



# Quarterly Activities Report

## Second Quarter of 2013

*For the Three Months Ending June 30<sup>th</sup> 2013*

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### **Picture Above: OPCC spreader in action**

Our out of pit overburden crusher and conveyor has a capacity to transport up to 34 million bank cubic meters of overburden each year — equivalent to approximately 100 overburden dump trucks.

Jakarta, July 31<sup>st</sup> 2013

Dear Capital Market Participants,

Welcome to Adaro Energy's Quarterly Activities Report for the second quarter of 2013. We regularly issue the quarterly activities report one month after the end of each quarter. The report focuses on our operations, business development, exploration and other activities. We will release our 1H13 financial press release along with our financial statements and notes (limited review) on August 29, 2013.

### Highlights of the quarter:

- We achieved a new quarterly record for coal production of 13.52 million tonnes (*page 3, 4*).
- The Newcastle coal price decreased nearly 10% in the quarter but demand and price for sub-bituminous 4200 CV coal stayed solid (*4,5*).
- Adaro Energy took delivery of a new floating transfer unit, which will perform shiploading activities at a rate of approximately 60,000 tonnes per day (*10*).
- Our out of pit overburden crusher and conveyor (OPCC) system commenced trial operations and is expected to be fully commissioned in 3Q13 (*13*).
- The first 30 megawatt (MW) unit of our mine-mouth power plant is supplying power to PLN and Adaro Indonesia. Commissioning of the second unit is expected in 3Q13 (*14*).
- At the Kelanis River Terminal, we commissioned a seventh crushing line, increasing crushing capacity by nearly 11 Mt (*14*).
- Adaro Indonesia completed a US\$380 million refinancing (*15*).

Please do not hesitate to contact us should you have further questions or require additional information.

Yours faithfully,



Cameron Tough  
Head of Investor Relations  
PT Adaro Energy, Tbk.

## **New Quarterly Record for Production, On Track for Yearly Guidance**

We achieved a new quarterly record for coal production in the second quarter of 2013 of 13.52 million tonnes (Mt), a 12% increase year over year (y-o-y) and an 18% increase quarter over quarter (q-o-q). Our previous best quarter was in 4Q12 when we produced 13.31 Mt. During the quarter, we had good contractor performance and lower than average rainfall, which aided in overburden removal and production growth. In 1H13, we produced 24.94 Mt and we are on track to reach our 2013 production target of 50 to 53 Mt. Our guidance is based on customer demand and we have contracted tonnage in-line with our yearly production guidance.

In 2Q13, production growth was mostly from increased output at the Tutupan and Paringin pits. We produced 1.62 Mt from Paringin, an increase of 80% and 548% from 1Q13 and 2Q12, respectively. In 1H13, we mined 2.52 Mt at Paringin and remain on track to achieve our production target from this mine. Production at Tutupan increased 15% to 10.06 Mt versus the previous quarter of 8.75 Mt. Wara experienced 4% q-o-q production growth to 1.84 Mt compared to 1.77 Mt in 1Q13. We increased production without any spend for heavy equipment in 2Q13, demonstrating our ability to reach higher volumes with our current fleet.

At the beginning of 2013, we introduced a new product called Envirocoal 4700 (E4700). E4700 is a stand-alone, unblended product from the northern area of the Tutupan pit. Sales of E4700 increased 144% to 2.29 Mt in 2Q13 versus 0.94 Mt in 1Q13 and totalled 3.23 Mt for 1H13. The increase in sales is due to our efforts marketing the new product to our customers. We are on track to reach our E4700 production target of 8 Mt for 2013 and have entered into contracts for the tonnage.

Our total sales volume reached 13.77 million tonnes in 2Q13, an increase of 11% y-o-y and 23% q-o-q. During the quarter, we experienced strong demand from India and for the first half of 2013, India became the largest portion of our sales at 22%. In 1H13, India increased its total coal imports by more than 50%. We will continue to serve and prioritize the domestic market, which represented 20% of our 1H13 coal sales.

In-line with our strategy to better control costs at our operations, we reduced our average planned strip ratio from 6.40x in 2012 to 5.75x in 2013. For 2Q13, the actual strip ratio was 5.90x, which was 8% higher q-o-q than 5.45x in 1Q13 and 19% lower y-o-y than 7.24x in 2Q12. As a result, overburden removal during the second quarter was down 9% y-o-y to 79.82 Mbcm. At the end of 1H13, the actual strip ratio at AI was 5.69x and we remain on track to finish the year at our planned strip ratio.

