



A barge is being loaded with our Envirocoal at the Kelanis Dedicated Coal Terminal in South Kalimantan. Kelanis is one of the largest inland bulk terminal globally. It holds a key part in Adaro's vertical integration.

Adaro Energy Quarterly Activities Report Fourth Quarter of 2015

For the Three Months Ending Dec 31, 2015

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Highlights:

- Adaro's total coal production and strip ratio in 2015 were 51.46 Mt and 5.19x, 8% and 9% lower compared to 2014, respectively.
- Adaro Energy's guidance for 2016:
 - Production: 52 Mt to 54 Mt
 - Blended Strip ratio: 4.71x
 - Adaro Energy's coal cash cost: US\$26 to US\$28 per tonne
 - EBITDA: US\$450 million to US\$700 million
 - Capex: US\$75 million to US\$100 million
- Adaro continues to improve the three engines of growth, i.e. coal mining, mining services and logistics, and power generation. Our mining services and logistics business performed well, and we have made good progress on our power projects.

In the fourth quarter of 2015, we produced 11.64 million tonnes (Mt) of coal from both PT Adaro Indonesia (AI) and PT Semesta Centramas (SCM), 19% lower compared to the same period last year. Adaro Energy's total coal production for 2015 was 51.46 Mt, 8% lower compared to FY14 and slightly below our 52 Mt to 54 Mt production guidance. This is due to combination of chronic oversupply of coal in the market and slower demand growth in main coal consuming countries.

We removed 53.56 million bank cubic meter (Mbcm) of overburden in the quarter, 31% lower than 4Q14. Blended average strip ratio from the four pits was 4.60x for the quarter and 5.19x for the year slightly below our 2015 target of 5.33x, and 9% lower compared to 2014 average of 5.68x. Despite the lower strip ratio, we were able to maintain our operational excellence and continue to provide reliable supply to our customers.

We sold 11.91 Mt of coal in the quarter, 19% lower compared to 4Q14. Total sales for FY15 was 53.11 Mt, 7% lower compared to FY14, as market difficulties persist. The sales of E4900 in 2015 increased by 11% compared to the year before, while E5000 and E4000 decreased by 22% and 62% respectively, compared to FY14.

Since the fourth quarter of 2015, we started to sell a blend of Wara and Balangan product. The Wara Balangan blend improves the quality of Wara's E4000 product and opens up market in the lower heat value coal category. This product has been well received by our customers in China and India.

| | Units | 4Q15 | 3Q15 | 4Q15 vs. 3Q15 | 4Q14 | 4Q15 vs. 4Q14 | FY15 | FY14 | FY15 vs. FY14 |
|---------------------------|-------------|--------------|--------------|---------------------|--------------|---------------------|---------------|---------------|---------------------|
| Coal Production | Mt | 11.64 | 13.96 | -16% | 14.45 | -19% | 51.46 | 56.21 | -8% |
| AI - Tutupan | Mt | 9.52 | 11.35 | -16% | 11.38 | -16% | 41.97 | 43.53 | -4% |
| AI - Paringin | Mt | 1.09 | 1.49 | -27% | 1.42 | -23% | 5.41 | 6.08 | -11% |
| AI - Wara | Mt | 0.78 | 0.79 | -1% | 1.21 | -36% | 2.97 | 5.71 | -48% |
| SCM | Mt | 0.25 | 0.33 | -15% | 0.44 | -48% | 1.11 | 0.89 | 25% |
| Sales Volume | Mt | 11.91 | 14.61 | -19% | 14.65 | -19% | 53.11 | 57.02 | -7% |
| AI - E5000 | Mt | 3.44 | 3.94 | -13% | 4.73 | -27% | 14.26 | 18.26 | -22% |
| AI - E4900 | Mt | 7.42 | 9.34 | -21% | 7.88 | -6% | 34.05 | 30.79 | 11% |
| AI - E4000 | Mt | 0.44 | 0.76 | -43% | 1.55 | -72% | 2.53 | 6.64 | -62% |
| Wara | Mt | 0.25 | - | - | - | - | 0.25 | - | - |
| Balangan blend | Mt | 0.18 | 0.33 | -45% | 0.49 | -63% | 1.07 | 0.88 | 22% |
| Coaltrade's 3rd party | Mt | 0.18 | 0.24 | -25% | - | - | 0.95 | 0.45 | 111% |
| Overburden Removal | Mbcm | 53.56 | 77.06 | -30% | 77.55 | -31% | 266.97 | 319.09 | -16% |
| AI | Mbcm | 53.30 | 75.98 | -30% | 75.82 | -30% | 261.47 | 314.92 | -17% |
| SCM | Mbcm | 0.26 | 1.08 | -76% | 1.73 | -85% | 5.50 | 4.17 | 32% |

