

For further information please contact:

Mr. Andre J. Mamuaya, Director and Corporate Secretary

Mr. Cameron Tough, Head of Investor Relations

Tel: (6221) 521 1265

Fax: (6221) 5794 4685

Email: [cameron.tough@ptadaro.com](mailto:cameron.tough@ptadaro.com)

[www.adaro.com](http://www.adaro.com)



## Quarterly Activities Report

For the Three Months Ending December 31<sup>st</sup>, 2008

---

---

### PT Adaro Energy Tbk (IDX: ADRO)

#### **Introduction**

Welcome to the second Quarterly Report of PT Adaro Energy Tbk. With this report, which will be publicly distributed in the fourth week after the end of each quarter, we hope to provide you with timely and balanced information to help you make an informed investment decision about Adaro Energy. The report will focus on the activities of the company and its subsidiaries, during the preceding quarter. The report will not address specific financial results, which will be released separately. While we feel we have put together an informative report, you may feel something is missing. Please email [cameron.tough@ptadaro.com](mailto:cameron.tough@ptadaro.com) and let us know what additional information you may require.

#### **Highlights**

- Full year 2008 production volumes increase 7% to 38.5 million tonnes.
- Full year 2008 sales volumes increase 9% to 41.1 million tonnes, of which 39.8 million tonnes was sold by Adaro Indonesia.
- Cash preservation mode. Financial structure strong and improving.
- The long term growth plans are under review although growth targets remain the same.
- The equipment and funding for 2009 production growth has been prepared.
- Dredging of the Barito Channel is completed and started commercial operation January 1, 2009.
- Results of 2009 price negotiations are satisfactory. We have negotiated the price on 70% of the 2009 contracts while the remainder will be priced during the year as is normal practice.
- Demand for Envirocoal remains firm.

Jakarta

February 4, 2009

**Board of Commissioners:**

1. Edwin Soeryadjaya – President Commissioner
2. Theodore Permadi Rachmat – Vice President Commissioner
3. Ir. Subianto – Commissioner
4. Lim Soon Huat - Commissioner
5. Djoko Suyanto – Independent Commissioner
6. Palgunadi Tatit Setyawan – Independent Commissioner

**Audit Committee:**

1. Ir. Palgunadi Tatit Setyawan (Chairman)
2. Prof. Dr. Ir. Irwandy Arif, MSc (Member)
3. Mamat Ma'mun, SE (Member)

**Board of Directors:**

1. Garibaldi Thohir – President Director
2. Christian Ariano Rachmat – Vice President Director
3. Sandiaga Salahuddin Uno – Director
4. Andre Johannes Mamuaya – Director of Corporate Affairs/Corporate Secretary
5. David Tendian – Finance Director
6. Ah Hoo Chia – Operations Director
7. Alastair Grant – Marketing Director

**Key Adaro Energy Subsidiaries** (100% owned by Adaro Energy, unless otherwise indicated):

1. PT Adaro Indonesia (“AI”): coal mining
2. PT Saptaindra Sejati (“SIS”): mining contractor (85.92%)
3. Coaltrade Services International Pte Ltd (“Coaltrade” or “CTI”): coal trading and marketing agents
4. PT Indonesia Bulk Terminal (“IBT”): coal terminal operation, port facilities
5. PT Makmur Sejahtera Wisesa (“MSW”): mine mouth power plant (99.59%)
6. PT Sarana Daya Mandiri (“SDM”): dredging of Barito river mouth (51.2%)

### **Brief Description**

Adaro Energy is currently 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 a present capacity of approximately 45Mt per year, the company is planning to increase production capacity to 80Mt per year by the end of 2013. The company has approximately 2.8 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.

<b>2009 Production/ Sales Volume</b>	42-45 million tonnes 10 Years CAGR of 14%
<b>Envirocoal</b>	Sub bituminous, moderate CV, high moisture coal, ultra-low pollutants
<b>Customers</b>	40 customers in 18 countries Substantially all blue-chip power utilities
<b>Pricing</b>	All annual price negotiation or index-linked, with adjustment for energy level
<b>Cost</b>	Low to middle production cost compared to peers
<b>Resources – JORC Compliant</b>	2.8 billion tonnes
<b>Location</b>	Tanjung district, South Kalimantan
<b>License</b>	First Generation CCA valid until 2022
<b>Operations</b>	The largest single coal mine in Indonesia Vertically integrated
<b>Growth Strategy</b>	Expand production, market focus on Asia and to further integrate the operations
<b>IPO &amp; Market Cap</b>	16 July 2009 Market Cap as of 30 January 2008: Rp23.7 trillion (US\$2.1 billion)