In the second quarter, our new floating transfer unit (FTU) arrived, which will perform shiploading activities at a rate of approximately 60,000 tonnes per day compared to a standard floating crane of 15,000 tonnes per day. Our infrastructure projects are on track after we commissioned one unit of our 2x30 MW mine-mouth power plant and switched on our out of pit overburden crusher and conveyor system.

	Units	Actual	Quarter on Quarter		Year on Year	
		2Q13	1Q13	% Change	2Q12	% Change
<b>Production Volume</b>	<b>Mt</b>	<b>13.52</b>	<b>11.42</b>	<b>18%</b>	<b>12.05</b>	<b>12%</b>
Tutupan	Mt	10.06	8.75	15%	9.72	4%
Paringin	Mt	1.62	0.9	80%	0.25	548%
Wara	Mt	1.84	1.77	4%	2.07	-11%
<b>Sales Volume</b>	<b>Mt</b>	<b>13.77</b>	<b>11.23</b>	<b>23%</b>	<b>12.44</b>	<b>11%</b>
E5000 (Tutupan and Paringin)	Mt	8.27	8.24	0%	9.68	-15%
E4700 (Tutupan)	Mt	2.29	0.94	144%	-	NA
E4000 (Wara)*	Mt	2.70	2.05	32%	2.28	18%
Coaltrade's third party sales	Mt	0.50	-	NA	0.48	4%
<b>Overburden removal</b>	<b>Mbcm</b>	<b>79.82</b>	<b>62.25</b>	<b>28%</b>	<b>87.29</b>	<b>-9%</b>

\*2012 figures for E4000 include E4500

1H13 vs 1H12				
	Units	1H13	1H12	% Change
<b>Production Volume</b>	<b>Mt</b>	<b>24.94</b>	<b>23.01</b>	<b>8%</b>
Tutupan	Mt	18.82	18.81	0%
Paringin	Mt	2.52	0.47	436%
Wara	Mt	3.61	3.73	-3%
<b>Sales Volume</b>	<b>Mt</b>	<b>25.00</b>	<b>23.69</b>	<b>6%</b>
E5000 (Tutupan and Paringin)	Mt	16.51	18.72	-12%
E4700 (Tutupan)	Mt	3.23	-	NA
E4000 (Wara)*	Mt	4.75	4.10	16%
Coaltrade's third party sales	Mt	0.50	0.87	-42%
<b>Overburden removal</b>	<b>Mbcm</b>	<b>142.07</b>	<b>156.83</b>	<b>-9%</b>

\*2012 figures for E4000 include E4500

## Market Overview: Coal Index Prices Decrease but Demand Holds for Low Rank Coal

By the end of June, Newcastle prices had fallen nearly 10% to US\$78.89 from US\$87.01 at the beginning of the quarter. The decrease of Newcastle price has largely been caused by the deteriorating domestic coal price in China due to the well-supplied domestic market impacting the demand for off-spec Australian coal. Additionally, the weakening of the Australian Dollar seems to have played a role by lowering production costs in Australian Dollar terms and allowing the Australian producers to decrease prices in order to make their coal more competitive in the market.

The looming issue of the potential ban of lower quality coal by China did not come to fruition as previously thought. Strong opposition from Chinese power groups seemed to be a key factor in this issue and we see several Indonesian coal producers, including Adaro,

maintaining their volume to China, albeit with no indications of immediate increase. Adaro sold 5% of coal to China in 1H13 and 6% in FY12. We believe that China will steadily continue to import coal from Indonesia, especially lower CV products, which are mostly blended with higher CV coals.

India continued to show strong demand for thermal coal, mostly due to growth in coal fired power generation and became the second largest importer of thermal coal. Through June 2013, Indian imports increased by more than 50% y-o-y to 72 Mt. Increased demand in 1H13 from mostly India and China boosted Indonesian exports y-o-y by 10.5% to 204 Mt according to the Salva Report. We should however look at this growth prudently as we believe the price of lower CV coal could be pushed down by further weakening of the Indian Rupee. Price could also be affected should demand continue to slow from China due to its weak domestic market.

Overall, we believe India is currently and will continue to be influential with regards to coal demand for the near future. We think the price drop that began in 2012 is a healthy correction caused by undisciplined supply growth in Indonesia. The price correction has tested our business model and therefore leaves us more encouraged about our strategy of creating maximum long term sustainable value from Indonesian coal.