Although we have seen some supply response, mainly from Indonesia, it has not been enough to restore balance in the market. Other countries such as Australia, Russia and South Africa – which benefit from the depreciation of their currencies to US Dollar, continue to increase production in 2015. This coupled with macro uncertainty and slower demand growth from main coal-consuming countries has prolonged the oversupply.

We expect the coal market to remain challenging in the near term, and are guiding the market for flat production in 2016 of 52 Mt to 54 Mt. We expect Adaro Energy's coal cash cost to further decline to US\$26/tonne to US\$28/tonne as oil price continues to weaken and a lower blended average strip ratio of 4.71x. We expect FY16 EBITDA to be around US\$450 million to US\$700 million and maintain a low capex of US\$75 million to US\$100 million for the year. We will continue to execute efficiency across the Group's operations, improve productivity, preserve cash and implement prudent capital spending.

MINING ASSETS

PT Adaro Indonesia (AI)

In 4Q15, AI produced 11.39 Mt and sold 11.30 Mt of Envirocoal, lower by 19% and 20% compared to 4Q14, respectively. In the quarter, we began selling a blend of our E4000 and Balangan coal, and sold 0.25 Mt of this coal blend. AI's total coal production in FY15 was 50.35 Mt, 9% lower compared to FY14, and total overburden removed at AI's three pits was 261.47 Mbcm, 17% lower than FY14. The following table shows the percentage breakdown of overburden removal and coal production activities of AI's mining contractors:

| Contractors | 4Q15 | | FY15 | |
|--------------|--------------------|-----------------|--------------------|-----------------|
| | Overburden Removal | Coal Production | Overburden Removal | Coal Production |
| PAMA | 47% | 46% | 45% | 39% |
| SIS | 29% | 31% | 33% | 37% |
| BUMA | 13% | 10% | 14% | 11% |
| RA | 11% | 13% | 9% | 13% |
| Total | 100% | 100% | 100% | 100% |

During 4Q15, AI loaded 66% of its coal tonnage to vessels using floating cranes, 15% by self-geared vessels and 18% was barged directly to domestic customers. Our subsidiary, PT Maritim Barito Perkasa (MBP) conducted most of AI's coal barging and transshipment activities. In 4Q15, MBP handled 53% of AI's barging activities and 93% of transshipment activities.

We continued to be a leading supplier to the domestic market and are committed to meeting Indonesia's growing coal demand and the Domestic Market Obligation. Our domestic sales portion for the year was 22%. The following table shows the geographical breakdown of customers by tonnage.

Geographical breakdown of Customers FY15

| | % |
|--------------|-------------|
| Indonesia | 22% |
| China | 16% |
| India | 13% |
| Japan | 10% |
| Korea | 8% |
| Hong Kong | 8% |
| Spain | 7% |
| Malaysia | 7% |
| Taiwan | 3% |
| Philippines | 3% |
| Others | 3% |
| Total | 100% |

*Others include Thailand, Vietnam, USA and Switzerland

PT Semesta Centramas (SCM)

During 4Q15, we produced 0.25 Mt and sold 0.18 Mt of Balangan Coal. Actual strip ratio for SCM in the quarter was 1.04x. SCM increased total coal production by 55% to 1.11 Mt in 2015 compared to 0.89 Mt in 2014. SCM increased its strip ratio by 6% to 4.95x in 2015 compared to 4.69x in 2014.