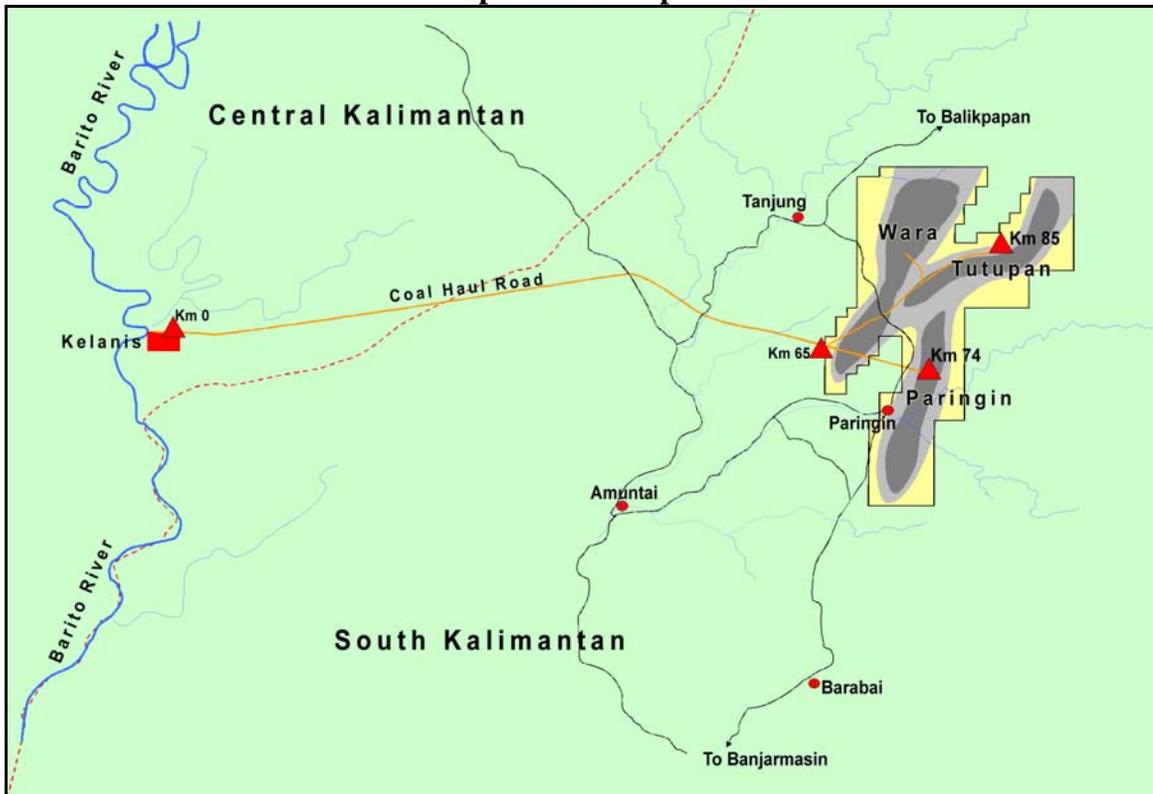
### **Current Capacity**

1. Mining equipment : 45 MT
2. Hauling road : 45MT
3. Kelanis: 45MT but by end of February it will increase to 55 MT (new crushing system)
4. Barges: 70 barges (from affiliated and 3<sup>rd</sup> party companies). 50 MT.
5. Taboneo: 100,000 tonnes per day using 5 floating cranes
6. IBT: 12 MT
7. Barito Channel: 200 MT.

## Our Location



## Operations Map



## Shareholder Information

**Market Capitalization** (as of January 30, 2009): Rp23,670 Billion

### **Share Price and Volume:**

- IPO Price IDR 1,100/share (listed July 16<sup>th</sup>, 2008)
- Share Price Range (4Q08): Rp470 (11/24/08) – Rp1,210 (10/06/08)
- Average Daily Share Price (4Q08): Rp601
- Average Daily Volume (4Q08): 16.67 million shares
- Relative Share Price Performance (4Q08):
  - vs the Jakarta Composite Index (JCI): -51%
  - vs the Mining Index of the JCI: -34%

