



NEWS RELEASE FROM ADARO ENERGY

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ADARO ENERGY'S NET REVENUE INCREASES 12% to US\$1.3 BILLION DUE TO SOLID INCREASE IN PRODUCTION GROWTH

Jakarta, August 30th, 2010 – PT Adaro Energy Tbk (**IDX: ADRO**) today announces consolidated auditor-reviewed net revenue for the six-month period ended June 30th, 2010 increased 12% to US\$1.3 billion due to solid production growth despite high levels of rainfall, which exceeded the five-year average. Adaro Energy's production and sales volumes in 1H10 increased 20% and 22% respectively to 21.6 million tonnes and 21.8 million tonnes.

The currency of Adaro Energy's business activities, including its debt, sales and costs (except for labor), is the US Dollar. As Adaro Energy must report in Rupiah, the fluctuations of the Rupiah can distort the true financial performance of the company. Therefore, due to the 17% appreciation in Rupiah, when translated to Rupiah, Adaro Energy's reported 1H10 net revenues decreased 7% to Rp12 trillion.

The sales volume increase offset a 10% lower 1H10 average selling price, which decreased due to the suppressed conditions in the first half of 2009, during which most prices were locked in. Adaro Energy's total cost of revenue increased 30% to US\$875 million (an 8% increase to Rp8 trillion) mostly due to higher production volume and the higher planned stripping ratio. However, the cash cost per tonne increased only 6%.

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

"The decrease in first half 2010 net income is not unexpected. While our 1H10 production and sales grew from the lower base of 1H09 (due to the softer economic circumstances then prevailing), unseasonably heavy rains in 2Q10 (which have continued since then) have affected our overall revenues and net profit. We expect our average sales price will be higher in the second half of 2010 and, weather permitting, we'll satisfy market expectations for full year 2010."

Following the full integration of Adaro's coal supply chain in May 2009, Adaro continues to create cost efficiency improvements, seen in the less pronounced increase in freight and handling costs of just 9%. Additionally, due to the restructuring of some sales agent contracts, Adaro lowered operating expenses by 12%. Higher interest



expense, the stronger Rupiah and a higher effective tax rate contributed to the 38% decrease of net income to US\$125 million (or a 49% decrease to Rp1,153 billion) and earnings per share decreased to Rp 36.0 from Rp 70.3.

Summary of First Half 2010 Operational Performance (in million tonnes)			
	1H 2010	1H 2009	% Change
Production volume	21.62	17.99	20%
Sales volume	21.75	17.83	22%

Summary of First Half 2010 Financial Performance (in billion IDR)			
	1H 2010	1H 2009	% Change
Net revenue	11,985	12,897	-7%
Cost of revenue	8,038	7,452	8%
Gross profit	3,947	5,444	-28%
Operating income	3,570	4,931	-28%
Net income	1,153	2,249	-49%
EBITDA	4,188	5,482	-24%
EBITDA margin	35%	43%	-8%
Total assets	39,727	36,363	9%
Total liabilities	21,766	20,109	8%
Stockholders' equity	17,904	16,111	11%
Interest bearing debt	14,535	11,282	29%
Interest expense	586	365	61%
Cash and cash equivalents	5,318	4,207	26%
Net debt	9,217	7,075	30%
Net debt to equity (x)	0.51	0.44	17%
Annualised net debt to EBITDA (x)	1.1	0.65	71%

Summary of First Half 2010 Financial Performance (in million USD)			
	1H 2010	1H 2009	% Change
<i>Average Exchange Rates (Rupiah/US\$)</i>	9,189	11,067	-17%
<i>Exchange Rates at Balance Sheet Date (Rupiah/US\$)</i>	9,083	10,225	-11%
Net revenue	1,304	1,165	12%
Cost of revenue	875	673	30%
Gross profit	429	492	-13%
Operating income	388	446	-13%
Net income	125	203	-38%
EBITDA	456	495	-8%
EBITDA margin	35%	43%	-8%
Total assets	4,374	3,556	23%
Total liabilities	2,396	1,967	22%
Stockholders' equity	1,971	1,576	25%
Interest bearing debt	1,600	1,103	45%
Interest expense	64	33	93%
Cash and cash equivalents	586	411	42%
Net debt	1,015	692	47%
Net debt to equity (x)	0.51	0.44	17%
Annualised net debt to EBITDA (x)	1.1	0.70	59%

