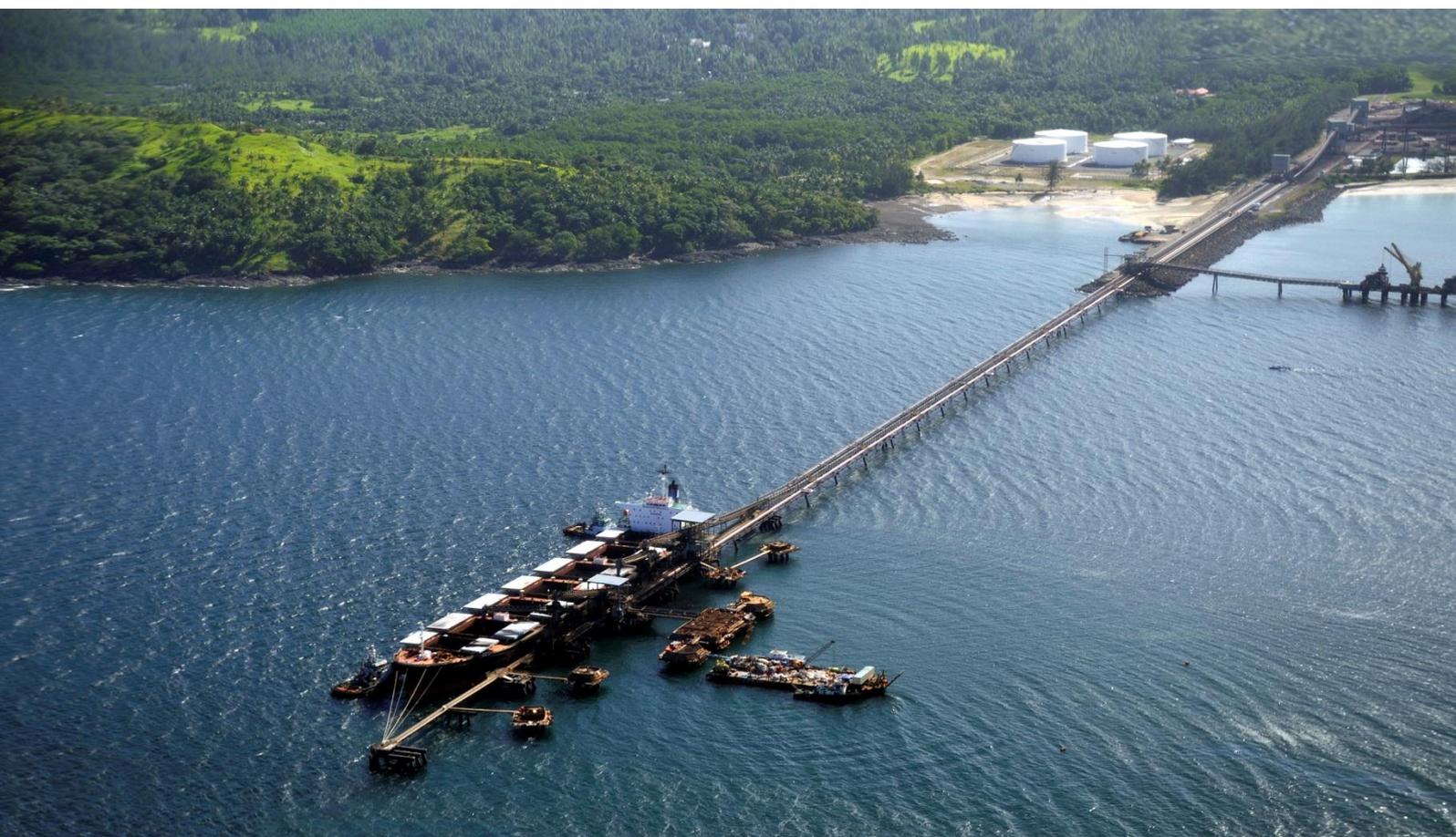


PT Indonesia Bulk Terminal (IBT) is a key infrastructure for Adaro Energy. IBT has coal storage and coal blending facilities, as well as fuel storage facility.