## Our Operating Subsidiaries

### Adaro Indonesia (AI)

#### Mining, Hauling and Overburden Removal

The core of our operations, Adaro Indonesia (AI), operates from three pits in a 36,000 ha concession in South Kalimantan. AI employs five mining contractors including our subsidiary, PT Saptaindra Sejati (SIS), to perform overburden removal, coal mining and coal hauling activities. SIS continued to support AI's mining operations during the quarter, with an approximate 25% increase y-o-y for mining and hauling activities. The following table shows the breakdown of overburden removal and mining and hauling activities among our mining contractors.

Percentage of Adaro's Activities by Contractor				
Contractors	Overburden Removal		Mining and Hauling	
	2Q13	1H13	2Q13	1H13
PAMA	40%	42%	36%	37%
SIS	34%	34%	38%	37%
BUMA	16%	14%	12%	12%
RA	9%	9%	11%	12%
RMI	1%	1%	3%	3%

We remain focused on operational excellence and during the quarter AI continued to implement efficiency and cost reduction initiatives, including improving road conditions around the pit, reducing average coal hauling cycle time and decreasing fuel usage. To

improve cycle time along our hauling road, AI is reviewing staggering worker shifts and is conducting due diligence on constructing a coal trailer terminal at the Kelanis River Terminal to reduce coal haulage truck queues and for coal blending purposes.

### Strip Ratio

Through 1H13, the actual strip ratio at AI was 5.69x, 17% lower y-o-y than 6.82x at 1H12. For 2Q13, the actual strip ratio was 5.90x, which was 8% higher q-o-q than 5.45x in 1Q13 and 19% lower y-o-y than 7.24x in 2Q12. As typical with the second quarter, we were able to remove more overburden than the first quarter due to the end of the rainy season. The actual strip ratio in 2Q13 was higher than the planned strip ratio of 5.75x but we remain on track to finish the year in-line with our planned strip ratio. AI's contractors removed 79.82 Mbcm during the quarter, with an average of 877,143 bcm of overburden per day.

### Inventory

At the end of 2Q13, AI had total inventory of 1.25 Mt, compared to 0.86 Mt inventory at the end of 2Q12 and 0.89 Mt at the end of 1Q13 due to better productivity during the quarter.

### Sales Volume

During 2Q13, AI sold 19% of its product, mostly E5000, to domestic customers. We sold 2.29 Mt of our new product, E4700, in the quarter to customers in China, India, Korea, Indonesia, Taiwan, Philippines and Thailand. We have built an order book for E4700 for the rest of the year. Almost all the tonnage of E4000 sold during the quarter went to the export market, to customers in India, China and Thailand.

		Actual	Quarter on Quarter		Year on Year	
	Units	2Q13	1Q13	% Change	2Q12	% Change
<b>Sales Volume</b>	<b>Mt</b>	13.27	11.23	18%	11.96	11%
<b>E5000 (Tutupan and Paringin)</b>	<b>Mt</b>	8.27	8.24	0%	9.67	-14%
Domestic	Mt	2.26	2.28	-1%	2.64	-14%
Export	Mt	6.01	5.97	1%	7.04	-15%
<b>E4700 (Tutupan)</b>	<b>Mt</b>	2.29	0.94	144%	-	NA
Domestic	Mt	0.26	0.24	8%	-	NA
Export	Mt	2.03	0.70	190%	-	NA
<b>E4000 (Wara)*</b>	<b>Mt</b>	2.70	2.05	32%	2.29	18%
Domestic	Mt	0.03	-	NA	0.17	-82%
Export	Mt	2.67	2.05	30%	2.12	26%

\*2012 figures for E4000 include E4500

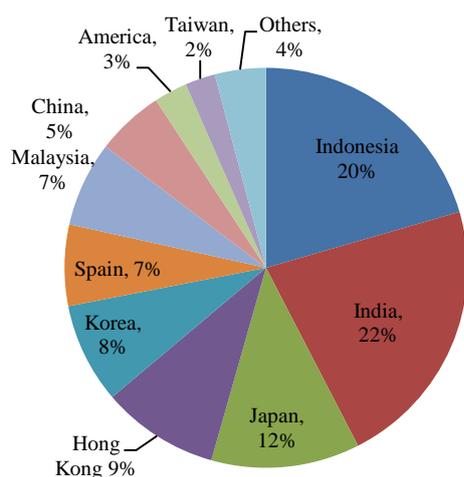
<b>1H13 vs 1H12</b>				
	<b>Units</b>	<b>1H13</b>	<b>1H12</b>	<b>% Change</b>
<b>Sales Volume</b>	<b>Mt</b>	24.50	22.84	7%
<b>E5000 (Tutupan and Paringin)</b>	<b>Mt</b>	16.51	18.72	-12%
Domestic	Mt	4.53	5.14	-12%
Export	Mt	11.98	13.58	-12%
<b>E4700 (Tutupan)</b>	<b>Mt</b>	3.23	-	NA
Domestic	Mt	0.50	-	NA
Export	Mt	2.73	-	NA
<b>E4000 (Wara)*</b>	<b>Mt</b>	4.75	4.12	15%
Domestic	Mt	0.03	0.23	-86%
Export	Mt	4.72	3.89	21%