### **Shareholders Holding More than 5%:**

<b>Name</b>	<b>Shares</b>	<b>Ownership (%)</b>
CITIBANK HONGKONG S/A CBHK-CPBSG-PT SARATOGA INVESTA S	4,775,524,806	14.93
Triputra Investindo Arya, PT	4,268,347,697	13.34
Persada Capital Investama, PT	3,520,995,975	11.01
GS NY SEG AC-LOCKUP ACCOUNT	3,180,703,000	9.94
Trinugraha Thohir, PT	2,496,384,062	7.80
Garibaldi Thohir	2,496,384,062	7.80
UBS AG SINGAPORE S/A ATTICUS INVESTMENTS PTE LTD – 2091144083	1,835,021,500	5.74
<b>TOTAL</b>	<b>22,573,361,102</b>	<b>70.57</b>

### **Analysts Recommendations:**

<b>Firm Name</b>	<b>Analyst</b>	<b>Recommendation</b>	<b>Target Px (Rp)</b>	<b>Date</b>
UBS	Andreas Bokkenheuser	Buy/Short term Sell	1,100	01/22/09
Morgan Stanley	Wee Kiat Tan	Overweight/Attractive	1200	01/21/09
Bahana Securities	Katherine Hermawan	Hold (reduce from Buy on 12/04/08)	550	01/05/09
DBS Vickers	Yusuf Adiwinoto	Buy	830	12/03/08
BAS Merrill Lynch	Daisy Suryo	Buy	912 (reduce from 1,400 on 09/17/08)	12/04/08

### **Analysts Monitoring Adaro Energy (aside from those above)**

1. Adam Worthington, Macquarie
2. David Chang, UOB Kay Hian Securities
3. Herman Tjahjadi, Schroders
4. Rania Rahmundita, CIMB
5. Erindra Krisnawan, Citigroup
6. Ahmad Solihin, CLSA
7. Rahmi Sari Marina, NISP
8. Ricardo Silaen, Kim Eng
9. Ari Pitoyo, Mandiri Sekuritas
10. Jordan Zulkarnaen, Kresna
11. Ami Tantri, Credit Suisse
12. Arief, Optima Securities
13. Adi Hartadi, Trimegah
14. Cherie Khoeng, Deutsche Bank
15. Ariyanto Kurniawan, AM Capital
16. Jemmy Paul, PT Waterfront Securities Indonesia
17. Sylvia Darmaji, Ciptadana

### **Investor Relations Update**

#### Current Investment Thesis:

- ✓ High quality assets. Large reserves of ultra-low sulphur and low ash coal which remains in firm demand despite the current downturn in growth of thermal coal market.
- ✓ Second largest coal producer in Indonesia.
- ✓ Professional, dedicated and supportive shareholder team.
- ✓ Professional, focused and execution-oriented management with a proven growth record.
- ✓ Continuously upgrading corporate governance standards.
- ✓ Vertically-integrated to better control operations and lower costs. Further integration to continue.
- ✓ Average prices for 2009 will increase and boost free cash flow.
- ✓ Plans to increase output to 80 million tonnes remain unchanged. Management is revising growth strategy and will select alternatives which create the most shareholders' value.
- ✓ Management focused on maximizing shareholders' return either through investment or cash dividend.

#### Important Dates:

Our full year 2008 Annual Report is targeted for release by April 30<sup>th</sup> 2009. The General Meeting of Shareholders is planned for June 2009. Quarterly conference calls will be held after the release of financial statements and notes. A full revision of the IR section of our website, [www.adaro.com](http://www.adaro.com) will be completed by the end of first half 2009.

## **PT Adaro Energy – Quarterly Corporate Overview**

In the fourth quarter of 2008, Adaro Energy performed well and met its production and sales targets for the quarter. The strong fourth quarter result meant Adaro Energy was able to meet its targets for the full year of 2008.

President Director, Garibaldi Thohir, said:

**“We are delighted we achieved our 2008 production and sales targets, despite sometimes difficult and challenging conditions, such as poor weather at the beginning of 2008 and deteriorating global economic conditions at the end of 2008. We will make our best effort to hit our targets once again in 2009.”**

The current economic crisis is reducing the emphasis on a “fast-as-possible” pace of annual growth, and shifting towards a more measured pace. As such, while the internal target remains the same, Adaro Energy will not likely achieve the high end of its production and sales target of 42-45 million tonnes.

Adaro Energy has not revised its price targets for 2008 and 2009. Over 95% of the company’s sales are done on a one year negotiated basis, with the rest set by an index. Nearly 70% of 2009 deliveries have been priced. The average achieved selling price for Envirocoal in 2009 will be higher than in 2008. Due to the high price environment in 2008, the Government of Indonesia required Adaro increase the prices on a number of 2009 contracts.

