

NEWS RELEASE FROM ADARO ENERGY

General Media:

For further information please contact:

Mr. Andre J. Mamuaya
Director and Corporate Secretary

Tel: (6221) 521 1265

Fax: (6221) 5794 4685

Email: corpsec@ptadaro.com

Financial Media:

For further information please contact:

Mr. Cameron Tough
Head of Investor Relations

Tel: (6221) 521 1265

Fax: (6221) 5794 4685

Email: cameron.tough@ptadaro.com

ADARO ENERGY'S NET PROFIT INCREASES 392% TO A RECORD Rp4.4 TRILLION

Jakarta, March 31st, 2010 – PT Adaro Energy Tbk (IDX - ADRO) is pleased to announce audited consolidated net profit for the year ended December 31st, 2009 increased 392% to Rp4.4 trillion from Rp887 billion of the year ended December 31st, 2008. Adaro Energy's 2009 basic earnings per share (EPS) increased to Rp136.5. The significant increase is attributed to higher average selling prices of coal as well as increased production, which increased revenue 49% to Rp26.9 trillion. Meanwhile, the cost of revenue increased at a lesser rate of 21%, boosting the gross margin from 27% in 2008 to 41% in 2009.

Adaro Energy's President Director, Mr. Garibaldi Thohir said:

“We had a very strong finish to a difficult and volatile year in 2009 and delivered another year of annual production growth and increased shareholder value. By staying focused on our core business we have been able to grow production organically every year since production first began in 1992 and looking forward we shall not be sidetracked as we grow a bigger and better Adaro Energy.”

Adaro Energy's Vice President Director, Mr. Ario Rachmat said:

“We increased our sales volumes, which in combination with higher prices and by keeping costs increases to a minimum, grew our EBITDA 147% to a new high of Rp11 trillion. With cash flows and the financial structure in good shape, we are now concentrating on building our foundation for an even more competitive future.”

Adaro Energy's Operations Director Ah Hoo Chia said:

“As we disclosed at the beginning of last year it is absolutely essential we are completely integrated from pit to port. With asset prices falling, in May 2009 we acquired a barging and shiploading company, the last part of our coal supply chain that we did not control. This investment has already shown benefits in terms of lowering our freight and handling costs and helping us to deliver yet another year of growth.”

Summary

Adaro Energy delivered a strong financial performance throughout 2009 despite a difficult environment in the coal market at the beginning of the year. Benefiting from the strong selling price realization, quarterly net profit reached a historical high of Rp1.27 trillion, in the third quarter of 2009. Adaro was able to deliver another year of growth, with full-year production and sales growing to 40.6 million tonnes (Mt) and 41.4Mt respectively.

The positive 2009 performance reflects the company's focus to ramp up production and sales at its coal mining subsidiary in the wake of the coal market's demand recovery in the second half of the year. The commitment at all levels to drive production and sales resulted in sales volume rising to a record 12.4Mt in the fourth quarter of 2009. Combined with the higher average selling price ("ASP") realization, due to the high coal price environment of 2008 when most prices for 2009 were set, the positive sales volume growth in 2009 resulted in revenues increasing 49% to Rp26.9 trillion.

The year was also notable for the company was able to complete the long planned total integration of the coal supply chain from pit to port. The benefits of the May 2009 acquisition of barging and shiploading Orchard Maritime Logistics Pte Ltd were evident in the lower freight and handling charges. Lower fuel prices combined with a generally stable cost environment in 2009 offset the increase to costs due to a higher stripping ratio. Adaro Energy's operating margin widened to 37% and operating profit rose 136% to Rp9.9 trillion, as the increase in revenue outpaced cost increases.

The company's balance sheet strengthened considerably in 2009, with net gearing further falling to 26% at the end of December 2009. The stronger capital structure was made possible by strong cash flows and earnings generation during the year. Adaro Energy will continue to implement a strategy of continuously optimizing the capital structure and cost of capital, as well as maintaining good liquidity.