Adaro Energy Quarterly Activities Report Second Quarter of 2017

For the Three Months Ending Jun 30, 2017

For further information please contact:

Mahardika Putranto, Head of
Corporate Secretary &
Investor Relations Division

E: mahardika.putranto@adaro.com

Febriati Nadira, Head of Corporate
Communications

E: febriati.nadira@adaro.com



Highlights of the quarter:

- Adaro Energy produced a total of 13.27 Mt of coal in 2Q17, slight increase year-on-year.
- Adaro Energy's strip ratio for the quarter was 4.30x, as heavy rains continued through 2Q17.
- Adaro Energy recorded strong safety performance, with 2Q17 LTIFR of 0.041.
- Construction for both BPI and TPI are progressing well reaching 27% and 67% at the end of 2Q17, respectively.
- Japan Credit Rating Agency, Ltd reiterated BBB- rating for Adaro Indonesia and upgraded its outlook from stable to positive.

REVIEW OF COAL MARKET

The second quarter of 2017 was characterized by volatility in the coal market driven by policy measures and weather disruptions. Negative market sentiment caused by Cyclone Debbie that hit Australia in the late March carried over to early second quarter. Although the cyclone only impacted met coal producing areas, but thermal coal prices also benefited from the market sentiment. Coal supply from Indonesia was limited as heavy rains in Indonesia carried on to the second quarter which disrupted coal production, haulage and loading in some areas, therefore limiting availability of supply into the seaborne market.

After prolonged negotiation, JPU price for April annual contracts was settled between Tohoku and Glencore at \$85/t, at approximately \$7/t premium to Global Coal Newcastle (GCN) price at the time of the settlement. Average GCN price for the quarter was \$79.77/t, 2% lower than 1Q17 average.

Demand for coal in China remained strong in the quarter supported by strong power demand due to the recovery of manufacturing and industrial activities. China's domestic coal production has been improving too, as coal producers are trying to maintain prices within the RMB500 – RMB570/t range. Approaching the end of 2Q17, we saw demand from China coming back to the seaborne market as power plants in China restocked their inventory due to the warmer than expected summer. This increased demand, together with limited supply from Indonesia helped improve GCN prices.

Indian buying remains limited with power production down due to the monsoon season. India's thermal coal imports have fallen by 16% year-on-year (y-o-y) in the first five months of this year, indicating that thermal coal imports in full year would be lower. Imports were lower on greater availability of domestic coal for power plant use.

To support domestic coal producers, China and India have both passed regulations to benefit domestic coal producers. China has a number of policies at its disposal to improve domestic supply and demand balance which include the ban of coal imports at a number of tier-2 ports (effective July 1, 2017), and increasing customs verifications time at ports. Increased protectionism from the two main buyers of coal has added to the uncertainty surrounding coal market.

Domestic demand for coal in Indonesia in the first five months of 2017 improved by 14% y-o-y as new capacities commenced. According to PLN, Indonesia's electrification ratio at the end of June 2017 was 92.79%, an increase from 91.16% at the end of December 2016, and in the six months period approximately 1.7GW of PLN and IPP's plants came online. To safeguard coal supply for planned coal fired power plants in Indonesia, the Government of Indonesia has issued a directive to control the country's coal production to be at 400 Mtpa from 2019 onwards.

REVIEW OF PT ADARO ENERGY TBK (AE) OPERATIONS

In the second quarter of 2017, we produced 13.27 million tonnes (Mt) of coal from PT Adaro Indonesia (AI), PT Semesta Centramas (SCM), PT Laskar Semesta Alam (LSA) and Adaro MetCoal Companies (AMC) a slight increase compared to 13.23 Mt in the second quarter of 2016. AE's total coal production for the first six months of 2017 reached 25.13 Mt, 3% less than in the same period last year.

Overburden removal for the second quarter of 2017 decreased by 1% to 57.02 million bank cubic meter (Mbcm) compared to 2Q16. The blended average strip ratio for the quarter was 4.30x and 4.45x for the semester, below our 4.85x planned strip ratio due to longer rain days and higher rainfall at our operations which extended over the period. We expect to increase overburden removal in the coming quarters and expect our blended average strip ratio to reach guidance of 4.85x.