\*2012 figures for E4000 include E4500

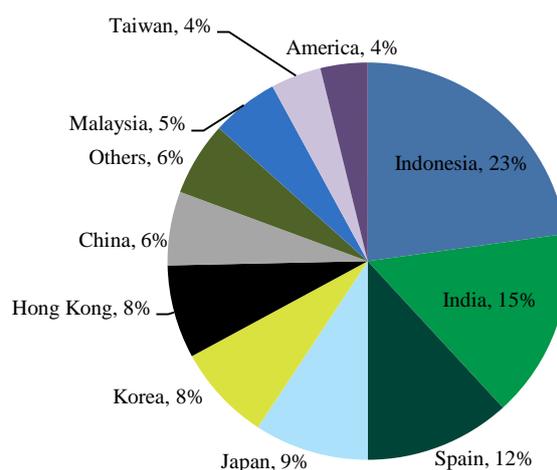
AI's product, Envirocoal, is well-known as the cleanest coal available in the global seaborne thermal coal market. AI primarily sold two products of Envirocoal: E5000 and E4000. Starting 2013, AI sells three different Envirocoal products, after adding E4700 into its product portfolio.

As a part of our marketing strategy to expand and diversify the customer base, AI sold Envirocoal, in 1H13, to 12 countries and more than 50 customers. AI maintains geographical diversification to reduce risk. All of AI's products are sold to the end-users, mostly blue-chip power utilities. In 1H13, India became our top market for coal sales due to the robust demand from the country. China represented only 5% of our sales.

### **1H13 Sales Breakdown by Country**



### **FY12 Sales Breakdown by Country**



### **Crushing, Barging and Shiploading**

During 2Q13, barging and shiploading increased 13% y-o-y and increased 19% q-o-q due to our record quarter of production, good weather and solid demand for Adaro's coal during the period. The average vessel waiting time during the quarter was 4.40 days, 3.42 days and 0.19

days in April, May, and June, respectively. Vessel waiting time reduced in June due to smooth operations, leading to a constant supply of coal and good weather. In 1H13, AI crushed 24.95 Mt at the Kelanis River Terminal.

	Units	Actual	Quarter on Quarter		Year on Year	
		2Q13	1Q13	% Change	2Q12	% Change
Floating Cranes	Mt	9.06	7.10	28%	7.50	21%
Self Loading	Mt	1.44	1.09	32%	1.15	25%
IBT	Mt	0.74	0.95	-22%	0.73	1%
Direct Barging	Mt	2.14	2.09	2%	2.50	-14%
<b>Total</b>	<b>Mt</b>	<b>13.38</b>	<b>11.23</b>	<b>19%</b>	<b>11.88</b>	<b>13%</b>

#### 1H13 vs 1H12

	Units	1H13	1H12	% Change
Floating Cranes	Mt	16.16	14.39	12%
Self Loading	Mt	2.53	2.20	15%
IBT	Mt	1.69	1.09	55%
Direct Barging	Mt	4.23	5.12	-17%
<b>Total</b>	<b>Mt</b>	<b>24.61</b>	<b>22.80</b>	<b>8%</b>

PT Maritim Barito Perkasa (MBP), our barging and shiploading subsidiary, handled the largest volumes for Adaro in the second quarter at 48% of barging activities and 54% of floating crane shiploading activities. Of our shiploading activities, 65.7% was done through floating cranes at Taboneo anchorage, whereas 17.2% was directly barged to domestic customers. MBP's good performance has resulted in a second quarter y-o-y increase on barging volume as well as shiploading activities by 43% and 10%, respectively.

#### Percentage of Adaro's Barging by Contractor

Barging Contractors	2Q13	1H13
MBP	48%	49%
PSJ	25%	25%
MBSS	14%	14%
MDM	13%	12%

#### Rainfall and Pit Dewatering

We had a total of 456mm of rainfall during the quarter, which was 33% below the five-year quarterly rainfall average of 679mm. Total rain days over the quarter were 37 days, 16% lower than the five-year quarterly average of 44 days. Lower rainfall aided in reaching our record quarter of coal production.

