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## **4Q10 - Quarterly Activities Report**

For the Three Months Ending December 31<sup>st</sup>, 2010

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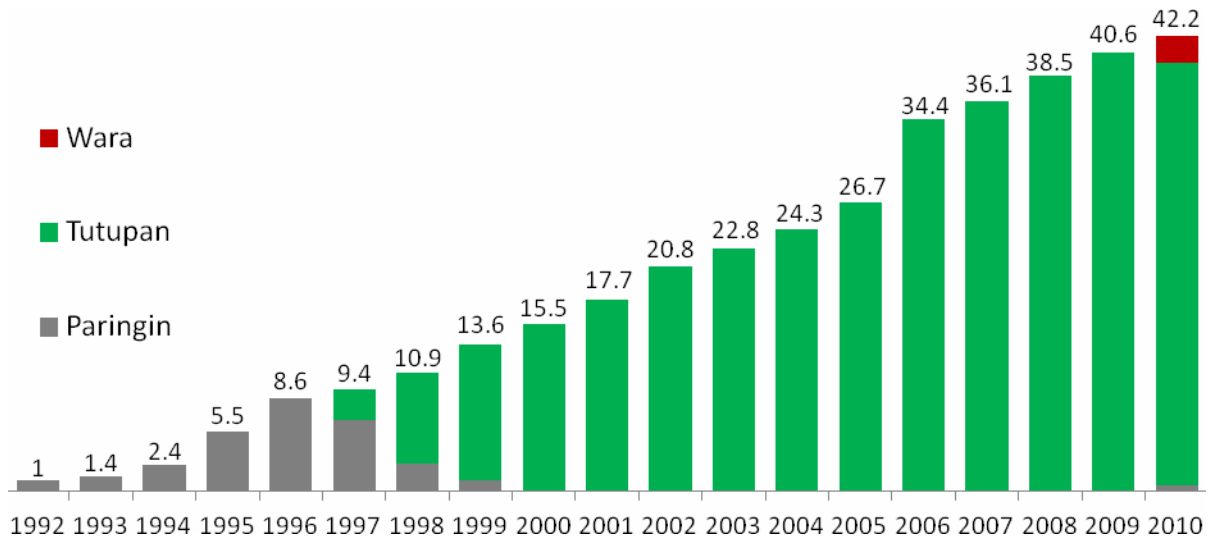
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**Jakarta, January 31<sup>st</sup>, 2011**