President Director, Garibaldi Thohir, went on to say:

**“The demand for our specialty coal, Envirocoal, remains firm, our operations are running well and our financial position and cash flows are good. However, due to the difficult economic times, we must continue to prudently manage our cash and cash flows.”**

### **Long Term Growth Target: Still 80 million Tonnes a Year**

Adaro Energy’s medium term production and sales volume target remains the same, at 80 million tonnes a year by the end of 2013. However, given the changing conditions in the global economy, Adaro Energy is making adjustments regarding how to best achieve this growth, with a view to maximizing shareholder value and minimizing risk.

In order to preserve cash for debt repayment and other investments, Adaro Energy is reviewing the development of the overland conveyor belt, to be built alongside the existing 68km haul road. The planned overland conveyor would significantly reduce transportation costs, but is not essential to ramp up annual production to 80 million tonnes.

The different options to achieve 80 million tonnes a year include building an overland conveyor over half the original distance, upgrading the existing road, and/or building in-pit conveyors.

Adaro Energy is continuing to make infrastructure and other improvements along the coal supply chain to remove bottlenecks and improve efficiencies. Examples of such investments include last year's investment to dredge a new channel at the mouth of the Barito river and investing in a new crusher at the Kelanis river port.

The dredging was carried out by Adaro Energy's majority-owned subsidiary PT Sarana Daya Mandiri ("SDM"), which will run a water toll and oversee the maintenance of the new channel. In order to increase barging efficiency and capability, at the beginning of 2008, SDM began a project to dredge a deeper and straighter channel. The actual dredging was conducted and will be maintained by Van Oord, an international dredging and marine contracting company from The Netherlands.

By February 2009, after expansion work at Kelanis is complete, Adaro Energy's infrastructure will have an annual capacity of 55 million tonnes. With additional investment at Kelanis and by adding additional mining and hauling equipment, Adaro Energy can increase annual capacity to 60 million tonnes. Other such investments include acquisitions to further integrate the operations and improve efficiency and control.

### **Further Integration**

An important part of Adaro Energy's business model is to further increase the vertical and horizontal integration of the operations, so as to further improve control and efficiency. In 2009, Adaro Energy will likely not make large growth investments. However, as well as making investments to improve the infrastructure and routine investments such as procuring mining equipment and purchasing land, Adaro Energy will likely be making investments to further integrate the operations.

### **Cash and Debt**

Adaro Energy's cash position and debt levels remain strong. Due to higher production levels and higher prices, operating cash flows are expected to double in 2009. At the end of 9M08 Adaro's cash and cash equivalents stood at Rp2.5 trillion, a 77% increase over 9M07. Together with future cash flows, Adaro Energy's cash position is sufficient to meet Adaro Energy's current and future cash needs, assuming no major growth investments. Meanwhile total interest bearing debt decreased 6% to Rp8.0 trillion and the financial structure was robust with net debt to equity of 0.42 times and net debt to ebitda of 1.37 times.

### **Cost Reduction**

As well as postponing large capital expenditure on growth, Adaro Energy is preserving cash and improving operations by investing in cost reduction initiatives. One such project is the US\$50 million investment made in 2008 to dredge the new channel at the mouth of the Barito river. This has increased the capacity of the river delta and will reduce costs by halving the time and number of tugs it takes to transit barges through the river mouth. Additionally, Adaro Energy will be making greater use of the Taboneo anchorage for its shiploading activities, which decreases barging distances. Due to lower oil prices globally,

Adaro's fuel costs, a significant cost component, will decrease. As well, to preserve cash Adaro Energy has cancelled the share repurchase program.

Additionally, Adaro Energy has implemented a group-wide cost cutting program, across all levels with all members of the group asked to reduce their costs. President Director Garibaldi Thohir said, **“During this period of global uncertainty we intend to get back to basics and focus on our core business.”**

#### **Royalty Arrears/VAT Refund Audit**

In December 2008, the State Development Finance Comptroller (BPKP) completed an audit on royalties that were allegedly withheld by Adaro and five other coal miners. Adaro, as with the other coal miners, had offset value added tax (VAT) with royalty payments due to the government. The BPKP audit has found that the royalties withheld by the six major Indonesian coal mining companies are almost equal to the amount of VAT refund claims.

Until a VAT refund mechanism is established, Adaro will continue to offset royalty payments with the amount of VAT to be refunded.