In the quarter, we sold 13.24 Mt of coal, 3% lower compared to 2Q16. Total sales volume for 1H17 was 25.27 Mt, 7% less than 1H16.

	Units	2Q17	1Q17	2Q17 vs. 1Q17	2Q16	2Q17 vs. 2Q16	1H17	1H16	1H17 vs. 1H16
Coal Production	Mt	13.27	11.86	12%	13.23	0%	25.13	25.86	-3%
Sales Volume	Mt	13.24	12.03	10%	13.66	-3%	25.27	27.13	-7%
Overburden Removal	Mbcm	57.02	54.76	4%	57.65	-1%	111.78	111.23	0%

As Indonesia's coal requirement grows, we are committed to meet the nation's growing coal demand. Our domestic sales portion for the first six months of 2017 was 23%. Our coal sales destination is dominated by developing countries in Asia, in-line with our view that these countries will be driving coal demand going forward. The following table shows the geographical breakdown of customers by tonnage in the first six months of 2017.

Sales breakdown 1H17	%
Indonesia	23%
Malaysia	14%
China	11%
Japan	10%
Korea	8%
Taiwan	7%
Hong Kong	7%
India	6%
Spain	4%
USA	4%
Philippines	2%
Others*	4%

*Others include Vietnam, The Netherlands, Singapore, Switzerland and Thailand

MINING ASSETS

PT Adaro Indonesia (AI)

In 2Q17, AI produced 12.26 Mt and sold 12.58 Mt of coal, both 5% lower compared to 2Q16. AI's total coal production and total coal sales in 1H17 was 23.19 Mt and 24.15 Mt, respectively, both 8% lower compared to 1H16. Total overburden removal at AI's three pits in 2Q17 was 54.04 Mbcm, 4% lower compared to 2Q16. In 1H17, AI removed a total of 106.60 Mbcm of overburden, 2% less than 1H16. AI's strip ratio for the quarter was 4.41x, and 4.60x for 1H17. Even with the heavy rain at its operations, AI maintained a high standard of operations throughout the quarter with only one lost-time injury occurred.

AI employs three contractors, including our subsidiary PT Saptaindra Sejati (SIS). The following table shows the breakdown of overburden removal and coal production activities of AI's mining contractors in 2Q17.

Contractors	Overburden Removal	Coal Production
SIS	43%	54%
PAMA	39%	34%
BUMA	19%	12%
Total	100%	100%

PT Semesta Centramas (SCM), PT Laskar Semesta Alam (LSA)

During 2Q17, we produced 0.79 Mt of coal from SCM and LSA, compared to 0.27 Mt in 2Q16, and total coal production from SCM and LSA in the first six months of this year reached 1.49 Mt, compared to 0.66Mt in 1H16. Total overburden removal from SCM and LSA in 2Q17 was 1.83 Mbcm, 48% higher than 2Q16. Overburden

removal for 1H17 was 2.86 Mbcm, 33% higher than 1H16. Actual strip ratio for SCM and LSA was 2.33x for the quarter and 1.92 for 1H17.

Adaro MetCoal Companies (AMC)

In 2Q17, AMC produced 0.22 Mt of semi-soft coking coal and high grade thermal coal. Total production from AMC in 1H17 was 0.45 Mt. Sales in 2Q17 reached 0.19 Mt, and 0.38 Mt for 1H17. AMC's coal was sold to customers in Europe, Japan and Indonesia. Overburden removal at AMC was 1.14 Mbcm during the quarter and 2.32 Mbcm for the first semester which resulted in a strip ratio of 5.18x and 5.16x for 2Q17 and 1H17, respectively.

In the second quarter AMC carried on with studies on the area to prepare for its future development and has put together an infrastructure blueprint. In 2Q17, we commenced civil works at AMC which include earthworks, bridges and hauling road construction to one of AMC's hard coking coal mines.

MINING SERVICES & LOGISTICS

PT Saptaindra Sejati (SIS)

SIS production performance for the quarter declined by 4% year on year to 8.64 Mt, however, overburden removal volume increased by 9% year on year to 44.57 Mbcm.