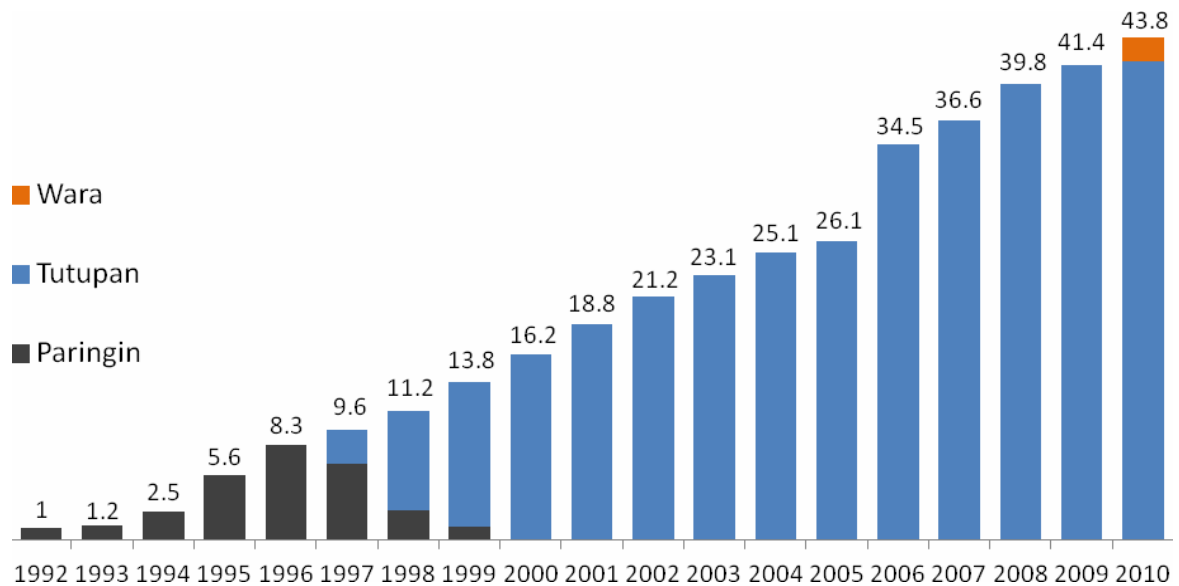
### **Summary of 4Q10:**

- Higher than average rainfall and rain days continued. (*see page 6*)
- For full year 2010, we increased production 4% to 42.2 million tonnes (Mt), despite the unusual and unseasonal rainfall. (*see page 4*)
- We removed 60.35 million bank cubic meters (Mbcm) of overburden, our best quarter on record. (*see page 4*)
- Due to increased flexibility and higher utilization under the terms of three new barging contracts, Adaro decreased freight rates by 15% on the tonnage covered by the new contracts. (*see page 5*)

## HISTORICAL PRODUCTION VOLUME (Mt)

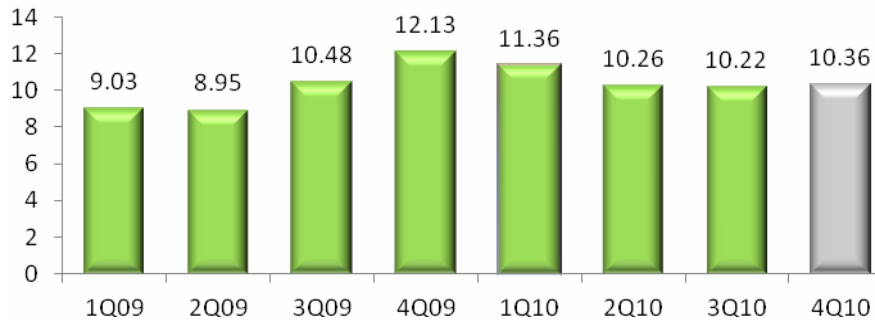


## HISTORICAL SALES VOLUME (Mt)

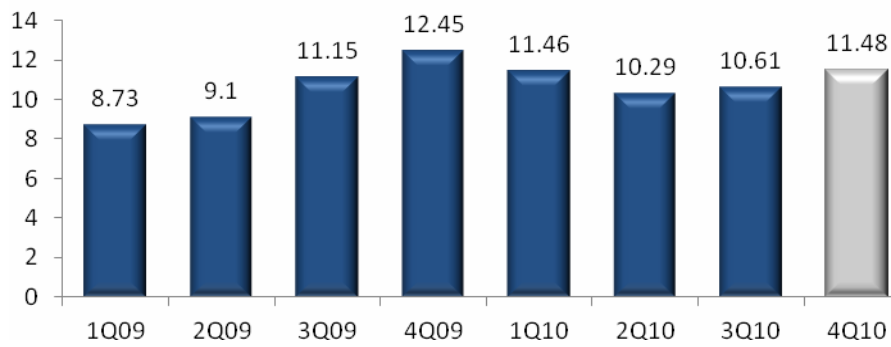


## QUARTERLY OPERATIONS

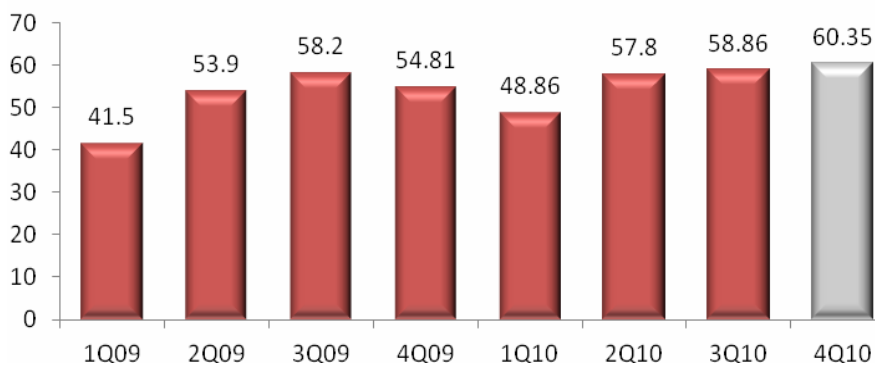
### Production volume (Mt)