#### **Government Regulations and Requirements**

##### **Price Renegotiations**

On December 11<sup>th</sup>, 2008, Adaro Energy announced that Adaro Indonesia had temporarily suspended deliveries and declared force majeure to three customers after negotiations with them failed to achieve a required new price by 3<sup>rd</sup> December 2008. The repricing negotiations and the deadline were required by the Government of Indonesia. Adaro has made progress in price renegotiations having reached an agreement with one of the three customers, the proposed settlement is pending Government's approval. Adaro is hopeful of achieving a satisfactory outcome. The outcome of the price renegotiations is not expected to impact on Adaro's 2009 volume or price guidance.

##### **Impact of the New Mining Law**

On December 16<sup>th</sup>, 2008, Indonesia passed Law Number 4 of 2009, which is known as the new Mining Law. The new Mining Law, which came into effect on January 12<sup>th</sup>, 2009 and which supersedes the previous Mining Law, known as Law No. 11 of 1967, contains many provisions, such as those concerning maximum concession size, royalties and taxes, using affiliated parties and subsidiaries, using foreign contractors, etc, which do not appear to be helpful to existing mining operations or conducive to future mining investments. The impact of the new mining law cannot be determined until the government issues its regulations on how the new mining law will be implemented. Adaro Energy's legal department, together with external counsel, are reviewing the new Mining Law with a view to protecting Adaro Energy's operations and expansion plans.

## 2009 Guidance

	2008	2009
<b>EBITDA (million US\$)</b>	350-400	750-1,000
<b>Production volume - in million of tonnes</b>	38-39	42-45
<b>Stripping ratio - blended (bcm/tonne)</b>	4.25	4.50-4.75
<b>Average Selling Price - blended (US\$/tonne)</b>	38 -39	52-65

## PT Adaro Energy – Unaudited Consolidated Volumes

	Units	FY07	FY08	% change
<b>Production</b>	'000 MT	36,037.87	38,482.46	7%
<b>Sales *)</b>	'000 MT	37,550.07	41,098.84	9%

\*) Including coal sold by AE and AI for FY07; and AE, AI and CTI for FY08

	Units	Actual FY08	FY 2008 target*)	% of Full year 2008
<b>Production</b>	'000 MT	38,482.46	38,124.73	101%
<b>Sales</b>	'000 MT	41,098.84	38,124.73	108%

\*) As submitted to Bapepam and IDX

Due to continued firm demand, combined sales volumes, which include 1.3 million tonnes of third party coal trading, increased by 9% to 41.1 million tonnes as production volumes increased 7% to 38.5 million tonnes. In the fourth quarter Adaro Energy produced 9.8 million tonnes and sold 10.2 million tonnes.

This result is slightly ahead of the annual volume target for full year 2008 of 38.1 million tonnes, despite seasonally difficult weather conditions at the beginning of the year and minimal starting inventory. Good team work is a major factor in achieving the annual target, which was reached safely.

## Operations

### PT Adaro Indonesia

	Units	4Q07	4Q08	% change
<b>Overburden</b>	Mbcm	30.72	39.55	29%
<b>Coal Transported</b>	'000 MT	8,835.98	9,737.10	10%
<b>Coal Sold</b>	'000 MT	8,782.94	10,055.65	14%
<b>Coal Inventory</b>	'000 MT	852.47	214.93	-75%
<b>Strip Ratio</b>	Bcm/tonne	4.25	4.25	
		FY07	FY08	% change
<b>Overburden</b>	Mbcm	119.87	159.31	33%
<b>Coal Transported</b>	'000 MT	36,037.87	38,482.46	7%
<b>Coal Sold</b>	'000 MT	36,576.19	39,797.76	9%
<b>Coal Inventory</b>	'000 MT	852.47	214.93	-75%
<b>Strip Ratio</b>	Bcm/tonne	4.25	4.25	

Adaro Indonesia, the coal mining subsidiary 100% owned by Adaro Energy, and the major contributor to Adaro Energy's income, exceeded its 2008 production and sales targets of 38.1 million tonnes. Due to firm demand for Envirocoal, and with over 90% of the mining equipment currently at the site, or to be delivered, together with sufficient cash and economical funding, Adaro Indonesia remains confident of achieving its 2009 target of 42-45 million tonnes.

Compared to the same period in 2007, during the fourth quarter of 2008 Adaro Indonesia increased overburden removal by 29% to 39.55 million bank (in situ) cubic meters (bcm). In 4Q08, Adaro Indonesia produced 9.7 million tonnes of coal a 10% increase compared to the same quarter in 2007, although slightly less than the 10.4 million tonnes of coal produced in 3Q08. This resulted in a 7% increase in FY08 coal production to 38.5M tonnes. Adaro Indonesia's planned strip ratio, which is measured as bcm of overburden per tonne of coal in situ, remained the same at 4.25, well below the average for Indonesian coal mines.