As the company moves into 2010, the focus will be on growing production and marketing the new coal product Envirocoal-Wara, executing the current development projects to further improve the efficiency of the coal supply chain and seeking acquisition and investment opportunities in worldclass deposits of Indonesian coal. By staying focused and on track, Adaro Energy will continue to deliver long-run value creation through organic production growth, better operation integration and lower operation costs.

PT Adaro Energy Tbk Key Financial and Operational Data	FY09	FY08	Increase (Decrease)
Operational:			
Production volume (Mt)	40.6	38.5	5%
Sales volume (Mt)	41.4	41.1	1%
Financials (Rp bn)			
Net revenue	26,938	18,093	49%
Cost of revenue	(15,900)	(13,149)	21%
Gross profit	11,038	4,943	123%
Gross margin	41%	27%	50%
Operating income	9,928	4,212	136%
Operating margin	37%	23%	58%
Net income	4,367	887	392%
EBITDA	11,017	4,455	147%
EBITDA margin	41%	25%	66%
Free cash flow			
Cash flow from operation	7,097	1,085	554%
Less: Capex	1,106	1,464	-24%
Free cash flow	5,991	(379)	
NET DEBT			
Interest bearing debt	15,856	11,039	44%
Cash and cash equivalent	11,275	3,512	221%
Short term investment	-	1,096	-100%
NET DEBT	4,581	7,527	-39%
Net debt to Equity	26%	54%	-51%
Net debt to EBITDA	0.4x	1.7x	-75%

Review of 2009 Performance

Revenues

In 2009, Adaro Energy's revenues grew 49% to Rp26.9 trillion. The coal mining and trading division, which consists largely of mining subsidiary Adaro Indonesia as well as coal marketer Coaltrade, increased 51% to Rp16.8 trillion and contributed 94% to the Group's revenue, net of inter-company transactions, up from 93% in 2008. The contribution of external revenue from the mining service business PT Saptaindra Sejati "SIS", increased 9% to Rp1.2 trillion and contributed 4% to the Group's revenue. Due to acquisitions and investments, the Group's Other Businesses external contributed a slightly higher 2% to Adaro Energy's revenue.

Coal Mining and Trading

The company started the year with uncertainties in coal market conditions given the weakness in the global economy, which in turn resulted in soft sales volume and reduced tonnage off-take by customers in the first half of 2009. As the market gradually recovered at the end of the second quarter of 2009, the focus of the operation in the second half of the year shifted to ramping up production to fulfill market demand and to make up for the lower volumes of 2009.

Supported by favorable weather, production achieved record highs of 10.5Mt in the third quarter of 2009 and 12.1Mt in the fourth quarter of 2009. Combined with an additional trading volume of 0.3Mt through subsidiary Coaltrade and sales from inventory, Adaro Energy's total coal sales increased 12% to 24Mt in the second half of 2009 and pushed 2009 total sales to a slightly higher 41.4Mt. The strong performance in 2009 highlights the commitment at all levels to achieve optimum sales and manage costs prudently.

Combined with the favorable ASP realization for 2009, the increase in production boosted revenues from the coal mining and trading business constituted 96% of the Adaro Energy's total revenue increase in 2009.

Mining Services

Revenue, excluding intra-group transactions, from the mining services division increased 9% in 2009, with an encouraging positive growth rate in the last two quarters of 2009 of 58% and 21%.

SIS delivered an exceptional operating performance in 2009 with total overburden removal increasing 34% to 115.0 Mbcm (including volumes for Adaro Indonesia), in-line with the plan. In 2009, SIS's coal getting increased 44% to 16.4Mt which was also in-line with the plan despite the lower production volume during the first half of the year. As a result SIS's share of Adaro Indonesia's coal production increased to 26% from 19% in 2008 and in terms of overburden removal to 31% from 25% in 2008. Due to this good operational performance, SIS's revenues, including revenues from Adaro, increased 48% to Rp2.7 trillion.