### Sales volume (Mt)



### Overburden Removal (Mbcm)



## **OPERATIONS**

In 2010, despite the record-setting high volume of rainfall and number of rain days, Adaro Energy recorded its 19<sup>th</sup> year of annual production growth, increasing coal production 4% to 42.2 Mt, or 94% of the 45 Mt target. Production from the new Wara pit was less affected as it is in the initial stages of development and benefited from a low overburden stripping ratio.

In 2011, Adaro plans to ramp up production to 46-48 Mt, including 4-5 Mt of Envirocoal-Wara. This new product continues to receive strong demand from countries such as India, China, South Korea and Indonesia.

### **PT Adaro Energy Tbk**

	Units	4Q09	4Q10	% Change
<b>Production</b>	Mt	12.13	10.36	-15%
<b>Sales</b>	Mt	12.45	11.48	-8%

	Units	FY09	FY10	% Change
<b>Production</b>	Mt	40.59	42.20*)	4%
<b>Sales</b>	Mt	41.40	43.84**)	6%

\*) Includes coal production from Envirocoal-Wara of 2.5 Mt and Paringin of 0.5 Mt

\*\*\*) Includes the third party coal sales sold by Coaltrade of 1.39 Mt and Envirocoal-Wara of 2.05Mt

### **Mining and Hauling**

In 2010, PT Pamapersada Nusantara (“PAMA”) was responsible for 39% of Adaro Indonesia’s coal. PT Bukit Makmur Mandiri Utama (“BUMA”) and PT Rahman Abdijaya (“RAJ”) were responsible for 19% and 14% respectively. Slightly less than 2009, Adaro Energy’s subsidiary PT Saptaindra Sejati (“SIS”) handled 25% of the total while Adaro Indonesia itself handled 1%. PT Rante Mutiara Insani (“RMI”) assisted in the development of the Envirocoal-Wara pit and contributed 2% of Adaro Indonesia’s coal production.

In 2010, PAMA handled 40% of Adaro’s overburden, while BUMA, RAJ, RMI and Adaro Indonesia handled 19%, 8%, 2% and 1% respectively. SIS handled 30%, a similar portion as the 31% handled in 2009.

### **Overburden Removal**

Despite the wet conditions, overburden removal increased 10% in 4Q10 to 60.35 Mbcm. The average overburden removal per day was 710,000 bcm, 616,000 bcm and 648,000 bcm in October, November and December, respectively. A new daily production overburden record of 915,000 bcm was set on October 23<sup>rd</sup>.

In 2010, overburden removal increased 8% to 226 Mbcm, however due primarily to the impact of wet weather Adaro’s contractors achieved only 88% of the plan. The rate of increase was well below the 31% increase in 2009, indicating the impact of not having a dry season in 2010.

### **Coal Mining**

Due to continuing heavy rains throughout the fourth quarter of 2010 and no dry season in the prior quarter, coal production in comparison to 4Q09 dropped 15% to 10.36 Mt. However, all contractors performed well and delivered the second best quarter of the year.

#### **Coal Mining: PT Adaro Indonesia**

	<b>Units</b>	<b>4Q09</b>	<b>4Q10</b>	<b>% Change</b>
Overburden	Mbcm	54.81	60.35	10%
Coal Transported	Mt	12.13	10.36	-15%
Coal Sold	Mt	12.33	10.58	-14%

	<b>Units</b>	<b>FY09</b>	<b>FY10</b>	<b>% Change</b>
Overburden	Mbcm	208.50	225.87	8%
Coal Transported	Mt	40.59	42.20	4%
Coal Sold	Mt	41.08	42.45	3%

### **Barging and Ship Loading**

In 4Q10, all barging and shiploading contractors handled lower tonnages because of lower coal production, but cycle times improved slightly compared to the previous quarter. The output from the floating cranes, self geared vessels and IBT declined due to the continuation of the unprecedented level of rainfall at the mining operations. Meanwhile, Adaro's barging tonnage (barged directly to the customers) increased slightly by 2% to meet Adaro's domestic coal sales obligation.