Rainfall volume at Tutupan mine					
	Units	2Q13	2Q12	% Change	5-yr average 2Q
April	mm	207	242	-14%	308
May	mm	170	77	121%	216
June	mm	79	126	-37%	155
<b>Total</b>	<b>mm</b>	<b>456</b>	<b>445</b>	<b>2%</b>	<b>679</b>

Number of rain days at Tutupan mine					
	Units	2Q13	2Q12	% Change	5-yr average 2Q
April	days	13	20	-35%	18
May	days	14	15	-7%	15
June	days	10	12	-17%	11
<b>Total</b>	<b>days</b>	<b>37</b>	<b>47</b>	<b>-21%</b>	<b>44</b>

### Saptaindra Sejati (SIS)

Our mining and contractor subsidiary, SIS, is one of the five mining contractors AI employs. AI is SIS's largest customer, accounting for 62% of SIS's total overburden removal and 72% of coal getting volume during 2Q13, compared to 60% and 64% during 2Q12, respectively. SIS has continued to prioritize AI over servicing new third party business. Lower overburden removal y-o-y and q-o-q was a result of SIS's decision not to extend contracts with two customers, new pit development at AI, and requests from customers to reduce the stripping ratio. SIS will be the mining contractor that Adaro Energy uses for the newly acquired Balangan coal project in South Kalimantan.

PT Saptaindra Sejati						
		Actual	Quarter on Quarter		Year on Year	
	Units	2Q13	1Q13	% Change	2Q12	% Change
<b>Overburden Removal</b>	<b>Mbcm</b>	<b>42.76</b>	<b>36.17</b>	<b>18%</b>	<b>53.48</b>	<b>-20%</b>
Adaro	Mbcm	26.57	21.98	21%	32.07	-17%
Others	Mbcm	16.19	14.19	14%	21.42	-24%
<b>Coal Getting</b>	<b>Mt</b>	<b>7.23</b>	<b>6.00</b>	<b>20%</b>	<b>6.51</b>	<b>11%</b>
Adaro	Mt	5.18	4.04	28%	4.18	24%
Others	Mt	2.05	1.96	4%	2.33	-12%

1H13 vs 1H12				
	Units	1H13	1H12	% Change
<b>Overburden Removal</b>	<b>Mbcm</b>	<b>78.93</b>	<b>95.28</b>	<b>-17%</b>
Adaro	Mbcm	48.55	56.68	-14%
Others	Mbcm	30.38	38.61	-21%
<b>Coal Getting</b>	<b>Mt</b>	<b>13.23</b>	<b>11.80</b>	<b>12%</b>
Adaro	Mt	9.22	7.69	20%
Others	Mt	4.01	4.11	-2%

## PT Maritim Barito Perkasa (MBP)

MBP is a key barging and shiploading contractor for AI. During the second quarter of 2013, coal volume from AI accounted for 94% and 100% of MBP's total coal barged and coal loaded to ships, respectively. A y-o-y increase of 45% to 6.81 Mt over 2Q12 was due to the higher availability of floating cranes, MBP receiving additional volumes from AI when another of AI's third party contractor's term expired in 2012, and an increase in third party barging volume, following the commissioning of a power plant in Cirebon, Indonesia.

MBP received delivery of a new floating transfer unit (FTU), two 15,000 DWT barges, and three tugs in the second quarter of 2013, with a total investment of US\$40.6 million. Our FTU will perform shiploading activities at a rate of approximately 60,000 tonnes per day or approximately 16 Mt per year compared to a standard floating crane of 15,000 tonnes per day. This will allow MBP to discharge a barge in about five hours compared to 18 hours using a floating crane, which will ultimately further improve cycle times and efficiency.

Maritim Barito Perkasa						
		Actual	Quarter on Quarter		Year on Year	
	Units	2Q13	1Q13	% Change	2Q12	% Change
<b>Total Coal Barged</b>	<b>Mt</b>	<b>6.81</b>	<b>5.99</b>	<b>14%</b>	<b>4.68</b>	<b>45%</b>
Adaro	Mt	6.40	5.66	13%	4.47	43%
Others	Mt	0.40	0.33	23%	0.20	102%
<b>Total Coal Loaded</b>	<b>Mt</b>	<b>4.60</b>	<b>3.69</b>	<b>25%</b>	<b>4.17</b>	<b>10%</b>
Adaro	Mt	4.60	3.69	25%	4.17	10%
Others	Mt	-	-	NA	-	NA

