877,283	100.00	831,720

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20. SHARE CAPITAL (continued)

Shareholders	2009		Amount
	Number of shares issued and fully paid	Percentage of ownership (%)	
PT Astra International Tbk	1,979,391,158	59.50	494,848
Hendrik Kusnadi Hadiwinata (Director)	14,000	0.00	4
Hagianto Kumala (Comissioner)*)	340	0.00	-
Others (each ownership less than 5%)	<u>1,347,471,785</u>	<u>40.50</u>	<u>336,868</u>
	<u>3,326,877,283</u>	<u>100.00</u>	<u>831,720</u>

*) Resigned effective on 15 December 2009

21. ADDITIONAL PAID-IN CAPITAL

Details of the additional paid-in capital balance as at 31 December 2010 and 2009 are as follows:

	<u>2010 and 2009</u>
Excess of proceeds over par value:	
- Limited Public Offering III	3,445,694
- Limited Public Offering II	346,927
- Initial Public Offering	<u>16,875</u>
	3,809,496
Share issue cost	(48,692)
Employee stock options exercised	14,774
Employee stock options forfeited	<u>5,985</u>
	<u>3,781,563</u>

22. DIFFERENCE IN THE EQUITY TRANSACTIONS OF SUBSIDIARIES

	<u>2010</u>	<u>2009</u>
Beginning balance	132,981	21,795
Increase in investment (refer to Note 8a)	51,300	93,150
Adjustment on fair value of revaluation reserve of hedge accounting in Pamapersada (refer to Note 31h)	13,381	17,545
Others	<u>-</u>	<u>491</u>
Ending balance	<u>197,662</u>	<u>132,981</u>

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23. DIVIDENDS AND RETAINED EARNINGS**a. Statutory reserve**

The Indonesian Company Law of 1995 which was subsequently amended by law No. 40/2007 requires that Indonesian companies provide a certain amount of their net income as a statutory reserve up to 20% of issued share capital. There is no set period of time over which this amount should be accumulated.

As at 31 December 2010 and 2009, the accumulated statutory reserve amounted to Rp 166.3 billion, which represents 20% of the issued share capital.

b. Payment of cash dividend

On 8 October 2010, the Company declared an interim cash dividend for 2010 of Rp 532.3 billion or Rp 160 (full Rupiah) per share. The dividend was paid on 12 November 2010 to the shareholders registered in the share registrar as at 1 November 2010.

At the Company's Annual general Meeting of Shareholders held on 21 May 2010, the shareholders approved a cash dividend for 2009 of Rp 1,530 billion or Rp 460 (full Rupiah) per share, including an interim cash dividend of Rp 432.5 billion or Rp 130 (full Rupiah) per share. The interim dividend was paid on 11 November 2009. The remaining dividend of Rp 1,098 billion or Rp 330 (full Rupiah) per share was paid on 1 July 2010 to the shareholders registered in the share registrar as at 17 June 2010.

On 6 October 2009, the Company declared an interim cash dividend for 2009 of Rp 432.5 billion or Rp 130 (full Rupiah) per share. The dividend was paid on 11 November 2009 to the shareholders registered in the share registrar as at 3 November 2009.

At the Company's Annual general Meeting of Shareholders held on 20 May 2009, the shareholders approved a cash dividend for 2008 of Rp 1,064.6 billion or Rp 320 (full Rupiah) per share, including an interim cash dividend amounting to Rp 332.7 billion or Rp 100 (full Rupiah) per share. The interim dividend was paid on 11 November 2008. The remaining dividend of Rp 731.9 billion or Rp 220 (full Rupiah) per share was paid on 26 June 2009 to the shareholders registered in the share registrar as at 16 June 2009.

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24. NET REVENUE

	<u>2010</u>	<u>2009</u>
Third parties		
Construction machinery	16,833,532	10,617,213
Mining contracting and integrated service	16,928,538	15,418,549
Coal mining	<u>3,120,575</u>	<u>2,842,576</u>
Total third parties	<u>36,882,645</u>	<u>28,878,338</u>
Related parties		
Construction machinery	<u>441,227</u>	<u>363,545</u>
Total	<u><u>37,323,872</u></u>	<u><u>29,241,883</u></u>

There is no revenue representing more than 10% of the total consolidated revenue earned from third parties for the years ended 31 December 2010 and 2009.

25. COST OF REVENUE

	<u>2010</u>	<u>2009</u>
Mining contracting and integrated service		
Raw materials and CKD		
Beginning balance	30,512	95,707
Purchases	702,340	249,398
Effect of divestment of a subsidiary	(22,695)	-
Ending balance	<u>(36,970)</u>	<u>(30,512)</u>
Raw material and CKD usage	673,187	314,593
Direct labour and overheads	<u>715,872</u>	<u>559,397</u>
Total production and service cost	1,389,059	873,990
Work in progress		
Beginning balance	76,848	72,823
Effect of divestment of a subsidiary	(31,481)	-
Ending balance	<u>(61,980)</u>	<u>(76,848)</u>
Total manufacturing cost	1,372,446	869,965
Finished goods (heavy equipment and spare parts for sale)		
Beginning balance	2,960,256	4,515,738
Purchases	14,108,749	5,706,808
Effect of divestment of a subsidiary	(42,551)	-
Ending balance	<u>(5,032,138)</u>	<u>(2,960,256)</u>
	11,994,316	7,262,290
Cost of revenue- construction machinery	<u>13,366,762</u>	<u>8,132,255</u>

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25. COST OF REVENUE (continued)

	<u>2010</u>	<u>2009</u>
Mining contracting and integrated service		
Consumables	4,929,618	3,925,745
Sub-contractors	1,901,135	1,849,985
Repairs and maintenance	2,826,507	2,474,112
Depreciations	2,500,112	1,912,868
Employee costs	1,140,548	880,578
Overhead expenses	<u>1,107,733</u>	<u>939,195</u>
Cost of revenue – mining contracting and integrated service	14,405,653	11,982,483
Coal mining		
Production cost		
Mine extraction	2,003,399	1,652,884
Coal processing and other production costs	611,276	743,225
Depreciation	141,084	81,457
Royalties to the government	<u>-</u>	<u>(21,480)</u>
Cost of revenue - coal mining	<u>2,755,759</u>	<u>2,456,086</u>
Total cost of revenue	<u>30,528,174</u>	<u>22,570,824</u>

Purchases from related parties that are more than 10% of total consolidated purchases are from PT Komatsu Indonesia amounting to Rp 5 trillion (2009: Rp 1.5 trillion).

26. OPERATING EXPENSES

	<u>2010</u>	<u>2009</u>
Selling		
Shipping and freight	211,059	156,279
Employee costs	74,962	64,842
Advertising and promotion	44,446	13,013
Others	<u>28,003</u>	<u>38,181</u>
	<u>358,470</u>	<u>272,315</u>

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26. OPERATING EXPENSES (continued)

	<u>2010</u>	<u>2009</u>
General and administrative		
Employee costs	798,810	687,458
Depreciation	72,281	72,838
Transportation and travel	59,562	43,551
Training and recruitment	54,656	29,419
Stationary and office supplies	45,620	32,336
Professional fees	44,676	28,122
Rent	39,721	30,506
Security	33,456	28,712
Electricity and water	33,444	31,189
Repairs and maintenance	32,442	34,215
Taxes and licences	17,547	15,419
Others	42,492	98,507
	<u>1,274,707</u>	<u>1,132,272</u>
	<u>1,633,177</u>	<u>1,404,587</u>

27. INTEREST INCOME AND EXPENSE

	<u>2010</u>	<u>2009</u>
Interest expense		
- Bank loan	134,803	130,826
- Supplier credit facilities	37,038	34,971
- Finance leases	28,053	17,524
Bank charges	7,247	5,146
	<u>207,141</u>	<u>188,467</u>
Interest income		
- Current accounts and time deposits	66,132	90,586
- Others	809	9,113
	<u>66,941</u>	<u>99,699</u>

28. PROVISIONS

	<u>2010</u>	<u>2009</u>
Employee benefits obligation	424,084	304,956
Estimated liability for restoration and rehabilitation	61,624	42,893
Current portion	485,708	347,849
	<u>(51,466)</u>	<u>(52,690)</u>
Total provision, non-current	<u>434,242</u>	<u>295,159</u>

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28. PROVISIONS (continued)

Employee benefits obligation

The employee benefits obligation is calculated by PT Eldridge Gunaprima Solution, an independent actuary. The latest actuarial report was dated 10 January 2011. The following table summarises the obligation, expenses, and movement in the obligation for pension benefits, other post-employment and other long-term benefits.