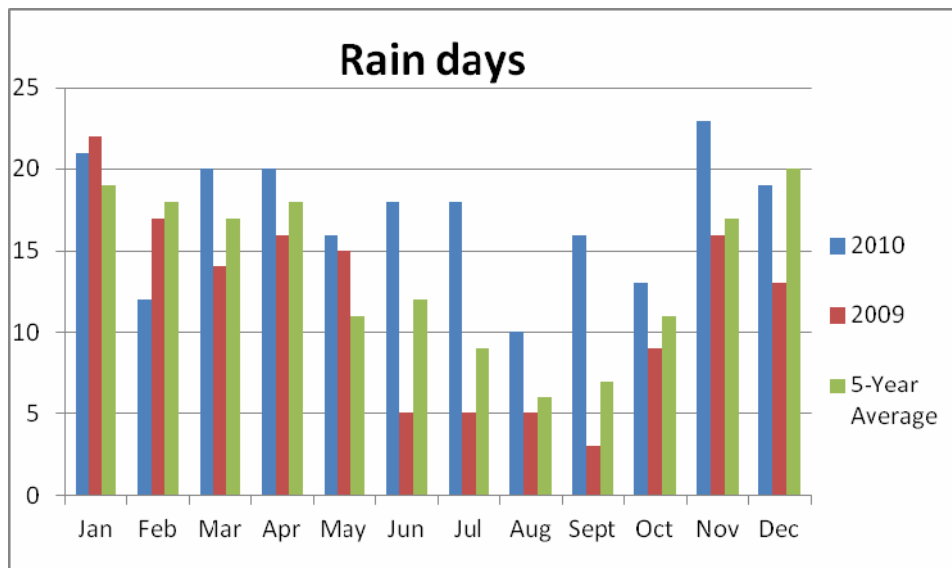
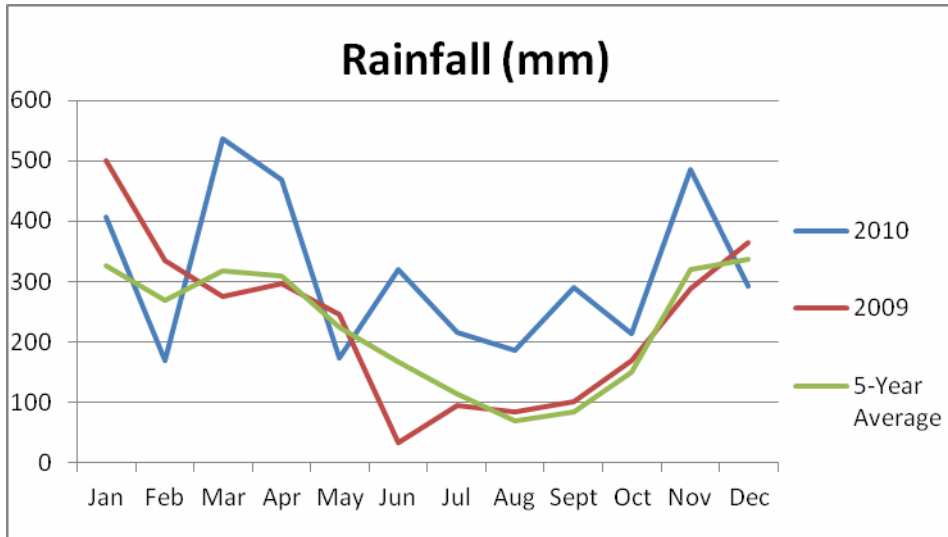
All barging and shiploading contractors' cycle time improved due to the shipment schedule being better matched with production. As a result, the average demurrage rate per vessel declined compared to the previous quarter. The signing of three new innovative long-term barging contracts helped Adaro to improve flexibility and efficiency. With these new contracts in place, Adaro was able to direct its barging contractors to barge for multiple routes, hence allowing for greater flexibility and higher utilization, resulting in an estimated 15% decrease in freight rates for tonnages covered by the new contracts.