1H13 vs 1H12				
	Units	1H13	1H12	% Change
<b>Total Coal Barged</b>	<b>Mt</b>	<b>12.80</b>	<b>8.60</b>	<b>49%</b>
Adaro	Mt	12.06	8.32	45%
Others	Mt	0.73	0.27	172%
<b>Coal Loaded</b>	<b>Mt</b>	<b>8.29</b>	<b>7.23</b>	<b>15%</b>
Adaro	Mt	8.29	7.23	15%
Others	Mt	-	-	NA

## PT Indonesia Bulk Terminal (IBT)

IBT operates the South Pulau Laut Coal Terminal, which has an annual capacity of 12 million tonnes. In the second quarter of 2013, 94% of IBT coal volume came from AI and coal loaded decreased 21% q-o-q to 0.79 Mt from 1.00 Mt and 43% y-o-y from 1.40 Mt. Compared to 1Q13, the weather conditions during 2Q13 were more favourable and made it preferable for Adaro to load offshore. This resulted in the shifting of Adaro tonnages back to Taboneo, thus causing the decline of Adaro tonnage through IBT.

<b>PT Indonesia Bulk Terminal</b>						
		<b>Actual</b>	<b>Quarter on Quarter</b>		<b>Year on Year</b>	
	<b>Units</b>	<b>2Q13</b>	<b>1Q13</b>	<b>% Change</b>	<b>2Q12</b>	<b>% Change</b>
<b>Total Coal Loaded</b>	<b>Mt</b>	<b>0.79</b>	<b>1.00</b>	<b>-21%</b>	<b>1.40</b>	<b>-43%</b>
Adaro	Mt	0.74	0.95	-22%	0.74	0%
Third party	Mt	0.05	0.05	0%	0.66	-92%
No of vessels loaded		11	14	-21%	20	-45%

<b>1H13 vs 1H12</b>				
	<b>Units</b>	<b>1H13</b>	<b>1H12</b>	<b>% Change</b>
<b>Total Coal Loaded</b>	<b>Mt</b>	<b>1.79</b>	<b>2.43</b>	<b>-26%</b>
Adaro	Mt	1.69	1.10	53%
Third party	Mt	0.10	1.33	-92%
No of vessels loaded		25	36	-31%

### **Coaltrade Services International Pte Ltd (Coaltrade)**

Coaltrade is a coal trading agent for AI's export sales in specific countries. In 2Q13, Coaltrade's total sales volume increased 30% q-o-q and 50% y-o-y, due to higher third party demand during the quarter.

<b>Coaltrade Services International Pte Ltd</b>						
		<b>Actual</b>	<b>Quarter on Quarter</b>		<b>Year on Year</b>	
	<b>Units</b>	<b>2Q13</b>	<b>1Q13</b>	<b>% Change</b>	<b>2Q12</b>	<b>% Change</b>
<b>Total coal sales</b>	<b>Mt</b>	<b>1.41</b>	<b>1.08</b>	<b>30%</b>	<b>0.94</b>	<b>50%</b>
Coal purchased from Adaro	Mt	0.90	1.08	-16%	0.46	97%
Others	Mt	0.50	-	NA	0.48	5%

<b>1H13 vs 1H12</b>				
	<b>Units</b>	<b>1H13</b>	<b>1H12</b>	<b>% Change</b>
<b>Total coal sales</b>	<b>Mt</b>	<b>2.49</b>	<b>2.08</b>	<b>20%</b>
Coal purchased from Adaro	Mt	1.98	1.21	64%
Others	Mt	0.50	0.87	-42%

## Exploration Activities

During 2Q13, Adaro spent US\$863,146 an 18% decrease y-o-y, for exploration activities that focused on drilling to gather geological and mine drainage data. The decrease is consistent with our strategy to reduce costs. We drilled a total of 89 holes with total depth of 17,468.9 meters.

	Units	2Q13	1H13	2Q12	% Change
Exploration expense	US\$	863,146	1,491,635	1,058,254	-18%

## Quality, Health, Safety and Environment (QHSE)

### *Occupational Health and Safety*

The safety, health and wellbeing of our employees and contractors are top priorities and fundamental to the way we carry out our activities. Our lost time injury frequency rate (LTIFR) for the first half of 2013 was 0.19, with total man-hours worked of 31,512,375 hours. Our 1H13 LTIFR figure was a 41% improvement from 1H12 and 24% better than our planned target for 1H13. During 1H13, we experienced six lost time injuries (LTI) with three taking place in 2Q13; however, none occurred in May and June. There were no fatalities at the mine in 2Q13 but one fatality occurred during 1H13. A full investigation and follow up actions have been implemented as well as relevant work instructions were revised to control similar risks in the future.