Other Businesses

Revenue from Other Businesses largely reflected the external revenue contribution from subsidiaries. Other Businesses include PT Alam Tri Abadi ("ATA"), the water toll contractor PT Sarana Daya Mandiri ("SDM"), coal port operator PT Indonesia Bulk Terminal ("IBT"), the barging and shiploading division, which consists of Orchard Maritime Logistics Pte. Ltd. ("OML"), PT Harapan Bahtera

Internusa (“HBI”) and PT Maritime Barito Perkasa (“MBP”). In 2009, total revenue (excluding intra-group transactions) from the Other Businesses jumped 112% Rp479 billion (US\$46mn). This largely reflected the combined revenue contribution from OML, and SDM which more than offset the revenue decline at IBT, caused by lower traffic at the coal terminal.

Costs of Revenue

In 2009, Adaro Energy’s cash cost (excluding royalties) stood at around US\$30.3 per tonne, up from around US\$29.7 per tonne in 2008. The increase in cash cost is largely attributed to the mine’s higher stripping ratio.

In 2009, the planned mining stripping ratio increased to 5x, from an average of 4.25x in 2008. The actual stripping ratio increased to 5.1x from 4.1x in 2008. As a result, mining cost, which accounts for 45% of the cost of revenue, increased 22% to Rp7.1 trillion. Royalties, which account for 17% of Adaro Energy’s cost of revenue went up by 86%, mirroring the increase in the ASP.

Partly offsetting the cost increases to the mining cost, was the decline in freight and handling, which accounts for 17% of the total cost of revenue. This cost item decreased by 6%, due to moving more transshipment volumes to the open anchorage as well as benefits from the recent acquisition of Adaro’s barging and shiploading contractor, OML. Further, the average fuel cost, which accounts for 15% of total cost of revenue and is a critical driver for mining and hauling costs, fell around 27% to US\$0.64 per liter in 2009.

There were numerous improvements to the efficiency of Adaro Energy’s coal supply chain in 2009 that can be attributed to several investments in new equipment and training as well as the acquisition of SDM in 2008 and OML in 2009.

At the end of 2008, SDM completed the dredging of a new channel on the Barito River. The heavy sedimentation build up had caused a serious bottleneck at the mouth of the Barito River and SDM’s new channel increased the river’s annual capacity from 60 million tonnes to 200 million tonnes. In 2009, Adaro Energy enjoyed the benefits in terms of approximately US\$1.00 per tonne, or US\$41 million, in cost savings. This occurred due to a 20% improvement to cycle time (or the time it takes a barge set to deliver its coal and return to the river terminal), which reduced the barging fleet by 11 barge sets (barge plus tug boat), or the equivalent of US\$55 million in capital spending.

Below the operating level, total other expenses for 2009 rose 5% to Rp1.4 trillion (US\$130mn). This was largely driven by the increase in interest expenses, as a result of the consolidation of OML and interest accrued for senior notes and higher amortization of goodwill. The Group’s effective tax rate in 2009 was 48%, consistent with the applicable 45% tax rate for the coal mining subsidiary and after taking into account non-deductible expense items at the Group level.

Profit

A key highlight of Adaro Energy’s 2009 performance is the 392% increase in net profit to Rp4.4 trillion (US\$420 million), which was driven by the 49% increase in revenue and expansion in the operating margin to 37%. The strong increase in 2009 earnings was largely contributed by the coal mining business.

Balance Sheet

Financial Strategy

Adaro Energy has continued to maintain a financial strategy of optimizing its capital structure, lowering costs and maintaining flexible liquidity. In October 2009, the Group issued US\$800 million Guaranteed Senior Notes (“Senior Notes”), with a selling price of 99.141%. The Senior Notes are the first 10-year US dollar private sector corporate bond out of Indonesia after the Asian Financial crisis and was the country’s largest ever 10-year dollar bond. The proceeds of the Senior Notes will be used primarily to finance the development of Adaro Energy’s infrastructure to support the expansion of production capacity and improve the integration and efficiency of the coal supply chain.