	<b>Units</b>	<b>4Q09</b>	<b>4Q10</b>	<b>% Change</b>
Floating Cranes	Mt	7.05	5.91	-16%
Self Geared	Mt	1.53	0.95	-38%
IBT	Mt	0.89	0.78	-12%
Barges	Mt	2.86	2.93	2%
<b>Total</b>	<b>Mt</b>	<b>12.33</b>	<b>10.57</b>	<b>-14%</b>

	Units	FY09	FY10	% Change
Floating Cranes	Mt	21.95	23.06	5%
Self Geared	Mt	6.04	4.93	-18%
IBT	Mt	3.13	3.48	11%
Barges	Mt	9.95	10.97	10%
<b>Total</b>	Mt	41.07	42.44	3%

**Bad Weather of 2010**

The year 2010 was a La Nina year characterized by abnormal weather patterns around the world. Indonesia’s rainy season typically starts in the fourth quarter and continues through the first quarter of the following year as the chart below indicates. Similar to 3Q10, the rainfall was abnormal in 4Q10. The rainfall volume and number of rain days in the fourth quarter, especially during October and November, were higher than last year and the five year average. During 4Q10, the average volume of rainfall was 331 mm per month while the average number of rain days was 18 days per month.



*The amount of rainfall in mm and rain days at the Tutupan mining area*

The arrival of additional dredging systems in October helped Adaro's contractors clean up mud from pits and increase pumping performance. During 4Q10, Adaro pumped 6.1 million m<sup>3</sup>, 11.2 million m<sup>3</sup>, and 6.8 million m<sup>3</sup> of water in October, November and December, respectively. This 36% increase to 24.1 million m<sup>3</sup> is equivalent in volume to 9,640 Olympic sized swimming pools. Adaro will give priority to pit dewatering in the first quarter of 2011.

### **Vessel Waiting Times Improved**

The average waiting time per vessel in October, November and December was 11, 8 and 5 days respectively, which was less than the previous quarter as some shipments were rescheduled into 2011. The average demurrage rate per tonne of coal shipped decreased. The inventory levels remained low as demand for Envirocoal continued to be strong.

### **Coal Mining Contractor: PT Saptaindra Sejati**

In 4Q10, SIS's performance was affected by long periods of wet weather conditions at Adaro's mines and other customers' mines. SIS's overburden removal increased 10% to 36.19 Mbcm while coal mining decreased 42% to 3.14 Mt.

The arrival of additional new and larger sized heavy equipment at Adaro's mines helped to boost SIS's overburden removal by 20% to 19.29 Mbcm. Meanwhile, SIS's coal mining at Adaro's mines declined 61% from that of 4Q09 to 1.24 Mt.

	Units	4Q09	4Q10	% Change
<b>Overburden Removal</b>	Mbcm	33.02	36.19	10%
Adaro	Mbcm	16.06	19.29	20%
Others	Mbcm	16.96	16.90	0%
<b>Coal Mined</b>	Mt	5.45	3.14	-42%
Adaro	Mt	3.18	1.24	-61%
Others	Mt	2.27	1.90	-16%

	Units	FY09	FY10	% Change
<b>Overburden Removal</b>	Mbcm	114.99	128.08	11%
Adaro	Mbcm	63.61	67.75	7%
Others	Mbcm	51.38	60.33	17%
<b>Coal Mined</b>	Mt	16.37	16.58	1%
Adaro	Mt	10.60	10.25	-3%
Others	Mt	5.77	6.33	10%

**Barging and Ship Loading: Orchard Maritime Logistics Ltd, MBP and HBI**

In 4Q10, total coal transported and loaded decreased 12% and 4%, compared to 4Q09, respectively, due to poor weather and less Adaro coal.