Review of First Half 2010 Performance

Income Statement

Net Revenue

Due to the strengthening Rupiah (Rp), in the first half of 2010, Adaro Energy's net revenue decreased 7% to Rp12 trillion. It should be noted that Adaro Energy's business is almost entirely conducted in US Dollar (US\$). During 1H10 the average Rupiah/US\$ exchange rate strengthened 17% to Rp9,189 per US\$ from Rp11,067 per US\$ for 1H09. In US Dollar (US\$) terms, we can see that Adaro Energy's net revenue increased 12% to US\$1.304 billion from US\$1.165 billion.

The increase in Adaro Energy's revenues is largely due to increased production and sales volumes which increased 20% and 22% to 21.6 million tonnes and 21.8 million tonnes, respectively. Coal output increased due to the ongoing global economic recovery and continued good demand from Adaro Energy's Asian customers, which contrasts with the poor economic conditions of the first half of 2009 when some softness in demand was experienced. Adaro's coal is priced continually throughout the year, up to 12 months ahead of time, with reference to international benchmarks and indices. As such Adaro's average selling price dipped 10% in 1H10, given the weak economic conditions when the coal was priced in the first half of 2009.

Adaro Energy's mining company, Adaro Indonesia, remained the largest contributor to revenue, as reflected in the coal mining and trading segment, which decreased 9% to Rp11.1 trillion (or up 9% to US\$1.2 billion). Due to the increased contribution of Adaro Energy's other business units, the contribution of the coal mining and trading division accounted for 92% of Adaro Energy's net revenue, down slightly from 94% in 1H09. Coaltrade Services International Pte Ltd is a small part of the coal mining and trading segment. During the first half of 2010, Coaltrade's coal sales, largely conducted on behalf of Adaro Indonesia, increased 253% to 1.98 million tonnes.

Adaro's long term sales growth plans are focused on Asia with continuation of single customer limit of 10%. Seeking to reduce concentration risk, Adaro maintained a large diversity of customers spread throughout the world. In line with this policy, Adaro's sales volumes to Asia increased 51% compared to 1H09.

Due to improving economic conditions and increased demand, Adaro Energy's other business units also enjoyed higher revenues. The mining services division, made up entirely by PT Saptaindra Sejati (SIS), increased total revenues 2% in the first half of 2010 to Rp1,362 billion (or up 23% to US\$148 million). After elimination, this translates to net revenue of Rp613 billion (US\$66.7 million). The increase is due to the 11% increase in overburden removal to 60.81 Mbcm and the 30% increase in coal extraction to 9.31 million tonnes. Overburden removal was 52% conducted for Adaro and 48% for domestic third parties. In line with SIS' strategy to boost third party business, and partly due to weather, third party overburden removal increased 18%, three times greater than the increase for Adaro Energy. Sales to Adaro accounted for 64% of SIS's revenues. At 5.1% of Adaro Energy's net revenue, SIS third party sales



remained the next largest contributor to Adaro Energy's total net revenue after Adaro Indonesia, an increase from the 4.3% of the first half of 2009. SIS is targeting 141 Mbcm of overburden and 21 million tonnes of coal in 2010 and has budgeted US\$70 million to purchase new equipment.

Total revenue of Adaro Energy's Others segment also increased 42% to Rp883 billion (or up 71% to US\$96 million). After elimination, this translates to net revenue of Rp309 billion (US\$33.7 million). The increase is largely attributed to the revenue from fuel trading activities conducted by PT Alam Tri Abadi (ATA) which just started in 2010. Meanwhile, the three companies in the barging and shiploading division (OML, MBP and HBI) increased coal transported by 33% to 5.83 million tonnes, and increased coal loaded 43%.

The other significant part of this business segment is Adaro Energy's coal terminal, PT Indonesia Bulk Terminal, which increased coal shipped 78% to 3.03 million tonnes and increased the number of vessels loaded 66% to 48. Due to increased marketing efforts as well as the addition of a fuel terminal (built and operated by Shell), IBT's third party business increased 255% to 1.10 million tonnes of coal shipped.