### **Mining and Hauling (Contractors)**

PT Pamapersada Nusantara ("PAMA"), owned by PT United Tractors Tbk, is responsible for nearly half of Adaro Indonesia's coal production volumes. PT Bukit Makmur Mandiri Utama ("BUMA") and the Adaro Energy's subsidiary PT Saptaindra Sejati ("SIS") are each responsible for 20% respectively. PT Rahman Abdijaya ("RAJ") conducts around 10% of the mining operations.

### *Overburden Removal*

On October 21<sup>st</sup>, Adaro set a record in terms of daily overburden removal at 672,749 bcm. In October, the average overburden removal per day, not including the two non-working holidays was 561,000 bcm per day, compared to 511,000 bcm per day in August. This was an excellent performance in overburden removal by all contractors, despite a significant

number of rain days. Contractors made real improvements to roads using the andesite provided by Adaro. In November overburden removal was 101% of the plan at an average rate of 468,000 bcm per day. There were 4 days when overburden removal exceeded 600,000 bcm per day. Given the wet conditions, with 22 days of rainfall compared to 16 days in the previous month and an increase in the amount of water being stored in the pit sumps, this was a credible effort on behalf of the contractors. In December, overburden removal was 89% of plan at an average rate of 364,000 bcm per day. Conditions were wetter than in November with 29 days of rainfall and pressure due to lack of disposal areas. Full year overburden removal was 87% of the plan, due to the poor weather at the beginning of the year.

*Land Acquisition*

Following the purchase of land in 3Q08, in 4Q08 access to parts of the Cakung area was gained, allowing for the resumption of construction of haul roads and other infrastructure. Land acquired for mining and waste disposal area progressed according to plan.

**Logistics, Hauling, Barging and Ship Loading**

The new Barito Channel opened on November 30<sup>th</sup>, allowing for the regular supply of cargo to Taboneo. It is expected that crane and barge utilization will further improve. Commercial operations began January 2009, with users of the newly dredged channel paying a fee. In November, there was an average vessel wait time of 1.1 days, a decrease from 2 days in the previous month.

In 2008, the Taboneo anchorage handled 452 vessels, with total shipments of 34,618,304 million tonnes, of which 24,848,998 million tonnes were exports.

**Rainfall**

<b>Month (4Q08)</b>	<b>Total Rain (millimeters)</b>	<b>Rain Days</b>
October	122	16
November	481	22
December	525	29
<b>TOTAL</b>	<b>1,128</b>	<b>67</b>
Five Year Average	788	49

Rainfall and rain days were well above the 5 year average for the quarter with December being one of the wettest months on record.

## **Marketing**

Adaro Indonesia started marketing its sub-bituminous coal in 1990. Today the coal is widely known around the world under the trademark “Envirocoal” because of its unique environmental qualities. Envirocoal has amongst the lowest levels of sulphur, ash and nitrogen content in the world. A number of Adaro’s 40 customers can only operate if they use Envirocoal and others must blend with Envirocoal. While of a lower energy content, Envirocoal is sought after for blending with other coals in order to reduce levels of pollutants and for the cost savings it can bring in terms of improving thermal efficiency, reducing maintenance costs and to meet emission standards without having to build desulphurization units. The unique environmental properties of Envirocoal have played a role in keeping demand firm.

Coal pricing and demand is not just a function of heat value, it is also determined by coal quality terms, payment terms, tonnage, option tonnage, freight component, exchange rate, fuel price adjustment, delivery dates, etc.

Adaro Energy’s Marketing Director, Alastair Grant, says, “the strength of our long established brand, our reliability and performance on delivery can be seen in the current resilience we have seen in demand for Envirocoal.”

## **PT Adaro Indonesia – Historical Sales Record**

<b>Year</b>	<b>Sales</b>	
	<b>Annual</b>	<b>Cumulative</b>
1991	159,361	159,361
1992	979,919	1,139,280
1993	1,214,386	2,353,666
1994	2,510,906	4,864,572
1995	5,589,530	10,454,102
1996	8,333,945	18,788,047
1997	9,616,828	28,404,875
1998	11,244,273	39,649,148
1999	13,830,049	53,479,197
2000	16,237,523	69,716,720
2001	18,779,489	88,496,209
2002	21,245,436	109,741,645
2003	23,072,652	132,814,297
2004	25,112,926	157,927,223
2005	26,094,004	184,021,227
2006	34,455,270	218,476,497
2007	36,576,195	255,052,692
2008	39,797,764	294,850,456