	Units	4Q09	4Q10	% Change
<b>Total Coal Transported</b>	Mt	3.43	3.01	-12%
Adaro	Mt	2.94	2.95	0%
Others	Mt	0.48	0.06	-88%
<b>Total Coal Loaded</b>	Mt	3.64	3.48	-4%
Adaro	Mt	3.64	3.35	-8%
Others	Mt	-	0.13	

	Units	FY09	FY10	% Change
<b>Total Coal Transported</b>	Mt	10.37	11.59	12%
Adaro	Mt	8.63	10.87	26%
Others	Mt	1.73	0.72	-58%
<b>Total Coal Loaded</b>	Mt	11.40	12.65	11%
Adaro	Mt	11.28	12.38	10%
Others	Mt	0.12	0.27	125%

**Coal Terminal: PT Indonesia Bulk Terminal**

In 4Q10, total coal shipped decreased 27% to 1.24 Mt mainly due to supply constraints experienced by third party coal suppliers caused by heavy rainfall, notably the 42% decrease to 0.46 Mt of third party coal.

However, more vessels were loaded in 2010 compared to 2009, mainly due to the weak global economy in the first half of 2009. The IBT Pulau Laut fuel terminal, which became fully operational in 2010 helped boost vessel traffic by 32% to 95 vessels, as fuel tankers and fuel barges began using the terminal.

	Units	4Q09	4Q10	% Change
<b>Total Coal Shipped</b>	Mt	1.69	1.24	-27%
Adaro/Coaltrade	Mt	0.89	0.77	-14%
Third party	Mt	0.80	0.46	-42%
<b>No of vessels loaded</b>		24	18	-25%

	Units	FY09	FY10	% Change
<b>Total Coal Shipped</b>	Mt	4.64	6.23	34%
Adaro/Coaltrade	Mt	3.25	3.48	7%
Third party	Mt	1.38	2.75	99%
<b>No of vessels loaded</b>		72	95	32%



### **Coal Marketing: Coaltrade Services International Pte Ltd**

In 4Q10, total coal sales from Adaro decreased 37% from 4Q09 to 0.79 Mt due to supply constraints caused by poor weather conditions. However, total third party coal sold by Coaltrade rose 650% to 0.9 Mt.

	Units	4Q09	4Q10	% Change
<b>Total coal sales</b>	Mt	1.38	1.69	23%
Coal purchased from Adaro	Mt	1.26	0.79	-37%
Others	Mt	0.12	0.90	650%

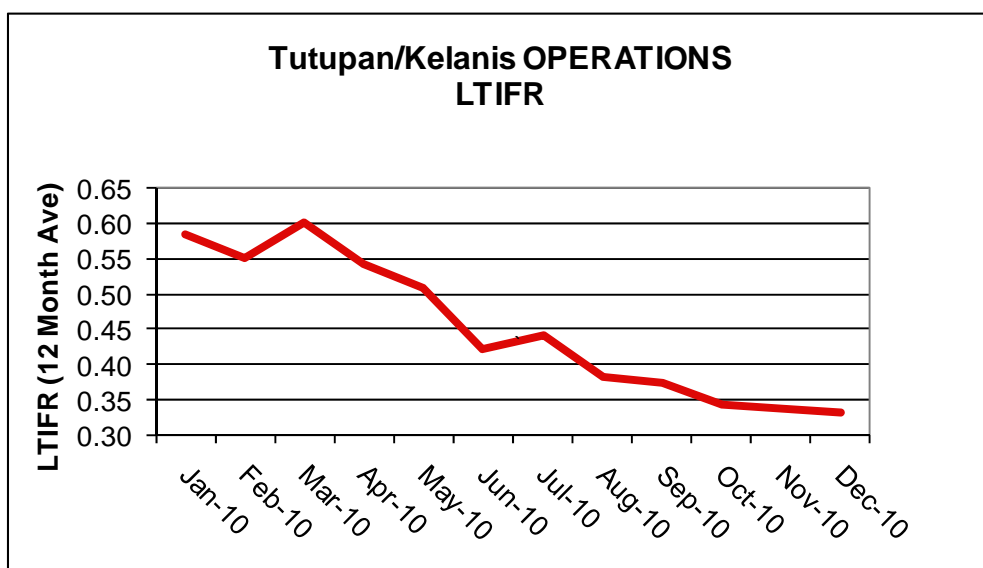
	Units	FY09	FY10	% Change
<b>Total coal sales</b>	Mt	3.35	4.43	32%
Coal purchased from Adaro	Mt	3.00	3.04	1%
Others	Mt	0.35	1.39	297%