	Pension and other post-employment benefit		Other long-term benefits		Total	
	2010	2009	2010	2009	2010	2009
Employee benefits						
Present value of obligation	728,418	582,908	161,591	114,584	890,009	697,492
Fair value of plan assets	(230,374)	(192,810)	-	-	(230,374)	(192,810)
	498,044	390,098	161,591	114,584	659,635	504,682
Unrecognised actuarial losses	(180,652)	(137,569)	-	-	(180,652)	(137,569)
Unrecognised past service cost	(54,899)	(62,157)	-	-	(54,899)	(62,157)
Liability in the consolidated balance sheet	<u>262,493</u>	<u>190,372</u>	<u>161,591</u>	<u>114,584</u>	<u>424,084</u>	<u>304,956</u>
Employee benefits expenses						
Current service cost	56,647	38,675	40,203	25,455	96,850	64,130
Interest cost	55,274	48,728	10,379	7,915	65,653	56,643
Expected return on plan assets	(18,459)	(13,775)	-	-	(18,459)	(13,775)
Net actuarial losses recognised	10,022	9,331	11,157	16,896	21,179	26,227
Past service cost	6,018	5,558	-	-	6,018	5,558
Total	<u>109,502</u>	<u>88,517</u>	<u>61,739</u>	<u>50,266</u>	<u>171,241</u>	<u>138,783</u>
Employee benefits obligation						
Beginning of the year	190,372	132,812	114,584	71,780	304,956	204,592
Effect of divestment of a subsidiary	(4,185)	-	(1,094)	-	(5,279)	-
Total expenses charged to the consolidated statements of income	109,502	88,517	61,739	50,266	171,241	138,783
Benefits and contribution paid	(30,891)	(31,060)	(13,638)	(7,462)	(44,529)	(38,522)
Transfer in/(out) from other plan	(2,305)	103	-	-	(2,305)	103
End of the year	<u>262,493</u>	<u>190,372</u>	<u>161,591</u>	<u>114,584</u>	<u>424,084</u>	<u>304,956</u>

Below are the principal actuarial assumptions used:

	2010	2009
Discount rate	8%	10%
Expected return on plan assets	10%	10%
Future salary increases	9%	9%

The actual return on plan assets was Rp 46.4 billion (2009: Rp 62.7 billion).

For the defined benefit plan, the contributions are funded by the Company at 3.2% of employees' basic annual salaries (to a maximum of 80% of the average of the last 24 months basic salary), while for the contribution benefit plan, the contributions are funded by the Company and employees at 6.4% and 3.2%, respectively, of the average of the last 24 months basic salary.

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28. PROVISIONS (continued)**Employee benefits obligation (continued)**

Employee benefits expense was allocated as follows:

	<u>2010</u>	<u>2009</u>
Cost of revenue	75,220	61,026
General and administrative expenses	<u>96,021</u>	<u>77,757</u>
	<u>171,241</u>	<u>138,783</u>

29. EMPLOYEE COSTS

Total employee costs for the period ended 31 December 2010 amounted to Rp 2.3 trillion (2009: Rp 1.7 trillion).

30. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's treasury policies are designed to mitigate the financial impact of fluctuations in interest rates and foreign exchanges rates and to minimise potential adverse effects on the Group's financial risk.

The Group uses derivative financial instruments, principally interest rate swaps and cross currency swaps to manage the Group's assets and liabilities in accordance with the Group's treasury policies. It is the Group's policy not to enter into derivative transactions for speculative purposes.

(i) Market risk**Foreign exchange risk**

The Group is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk primarily arises from recognised monetary assets and liabilities that are denominated in a currency that is not the entity's functional currency.

The Group is aware of market risk due to foreign exchange fluctuation. Hence, The Group is required to forward and swap its foreign currency borrowings into its functional currency using cross currency swap except where the foreign currency borrowings are paid with cash flows generated in the same foreign currency.

The purpose of these hedges is to mitigate the impact of movements in foreign exchange rates on assets and liabilities and the profit and loss accounts of the Group.

Net monetary assets and liabilities denominated in foreign currencies are disclosed in Note 35.

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30. FINANCIAL RISK MANAGEMENT (continued)

(i) Market risk (continued)

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. These exposures are managed through the use of derivative financial instruments.

Cash flow interest rate risk is the risk that changes in market interest rates will impact cash flows arising from variable rate financial instruments. Such risk is managed using forward rate agreements and by entering into interest rate swaps which have the economic effect of converting borrowings from a floating rate to a fixed rate.

The estimated amount of cash flows for financial asset that will be received as follows:

	<u>2010</u>	<u>2009</u>
Within 1 year	6,692,908	7,339,185
1 to 2 years	66,899	29,697
2 to 3 years	9,326	19,219
3 to 4 years	11,708	7,721
More than 4 years	<u>321,025</u>	<u>262,836</u>
	<u>7,101,866</u>	<u>7,658,658</u>

It is the Group's treasury policy to swap floating interest rate borrowings into fixed rate covering approximately a minimum level of 40% of total borrowings. Interest rate exposure is monitored to minimise any negative impact to the Group.

Price risk

The Group is exposed to price risk because of equity investments which are available-for-sale investments are dealt with in the equity section.

The Group's policy is not to hedge available-for-sale investments. The performances of the Group's available-for-sale investments are monitored periodically, together with a regular assessment of their relevance to the Group's long term strategic plans. Details of the Group's available-for-sale investments are set out in Note 8.

The Group is exposed to commodity price risk, arising from changes in coal price. The Group's policy is generally not to hedge commodity price risk, although limited hedging is undertaken for strategic reasons. In such cases, the Group may enter into a forward contract to sell the commodity at a fixed price at a future date.

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30. FINANCIAL RISK MANAGEMENT (continued)

(ii) Credit risk

The Group is exposed to credit risk primarily from deposits in banks, credit exposures given to customers and other receivables (including derivative assets). The Group manages credit risk arising from its deposits with banks and derivative assets by monitoring reputation, credit ratings and limiting the aggregate risk to any individual counterparty.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet after deducting any provision for doubtful receivables.

There is no concentration of credit risk as the Group has a large number of customers without any significant individual customers.

(iii) Liquidity risk

Prudent liquidity risk management includes managing the profile of borrowing maturities and funding sources, ensuring the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. The Group's ability to fund its borrowing requirements is managed by maintaining diversified funding sources with adequate committed funding lines from high quality lenders.

Estimated amount of borrowing to be paid are follows:

	<u>2010</u>	<u>2009</u>
Within 1 year	2,981,512	1,368,716
1 to 2 years	1,756,451	1,232,647
2 to 3 years	780,841	991,370
3 to 4 years	116,679	133,298
More than 4 years	<u>44,871</u>	<u>10,007</u>
	<u>5,680,354</u>	<u>3,736,038</u>

Fair value of financial instruments

The fair value of current financial assets and liabilities approximates their carrying amount, as the impact of discounting is not significant.