Cost of Revenue

Adaro Energy's cost of revenue increased 8% to Rp8,038 billion (or 30% to US\$875 million) after adjusting for the effect of Rupiah/US\$ exchange rate by the end of 1H10. The increase is largely attributed to the increase in planned stripping ratio from 5.0x to 5.5x due to mining the deeper part of the mine as well as the 20% production increase compared to 1H09. Although Adaro has locked in 80% of the 2010 expected fuel consumption at an average price similar to the average price of 2009, higher overall fuel prices also contributed to the cost of revenue increase.

Adaro Energy's cash cost (excluding royalties) increased 6% in the first half of 2010.

Coal mining and processing cost

Coal mining, which accounted for around 46% of the total cost of revenue, increased 11% to Rp3.7 trillion (or 33% to US\$405 million). Similarly due to production increases, coal processing, which consists of crushing the coal at the Kelanis river terminal, also increased 10% to Rp 520 billion (or 33% to US\$56.5 million).

Freight and handling

Adaro Energy's freight and handling cost declined 9% to Rp1.3 trillion (or up 9% to US\$139 million) due to the strengthening Rupiah by the end of 1H10. The acquisition of barging and shiploading company, Orchard Maritime Logistics in May 2009, was critical in reducing the rate of increase in freight and handling, which accounted for 16% of the total cost of revenue.

Royalties to Government

Adaro Energy's royalties to government declined 11% to Rp1.2 trillion in line with the 7% decline of reported net revenue in Rupiah. However, in US\$ terms, the



royalties to government increased by 7% to US\$130 million, in line with the 12% increase of the US\$ net revenue. Royalties accounted 15% of the total cost of revenue.

Mining Services

Adaro Energy's cost of revenue in the mining services segment, which is substantially all attributed to SIS, increased by 22% to Rp518 billion (or 47% to US\$56.4 million) due to the increase in SIS's third-party coal getting and overburden removal. The increase is largely due to the 37% increase in consumables to Rp122 billion (or 65% to US\$13.3 million), and the 32% increase in repair and maintenance to Rp114 billion (or 59% to US\$12.4 million).

Others

Adaro Energy's cost for Other segments increased by 155% to Rp255 billion (or 208% to US\$28 million) in line with the revenue increase from Other segments. The increase is largely due to the increase in fuel purchased by PT Alam Tri Abadi (ATA) to supply Adaro's barging contractors.

Operating Expenses and Operating Income

The decrease of operating expenses by 27% to Rp377 billion (or 12% decrease to US\$41 million) was mainly due to lower selling and marketing expenses, despite the 31% or US\$5.4 million increase in general and administrative costs. The decrease is the result of the 37% reduction in sales commission fee, attributed to third party agents restructuring to Coaltrade.

Operating income dropped 28% to Rp3.6 trillion, or 13% to US\$388 million.

Net Income

Due to the additional interest expense associated with the US\$800 million bond, issued in October 2009, the total interest expense increased 93% to US\$64 million or 60% to Rp586 billion. Together with a higher effective tax rate, foreign exchange loss of Rp121 billion, Adaro's net income decreased 49% to Rp1,153 billion or 38% to US\$125 million.

Balance Sheet

Adaro Energy's balance sheet as at the end of 1H10 remained in strong condition as Adaro continued to optimize its capital structure, lower costs and maintain flexible liquidity. With net gearing at 0.51, Adaro will continue to focus on executing long-term strategies of annual organic growth, improving the efficiency of Adaro's coal supply chain and acquiring quality coal deposits within Indonesia.

Total Assets

Adaro Energy's total assets increased to Rp39.7 trillion by the end of 1H10, up 9% from the end of 1H09. The increase is mostly attributed to the significant increase in investments in associates, following the investment made to acquire 25% in the IndoMet Coal Project (75% held by BHP Billiton), as well as increased cash, due to operational cash and the bond proceeds.