### **SAFETY AND ENVIRONMENT**

#### **Safety**

During 4Q10, there were 4 LTI (Lost Time Injuries) with a resultant LTIFR (Loss Time Injury Frequency Rate) of 0.36, a decrease when compared to 4Q09. This reduction in the LTIFR during an extended period of wet weather conditions demonstrates Adaro's commitment to workplace safety in all its operations. Adaro has continuously improved safety performance and further reduced the LTIFR in 2010 as shown in the chart below.

	FY09	FY10	
	Actual	Actual	Plan
LTI	23	15	9
LTIFR	0.65	0.36	0.20



## Land Rehabilitation

	4Q10	Project to Date
Rehabilitation (ha)	54	1,475
Land Disturbed - Mine (ha)	126	2,368
Land Disturbed - Other (ha)	298	4,616
Net Land Disturbed (ha)	370	5,509

Adaro rehabilitated 54 hectares during the quarter with total rehabilitation to date of 1,475 hectares. The land affected by mining is reclaimed progressively with replanting of trees and plants being undertaken as soon as the land development is ready. Water run-off from disturbed areas is closely monitored and treated in settlement ponds before it is used to develop irrigated areas for more intensive farming.

## PROJECT DEVELOPMENT

### **Improving Efficiency of Coal Supply Chain: Overburden Crushing and Conveying**

In order to economically and reliably boost production at Tutupan, Adaro plans to install a crushing and conveying system to move overburden, called an Out of Pit Crusher and Conveyor (OPCC). During 4Q10, Adaro continued to work on the preliminary design of the system, which is expected to have a capacity of 66 Mbcm in two units. The commercial and contractual agreement was close to completion, following which Adaro will announce the EPC contractor. The OPCC is expected to cost US\$275 – 300 million and should be operational by the first quarter of 2013.

### **2X30 MW Mine-mouth Power Plant**

Adaro's 2X30 megawatt (MW) mine-mouth power plant is owned and will be operated by Adaro's subsidiary, MSW, to power the OPCC and other parts of the mining operations. The construction work at the site progressed well and was on track to commence by 2012. During 4Q10, MSW spent US\$5.5 million which brought total spending on this project to US\$59 million. The plant will be fueled by approximately 300,000 tonnes of Envirocoal-Wara per year and is expected to result in costs savings, less dependency on oil and greater reliability.



*The ground view of 2X30 MW mine-mouth power plant construction site (December 2010)*

### **Kelanis Terminal Expansion**

The new South Kelanis loadout is planned to handle the future production increase as Adaro Energy ramps up to 80 Mt. A new set of barge loaders with a capacity of 30 Mt per annum will be built in 2011, with completion scheduled for the second quarter of 2012. During 4Q10, Adaro Energy completed land acquisitions and neared completion of the design.

## **BUSINESS DEVELOPMENT**

### **IndoMet Coal Project (“ICP”) with BHP Billiton**

Further studies to identify development options across the seven Coal Contracts of Work (CCoWs) of the IndoMet Coal Project continued during 4Q10. The ICP, which is 25% owned by Adaro Energy, will inform the market of the results of the study phase at the appropriate time.

### **Power Sector**

Adaro aims to move further downstream into power and take equity in power projects in Indonesia. Adaro evaluated three IPP (Independent Power Producer) projects located in Java and Kalimantan. Adaro agreed to take a stake in a consortium with international power companies in projects where bids will be made in the first half of 2011. By moving into power Adaro intends to make investments that will provide good returns, reliable cash flow and create a significant base demand for Envirocoal-Wara.