The fair value of non-current financial assets and liabilities approximate their carrying amount, as they bear a floating market rate of interest or fixed rate approximating market rate.

The fair value of long term borrowings are estimated as the present value of future cash flows, discounted at the market rate of interest.

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31. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES**a. Distributorship agreements**

In April 2008, the Company entered into a distributorship agreement with Komatsu Diesel Co., Ltd., (Singapore), a third party, which is valid up to 1 April 2012. The agreement shall be automatically extended for another two years, unless one of the parties terminates the agreement.

On 7 August 2006, the Company signed a distributorship agreement with Komatsu Ltd, Japan ("Komatsu"), a third party, and PT Komatsu Marketing and Support Indonesia ("KMSI"), a wholly owned subsidiary of Komatsu. Under this agreement, Komatsu appoints KMSI to supply spare parts and heavy equipment to the Company exclusively. The agreement is valid for a period of five years, with automatic extension, unless one of the parties terminates the agreement.

On 1 August 2006, the Company entered into a distributorship agreement with Komatsu Forklift Co., Ltd., Japan ("KFA"), a third party, whereby the Company has the exclusive right as distributor for KFA in Indonesia. This agreement is valid for a period five years.

In August 2003, the Company entered into a distributorship agreement with Komatsu Asia & Pacific Pte Ltd (Singapore), a third party, which was valid up to 31 July 2004. In August 2004, the period of the agreement was changed to five years with an automatic extension, unless one of the parties terminates the agreement. The agreement gives the Company the exclusive right to sell bulldozers, hydraulic excavators, wheel loaders and motor graders in Indonesia.

In July 1995, the Company entered into a supply and purchase agreement with PT Komatsu Indonesia, a related party (refer to Note 33). The agreement has been amended several times, most recently on 31 August 2004, which covers a period of five years, with automatic extension, unless one of the parties terminates the agreement.

The Company has distributorship agreements with Nissan Diesel Motor Co Ltd (Japan), Tadano Iron Works Co Ltd (Japan), BOMAG GmbH & Co OHG (Germany), Scania CV Aktiebolag (Sweden) and Komatsu Forest Pty Ltd (Australia), all are third parties, whereby the Company has the exclusive right to sell products of those companies in Indonesia.

UTPE has entered into licence and technical assistance agreements with Komatsu Forklift Company Ltd (Japan), Kockum Industries Pty. Ltd (Australia), Interlube Systems Sdn. Bhd (Malaysia), Anhui Heli Machinery Import & Export Co. Ltd (China), Hiab Corporation and Bernie Ostermeyer Investment Pty. Ltd (Australia), all are third parties, referred to as "licensors", whereby UTPE obtains licences to manufacture and sell products under those licensed trademarks in Indonesia.

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31. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)**b. Mining services contracts**

Pamapersada has three significant mining services contracts with PT Adaro Indonesia, PT Indominco Mandiri, and PT Kideco Jaya Agung, all are third parties. Under the contracts, Pamapersada provides services to mine coal. The periods of the contracts are varied and will expire between 2013 and 2018.

c. Mining Cooperation and Coal Sales and Purchase Agreement with Perusahaan Daerah Baramarta ("Baramarta")

PMM has entered into a mining cooperation agreement with Baramarta, a third party, whereby PMM has been appointed as the contractor for coal mining operations with respect to specific mining areas in South Kalimantan and PMM also has a coal purchase agreement with Baramarta. Both agreements are valid for 23 years commencing 2 January 2009.

d. Inventories purchase agreement

On 1 August 1994, the Company entered into an equipment and spare parts purchase agreement with Komatsu Asia & Pacific Pte Ltd, Singapore, a third party, whereby the Company obtained a credit facility of USD 30 million. As of 31 December 2010, there was no facility used (2009: USD 1.1 million). The terms of payment for each purchase of spare parts under the credit facility are 120 days for stock orders, and 60 days for emergency orders. The facility is secured by the underlying inventory purchased (refer to Note 6).

e. Full Maintenance Contracts

The Company has several Full Maintenance Contracts ("FMC") with customers. The contracts cover a period of three to six years. Under these contracts, the Company provides repairs and maintenance services for the customers' heavy equipment. In return, the Company charges FMC fees to the customers. Among other details, FMC requires the Company to guarantee the availability of such heavy equipment in accordance with the percentage determined in the contracts.

f. Credit facilities

As at 31 December 2010, the Company and certain subsidiaries had bank guarantee and letters of credit facilities of USD 130.3 million and Rp 5 billion (2009: USD 144.8 million and Rp 5 billion), foreign exchange contract facilities of USD 1.5 million (2009: USD 1.5 million) and interest rate swap facilities of USD 259.9 million and JPY 1.99 billion (2009: USD 248.3 million and JPY 3 billion) obtained from various banks. Unused facilities of the Company and certain subsidiaries were USD 191.5 million and Rp 3.8 billion as at 31 December 2010 (2009: USD 186.1 million, Rp 4.8 billion, and JPY 14.9 million).

The utilisation of the above bank guarantees and letters of credit facilities are secured by restricted time deposits (refer to Note 4c).

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31. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)**g. Guarantees**

UTHI acts as guarantor for the syndicated credit facility obtained by the Company (refer to Note 17a). The syndicated credit facility has been ended on 17 April 2010.

h. Derivative financial instruments**The Company**

On 16 December 2010, the Company entered into foreign currency forward contracts with ANZ Panin Bank, a third party with a total notional amount of JPY 362 million with maturity on 28 January 2011.

On 16 December 2010, the Company entered into foreign currency forward contracts with Citibank, N.A. (Jakarta branch), a third party with a total notional amount of JPY 168.3 million, JPY 259.3 million and EUR 1 million with maturity on 28 January 2011, 13 January 2011 and 28 January 2011.

The purpose of these contracts is to cover risks of potential losses arising from interest rate fluctuation for the Company's liabilities denominated in foreign currencies. These transactions are not accounted for as hedging activities.

Pamapersada

In relation to other borrowings (refer to Note 14), Pamapersada entered into a Cross Currency Interest Rate Swap contract with ANZ Panin Bank, a third party for notional amounts of JPY 1,298.43 million. This agreement will mature on 30 July 2012.

In relation to syndicated credit facilities from 23 banks (refer to Note 17b), in 2008 - 2009, Pamapersada entered into an Interest Rate Swap contract with The Hongkong and Shanghai Banking Corporation Ltd (Jakarta branch), United Overseas Bank Limited (Singapore branch), Standard Chartered Bank (Jakarta branch) and PT Bank DBS, all are third parties, Indonesia with a total notional amount of USD 145 million. This agreement will mature on 24 September 2012.

In relation to finance lease (refer to Note 18), on 27 July 2010 and 7 September 2010, Pamapersada entered into Interest Rate Swap contracts with Standard Chartered Bank and ANZ Panin Bank, all are third parties, for notional amounts of USD 25 million and USD 37.47 million, respectively to convert the floating interest rate into a fixed rate. This agreement will each be matured on 5 November 2013 and 22 January 2013.

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31. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)**h. Derivative financial instruments (continued)****Pamapersada (continued)**

In relation to long-term loan in JPY currency to Japan Bank for International Cooperation, a third party (refer to Note 17b), on 28 September 2009, Pamapersada also entered into Cross Currency Swap with Standard Chartered Bank, Jakarta branch, a third party, for notional amounts of JPY 690.65 and will be matured on 26 September 2012.

