



Our Floating Transfer Unit (FTU) is loading Envirocoal into customer's vessel at Taboneo offshore anchorage. The use of FTU has improved our logistics operation at Taboneo.

Adaro Energy Quarterly Activities Report Second Quarter of 2015

For the Three Months Ending June 30, 2015

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Highlights of the quarter:

- Coal mining, mining services and logistics, and power together form the three engines of growth for Adaro Energy. Our mining services and logistics business performed well, and we have made good progress on our power projects.
- Considering the difficult market conditions, Adaro Energy is running well. We remain on track to create maximum sustainable value from Indonesian coal.
- We removed 74.24 million bank cubic meter (Mbcm) of overburden, in-line with our lower strip ratio target for 2015 of 5.33x.
- In 2Q15, we produced 12.72 million tonnes (Mt) of coal 8% lower compared to the same period last year.
- We increased domestic sales portion to 22% as a result of increased demand.
- Thermal coal imports to India increased by 15.6 Mt in the first half of 2015, mostly coming from Indonesia.

In 2Q15, we produced 12.72 million tonnes (Mt) of coal from both PT Adaro Indonesia (AI) and PT Semesta Centramas (SCM), 8% lower compared to the same period last year. This resulted in total coal production for the first half of this year of 25.88 Mt, 7% lower compared to 1H14 due to combination of strong supply of coal in the market and slower demand growth.

We removed 74.24 million bank cubic meter (Mbcm) of overburden in the quarter, 9% lower than 2Q14 and in-line with our lower strip ratio target for 2015 of 5.33x. Blended strip ratio from the four pits was 5.84 for the quarter, and 5.27 for the first half of this year.

We sold 13.15 Mt of coal in the quarter, 9% lower compared to 2Q14. As part of our strategy to optimize our coal assets, we continued to sell more E4900, which accounted for 66% of our total sales during the quarter. The sales of E4900 increased by 10%, while E5000 and E4000 decreased by 24% and 78% respectively, compared to 2Q14. The market condition was particularly tough for low CV coal as supply for 4,000 kcal/kg type coal was plentiful.

	Units	2Q15	1Q15	2Q15 vs. 1Q15	2Q14	2Q15 vs. 2Q14	1H15	1H14	1H15 vs. 1H14
Coal Production	Mt	12.72	13.17	-3%	13.84	-8%	25.88	27.82	-7%
AI - Tutupan	Mt	10.68	10.43	2%	10.80	-1%	21.11	21.53	-2%
AI - Paringin	Mt	1.37	1.47	-7%	1.52	-10%	2.84	2.96	-4%
AI - Wara	Mt	0.52	0.88	-41%	1.44	-64%	1.40	3.25	-57%
SCM	Mt	0.15	0.38	-61%	0.08	88%	0.53	0.08	569%
Sales Volume	Mt	13.15	13.43	-2%	14.39	-9%	26.59	28.25	-6%
AI - E5000	Mt	3.40	3.49	-2%	4.46	-24%	6.89	9.00	-23%
AI - E4900	Mt	8.69	8.60	1%	7.89	10%	17.29	15.33	13%
AI - E4000	Mt	0.37	0.96	-61%	1.71	-78%	1.33	3.59	-63%
Balangan Coal	Mt	0.17	0.39	-56%	0.06	183%	0.56	0.06	828%
Coaltrade's 3rd party	Mt	0.52	-	-	0.27	93%	0.52	0.27	93%
Overburden Removal	Mbcm	74.24	62.10	20%	81.31	-9%	136.35	149.53	-9%
AI	Mbcm	71.66	60.53	18%	80.42	-11%	132.19	148.64	-11%
SCM	Mbcm	2.58	1.57	64%	0.89	190%	4.16	0.89	367%

The coal market remains challenging in the near-term. We continued to improve our operational excellence and have implemented initiatives to increase productivity and lower cash costs. We continue to maintain a reliable supply of coal for our customers and have concluded the majority of our pricing negotiations for the year.

We further developed our non-coal mining businesses including mining services, logistics, and power. Our mining services and logistics business performed well, and we have made good progress on our power projects. Coal mining, mining services

and logistics, and power together form the three engines of growth for Adaro Energy. Considering the difficult market conditions, Adaro Energy is running well, and we remain on track to create maximum sustainable value from Indonesian coal.

MINING ASSETS

Our coal mining assets remained our most important contributor in 2Q15. Coal will remain an important engine for Adaro Energy, especially as we emerge from the current cyclical downturn, stronger and ready to continue growing.