Cash and Cash Equivalents

Cash and cash equivalents accounted for 13% of total assets. Adaro Energy's cash and cash equivalents increased 26% to Rp5.3 trillion. This increase is attributable to operational cash flow as well as the balance of the proceeds of the US\$800 million Guaranteed Senior Notes. Combined with the undrawn US\$500 million committed Amortizing Revolving Credit Facility, Adaro had access to close to Rp10 trillion in cash as of the end of 1H10.

The bulk of Adaro's cash was held as cash in banks and as deposits. Four reputable international banks in Indonesia and Singapore held 87% of Adaro's total cash and cash equivalents in US Dollars. The interest rates on the US Dollars deposits earned up to 2% in 1H10.

Investments in Associates

Investments in associates increased significantly to Rp3.2 trillion (1H09 was Rp8.7 billion) as Adaro, through its subsidiary PT Alam Tri Abadi (ATA), acquired 25% of the IndoMet Coal Project, which consists of seven Coal Contracts of Work (CCoW) to be managed by BHP Billiton.

This coking coal joint venture with BHP Billiton is in line with Adaro's third strategic objective to acquire quality coal deposits within Indonesia.

Advances and Prepayments

Adaro Energy's advances and prepayments, both current and non-current portions, rose 174% to Rp1.2 trillion compared to 1H09. The increase is largely due to advances for investments in associates, by PT Alam Tri Abadi for the IndoMet Coal Project.

Advance to suppliers rose 80% to Rp503 billion mostly due to advance payment for heavy equipments purchase by Adaro Indonesia, while advances for fuel purchase increased 70% to Rp115 billion.

With large cash holdings, as mentioned above, continuing good cash flows, coupled with a stronger financial structure, Adaro has the financial flexibility to make investments and execute infrastructure projects that support future growth and improve the efficiency of coal supply chain.

Liabilities

Adaro Energy's total liabilities increased 8% to Rp21.7 trillion by the end of 1H10. This amount is equivalent to 55% of total assets. The current liabilities declined 16% largely due to Adaro's payment of short-term bank loans and corporate income taxes for 2009, while the non-current liabilities rose 22% largely due to the issuance of US\$800 million Guaranteed Senior Notes in October 2009.

Short-term Bank Loans

Adaro Energy had no short-term bank loan by the end of 1H10. In February 2010, Adaro Energy fully repaid its US\$80 million Syndicated Short-term Loan.

Taxes Payable

Adaro Energy's taxes payable declined 66% to Rp569 billion compared to 1H09. This is due to the decline in Adaro's corporate income tax. As at the end of 1H10, Adaro and its subsidiaries had paid Rp3.2 trillion, the final payment of corporate income taxes for 2009, as well as some provisional payments for 2010.

Current Maturities of Long-term Debt

Adaro Energy's current maturities of long-term debt rose 82% to Rp2.6 trillion compared to the end of 1H09, due to a US\$100 million Revolving loan, which is due to be repaid this year.

Long-term Borrowings

Adaro Energy's long-term borrowings rose 29% to Rp11.9 trillion compared to the end of 1H09. This is due to the US\$800 million (Ba1/NR/BB+) Guaranteed Senior Notes that was issued in October 2009.

Cash Flows**Cash Flows from Operating Activities**

Net cash flows provided by operating activities for the first half of 2010 were Rp453 billion compared with Rp3 trillion in the same period last year. Corporate income tax payments doubled to Rp3.2 trillion due to higher 2009 net income. Payments of interest and finance charges rose 90% to Rp566 billion due to coupon payments of the 10-year US\$800 million Guaranteed Senior Notes, issued in October 2009. Payments of royalties increased 75% to Rp791 billion due to higher revenues from October 2009 – March 2010 compared to the corresponding period a year earlier, due to a higher average sales price achieved during that period.

Cash Flows from Investing Activities

Net cash used in investing activities surged by 4,778% to Rp4.8 trillion in the first half of 2010, mainly attributed to payments made to develop the IndoMet Coal Project. Adaro's cash outflows for the purchase of fixed assets increased 90% to Rp 1.1 trillion, mostly due to mining equipment purchases and the maintenance of the Kelanis crushing facility and hauling road. As well, US\$50 million was put towards commencing capital expenditures for the IndoMet Coal project.