The purpose of the above contracts is to cover the risks of potential losses from the increase of interest rates of loans and finance leases. The contracts qualified as hedges of future cash flows accounting. Therefore the effective portion of the changes in fair value is recorded as part of equity. As at 31 December 2010, the accumulated loss recorded in the equity amounted to Rp 10.5 billion (2009: Rp 23.9 billion).

i. Heavy equipment buy-back agreement

The Company entered into several Back-to-Back Agreements with Komatsu Asia & Pacific Pte Ltd, Singapore ("KAP"), a third party, in relation to the Buy-Back Agreement between KAP, certain customers of the Company and financing institutions. Under the Buy-Back Agreement, the customers have an option to resell heavy equipment purchased from the Company at a predetermined price. In the event that the customers exercise the option, the Company is liable to buy back such heavy equipment pursuant to the Buy-Back Agreement. As at 31 December 2010, the portion of the net buy back value commitment of the Company amounted to USD 1.5 million (2009: USD 2.6 million).

j. Acquisition of a group of assets

- i. In 2007, Pamapersada acquired a group of assets, which included shares of various coal mine concession holder companies for a total consideration of USD 34 million.

In 2007, Pamapersada also entered into a Share Sale Agreement ("SSA") to acquire 99% interest in DEJ from Dynamic Acres Sdn Bhd ("DASB"), a third party. For this transaction, Pamapersada paid an amount of USD 5.1 million and assumed liabilities of USD 11 million.

The total consideration paid for the above acquisition amounts to USD 50.1 million, of which USD 48.6 million, or equivalent to Rp 444 billion has been assigned as mining properties and recorded as part of fixed assets.

As at 31 December 2010, Pamapersada has a potential amount of USD 5.3 million (2009: USD 14.4 million) payable to DASB as consideration for further mining reserves which may become available. This will be paid either in part or in full dependent on conditions precedent, mainly upon obtaining exploitation permit from the authority.

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31. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)**j. Acquisition of a group of assets (continued)**

As at the date of these reports, exploitation permit from the authority is still in process.

- ii. On 14 January 2010, Pamapersada entered into a Share Sale Agreement, Share Subscription Agreement and Shareholders Agreement (collectively "SSA") with PT Mandira Sanni Pratama and PT Andalan Teguh Berjaya (collectively "Existing Shareholder"), all are third parties, to acquire a 30% share of PT Asmin Bara Bronang and PT Asmin Bara Jaan (collectively "Asmin"), coal mine concession holder companies, located at Kapuas and Murung Raya regency, Central Kalimantan province.

The amount to be paid for the above acquisition is USD 40.1 million and Rp 75 million. In January 2010, Pamapersada has paid a cash advance of USD 11.6 million and an amount of USD 28.6 million was placed in an escrow account. Disbursement from the escrow account will be made subject to the fulfillment of conditions precedent and not more than 12 months from the signing date of the SSA or the date agreed by Pamapersada and the Existing Shareholder.

As required by the SSA, USD 20.2 million has been disbursed from the Escrow Account on partial fulfillment of the Condition Precedents.

- iii. On 15 July 2010, the Company through its subsidiaries, TTA, acquired shares of PT Agung Bara Prima ("ABP"). The total purchase price consideration paid for this acquisition was USD 15.9 million for the share ownership of 60%.

ABP owns an area of approximately 1,365 hectares in Buhut Village, Central Kapuas Sub-district, Kapuas Regency, Central Kalimantan Province.

ABP is still in the exploration stage.

k. Inventory and capital purchase commitments

As at 31 December 2010, the Group had capital commitments for the purchase of heavy equipment, machinery, and leasehold amounting to Rp 218 billion (2009: Rp 508 billion).

l. Loan facility**Sumitomo Mitsui Banking Corporation**

On 16 July 2010, the Company entered into an agreement with Sumitomo Mitsui Banking Corporation, Singapore branch, a third party whereby the Company obtained a revolving loan facility amounting to USD 20 million. This revolving loan facility was used for the Company's working capital.

As at 31 December 2010, there was no outstanding amount from this facility

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31. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

I. Loan facility (continued)

Mizuho Corporate Bank Ltd

On 23 July 2010, the Company entered into an agreement with Mizuho Corporate Bank Ltd, Singapore branch, a third party whereby the Company obtained a revolving loan facility amounting to USD 20 million. This revolving loan facility was used for the Company's working capital.

As at 31 December 2010, there was no outstanding amount from this facility.

BNP Paribas

On 25 August 2010, the Company entered into an agreement with BNP Paribas, Singapore branch, a third party whereby the Company obtained a revolving loan facility amounting to USD 20 million. This revolving loan facility was used for the Company's working capital.

As at 31 December 2010, there was no outstanding amount from this facility.

Oversea-Chinese Banking Corporation Limited

On 22 October 2010, The Company entered into an agreement with Oversea-Chinese Banking Corporation Limited, a third party, whereby the Company obtained a revolving loan facility amounting to USD 20 million. This revolving loan facility was used for the Company's working capital.

As at 31 December 2010, there was no outstanding amount from this facility.

32. SEGMENT INFORMATION

a. Activities

Segment information	Construction machinery	Mining contracting and integrated service	Coal mining	Total	Elimination	Consolidation
STATEMENT OF INCOME						
Net revenue						
2010	22,879,081	17,333,861	3,126,556	43,339,498	(6,015,626)	37,323,872
2009	16,432,747	15,418,549	2,842,576	34,693,872	(5,451,989)	29,241,883
Gross profit						
2010	3,990,196	2,393,936	437,221	6,821,353	(25,655)	6,795,698
2009	3,137,214	3,292,888	387,943	6,818,045	(146,986)	6,671,059
Operating income						
2010	2,740,913	1,999,124	433,872	5,173,909	(11,388)	5,162,521
2009	2,117,111	3,000,020	314,140	5,431,271	(164,799)	5,266,472
Share of results of associates						
2010	22,591	-	-	22,591	-	22,591
2009	9,104	-	-	9,104	-	9,104
Interest and finance charges						
2010	35,940	196,260	11,450	243,650	(36,509)	207,141
2009	35,914	172,464	-	208,378	(19,911)	188,467
Depreciation expense and amortisation						
2010	224,027	2,637,176	88,350	2,949,553	(92,986)	2,856,567
2009	176,678	2,061,493	82,210	2,320,381	(116,457)	2,203,924

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32. SEGMENT INFORMATION

a. Activities (continued)

Segment information	Construction machinery	Mining contracting and integrated service	Coal mining	Total	Elimination	Consolidation
BALANCE SHEET						
Total assets						
2010	23,945,799	15,465,740	1,106,345	40,517,884	(10,816,970)	29,700,914
2009	15,004,024	13,240,931	602,260	28,847,215	(4,442,387)	24,404,828
Total liabilities						
2010	6,649,953	8,833,672	853,158	16,336,783	(2,801,275)	13,535,508
2009	4,799,198	7,242,554	444,420	12,486,172	(2,032,424)	10,453,748
CASH FLOWS						
Operating activities						
2010	146,517	2,712,983	53,836	2,913,336	(489,455)	2,423,881
2009	1,268,822	3,540,317	56,248	4,865,387	235,635	5,101,022
Investing activities						
2010	340,078	(3,129,653)	(220,636)	(3,010,211)	(618,959)	(3,629,170)
2009	(114,223)	(2,679,275)	(31,335)	(2,824,833)	(235,635)	(3,060,468)
Financing activities						
2010	(1,528,469)	65,920	265,710	(1,196,839)	1,108,739	(90,100)
2009	(220,547)	(1,946,494)	(41,430)	(2,208,471)	-	(2,208,471)
OTHER INFORMATION						
Capital expenditure						
2010	702,807	3,676,266	165,803	4,544,876	(148,953)	4,395,923
2009	934,763	3,675,631	5,801	4,616,195	(39,836)	4,576,359

b. Geographical areas

	Net revenue		Total assets		Capital expenditures	
	2010	2009	2010	2009	2010	2009
Indonesia	42,623,260	34,421,032	39,422,806	28,384,337	4,544,868	4,616,195
Singapore	716,238	272,840	1,095,078	462,878	8	-
	43,339,498	34,693,872	40,517,884	28,847,215	4,544,876	4,616,195
Elimination	(6,015,626)	(5,451,989)	(10,816,970)	(4,442,387)	(148,953)	(39,836)
Consolidated	37,323,872	29,241,883	29,700,914	24,404,828	4,395,923	4,576,359

c. Risk of mining contracting and coal mining business

In addition to the construction machinery business, the Group also operates in integrated mining contracting and coal mining. In the mining sector, companies face the following challenges:

- Uncertainty due to delay in finalising the implementing regulations for the Autonomy Laws as well as recent calls to revise these Laws.
- Uncertainty due to the fact some implementing regulations for the Mineral and Coal Mining Law are still in the drafting process.
- Potential disputes with local communities who may request additional compensation and employment from companies operating in their areas.
- Rising security concerns in the industry caused by illegal mining activities.