In addition, the Group entered into an Amortising Revolving Credit Facility with a syndicate of banks, in aggregate amount of US\$500 million. This loan will be used as a stand by facility and to help the Group maintain appropriate liquidity.

Consistent with the above strategy, Adaro Energy’s balance sheet as of the end of 2009 remained in a strong condition with the net gearing level further improving to 26% from 54% at the end of December 2008.

Assets

Adaro Energy’s total assets increased Rp8.7 trillion or 26% to Rp42.5 trillion, mostly attributed to the 102% increase in current assets to Rp15.8 trillion, which rose due to the surge in cash and cash equivalents.

Cash and Cash Equivalents

Adaro Energy’s cash and cash equivalents increased 367% or Rp8.9 trillion to Rp11.3 trillion by the end of 2009, largely reflecting the healthy cash flow generation throughout the year and proceeds from the issuance of the US\$800mn Senior Notes. Cash holdings were equivalent to 27% of total assets.

The bulk of the cash, 94% of which was US Dollars, was held as cash in banks and as deposits. US Dollar cash in banks increased 179% to Rp4,500 billion and was mostly held in four international banks in Indonesia and Singapore. US Dollar deposits increased 403% to Rp6,146 billion and were mostly held in three international banks in Indonesia and abroad.

The interest rates on the US Dollars deposits earned up to 3.5% during 2009.

Trade Receivables

Adaro Energy’s trade receivables increased 24% to Rp2.9 trillion and were mostly with blue-chip and high quality power and cement companies. As of end of December 2009, 94% of the Group’s total receivables were current or less than 30 days overdue. Over 72% of the receivables were held in US Dollars and all were expected to be collected in full.

Fixed Assets

Adaro Energy’s fixed assets rose 25% to Rp7.4 trillion. The increase is mainly attributed to the Rp301 billion addition to machinery, operational equipment and vehicles, and the Rp304 billion addition to

leased operational equipment. Acquisitions of vessels of Rp1.1 trillion, via the acquisition of a barging and shiploading company, also contributed to increasing fixed assets.

Liabilities

Adaro Energy's total liabilities increased to Rp24.95 trillion an amount equivalent to 59% of total assets. Current liabilities increased 19% to Rp8.0 trillion due to the 96% or Rp1.1 trillion increase in taxes payable due to higher revenues and higher current maturities of bank loans, which rose 127% to Rp1.9 trillion.

Non-current liabilities increased 31% to Rp17.0 trillion due to the issuance of new long term debt, despite reductions in bank loans by 32.5% to Rp5.6 trillion.

Debt

Taking into consideration the issuance of US\$800mn Senior Notes in October 2009, Adaro Energy's total interest bearing debt increased 44% to Rp15.9 trillion from Rp11.0 trillion in December 2008, reflecting some offset with principal repayments made during 2009.

Adaro Energy's access to capital remains strong. Apart from the US\$800 million 10-year bonds and the US\$500mn Amortising Committed Revolving Facility, which is currently undrawn, in the first quarter of 2009, during the most uncertain time of the global financial crisis, Adaro Energy arranged credit facilities via three transactions a total amount of US\$185 million (a US\$80mn short-term syndicated refinancing, which was fully paid in February 2010, a US\$40mn 3-year bilateral, and a one year US\$65mn letter of credit facility, which expired in March 2010).

Adaro Energy's good access to capital is reflected in the rates on the long term borrowings, which averaged approximately 6%.

Adaro Energy's debt maturity profile (excluding lease payables) will likely continue to be a small portion of free cash flow (after taxes and interest) at US\$217.5 million in 2010, and decreasing slightly to US\$213.1 million in 2011. The existing bank loan repayments rise in 2012 before dropping in the following year. Adaro Energy believes the debt repayments in the foreseeable future are well covered by the strong liquidity position and well demonstrated cash flow generation.