MINING SERVICES & LOGISTICS

PT Saptaindra Sejati (SIS)

In 4Q15, AI remained SIS's largest customer, accounting for 54% of SIS's total overburden removal and 63% of coal production, down from 64% and 67% in the same period last year, respectively, as SIS continues to develop its third party business.

SIS's third party OB removal in 4Q15 increased 3% year over year to 13.18 Mbcm and its third party coal production at 2.24 Mt was relatively flat compared to the same period in 2014.

| | UNITS | 4Q15 | 3Q15 | 4Q15 vs. 3Q15 | 4Q14 | 4Q15 vs. 4Q14 | FY15 | FY14 | FY15 vs. FY14 |
|---------------------------|-------------|--------------|--------------|---------------------|--------------|---------------------|---------------|---------------|---------------------|
| Overburden Removal | Mbcm | 29.02 | 44.02 | -34% | 40.68 | -29% | 151.07 | 173.91 | -13% |
| AI | Mbcm | 15.58 | 25.93 | -40% | 26.14 | -40% | 85.67 | 112.14 | -24% |
| SCM | Mbcm | 0.26 | 1.08 | -76% | 1.73 | -85% | 5.50 | 4.17 | 32% |
| Others | Mbcm | 13.18 | 17.01 | -22% | 12.81 | 3% | 59.90 | 57.60 | 4% |

| | | | | | | | | | |
|------------------------|-----------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|------------|
| Coal Production | Mt | 6.68 | 8.12 | -18% | 8.11 | -18% | 29.47 | 30.28 | -3% |
| AI | Mt | 4.19 | 5.57 | -25% | 5.42 | -23% | 19.60 | 21.18 | -7% |
| SCM | Mt | 0.25 | 0.33 | -24% | 0.44 | -43% | 1.11 | 0.89 | 25% |
| Others | Mt | 2.24 | 2.22 | 1% | 2.25 | -0.3% | 8.76 | 8.21 | 7% |

PT Maritim Barito Perkasa (MBP)

In 4Q15, AI's coal volume accounted for 90.4% and 98.4% of MBP's total coal barged and coal loaded to ships, respectively. MBP continues to prioritize serving the Adaro Group while in parallel, working to increase third party volume.

| | Units | 4Q15 | 3Q15 | 4Q15 vs 3Q15 | 4Q14 | 4Q15 vs 4Q14 | FY15 | FY14 | FY15 vs FY14 |
|--------------------------------|-----------|-------------|--------------|--------------------|-------------|--------------------|--------------|--------------|--------------------|
| Total coal transported | Mt | 6.80 | 9.07 | -25% | 8.08 | -16% | 31.09 | 31.80 | -2% |
| AI | Mt | 6.15 | 8.38 | -27% | 7.29 | -16% | 28.48 | 29.83 | -5% |
| SCM | Mt | 0.18 | 0.30 | -40% | 0.44 | -59% | 1.13 | 0.83 | 36% |
| Others | Mt | 0.47 | 0.39 | 21% | 0.35 | 34% | 1.48 | 1.14 | 30% |
| Total coal transshipped | Mt | 7.89 | 10.02 | -21% | 9.83 | -20% | 35.85 | 37.11 | -3% |
| AI | Mt | 7.76 | 9.83 | -21% | 9.47 | -18% | 35.10 | 36.52 | -4% |
| SCM | Mt | 0.13 | 0.19 | -32% | 0.36 | -64% | 0.75 | 0.59 | 27% |

POWER

The cyclical nature of commodity highlights the importance of our strategic move to power. We continued to make good progress in the development of our power business in 4Q15. Together with our partners, we are working on getting the financial closure for BPI as well as for PT Tanjung Power Indonesia (TPI), which is going to build a 2x100 MW power plant in Tanjung, South Kalimantan.