Although currently not all of the challenges mentioned above are applicable for the Group, these challenges may affect the Group's operations and related results and have been carefully considered by management when evaluating the level of current and future activity in Indonesia as well as the impact or impairment on its existing operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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33. RELATED PARTY INFORMATION

The Group has engaged in trade and other transactions with related parties. Significant transactions and balances with related parties are as follows:

a. Transactions

	<u>2010</u>		<u>2009</u>	
Revenue (as a percentage of total net revenue)				
PT Komatsu Indonesia	200,554	0.5%	197,687	0.7%
PT United Tractors Semen Gresik	78,322	0.2%	23,283	0.1%
PT Astra Agro Lestari Tbk and subsidiaries	59,410	0.2%	58,994	0.2%
Multico Marketing Services Pte Ltd, Singapore	51,048	0.2%	69,818	0.2%
PT Komatsu Remanufacturing Asia*	45,362	0.1%	-	-
PT Traktor Nusantara and subsidiaries	1,760	0.0%	6	0.0%
PT Serasi Autoraya and subsidiaries	1,037	0.0%	360	0.0%
Others (below Rp 1 billion each)	3,734	0.0%	13,397	0.0%
	<u>441,227</u>	<u>1.2%</u>	<u>363,545</u>	<u>1.2%</u>

	<u>2010</u>		<u>2009</u>	
Purchase (as a percentage of total cost of revenue)				
PT Komatsu Indonesia	5,053,700	16.5%	1,523,533	6.8%
PT Komatsu Remanufacturing Asia*	613,307	2.0%	-	-
Tadano Multico (SE Asia) Pte Ltd.	16,915	0.1%	256	0.0%
PT Traktor Nusantara and subsidiaries	15,851	0.1%	9,676	0.0%
PT Multico Millenium Persada	11,260	0.0%	15,857	0.1%
PT Astra Otoparts Tbk and subsidiaries	3,984	0.0%	3,230	0.0%
PT Serasi Autoraya and subsidiaries	1,884	0.0%	253	0.0%
PT Astra International Tbk	1,819	0.0%	1,010	0.0%
Multi Corporation (S) Pte Ltd, Singapore	207	0.0%	4,629	0.0%
Others (below Rp 1 billion each)	321	0.0%	1,516	0.0%
	<u>5,719,248</u>	<u>18.7%</u>	<u>1,559,960</u>	<u>6.9%</u>

	<u>2010</u>		<u>2009</u>	
Operating lease (as a percentage of total operating expense)				
PT Serasi Autoraya and subsidiaries	65,608	4.0%	35,700	2.4%
PT Astra Graphia Tbk and subsidiaries	5,577	0.4%	7,284	0.5%
	<u>71,185</u>	<u>4.4%</u>	<u>42,984</u>	<u>2.9%</u>

	<u>2010</u>		<u>2009</u>	
Insurance (as a percentage of total operating expense)				
PT Asuransi Astra Buana	65,335	4.0%	53,905	3.6%

	<u>2010</u>		<u>2009</u>	
Interest expense (as a percentage of total interest expense)				
PT Komatsu Astra Finance	14,876	7.2%	9,052	4.8%

* Refer to Note 3

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33. RELATED PARTY INFORMATION (continued)

Similar to third parties, sales price, purchase price, operating lease expense, insurance charges and interest charges to related parties are determined based on negotiation.

b. Balances

	2010		2009	
Assets (as a percentage of total assets)				
Trade receivables (refer to Note 5)	45,806	0.2%	42,958	0.2%
Other receivables ⁽ⁱ⁾	<u>104,856</u>	<u>0.4%</u>	<u>75,986</u>	<u>0.3%</u>
	<u>150,662</u>	<u>0.6%</u>	<u>118,944</u>	<u>0.5%</u>
	2010		2009	
Liabilities (as a percentage of total liabilities)				
Trade payables (refer to Note 13)	654,149	4.9%	322,173	3.1%
Finance lease ⁽ⁱⁱ⁾	394,477	2.9%	514,778	4.9%
Other payables ⁽ⁱⁱⁱ⁾	<u>30,913</u>	<u>0.2%</u>	<u>32,766</u>	<u>0.3%</u>
	<u>1,079,539</u>	<u>8.0%</u>	<u>869,717</u>	<u>8.3%</u>

(i). Other receivables

	2010	2009
Current assets		
PT Asuransi Astra Buana	32,923	5,934
Loans to employees	9,522	11,843
PT Astra Otoparts Tbk and subsidiaries	1,649	-
Others (below Rp 1 billion each)	<u>1,341</u>	<u>2,655</u>
Total	<u>45,435</u>	<u>20,432</u>
Non-current assets		
Loans to employees	51,921	41,729
PT Harmoni Mitra Utama	<u>7,500</u>	<u>13,825</u>
Total	<u>59,421</u>	<u>55,554</u>

Loans to employees

The Group has non-interest bearing loans to its officers and employees that are repaid through instalments, deducted from monthly salaries. The loan period is between one to five years.

(ii) Finance lease

Represents finance lease liability of Pamapersada and MPU to PT Komatsu Astra Finance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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33. RELATED PARTY INFORMATION (continued)

b. Balances (continued)

(iii) Other payables

	<u>2010</u>	<u>2009</u>
PT Serasi Autoraya and subsidiaries	15,157	20,912
PT Asuransi Astra Buana	5,445	1,771
Multico Marketing Services Pte Ltd, Singapore	4,417	665
PT Astra Graphia Tbk and subsidiaries	3,896	3,260
PT Astra Internasional Tbk	1,493	5,858
Others (below Rp 1 billion each)	<u>505</u>	<u>300</u>
	<u>30,913</u>	<u>32,766</u>

Amounts due from and due to related parties represent receivable and payable on non-trade transactions. These transactions include those supporting the core business of the Company and expense reimbursement. For settlement and payment that were expected to occur less than one year, the balance was classified as a part of the current assets and liabilities.