	1H13		1H12	
	Actual	Plan	Actual	Plan
LTI	6	7	10	7.5
LTIFR	0.19	0.25	0.32	0.47

### *Environment*

We planted more than 100,000 trees at the reclamation areas at Tutupan and Paringin. Our water treatment facility distributed 145,389 m<sup>3</sup> of clean water for community as well as internal use.

	1H13	Project to Date
Reclamation (ha)	51	1,153
Land Disturbed - Mine (ha)	125	3,200
Land Disturbed - Other (ha)	267	7,326
Net Land Disturbed (ha)	341	9,374

## Community Development

Our community development programs encompass economic, education, health services, socio-cultural activities and environment. Our flagship project in socio-cultural promotion is the Tabalong Islamic Centre. Although the construction of this building was completed in 2012, we only handed over the management of this building to a dedicated team in 2Q13. This team was trained and prepared by Adaro to ensure the sustainability of the Islamic Centre. Our President Director and CEO, Garibaldi Thohir, attended the ceremony to witness the hand over.

## Project Development

### OPCC starts trial operations

The amount of overburden removed from our open pit mine has grown to more than 300 Mbcm per year. Handling and disposing of such volumes of overburden has become more expensive and is a major challenge. The decision was made in 2010 to start mechanizing the overburden removal by installing a series of crushing and conveying systems that will transport overburden and spread it on outlying dumping areas that are not accessible for overburden trucks.

The OPCC plays a big role in our efficiency and productivity improvement, as well as ensuring that we can continue reliability of coal supply to our customers. The OPCC will help transport overburden greater distances, combat rising overburden hauling costs and reduce our dependency on diesel fuel. The project commenced trial operations and has moved 128,812 bcm of overburden in 2Q13. The system is expected to be fully commissioned in 3Q13 and transport up to 34 Mbcm of overburden per annum. During 2Q13, we invested US\$4.31 million, bringing total investment to US\$219.76 million.



## **2x30 MW mine-mouth power plant expected to be fully operational in 3Q13**

Our subsidiary, PT Makmur Sejahtera Wisesa (MSW), is finishing construction of its 2x30 MW mine-mouth power plant located in Tanjung, South Kalimantan. By the end of 2Q13, MSW had commissioned the first 30 MW unit, which was running well and supplying power to PLN and Adaro Indonesia. The completion of commissioning for the second unit is planned for the third quarter of this year. We invested US\$7 million during the second quarter, bringing total investment to US\$169 million.

## **Capacity expansion at the Kelanis River Terminal**

Expansion of the Kelanis River Terminal continued, with the target to increase capacity 27%, from 55 million tonnes to 70 million tonnes per year. In the second quarter, we completed a significant milestone in our upgrade with commissioning of our seventh crushing line. This line has been operating at capacity and will provide approximately 11 Mt per year of additional crushing capacity. We will upgrade Kelanis in stages to be prudent with cash and have completed the necessary upgrades for 2013 in order to reach our production target. We spent US\$1.28 million during 2Q13, which brought total spending to US\$45.56 million.

## **Business Development**

### **Acquired Assets Continue to Make Progress; Expect Balangan to Produce 2014**

We have spent three years making selective capital project investments to help expand and improve efficiency and acquisitions to diversify and increase our reserves. As these investments become operational, such as the new Balangan deposit, we expect our returns to increase.

We continue to concentrate on mining readiness for our green field coal concessions in South Sumatra (MIP, BEE) and East Kalimantan (BEP). Mining readiness includes obtaining required permits, acquiring land, securing social and community support, and completing engineering and geological studies. We are not investing any significant capex into the development of any of our acquired concessions.

Our joint venture with BHP Billiton, the IndoMet Coal Project, continued the development of its seven Coal Contracts of Work (CCoW) in Kalimantan. Construction of minesite accommodations, port-site accommodations, administrative offices and an industrial area were underway.

Balangan drilling continued in order to complete JORC reserve studies, which included using Laser Imaging Detection and Ranging (LIDAR) that provides rapid accurate data on topography. Land acquisitions, building the hauling road that will connect to our existing haul road at Paringin, and bridge construction continued. We expect to complete the JORC reserve study late 2013 and produce in early 2014.