### **Coal Deposits Acquisition**

Adaro continued to look for potential acquisitions of coal deposits in Indonesia using three selection criteria: size, location and quality of assets.

## **CORPORATE DEVELOPMENT**

### **Adaro and its Bond Recognized by FinanceAsia**

Adaro’s US\$800 million 10-year bond was voted as the winner by FinanceAsia in two categories: the most professional non investment-grade corporate bond in Asia and the best borrower in Indonesia. The results were tabulated from the votes of 680 fixed income investors across Asia-Pacific. The proceeds have strengthened Adaro’s financial structure and shall be used to support its growth plans, to build infrastructure and increase cost efficiency.

### **McCloskey Awards Adaro Indonesia**

In August 2010, Adaro Indonesia received the “International Coal Producer of the Year” award from the McCloskey Group, as announced during the Indian Coal Markets Conference and Awards Dinner.

### **Platts Top 250 Global Energy Companies Award**

Platts ranked Adaro Energy as the third fastest growing company in Asia based on the three-year compound revenue growth. Adaro was ranked fourth in the category of coal and consumable fuel companies in Asia, and 41st in the category of global energy companies in Asia.

### **PROPER Green Award for Third Consecutive Year**

Adaro Indonesia received the PROPER Award with Green Rating from the Ministry of Environment of Republic of Indonesia in recognition of Adaro's management of its mining operations in an environmentally sensitive manner while prioritizing safety. This is the third consecutive Green Rating that Adaro has received. The award was presented by Indonesia's Vice President Boediono, accompanied by the Minister of the Environment, Gusti Muhammad Hatta, on November 26<sup>th</sup>, 2010.



*Adaro's GM Operations, Priyadi accepts PROPER Green award from Indonesia's Vice President Boediono*

### **President Director Thohir and Adaro Indonesia Receive Awards from Enterprise Asia**

Adaro Energy's President Director, Mr. Garibaldi Thohir, was awarded the Outstanding Entrepreneurship Award for 2010 from Enterprise Asia. In addition, Adaro Indonesia received the Green Leadership Award for the management of Water Treatment Plant T-300. Both of these awards were given by Mr. William Ng, President of Enterprise Asia, on December 14<sup>th</sup>, 2010.



*President Director Boy Thohir with the Outstanding Entrepreneurship and Green Leadership awards*

### **President Commissioner Soeryadjaya Awarded Entrepreneur of the Year**

Adaro Energy's President Commissioner, Mr. Edwin Soeryadjaya, was awarded the Indonesian Entrepreneur of the Year 2010 by Ernst & Young. The award was presented in Jakarta by Chief Executive Officer (CEO) of Ernst & Young, Mr. Giuseppe Nicolosi, on November 25<sup>th</sup> 2010. It is the only business awards program in Indonesia that has international recognition.

### **Change of Corporate Secretary**

Adaro Energy's Board of Directors Decree dated January 28<sup>th</sup>, 2011, has appointed Mr. Devindra Ratarwin as the Company's new Corporate Secretary, which was previously held by Mr. Andre J. Mamuaya, Adaro's Director. Since joining Adaro in September 2008, Mr. Ratarwin held the position of Deputy Corporate Secretary. Before joining Adaro, he was the Corporate Secretary of PT Darma Henwa Tbk (November 2006-August 2008). He has more than 10 years experience in the financial industry: PT Perusahaan Pengelola Aset (Persero) as Deputy General Manager (April 2004 - November 2006), member of Indonesian Bank Restructuring Agency's (IBRA) Small Taskforce (March – April 2004), Assistant Vice President at IBRA (July 2000 – February 2004), and PT Bank Permata Tbk (formerly PT Bank Bali Tbk) as Commercial Business Development Manager (April 1996 – June 2000). He earned a Bachelor of Science in Business Administration majoring in Finance from the University of Louisiana at Lafayette, USA (1994) and a Master of Business Administration from McNeese State University, USA (1995).