c. Nature of relationship and transactions

<u>Related parties</u>	<u>Nature of relationship</u>	<u>Nature of transactions</u>
1. PT Astra Internasional Tbk ("Astra")	Majority shareholder of the Company	Sale of goods and purchase of vehicles
2. PT Astra Agro Lestari Tbk and subsidiaries	Entity under common control	Sale of goods
3. PT Asuransi Astra Buana	Entity under common control	Insurance services
4. PT Traktor Nusantara and subsidiary	One commissioner of TN is also a director of the Company	Management services provided to TN
5. Multi Corporation (S) Pte Ltd, Singapore	Managed by certain directors of UTHI, a subsidiary of the Company	Purchase and sale of goods
6. Multico System Engineers Pte Ltd, Singapore	Same director as UTHI	Purchase of goods
7. PT Komatsu Indonesia	The Commissioner of KOMI is also Vice President Director of the Company	Sale and purchase of heavy equipment and spare parts
8. PT Komatsu Astra Finance	The Director of the Company is also Commissioner of KAF	Leasing transactions
9. PT Astra Graphia Tbk and subsidiaries	Entity under common control	Operating lease
10. PT Serasi Autoraya and subsidiaries	Entity under common control	Transportation services, purchase and sales of goods
11. PT Astra Otoparts Tbk and subsidiaries	Entity under common control	Purchase and sale of goods
12. PT Arya Kharisma	Entity under common control	Sales of goods
13. Multico Marketing Service Pte Ltd, Singapore	Same director as UTHI	Sales of goods
14. Multico Infacore Holdings Pte Ltd, Singapore	Same director as UTHI	Management services
15. PT Multico Millenium Persada	Same director as UTHI	Purchase of tyres
16. PT United Tractor Semen Gresik	Associated company	Management service and sales of spare parts
17. PT Komatsu Remanufacturing Asia *	Associated company	Service of unit and spareparts
18. Tadano Multico (SE Asia) Pte Ltd, Singapore	Same director as UTHI	Purchase of goods

*) Refer to Note 3

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33. RELATED PARTY INFORMATION (continued)

d. Remuneration of the board of directors and commissioners

In 2010, the Company pays remuneration to the directors and board of commissioners of Rp 124.4 billion and Rp 1.3 billion (2009: Rp 88.8 billion and Rp 1.6 billion), respectively.

34. NET BASIC EARNINGS PER SHARE

Net basic earnings per share is calculated by dividing net income attributable to shareholders by the weighted average number of ordinary shares outstanding during the period.

	<u>2010</u>	<u>2009</u>
Net income attributable to shareholders	3,872,931	3,817,541
Weighted average number of ordinary shares outstanding ('000)	3,326,877	3,326,877
Net basic earnings per share (in full Rupiah)	<u>1,164</u>	<u>1,147</u>

35. MONETARY ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

The Group has assets and liabilities denominated in foreign currencies as follows (in full amounts):

	<u>2010</u>			
	<u>USD</u>	<u>JPY</u>	<u>EUR</u>	<u>Others*</u>
Assets				
Cash and cash equivalents	97,189,499	41,552,083	2,355,699	86,523
Trade receivables	519,951,211	215,841,775	442,907	-
Other receivables	1,487,718	4,000,200	16,541	657
Restricted cash and time deposit	<u>1,733</u>	<u>270,000</u>	<u>13,485</u>	<u>-</u>
	<u>618,630,161</u>	<u>261,664,058</u>	<u>2,828,632</u>	<u>87,180</u>
Liabilities				
Short-term bank loans	(21,223,300)	-	-	-
Trade payables	(359,181,661)	(860,936,606)	(2,911,552)	(6,554,100)
Other payables	(1,181,166)	(840,669)	(5,460)	(4,898)
Customer deposits	(31,459,593)	(178,773,231)	(48,000)	-
Long-term bank loans	(442,414,303)	-	-	-
Finance leases	(82,783,075)	-	-	-
Amounts due to related parties	(827,923)	(2,566,904)	(293)	-
Other borrowings	<u>(85,361,541)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(1,024,432,562)</u>	<u>(1,043,117,410)</u>	<u>(2,965,305)</u>	<u>(6,558,998)</u>
Net liabilities	<u>(405,802,401)</u>	<u>(781,453,352)</u>	<u>(136,673)</u>	<u>(6,471,818)</u>
Rupiah equivalent (In millions)	<u>(3,648,569)</u>	<u>(85,960)</u>	<u>(1,634)</u>	<u>(58,188)</u>
Total In Rupiah – net (In millions)	<u><u>(3,794,351)</u></u>			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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35. MONETARY ASSETS AND LIABILITIES IN FOREIGN CURRENCIES (continued)

	2009			
	USD	JPY	EUR	Others*
Assets				
Cash and cash equivalents	231,841,419	349,922,573	1,354,192	51,002
Trade receivables	435,461,681	132,940,834	108,788	-
Other receivables	2,672,296	200	-	683
Restricted cash and time deposit	500,000	453,663	-	-
	<u>670,475,396</u>	<u>483,317,270</u>	<u>1,462,980</u>	<u>51,685</u>
Liabilities				
Short-term bank loans	(3,000,000)	-	-	-
Trade payables	(324,729,037)	(463,490,118)	(1,802,948)	(1,814,794)
Other payables	(1,429,849)	(184,129)	(30,355)	(32,315)
Customer deposits	(16,361,792)	(24,799,308)	(30,800)	-
Long-term bank loans	(233,112,571)	(1,095,944,830)	-	-
Finance leases	(61,347,677)	-	-	-
Amounts due to related parties	(573,580)	(569,992)	(1,485)	(30,408)
Other borrowings	(66,741,559)	(1,947,600,000)	-	-
	<u>(707,296,065)</u>	<u>(3,532,588,377)</u>	<u>(1,865,588)</u>	<u>(1,877,517)</u>
Net liabilities Rupiah equivalent (in millions)	<u>(36,820,669)</u>	<u>(3,049,271,107)</u>	<u>(402,608)</u>	<u>(1,825,832)</u>
Total in Rupiah – net (in millions)	<u>(678,840)</u>			

* Assets and liabilities denominated in other foreign currencies are presented as USD equivalents using the exchange rate prevailing as at the balance sheet date

36. SUBSEQUENT EVENTS**a. Loan facility****Subsidiaries**

On 12 January 2011, Pamapersada signed a bilateral loan agreement of USD 50 million with Mizuho Corporate Bank Ltd, Singapore branch. These facilities comprise a term facility of USD 30 million and revolving loan of USD 20 million.

In January 2011, Pamapersada entered into an Interest Rate Swap with notional amounts of USD 5.85 million with PT Bank DBS Indonesia and USD 6.1 million with PT ANZ Panin Bank to translate the floating interest rates into fixed rates for finance lease liabilities to PT Komatsu Astra Finance.

b. Business Agreement

On 26 November, 2010, UTPE agreed to a joint venture agreement with PT Komatsu Indonesia and Maruei Ltd. as the basis for the establishment of the PT Komatsu Patria Attachment. The authorised and issued share capital is 2,250,000 shares with par value of USD 1 or equivalent to a total amount of USD 2,250,000. UTPE owns 45% of the shares whilst the remaining is owned by PT Komatsu Indonesia and Maruei Ltd at 50.5% and 4.5%, respectively. Issued capital has been fully paid on 31 January 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Expressed in millions of Rupiah, except par value per share)

36. SUBSEQUENT EVENTS (continued)

c. Investment of subsidiaries

On 11 January 2011, AMK entered into a joint venture agreement with Multico Infacore Holdings Pte. Ltd. and Prominent Ideas Overseas Limited to establish Allmakes Asia Pasific Pte. Ltd. ("AMAP") in Singapore. The authorized and issued share capital is 260,000 shares with par value of SGD 1 or equivalent to a total amount of SGD 260,000. AMK owns 55% of the shares whilst the remaining is owned by Multico Infacore Holdings Pte.Ltd and Prominent Ideas Overseas Limited at 32.5% and 12.5%, respectively. Issued capital has been fully paid on 12 January 2011.

d. Right Issue IV

On 30 March 2011, the company filed a registration statement to the Indonesia Capital Market and Financial Institution Supervisory Agency for Rights Issue IV. Based on the prospectus, each holder of 33 shares will be entitled to buy 4 shares at Rp 15,050 (Rupiah full amount) per share. The Company planned to issue 403,257,853 million shares which is equivalent to Rp 6,069,030,687,650 (Rupiah full amount). PT Astra International Tbk, the majority shareholder, will act as the standby purchaser.