### **Coaltrade Services International Pte Ltd**

Coaltrade is an international coal trading company that was established in Singapore in the year 2000 to participate in the growing trade in thermal coal in the international energy market. Its principal activities include:

- trading in thermal coal
- acting as an Agent/Representative for both producers and consumers
- providing technical and coal combustion consulting services
- providing shipping and logistics services for coal supply

Coaltrade was also formed to handle the blending of Adaro Indonesia's coal with other coals for value added purposes. Envirocoal is the world's lowest in sulphur and ash and amongst the lowest in terms of nitrogen content. It therefore has particular value as a blending coal with other coals of inferior qualities and consequently lower value. Prior to the establishment of Coaltrade, this increased value by blending was being captured by the customer as Adaro Indonesia cannot under its CCA handle third party coal.

Coaltrade sold 1,787,564 tonnes of coal in 4Q08 and 7,957,156 tonnes of coal in FY08, of which 961,842 tonnes was third party coal. In 4Q07 and FY07, Coaltrade sold 1,919,947 and 9,325,299 tonnes of coal.

### **PT Indonesia Bulk Terminal (IBT)**

IBT is the operator of the common user Pulau Laut Coal Terminal on the southern tip of the island of Pulau Laut which has a rated throughput of 12 million tonnes per annum and is able to load vessels of up to 80,000 DWT.

The terminal maintains eight stockpiles with a total capacity of 800,000 tonnes of coal and a stockpile reclaiming system which can provide accurate blending of coals from different stockpiles to meet end-users precise specifications. The terminal is also an ideal location for cargo assembly of coal production from smaller producers and traders.

IBT shipped 8,072,640 tonnes of coal on 125 vessels in FY08, or 66% of the plan and a 33% decrease compared to the 11,991,400 tonnes loaded on 185 vessels over the same period in 2007. Of the total FY08 amount, 1,802,460 tonnes were third party shipments, while for FY07, 1,246,190 tonnes were third party shipments.

IBT expects to handle 6 million tonnes of coal through the Pulau Laut terminal this year, down from the 8.1 million tonnes exported in 2008, and hopes to increase the third party tonnage in 2009.

### **Mining Contracting – PT Saptaindra Sejati (SIS)**

SIS, which started its commercial operation in April 2002, provides a range of coal mining services including exploration, drilling, transportation and logistical support, overburden removal and coal mining services. Currently handling around 21% of Adaro Indonesia's production SIS plans to gradually increase output to 50% of future production.

Overburden removal of 85,799,000 bcm was 6% below the plan for FY08 and also a 6% decrease compared to FY07. During FY08, SIS transported 8,478,000 tonnes, mined 11,358,000 tonnes and barge loaded 1,292,000 tonnes. Coal mined also decreased 5% compared to FY07. Barge loading and coal transported grew by 2% and 12% compared to FY07.

On August 2008, SIS borrowed US\$300 million at LIBOR + 265bps. US\$240 million was used for refinancing and US\$60 million, which has yet to be drawn down, will be used for capital expenditures in 2009, mostly on mining equipment.

## **Project Development**

### **PT Makmur Sejahtera Wisesa (MSW) Power Plant**

The MSW project objective is to build and operate a 2x30 megawatt (MW) coal-fired power plant to run the planned overland conveyor which will run along the existing haul road from the mine site to the Kelanis river facility.

Given the difficulties created by the financial crisis, MSW and Adaro Energy continue to review the project to determine the most appropriate stages for construction, uses and investment.

### **Kelanis – Tutupan Transportation System**

A key part of the plan to increase production to 80 million tonnes by the end of 2013 is to increase the transportation capacity from the mine site to the Kelanis river terminal. Currently Adaro Energy has plans to build a 68 km transport system, most likely a multi-stage conveyor, with adjacent crushing plant, stacking system and barge loaders with total capacity of 6,000 tonnes per hour (40 million tonnes per year).

Due to the difficulties created by the dramatic reduction in access to capital caused by the global financial crisis, aspects of the project have been postponed. Meanwhile, work will continue on acquiring necessary land, on finalizing project design and other aspects.

### **Commercial Operations Begin at the Barito Channel**

On October 23<sup>rd</sup>, 2008, Adaro Energy announced it had successfully completed a trial-run on a new channel that was dredged at the mouth of the Barito river, near Banjarmasin, South Kalimantan. A crucial step in Adaro Energy's efficiency program and overall expansion plans, the dredging commenced full operations, on time and on budget, on January 1<sup>st</sup>, 2009. The most important aspect of opening the new channel is that annual capacity will increase to over 200 million tonnes from 60 million tonnes. This additional capacity will help Adaro Energy realize its plans to increase annual production to 80 million tonnes. The dredging of the new channel and the ongoing maintenance and water toll operation, will be carried out by Adaro Energy's new subsidiary, PT Sarana Daya Mandiri ("SDM"). The stake in PT Sarana Daya Mandiri was acquired in 3Q08 as part of implementing Adaro Energy's integrated business model.