As we move downstream into power generation, our objective is to become a major player in Indonesian power sector. We are committed to support the strategic intention of the Government of the Republic of Indonesia to build 35,000 megawatts (MW) of power plants in the next five years, the majority of which will be coal-fired power plants.

The Government of Indonesia has succeeded in signing the power purchase agreement with 17.34 GW, consisting of 14.53 GW of IPP projects and 2.82 GW of PLN projects, out of which 13.05 GW is coal-fired power plant. In 2016, PLN is

planning to finalize the contract of 37 projects' 15.53 GW consisting of 19 IPP projects' 8.37 GW and 18 PLN projects' 7.17 GW.

REVIEW OF COAL MARKET

The year 2015 was a difficult year for coal. The International coal prices in 2015 experienced notable decrease compared to the previous year. Average Global Coal Newcastle price for 2015 was US\$ 59.19 per tonne, 17% lower compared to its 2014 average.

Despite the lower average price, coal supply remained abundant in the global seaborne market. Weaker oil price, lower sea freight rates and currency depreciation in major coal producing countries have lowered overall production cost and enabled coal producers to continue operations despite the pressure of declining coal price.

The global seaborne market saw increased supply of more competitively priced coals from Australia, Russia and South Africa. These countries enjoyed the benefit of the depreciation of their currency versus US dollar.

The prolonged cyclical downturn of coal further supports our strategy of developing our non-coal mining businesses and moving downstream into power.

QUALITY, HEALTH, SAFETY AND ENVIRONMENT (QHSE)

In the quarter, Adaro Energy experienced five lost time injuries (LTI). Our lost time injury frequency rate (LTIFR) for 4Q15 was 0.20. Total man-hours worked during the quarter were 25,036,590 hours. AI planted 117,335 trees and reclaimed 114.46 Ha of land. AI has reclaimed a total of 1,170.01 hectares of land project to date.

Total LTI for the year was nine which brought AE's 2015 LTIFR to 0.09, and Severity Rate (SR) to 120.84. Total man-hours worked during the year were 101,924,707 hours. Compared to 2014, AE's safety performance improved by 50% and 1.29% for LTIFR and SR, respectively.

SHAREHOLDERS INFORMATION

At the end of the 4Q15, the total free float of Adaro shares was 11,297,011,810 or 35.32% of the total Adaro's shares. The total number of shareholders in the end of 4Q15 increased 6.5% to 17,081 from 16,040 in the end of 4Q14. During 2015, there were no major movements from our key public shareholders. Dimensional Fund Advisors and Korea Electric Power Corporation were our top foreign shareholders, where BPJS Ketenagakerjaan and Taspen were our top domestic holders. The composition of domestic public holders, which previously had reached almost 11.5%, relatively flat at 10% y-o-y. Domestic market is more sceptical towards the coal fired power plant story, they have a doubt that it will be the catalyst of coal business. In

addition, poor outlook on coal price and expectation of earnings continuing to suffer going into 2016 put more pressure on stocks.

In regards to the index, 2015 was not a good year for both Jakarta Composite Index (JCI) and Jakarta Mining Index (JAKMINE). The JCI and JAKMINE have been decreased approximately 12% and 40% y-o-y, respectively. Liquidity has been poor during the year due to foreigners who have been selling Indonesian equities aggressively and shrinking transaction volume. Overall, the indices have been under pressure due to poor Indonesia macro economy and uncertainty over the rate increase by the Fed. For ADRO even though the share price relatively flat in the last three months, it has been decreased more than 50% y-o-y. At the end of 4Q15, total trading volume was 8.16 million and market capitalization was 1.19 million. Our analyst consensus rating was 3.81 (on a scale of 5) as a result of 13 buys, 11 holds, and 2 sells.

Amidst this difficult condition, Adaro is still committed to pay cash dividend every year to its shareholders. On December 17, 2015, the BOD and the BOC decided and approved to distribute an Interim Dividend of US\$35,184,558.20 for fiscal year 2015. The Interim Dividend was paid to the shareholders on January 15, 2016.