Working Capital and Liquidity

Adaro Energy's working capital increased almost six times to Rp7.8 trillion due to the huge increase in cash. This increased Adaro Energy's liquidity as reflected in the current ratio which increased to 1.98x from 1.17x.

Cash flow

Adaro Energy generated free cash flow of Rp9.9 trillion (US\$953mn) in 2009, largely driven by the strong generation of operating cash flow of Rp7.1 trillion (US\$683mn), which increased 554% due largely to the strong performance of the coal mining business and by keeping cost increases to a minimum. Adaro Energy's receipts from customers increased 48% to Rp25.8 trillion, while payments to suppliers only increased by 10.5% to Rp13.3 trillion. Adaro Energy's operating cash flows well exceeded the capital expenditures and debt repayments during the period.

Adaro Energy's capital expenditures for 2009 decreased Rp357 billion or 25% to Rp1.1 trillion (US\$106mn). Adaro Energy's subsidiary SIS spent 32% of total on mining equipments, Adaro Indonesia used 30%, mostly for the crushing and handling facility, MSW used 13% for the construction of the mine-mouth power plant, the dredging and water toll contractor SDM used 6% of the total on infrastructure related to the Barito channel dredging, IBT's equipment and construction costs amounted to 7% of the total, with OML using 7% of the total on vessel purchases and ATA accounting for 5%.

In order to reduce the risks caused by the fluctuation in the fuel price, in December 2009 the Group entered into fuel hedging contracts. The total notional quantity amounts of 2,160,000 barrels will be sufficient to cover a significant portion of the Group's fuel requirement in 2010.

The Group's cash flow from financing activities, a net inflow of Rp3.63 trillion (US\$349mn) in 2009, largely reflected the debt addition from the issuance of US\$800mn bonds in October 2009 which was partly offset by repayment of OML's Senior Facility, Lease payable and Notes. The company was on track in meeting the debt repayment obligations in 2009 including installment repayment of term loans under Syndicated Loan (AI and CTI), repayment of maturing portion of the Short-term Syndicated Loan, installment repayment of SIS' Senior Credit Facility, and repayment of maturing lease payables.

Financial Ratios and Quality of Earnings

PT Adaro Energy Tbk	31-Dec-09	31-Dec-08
Liquidity analysis		
Cash Ratio	1.41x	0.52x
Current Ratio	1.98x	1.17x
AR days	39	47
Inventory days (all inventories)	6	8
AP days	50	72
Profitability analysis		
ROA	10%	3%
ROE	25%	6%
ROIC (Capital = Debt + Paid up capital)	13%	4%
Financial Structure		
Net debt to EBITDA	0.42x	1.69x
Net debt to Equity	26%	54%
Quality earnings calculation (Rp bn)		
Net income	4,367	887
Extraordinary item	-	373
Amortisation mining properties - net of tax	349	142
Amortisation goodwill	507	360
Partial redemption of AFS Investment	(37)	(49)
Gain on forex - net of tax	(72)	328
Quality earnings	5,114	2,041
Margin	19%	11%
weighted average # of shares (in thousand)	31,985,962	25,469,531
EPS	136.5	34.8

Brief Description

Adaro Energy is currently Indonesia's second largest thermal coal producer, operates the largest single-site coal mine in Indonesia, and is a significant supplier to the global seaborne thermal coal market. The Company has approximately 3.5 billion tonnes of coal reserves and resources and is integrated from exploration through to marketing. The Company's subsidiary, PT Adaro Indonesia commenced mining in 1992 from a coal resource area in the Tanjung district of Indonesia's South Kalimantan province. Adaro operates under a first generation Coal Cooperation Agreement, or "CCA", with the Government of Indonesia, which is valid until 2022 with rights to extend by mutual consent.

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