### **IBT Fuel Terminal – Jetty Portion of the Project**

In 4Q08, it was determined that all investment costs for jetty modification will be self-financed and the fuel jetty construction contract was awarded. Completion is expected in August 2009. Shell reported preparation of the fuel storage tank construction was on target.

## **Safety**

Adaro Indonesia is committed to achieving and maintaining the highest standards of occupational health and safety. This means continually minimizing the risk of work-related fatal accidents, injury and illness.

Adaro Indonesia measures the success of minimizing the risk of serious injury by Lost Time Injury (LTI) and Lost Time Injury Frequency Rate (LTIFR). This is the number of lost time injuries over total man hours multiplied by 1,000,000. In 4Q08, Adaro Indonesia had a LTIFR of 0.4, lower than the 0.8 in 4Q07.

	<b>4Q07</b>	<b>2007</b>	<b>4Q08</b>	<b>2008</b>
<b>LTI</b>				
October	2	13	0	11
November	3	16	2	13
December	0	16	1	14
<b>LTIFR</b>				
October	1		0	
November	1.47		0.76	
December	0		0.37	
<b>Avg</b>	<b>0.8</b>	<b>0.69</b>	<b>0.4</b>	<b>0.49</b>

The 2008 safety performance was good. In 2009, Adaro will concentrate on maintaining zero fatalities as well as preventing disabling injuries, which still occur, often due to heavy vehicle collisions or loss of control of heavy vehicles.

## **Environment**

Adaro Indonesia is committed to achieving the highest standards of environmental management. This means minimizing the impact of mining on the surrounding environment and returning all land disturbed by mining to a productive and useful state.

	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>4Q08</b>	<b>FY08</b>	<b>Project to Date</b>
Rehabilitation (ha)	19.3	39.56	16.68	75.54	402.67	1595.06
Land Disturbed - Mine (ha)	14.63	3.16	3.88	21.67	223.52	1540.40
Land Disturbed - Other (ha)	38.82	4.82	4.64	48.28	203.05	2556.59
Net Land Disturbed (ha)	34.15	-31.58	-8.16	-5.59	23.9	2501.93

	<b>4Q07</b>	<b>4Q08</b>	<b>FY07</b>	<b>FY08</b>
Rehabilitation (ha)	100.78	75.54	292.52	402.67
Land Disturbed - Mine (ha)	29.52	21.67	254.08	223.52
Land Disturbed - Other (ha)	28.75	51.1	171.82	205.87
Net Land Disturbed (ha)	42.51	2.77	-133.38	-26.72

### **Exploration**

Adaro Energy's deposit contains reserves of approximately 928 million tonnes and resources of 2,803 million tonnes of sub-bituminous coal in seams of up to 50 meters in thickness. These estimates are made to international standards as determined by the JORC Code of the Australasian Institute of Mining and Metallurgy. Adaro Energy has more than enough reserves to continue excavating as per stated expansion plans at least until the CCA expires in 2022.

<b>Month (4Q08)</b>	<b>Location</b>	<b>Coring</b>		<b>Open Hole</b>	
		<b>TH</b>	<b>TD (meters)</b>	<b>TH</b>	<b>TD (meters)</b>
<b>Oct</b>	Tutupan	0	-	15	5,333
	Wara	0	-	16	1,602
<b>Nov</b>	Tutupan	0	-	15	2,946
	Wara	0	-	12	1,042
<b>Des</b>	Tutupan	3	1,054.20	6	1,326
	Wara	11	436.90	43	2,293
<b>Total (FY08)</b>	<b>Tutupan</b>	<b>22</b>	<b>5,368.85</b>	<b>234</b>	<b>50,288</b>
	<b>Wara</b>	<b>34</b>	<b>2,669.60</b>	<b>123</b>	<b>9744</b>

TH = total holes

TD = total depth

Coring = bore holes from which a sample was taken

Open hole = general drilling

The AD500 drilled 15 holes at Tutupan for 5,333 meters for the deephole drilling program. The deep drilling program is approximately 60% completed. The 2 Intidrill rigs drilled 16 holes for 1,602 meters in Wara 2. All available areas in Wara 1 and Wara 2 have now been drilled.