Cash Flows from Financing Activities

Net cash used in financing activities increased 60% to Rp1.3 trillion in 1H10. The increase is largely attributed to the final dividend for fiscal year of 2009, paid on 18 June 2010, of Rp498 billion exclusive of withholding tax.



CONSOLIDATED INTERIM BALANCE SHEETS (AUDITOR REVIEWED)
AS AT 30 JUNE 2010 and 2009
(Expressed in million Rupiah, except for par value and share data)

	<u>30 June</u>	
	<u>2010</u>	<u>2009</u>
CURRENT ASSETS		
Cash and cash equivalents	5,318,318	4,207,484
Trade receivables, net of allowance for doubtful accounts of Rp nil (2009: Rp nil)		
- Third parties	2,634,962	2,763,082
Advances and prepayments - current portion	695,824	410,899
Inventories, net of provision for obsolete stock of Rp nil (2009: Rp nil)	276,189	520,003
Prepaid taxes	293,621	370,097
Recoverable taxes	627,551	527,706
Other receivables - third parties	40,641	12,295
Restricted cash and cash equivalents - current portion	2,750	-
Other current assets	6,573	95,315
Total current assets	<u>9,896,429</u>	<u>8,906,881</u>
NON-CURRENT ASSETS		
Restricted cash and cash equivalents - non-current portion	9,187	10,351
Derivative receivables	-	6,880
Other receivables - related party	-	4,059
Deferred exploration and development expenditure, net of accumulated amortisation of Rp 258,145 (2009: Rp 286,325)	75,209	111,538
Advances and prepayments - non-current portion	511,566	29,695
Fixed assets, net of accumulated depreciation of Rp 3,007,015 (2009: Rp 2,462,177)	7,665,875	7,701,596
Investments in associates	3,196,034	8,777
Mining properties, net of accumulated amortisation of Rp 970,771 (2009: Rp 463,649)	9,498,589	10,162,404
Goodwill, net of accumulated amortisation of Rp 1,148,761 (2009: Rp 714,228)	8,755,322	9,363,052
Deferred tax assets	43,599	29,726
Other non-current assets	74,933	28,515
Total non-current assets	<u>29,830,314</u>	<u>27,456,593</u>
TOTAL ASSETS	<u><u>39,726,743</u></u>	<u><u>36,363,474</u></u>

	<u>30 June</u>	
	<u>2010</u>	<u>2009</u>
CURRENT LIABILITIES		
Trade payables		
- Third parties	1,817,119	2,109,506
- Related parties	100,293	95,454
Accrued expenses	299,763	124,771
Short-term bank loans	-	613,500
Taxes payable	569,469	1,664,247
Royalties payable	608,754	761,204
Dividend payables	-	377,434
Current maturity of long-term borrowings:		
- Finance lease payables	324,069	415,202
- Bank loans	2,279,822	1,013,002
Derivative liabilities current portion	34,302	-
Other current liabilities	17,997	5,258
Total current liabilities	<u>6,051,588</u>	<u>7,179,578</u>
NON-CURRENT LIABILITIES		
Long-term borrowings, net of current maturities:		
- Finance lease payables	372,500	828,259
- Bank loans	4,422,824	7,902,740
Notes	-	509,330
Senior Notes	7,135,684	-
Derivative liabilities - non-current portion	176,250	146,932
Accrued stripping costs	577,052	379,053
Deferred tax liabilities	2,876,744	3,042,744
Amounts due to related parties	4,541	11,969
Provision for employee benefits	93,569	52,906
Provision for mine reclamation	26,847	30,223
Provision for mine closure	28,817	25,397
Total non-current liabilities	<u>15,714,828</u>	<u>12,929,553</u>
MINORITY INTEREST	<u>56,490</u>	<u>143,682</u>