## **Power Generation**

In-line with our strategic move further towards downstream integration from “Pit to Port to Power,” Adaro has made significant progress towards the realization of this strategy. We continue to believe in the long term resiliency of our business model and the growth potential in coal markets and emerging market Asia. However, our move downstream into power will smooth out the volatility of our coal business.

PT Adaro Power and Korea East West Power are working towards developing a 2X100 MW Independent Power Producer (IPP) coal fired power plant project located in Tanjung, South Kalimantan. Steady progress has been achieved in developing this project and during the quarter we agreed on a final form of the Power Purchase Agreement.

In our 2X1000 MW coal fired power-plant project in Central Java, in which we share 34% ownership with J-Power (34%) and Itochu Corporation (32%), land acquisition has made significant progress during this year. We continue to put in best efforts to complete it within our time frame.

## **Corporate Action**

### **Adaro Indonesia Secured a US\$380 Million Loan for Refinancing Activities**

Adaro Indonesia secured a US\$380 million amortizing loan facility that will mature in May 2020. AI received total commitments of US\$2.85 billion, 7.5x oversubscribed, from a group of 12 international banks. The new facility will refinance our US\$500 million amortizing revolving credit facility obtained in 2009 in order to extend the debt maturity profile and strengthen our capital structure. Our balance sheet remains solid, ready to support the growth of the company and to safeguard the firm during downturns.

## **News Flow**

### **Minister of Environment Inaugurates Water Treatment Plant and Observes Adaro’s Environmental Management Activities**

The Minister of Environment Prof. Dr. Balthasar Kambuaya, MBA inaugurated the Water Treatment Plant T-300 (WTP T-300) of Adaro Indonesia in 2Q13.

WTP T-300 is an extensive water treatment facility where mine wastewater is processed into clean potable water that exceeds the government standards on wastewater management. This innovative measure not only enhances Adaro’s environmental management, but also benefits a number of local villages, as Adaro distributes the clean water produced by WTP T-300 to a number of villages surrounding its operational location.

## Shareholders Information

As of end of June 2013, Adaro Energy's market capitalization was US\$2.2 billion, and we remained one of Indonesia's largest mining companies listed in the Jakarta Stock Exchange. Our share price within the second quarter ranged between Rp 860 to Rp 1,310, with an average of Rp 1,085 per share. On average, our trading volume during this quarter was US\$2.33 million. At the end of June 2013, our analyst consensus rating was 3.35 (on a scale of 5) as a result of 9 buys, 18 holds, and 4 sells.

The top twenty public shareholders of Adaro Energy at the end of June 2013 were:

No	Shareholders Name	%
1	Jamsostek	3.22
2	GIC	2.53
3	Credit Suisse AG Singapore Trust A/C Clients	1.27
4	KEPCO	1.20
5	Brown Brothers Harriman Boston S/A Vangrd EMG MKTS STK INFD	0.87
6	Adcorp Holdings	0.81
7	Newton Asian Income Fund	0.63
8	Employees Provident Fund	0.61
9	Taspen	0.54
10	UBS AG Singapore Non-Treaty Omnibus Account	0.50
11	PT Prudential Life Assurance	0.47
12	CITIBANK Hong Kong S/A CPB SG A/C United Harmony Investments Limited	0.47
13	Abu Dhabi Investment Authority	0.47
14	Saudi Arabian Monetary Agency	0.46
15	JP Morgan Chase Bank NA RE Non-Treaty Clients	0.37
16	SSB 0BIH S/A ISHARES MSCI Emerging Markets Index Fund	0.34
17	CITIBANK New York S/A Dimensional Emerging Markets Value Fund	0.34
18	SSB 1BA9 ACF MSCI Equity Index Fund B-INDONESIA	0.32
19	Deutsche Bank AG (Private Banking) Singapore A/C	0.32
20	Credit Suisse AG Singapore Trust Account Client United Harmony Investments Limited	0.31

# PT Adaro Energy



\*Simplified Corporate Structure

## Corporate Overview

Adaro Energy is a fully integrated coal mining and energy company from exploration through to power. It is Indonesia’s second largest thermal coal producer, operates the largest single coal mine in Indonesia and is a significant supplier to the global seaborne thermal coal market with production volume of 47.2 million tonnes in 2012. The coal characteristics are sub-bituminous, medium heat value and ultra-low pollutant coal, with total resources of up to 12.3 billion tonnes and total reserves of 1.1 billion tonnes (JORC Compliant 2012). Because of its environmental characteristics, Adaro Indonesia’s coal is trademarked as “Envirocoal” and has proven global acceptance among blue-chip power utilities. Adaro Energy’s vision is to be a leading Indonesian mining and energy group.