PT Adaro Indonesia (AI)

In 2Q15, AI produced 12.57 Mt and sold 12.46 Mt of Envirocoal. AI's coal mining, coal hauling and overburden removal were 98%, 98% and 99% of the plan as of the end of the second quarter. Our subsidiary PT Saptaindra Sejati (SIS) together with PT Pamapersada Nusantara (PAMA) operate in the Tutupan pit, PT Rahman Abdijaya (RA) operates in the Tutupan and Wara pit and PT Bukit Makmur Mandiri Utama (BUMA) operates in the Paringin pit. The following table shows the percentage breakdown of overburden removal and coal production activities of AI's mining contractors:

Contractors	2Q15	
	Overburden Removal	Coal Production
PAMA	45%	36%
SIS	34%	40%
BUMA	14%	11%
RA	7%	13%
Total	100%	100%

During 2Q15, AI loaded 64% of its coal tonnage to vessels using floating cranes, 17% by self-geared vessels and 19% was barged directly to domestic customers. Our subsidiary, PT Maritim Barito Perkasa (MBP) conducted most of AI's coal barging and transshipment activities. In 2Q15, MBP handled 56% of AI's barging activities, similar to 2Q14. The average barge cycle time from our Kelanis Dedicated Coal Terminal to Taboneo anchorage and then back to Kelanis was 84 hours in 2Q15, a 19% decrease from 104 hours in 2Q14.

In 2Q15, exploration activities at AI focused on drilling to gather geology, geo-tech, geohydrology, and acid mine drainage data. We drilled 47 holes with a total depth of 8,140 meters. We spent US\$306,278 on exploration in the quarter, 52% lower than the US\$635,288 we spent in the same period last year.

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 in the first half of this year was 22% as a result of increased

demand from existing customers and from obtaining new customers. The following table shows the geographical breakdown of customers by tonnage.

Geographical breakdown of Customers 1H15

	%
Indonesia	22%
China	18%
India	10%
Hongkong	10%
Japan	9%
Korea	8%
Spain	8%
Malaysia	6%
Taiwan	4%
Others	5%
Total	100%

*Others include Philippines, Thailand, Vietnam, USA and Switzerland

PT Semesta Centramas (SCM)

During 2Q15, we produced 0.15 Mt and sold 0.18 Mt of Balangan Coal. Actual strip ratio for SCM in 2Q15 was 17.19x, as we maintained overburden removal target despite lower production to expose coal. We sold Balangan Coal to customers in India and Vietnam.

MINING SERVICES & LOGISTICS

This important engine of growth did well and continued to improve its business prospects in the second quarter. As Indonesia increases coal-fired capacity, as part of the government's 35GW expansion, and with further economic growth, the outlook for these business divisions is promising. Logistics will play a vital role in Indonesia's growing economy.

PT Saptaindra Sejati (SIS)

In 2Q15, AI remained SIS's largest customer, accounting for 57% of SIS's total overburden removal and 68% of coal production, down from 65% and 72% in the same period last year, respectively, as SIS continues to develop its third party business.

	UNITS	2Q15	1Q15	2Q15 vs. 1Q15	2Q14	2Q15 vs. 2Q14	1H15	1H14	1H15 vs. 1H14
Overburden Removal	Mbcm	42.41	35.63	19%	43.96	-4%	78.03	82.55	-5%
AI	Mbcm	24.21	19.95	21%	28.52	-15%	44.16	53.2	-17%

SCM	Mbcm	2.58	1.57	64%	0.89	190%	4.16	0.89	367%
Others	Mbcm	15.61	14.10	11%	14.55	7%	29.71	28.46	4%
Coal Production	Mt	7.42	7.24	3%	7.18	3%	14.66	14.46	1%
AI	Mt	5.08	4.76	7%	5.20	-2%	9.84	10.58	-7%
SCM	Mt	0.15	0.38	-60%	0.08	88%	0.53	0.12	342%
Others	Mt	2.19	2.10	4%	1.90	15%	4.29	3.76	14%

PT Maritim Barito Perkasa (MBP)

In 2Q15, AI's coal volume accounted for 94% and 99% of MBP's total coal barged and coal loaded to ships, respectively. MBP continues to prioritize serving the Adaro Group.