	30 June	
	<u>2010</u>	<u>2009</u>
EQUITY		
Share capital - authorised 80,000,000,000 shares; issued and fully paid 31,985,962,000 shares with par value of Rp 100 per share	3,198,596	3,198,596
Additional paid-in-capital	10,732,663	10,732,663
Exchange difference due to financial statement translation	(337,465)	172,363
Difference in value from restructuring transactions of entities under common control	(191,843)	(191,843)
Difference from equity changes in subsidiaries and associates	4,188	4,188
Fair value reserve	(139,534)	(98,653)
Retained earnings		
- Appropriated	262,723	44,360
- Unappropriated	4,374,509	2,248,987
Total equity	<u>17,903,837</u>	<u>16,110,661</u>
TOTAL LIABILITIES AND EQUITY	<u>39,726,743</u>	<u>36,363,474</u>



**CONSOLIDATED INTERIM STATEMENTS OF INCOME (AUDITOR
REVIEWED)
FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2010 and 2009**
(Expressed in million Rupiah, except for basic earnings per share)

	<u>30 June</u>	
	<u>2010</u>	<u>2009</u>
Revenue	11,984,840	12,896,887
Cost of revenue	(8,038,203)	(7,452,447)
Gross profit	3,946,637	5,444,440
Operating expenses:		
Selling and marketing	(166,820)	(320,392)
General and administrative	(210,128)	(193,201)
Total operating expenses	(376,948)	(513,593)
Operating income	3,569,689	4,930,847
Other income/(expenses):		
Interest expenses and finance charges	(585,815)	(364,765)
Interest income	24,752	28,795
Loss on disposal of fixed assets	(13,771)	(16)
Foreign exchange (loss)/gain, net	(121,457)	292
Share in net loss of associates	(9,067)	(1)
Gain on sale of available-for-sale investments	-	37,409
Amortisation of goodwill	(245,114)	(260,794)
Other expenses, net	(82,172)	(13,128)
	(1,032,644)	(572,208)
Profit before income tax	2,537,045	4,358,639
Income tax expense	(1,379,248)	(2,051,865)
Profit before pre-acquisition income	1,157,797	2,306,774
Pre-acquisition income	-	(9,632)
Profit before minority interest	1,157,797	2,297,142
Minority interest in net income of subsidiaries	(4,931)	(48,502)
Net income	1,152,866	2,248,640
Basic earnings per share	36.0	70.3

**CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (AUDITOR
REVIEWED)
FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2010 AND 2009**
(Expressed in million Rupiah, unless otherwise stated)

	<u>30 June</u>	
	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Receipts from customers	12,270,659	12,222,235
Payments to suppliers	(6,947,176)	(6,728,668)
Payments to employees	(349,795)	(266,222)
Receipts of interest income	24,952	28,689
Payments of royalties	(791,376)	(451,655)
Payments of income taxes	(3,212,953)	(1,591,181)
Payments of interest expense and finance charges	(566,581)	(298,712)
Other receipts	24,878	66,494
Net cash flows provided from operating activities	<u>452,608</u>	<u>2,980,980</u>
Cash flows from investing activities		
Purchase of fixed assets	(1,082,893)	(568,866)
Purchase of additional interest in subsidiary	(94,000)	-
Net cash outflow from acquisition of subsidiary	-	(642,369)
Payments for investment in associates	(3,175,386)	-
Payment of advances for investments in associates	(454,150)	-
Proceeds from disposal of fixed assets	10,598	101
Proceeds from sale of available-for-sale investments	-	1,112,821
Net cash flows used in investing activities	<u>(4,795,831)</u>	<u>(98,313)</u>
Cash flows from financing activities		
Repayments of bank loans	(624,888)	(609,421)
Payments of prepayments for liquidity services	-	(4,766)
Transfer to restricted cash	(2,750)	-
Payments of dividend, excluding unpaid tax	(498,463)	-
Payments of obligations under finance leases	(177,073)	(198,401)
Net cash flows used in financing activities	<u>(1,303,174)</u>	<u>(812,588)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(5,646,397)</u>	<u>2,070,079</u>
Cash and cash equivalents at the beginning of the period	11,274,623	2,415,853



Effect of exchange rate changes on cash and cash equivalents	(309,908)	(278,448)
Cash and cash equivalents at the end of the period	5,318,318	4,207,484
Non-cash activities:		
Acquisition of assets under finance leases	88,396	248,028