SIS continued to focus on serving the Adaro Energy Group. Overburden removal and production volume from Adaro were 56% and 85% of SIS's total volume in the quarter, respectively. This is compared to 61% and 73% in the same period last year.

	Units	2Q17	1Q17	2Q17 vs. 1Q17	2Q16	2Q17 vs. 2Q16	1H17	1H16	1H17 vs. 1H16
Overburden Removal	Mbcm	44.57	39.96	11%	41.01	9%	84.53	73.12	16%
Coal Production	Mt	8.64	7.51	15%	9.04	-4%	16.15	16.15	0.0%

PT Maritim Barito Perkasa (MBP)

In 2Q17, MBP increased its total coal barging volume by 10% year on year to 10.19 Mt. In 1H17, MBP's total coal barging volume was 19.91 Mt, 19% higher year on year. Coal volume from Adaro Group accounted for 95% of MBP's total coal barged.

	Units	2Q17	1Q17	2Q17 vs. 1Q17	2Q16	2Q17 vs. 2Q16	1H17	1H16	1H17 vs. 1H16
Coal barging	Mt	10.19	9.72	5%	9.29	10%	19.91	16.76	19%

PT Indonesia Bulk Terminal (IBT)

In 2Q17, IBT signed a Memorandum of Collaboration (MoC) with PT Pelabuhan Indonesia III (Persero) and PT Pertamina Patra Niaga regarding the development plan of Mekar Putih Port in Pulau Laut, South Kalimantan. During the period of the MoC, the three parties will work on preliminary preparation to eventually form a joint venture to develop Mekar Putih Port.

POWER

Engineering, Procurement and Construction (EPC) activities at PT Bhimasena Power Indonesia (BPI) and PT Tanjung Power Indonesia (TPI) reached 27% and 67%, respectively, at the end of 2Q17.

QUALITY, HEALTH, SAFETY AND ENVIRONMENT (QHSE)

In 2Q17, AE recorded a strong safety performance with 1 lost time injury (LTI). Our lost time injury frequency rate (LTIFR) for 2Q17 was 0.041 and severity rate (SR) was 2.06. Total man-hours worked during the quarter were 24,276,276 hours.

CORPORATE NEWS

Awards for PT Bhimasena Power Indonesia (BPI)

On June 28, 2017, BPI received a number of awards at the Triple A Asia Infrastructure Awards 2017 from The Asset. BPI received awards on the following categories, Power deal of the year for Central Java IPP US\$3.40 billion financing, PPP deal of the year for Central Java IPP US\$3.40 billion financing, Indonesia's project finance deal of the year for Central Java IPP US\$3.40 billion financing, and Indonesia's power deal of the year for Central Java IPP US\$3.40 billion financing.



PT Adaro Indonesia (AI) credit rating

In the quarter, Japan Credit Rating Agency, Ltd reiterated their BBB- rating for AI, our main subsidiary. AI's outlook was upgraded from stable to positive.

SHAREHOLDER INFORMATION

At the end of 2Q17, AE's share price closed at Rp1,580, 86% increase compared to the end of 2Q16. During 2Q17, share price peaked at Rp1,930, and reached its lowest price at Rp1,410. AE's average market capitalization was US\$3.8 billion in 2Q17, an increase of 81% from average of US\$2.1 billion in 2Q16, although this was 10% lower from 1Q17 average market capitalization of US\$4.2 billion.

Average daily trading value for AE's share in 2Q17 was US\$4.6 million, a 24% increase y-o-y from US\$3.7 million in 2Q16. At the end of 2Q17, consensus rating for AE's share was 4.48, consisting of 21 buys, 2 holds, and 2 sells.

At the end of June 2017, total public shareholders were 35.22% out of AE's total shares. Of the public shareholders, 33.77% were domestic holders, a slight increase from 33.69% at the end of June 2016, and the rest were foreign holders.

In the second quarter, we continued with our investor outreach program and attended conferences and non-deal roadshows in Singapore and Jakarta.



CFO David Tendian as one of the speakers in a panel on "Indonesian coal – outlook of coal market and production in 2017-18" at the Citi Indonesia Investor Conference in May.