	Units	2Q15	1Q15	2Q15 vs. 1Q15	2Q14	2Q15 vs. 2Q14	1H15	1H14	1H15 vs. 1H14
Total coal transported	Mt	7.64	7.58	1%	8.07	-5%	15.21	15.62	-3%
AI	Mt	7.15	6.80	5%	7.74	-8%	13.95	15.05	-7%
SCM	Mt	0.20	0.44	-54%	0.05	305%	0.64	0.05	1178%
Others	Mt	0.28	0.34	-18%	0.28	1%	0.63	0.52	20%
Total coal transshipped	Mt	8.24	9.70	-15%	9.06	-9%	17.94	17.78	1%
AI	Mt	8.17	9.34	-13%	9.06	-10%	17.51	17.78	-1%
SCM	Mt	0.07	0.36	-80%	-	-	0.43	-	-
Others	Mt	-	-	-	-	-	-	-	-

POWER

The current volatility in commodity markets underscores the importance of our strategic move to diversify into power, which will provide more steady growth. In 2Q15, we continued to make good progress in development of our power business. As we diversify our business model and move downstream into power generation, we aim to be a major player in Indonesian power sector. We are committed to supporting the strategic intention of the Government of the Republic of Indonesia to build 35 gigawatts (GW) of power plants in the next five years, the majority of which will be coal-fired power plants.

COAL MARKET REVIEW: Sticky coal supply situation as cash cost eases

Currency depreciation and lower fuel price in the main coal producing countries continued to provide short-term cost relief for coal producers. Despite the lower coal price, lower costs allowed major coal producers to maintain production, in part to gain market share. Especially in Australia which was estimated to slightly increase

production by 2% in 1H15. This led to an approximately 17% lower Global Coal Newcastle price in the first half of this year.

Even though Chinese power generation increased by 3% in the first half of this year, coal demand growth from China remained muted. China's hydropower generation grew by 14% and became the main source for the increase in power generation. In the first half of this year, coal supply in China reduced significantly by approximately 48%. China domestic coal production was down by 9% while coal imports declined by 39% to 178.2 Mt. China low-rank coal imports, which had the largest increase in 2014 compared to other types of coal, dropped 35% or 13 Mt year-on-year compared to 1H14. The total imports were the lowest coal import to China in the past three years. On top of the large drop in coal supply, Chinese coal fired power plants were also well supplied with average stockpiles of twenty days at the end of June 2015. Subdued Chinese demand and Chinese customers' wait-and-see approach for imported coal pushed prices of imported coal lower. Despite the challenges in China, especially related to environmental concerns, Adaro was able to sell approximately 18% of our coal to the Chinese market in the first half of this year.

In India thermal coal imports increased by 15.6 Mt during the first half of 2015, with more than 59% of the increase coming from Indonesia. Decline in Indian power plant load factors (PLF) caused the average day stock level at power plants to increase to around 22 days. The Indian PLF was seen trending down to 59% at the end of June 2015, the lowest PLF since August 2013. India was Adaro's third largest market in 1H15, accounting for 10% of sales.

Within Indonesia, although domestic coal producers started to reduce their output, oversupply of coal in the market remained and continued to put pressure on coal price. It is estimated that there has been some decline in Indonesia's thermal coal output in the first half of this year as weaker prices forced coal producers to cut down on unprofitable volumes. The price for Indonesian sub-bituminous coal (ICI3) was approximately 17% lower in 1H15 compared to the same period last year. Indonesia was Adaro's largest market in the 1H15, accounting for 22% of sales. 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 2 lost time injuries (LTI), regrettably one of which was a fatality. We have taken thorough investigation on this matter and will apply preventive actions to avoid similar incidents. Our lost time injury frequency rate (LTIFR) for 2Q15 was 0.08. This LTIFR means that there were 1 LTI per 12.5 million hours worked in the quarter. Total man-hours worked during the quarter were 26,139,151 hours.

AI reclaimed approximately 40.46 hectares of land in the Tutupan and Paringin areas with 50,528 trees planted in Q2. AI has reclaimed a total of 1,220.59 hectares of land to date.

SHAREHOLDERS INFORMATION

At the end of the 2Q15, the total free float of Adaro shares was 11,319,311,810 or 35.39% of the Adaro's shares. As of June 30, 2015, the number of shares held by domestic was 11.35%, increased by 0.42% compared to the end of 2014. The number of total domestic shareholders also increased by 3.6%, from 15,151 to 15,694, while the total number of foreign shareholders decreased by 1.2% from 889 in the end of 2014 to 878 in the end of 1H15. During 2Q15, ADRO share price declined, opening at Rp960 on April 1 and closing at Rp760 on June 30. At the end of 2Q15, total trading volume was 29.53 million. ADRO's trading volume reached a peak at 98.32 million on May 27 and reached a low at 4.12 million on May 25. Market capitalization also declined during the period, opening at US\$2.31 billion on April 1 and closing at US\$1.83 billion on June 30, a 44% decrease from US\$3.27 billion at the end of 2Q14. Our analyst consensus rating was 3.72 (on a scale of 5) as a result of 10 buys, 14 holds, and 1 sell.