37. PROSPECTIVE ACCOUNTING PRONOUNCEMENT

The Indonesian Institute of Accountants has issued the following revised financial accounting standards which will be effective from 1 January 2011 and 2012 and might have an impact on the Group's consolidated financial statements as follows:

- PSAK No. 1 : Presentation of Financial Statements
- PSAK No. 2 : Statement of Cash Flows
- PSAK No. 4 : Consolidated and Separate Financial Statements
- PSAK No. 5 : Operating Segments
- PSAK No. 7 : Related Party Disclosures
- PSAK No. 8 : Events after the Reporting Period
- PSAK No. 10 : The Effects of Changes in Foreign Exchange Rates
- PSAK No. 12 : Interests in Joint Ventures.
- PSAK No. 15 : Investments in Associates
- PSAK No. 19 : Intangible Assets
- PSAK No. 22 : Business Combinations
- PSAK No. 23 : Revenue
- PSAK No. 24 : Employee Benefits
- PSAK No. 25 : Accounting Policies, Changes in Accounting Estimates and Errors
- PSAK No. 34 : Construction Contracts
- PSAK No. 46 : Income Taxes
- PSAK No. 48 : Impairment of Assets
- PSAK No. 50 : Financial Instruments: Presentation
- PSAK No. 57 : Provisions, Contingent Liabilities and Contingent Assets
- PSAK No. 60 : Financial Instruments: Disclosures

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2010 DAN 2009

(Expressed in millions of Rupiah, except par value per share)

37. PROSPECTIVE ACCOUNTING PRONOUNCEMENT (continued)

- ISAK No. 9 : Changes in Existing Decommissioning, Restoration and Similar Liabilities
- ISAK No. 13 : Hedges of a Net Investment in a Foreign Operation
- ISAK No. 15 : The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- ISAK No. 16 : Service Concession Arrangements
- ISAK No. 17 : Interim Financial Reporting and Impairment

The Group is still evaluating the possible impact on the issue of these financial accounting standards and interpretations.

38. RECLASSIFICATIONS OF ACCOUNTS

Certain accounts in the 2009 consolidated financial statements have been reclassified to be consistent with the presentation of the 2010 consolidated financial statements.

The details of the reclassifications are as follows:

	As previously reported after reclassification	<u>Adjustment</u>	<u>As restated</u>
Current assets			
Other receivables			
- Related parties	-	20,432	20,432
Non-current assets			
Other receivables			
- Related parties	75,986	(20,432)	55,554
Operating expenses	(1,502,315)	97,728	(1,404,587)
Other (expenses)/income	266,390	(97,728)	168,662
Mining Property	-	2,225,216	2,225,216
Fixed Assets	11,835,726	(2,225,216)	9,610,510
Investment in associates	-	49,430	49,430
Long-term investment	306,292	(49,430)	256,862

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**31 DECEMBER 2010 DAN 2009**

(Expressed in millions of Rupiah, except par value per share)

39. REISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS

For purpose of Right Issue IV, the Company has reissued consolidated financial statements for the years ended 31 December 2010 and 2009 in order to conform to the relevant disclosure requirements of the capital market regulator. The amendments are as follows:

a. Reissuing of financial statement dated 19 April 2011

1. Separation of payments to suppliers and employees (Statement of Cash Flows).
2. Disclosure of audit committee, internal audit, corporate secretary and a history of public offering (refer to Note 1).
3. Additional explanation in the summary of accounting policies for property investments (refer to Note 2i).
4. Additional explanation in the summary of accounting policies for financial derivative instruments (refer to Note 2o).
5. Additional explanation in the summary of accounting policies for employee benefits obligation (refer to Note 2t).
6. Additional explanation in the summary of accounting policies for revenue and expense recognition (refer to Note 2v).
7. Additional disclosure of accounting policy for financial assets and liabilities in respect with effective interest rate method and derecognition (refer to Note 2ab).
8. Disclosure of the nature of relationship with the bank where the company had cash and cash equivalents (refer to Note 4).
9. Additional classifications for each type of investment and explanation regarding the account used to record the fair value adjustment (refer to Note 8).
10. Disclosure of the nature of relationship with an insurance company where the Company insured its inventories and fixed assets (refer to Notes 6 and 10).
11. Additional information of the financial covenants and information after balance sheet date in relation to short-term loans (refer to Note 12).
12. Additional information regarding securities on other borrowings (refer to Note 14).
13. Additional information regarding the maturity date of revolving loan facilities (refer to Note 17).
14. Disclosures of interest income (refer to Note 27).
15. Disclosure regarding the allocation of employee benefits expense (refer to Note 28).
16. Disclosure regarding estimates of cash receipt from financial assets and cash payments for financial liabilities in the future (refer to Note 30).
17. Additional information regarding acquisition and maturity period of derivative instrument (refer to Note 31h).
18. Additional information regarding nature of relationship with other parties in which company have significant agreement, commitments, and contingencies (refer to Note 31).
19. Additional information regarding the registration of submission by the Company for the right issue purpose (refer to Note 36d).

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31 DECEMBER 2010 DAN 2009**

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39. REISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

b. Reissuing of financial statement dated 27 April 2011

1. Separate presentation of investment in associated companies from long-term investments and mining property from fixed asset (Balance sheets).
2. Elimination of accounting policies for goodwill (refer to Note 2b).
3. Separation of accounting policies regarding mining property from fixed asset and depreciation (refer to Note 2k).
4. Additional information regarding details of financial asset and liabilities (refer to Note 2ab).
5. Additional information regarding insurance of inventory in transit (refer to Note 6).
6. Separation of the notes about investment in associates (refer to Note 9) from the note of long-term investment (refer to Note 8).
7. Separation of the note for mining property (refer to Note 11) from the note of fixed assets (refer to Note 10).
8. Additional explanation on other receivables and other payables from or to related parties (refer to Note 33b).
9. Additional disclosure of remuneration of the Board of Directors and Board of Commissioners (refer to Note 33d).
10. Additional information about reclassification of 2009 accounts following the separate presentation of investments in associates from long-term investments and mining property from fixed assets (refer to Note 38).

SUPPLEMENTARY INFORMATION

**PT UNITED TRACTORS Tbk
PARENT COMPANY ONLY**

Schedule 5/75

BALANCE SHEETS

AS AT 31 DECEMBER 2010 DAN 2009

(Expressed in millions of Rupiah, except par value per share)

ASSETS	<u>2010</u>	<u>2009</u>
Current assets		
Cash and cash equivalents	404,620	1,478,665
Trade receivables:		
- Third parties (net of allowance for doubtful accounts of 2010: Rp 30,273; 2009: Rp 17,591)	1,914,478	1,372,063
- Related parties	1,301,242	883,610
Other receivables:		
- Third parties (net of allowance for doubtful accounts of 2010 and 2009: Rp 20,000)	13,527	19,251
- Related parties	67,022	21,542
Inventories (net of allowance for inventory obsolescence and write down of 2010: Rp 19,750; 2009: Rp 24,372)	5,019,780	3,131,719
Prepaid taxes	105,871	63,295
Advances and prepayments	<u>69,244</u>	<u>42,517</u>
Total current assets	<u>8,895,784</u>	<u>7,012,662</u>
Non-current assets		
Restricted cash and time deposits	-	4,700
Deferred tax assets	63,928	59,713
Other receivables - related parties	989,689	723,781
Long-term investments	9,346,045	8,795,821
Fixed assets (net of accumulated depreciation of 2010: Rp 603,444; 2009: Rp 403,458)	1,143,926	944,327
Investment property	30,336	22,291
Deferred charges	<u>10,603</u>	<u>22,766</u>
Total non-current assets	<u>11,584,527</u>	<u>10,573,399</u>
TOTAL ASSETS	<u>20,480,311</u>	<u>17,586,061</u>

SUPPLEMENTARY INFORMATION

**PT UNITED TRACTORS Tbk
PARENT COMPANY ONLY**

Schedule 5/76

BALANCE SHEETS

31 DECEMBER 2010 DAN 2009

(Expressed in millions of Rupiah, except par value per share)

	<u>2010</u>	<u>2009</u>
LIABILITIES		
Current liabilities		
Short-term bank loans	134,865	-
Trade payables:		
- Third parties	2,310,326	1,824,606
- Related parties	675,686	461,257
Other payables:		
- Third parties	73,800	86,981
- Related parties	471,121	362,355
Taxes payable	41,216	100,542
Accrued expenses	184,022	173,302
Customer deposits	269,019	131,363
Provision	16,475	17,527
Current portion of long-term bank loans	<u>-</u>	<u>47,000</u>
Total current liabilities	<u>4,176,530</u>	<u>3,204,933</u>
Non-current liabilities		
Other liability	2,761	-
Provision	85,909	68,258
Deferred revenue	<u>78,773</u>	<u>469,160</u>
Total non-current liabilities	<u>167,443</u>	<u>537,418</u>
TOTAL LIABILITIES	<u>4,343,973</u>	<u>3,742,351</u>

SUPPLEMENTARY INFORMATION**PT UNITED TRACTORS Tbk
PARENT COMPANY ONLY****Schedule 5/77****BALANCE SHEETS****31 DECEMBER 2010 DAN 2009**

(Expressed in millions of Rupiah, except par value per share)

EQUITY	<u>2010</u>	<u>2009</u>
Share capital:		
Authorised - 6,000,000,000 ordinary shares, with par value of Rp 250 per share, issued and fully paid 3,326,877,283 shares	831,720	831,720
Additional paid-in capital	3,781,563	3,781,563
Exchange difference from financial statements translation	120,690	135,504
Difference in the equity transactions of subsidiaries	197,662	132,981
Investment fair value revaluation reserve	65,691	65,691
Retained earnings:		
- Appropriated	166,344	166,344
- Unappropriated	<u>10,972,668</u>	<u>8,729,907</u>
Total equity	<u>16,136,338</u>	<u>13,843,710</u>
TOTAL LIABILITIES AND EQUITY	<u>20,480,311</u>	<u>17,586,061</u>

SUPPLEMENTARY INFORMATION

**PT UNITED TRACTORS Tbk
PARENT COMPANY ONLY**

Schedule 5/78

STATEMENTS OF INCOME

FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

(Expressed in millions of Rupiah, except net earnings per share)

	<u>2010</u>	<u>2009</u>
Net revenue	20,117,852	14,498,408
Cost of revenue	<u>(16,572,931)</u>	<u>(11,741,090)</u>
Gross profit	3,544,921	2,757,318
Operating expenses		
Selling expenses	(308,863)	(225,378)
General and administrative expenses	<u>(776,424)</u>	<u>(682,007)</u>
Total operating expenses	<u>(1,085,287)</u>	<u>(907,385)</u>
Operating income	<u>2,459,634</u>	<u>1,849,933</u>
Other (expenses)/income		
Foreign exchange gain, net	(95,080)	(302,673)
Interest and finance charges	(14,513)	(15,387)
Interest income	86,704	82,001
Gain on disposal of fixed assets	15,028	9,566
Gain on sale of investment of subsidiary	52,020	-
Other income/(expense), net	<u>29,395</u>	<u>(126,072)</u>
Total other (expense)/income, net	<u>73,554</u>	<u>(352,565)</u>
Shares of results of subsidiaries and associates	<u>1,859,994</u>	<u>2,695,895</u>
Profit before income tax	4,393,182	4,193,263
Income tax expense	<u>(520,251)</u>	<u>(375,722)</u>
Net income	<u>3,872,931</u>	<u>3,817,541</u>
Net basic earnings per share (in full Rupiah)	<u>1,164</u>	<u>1,147</u>

SUPPLEMENTARY INFORMATION

Schedule 5/79

**PT UNITED TRACTORS Tbk
PARENT COMPANY ONLY**

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**
(Expressed in millions of Rupiah)

	Share capital	Additional paid-in capital	Exchange difference from financial statements translation	Difference in the equity transactions of subsidiaries	Investment fair value revaluation reserve	Retained earnings		Total equity
						Appropriated	Unappropriated	
Balance as at 1 January 2009	831,720	3,781,563	187,721	21,795	65,691	142,580	6,100,537	11,131,607
Exchange difference from financial statements translation	-	-	(52,217)	-	-	-	-	(52,217)
Difference in the equity transactions of subsidiaries	-	-	-	111,186	-	23,764	(23,764)	111,186
Appropriation to statutory reserve	-	-	-	-	-	(1,164,407)	(1,164,407)	(1,164,407)
Cash dividends	-	-	-	-	-	3,817,541	3,817,541	3,817,541
Net income	-	-	-	-	-	-	-	-
Balance as at 31 December 2009	<u>831,720</u>	<u>3,781,563</u>	<u>135,504</u>	<u>132,981</u>	<u>65,691</u>	<u>166,344</u>	<u>8,729,907</u>	<u>13,843,710</u>
Balance as at 1 January 2010	831,720	3,781,563	135,504	132,981	65,691	166,344	8,729,907	13,843,710
Exchange difference from financial statements translation	-	-	(14,814)	-	-	-	-	(14,814)
Difference in the equity transactions of subsidiaries	-	-	-	64,681	-	-	(1,630,170)	64,681
Cash dividends	-	-	-	-	-	-	3,872,931	(1,630,170)
Net income	-	-	-	-	-	-	-	3,872,931
Balance as at 31 December 2010	<u>831,720</u>	<u>3,781,563</u>	<u>120,690</u>	<u>197,662</u>	<u>65,691</u>	<u>166,344</u>	<u>10,972,668</u>	<u>16,136,338</u>

SUPPLEMENTARY INFORMATION

PT UNITED TRACTORS Tbk
PARENT COMPANY ONLY

Schedule 5/80

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2010 and 2009
(Expressed in millions of Rupiah, except otherwise stated)

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	19,276,524	13,794,778
Payments to suppliers and employees	(18,768,063)	(11,119,005)
Payments of corporate income tax	(553,889)	(577,780)
Interest paid	(14,513)	(15,217)
Interest received	<u>86,704</u>	<u>82,001</u>
Net cash flows provided from operating activities	<u>26,763</u>	<u>2,164,777</u>
CASH FLOWS FROM/ (FOR) INVESTING ACTIVITIES		
Proceeds from sale of fixed assets	21,881	19,741
Dividends received	1,105,540	2,979
Acquisition of fixed assets	(334,151)	(226,935)
Proceeds from sale of investment in shares	55,350	-
Increase of investment	<u>(133,392)</u>	<u>-</u>
Net cash flows from/(for) investing activities	<u>715,228</u>	<u>(204,215)</u>
CASH FLOWS FOR FINANCING ACTIVITIES		
Decrease/(increase) in restricted cash and time deposits	4,700	(4,700)
Receipts from due to related parties (Repayments)/receipts of amount due from related parties	108,765	4,377
Proceeds from long-term bank loans	(305,870)	170,897
Repayment of other borrowings	135,450	240,500
Repayments of long term bank loans	-	(328,500)
Dividends paid	(44,875)	(180,375)
	<u>(1,629,228)</u>	<u>(1,165,300)</u>
Net cash flows for financing activities	<u>(1,731,058)</u>	<u>(1,263,101)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(989,067)	697,461
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,478,665	952,941
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(84,978)</u>	<u>(171,737)</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>404,620</u>	<u>1,478,665</u>







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