



Boiler 1 of the 2x30 Mine-mouth Power Plant
The plant was 94% complete at the end of September 2012. During 3Q12, the pre-commissioning activities for the first unit had begun with the aim to have first light-up by the end of October 2012 and the first power out (1st synchro) by the end of November 2012 with commercial operations by the year end.

Quarterly Activities Report

Third Quarter of 2012

For the Three Months Ending September 30th, 2012

For further information please contact:
 Cameron Tough, Head of Investor Relations
 Devindra Ratarwin, Corporate Secretary
 Tel: (6221) 521 1265
 Fax: (6221) 5794 4685
 Email: cameron.tough@ptadaro.com
investor.relations@ptadaro.com
corsec@ptadaro.com

Update from Adaro Indonesia's Daily Mining and Hauling Report as of October 30th 2012

Description	Units	YTD Performance up to Oct 30 th 2012
Coal mining	Mt	38.54
Coal hauling	Mt	38.04
Overburden removal	Mbcm	285.38

Jakarta, October 31st 2012

Dear Capital Market Participants,

Welcome to Adaro Energy's Quarterly Activities Report that we issue one month after the end of each quarter. We also release our 9M12 financial press release to accompany our 9M12 financial statements and notes separately on the same day.

Below are some highlights of the third quarter for 2012:

- The excess of coal supply continued to dominate market sentiment and volatility during 3Q12. However, we will not lose focus on our core business as we continued to deliver operational excellence, preserve our cash flow and reduce risks. *(page 4)*
- Our strategy is not volume driven but rather prioritizes profit margins and customer service. During 3Q12, our production volume decreased 13% year-over-year (y-o-y) to 10.87 million tonnes as some of our customers did not take the option to buy more coal at the contracted price, as they had done in the past. *(page 4, 5 and 8)*
- During 3Q12, our mining operations continued to perform well. Our overburden removal activity was higher than planned and recorded a 15% increase y-o-y to a record 97.34 million bank cubic meter (Mbcm). *(page 5 and 7)*
- 3Q12 had lower than average volume of rainfall, especially in September, and lower than average number of rain days. *(page 9-10)*
- While we continue with our infrastructure projects to improve efficiency and reduce cost at our existing operations, our acquisition program is largely complete. *(page 16-18)*

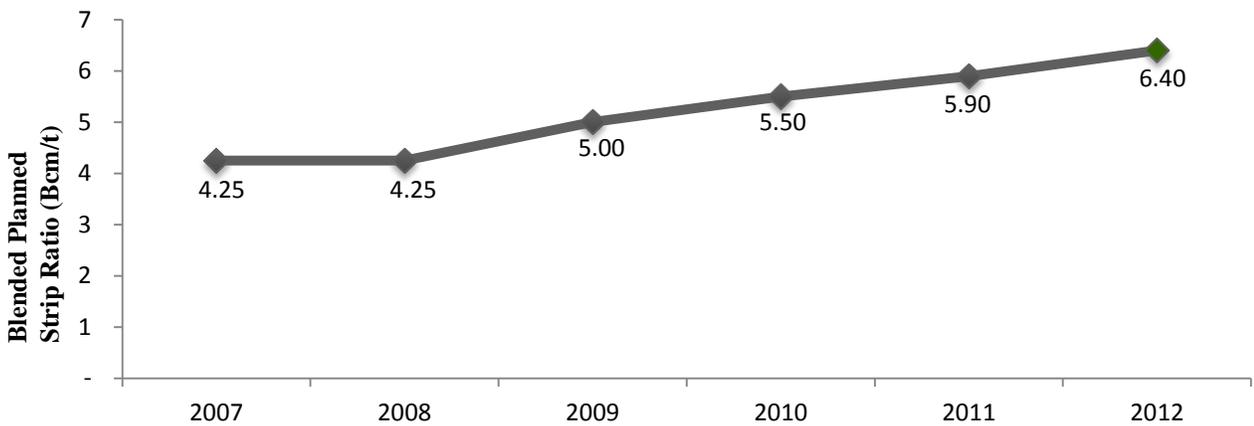
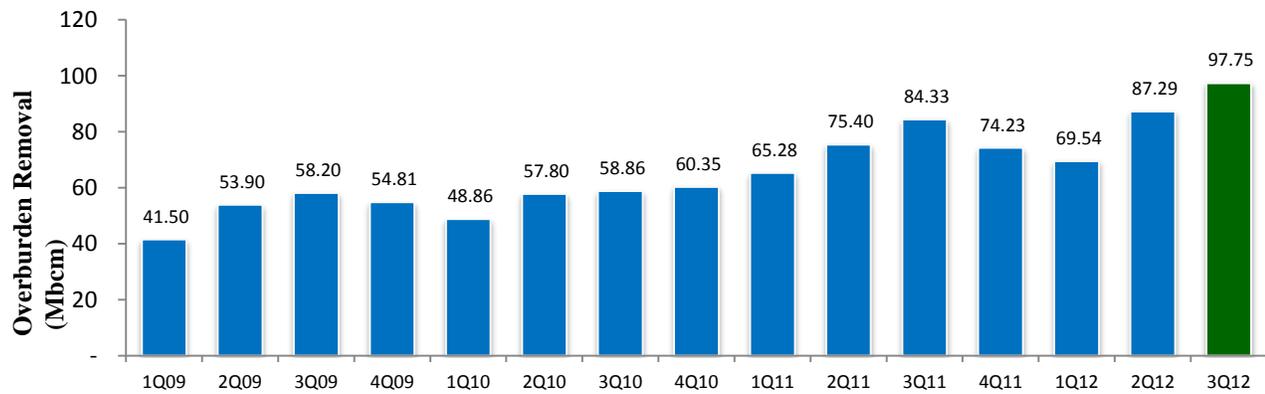
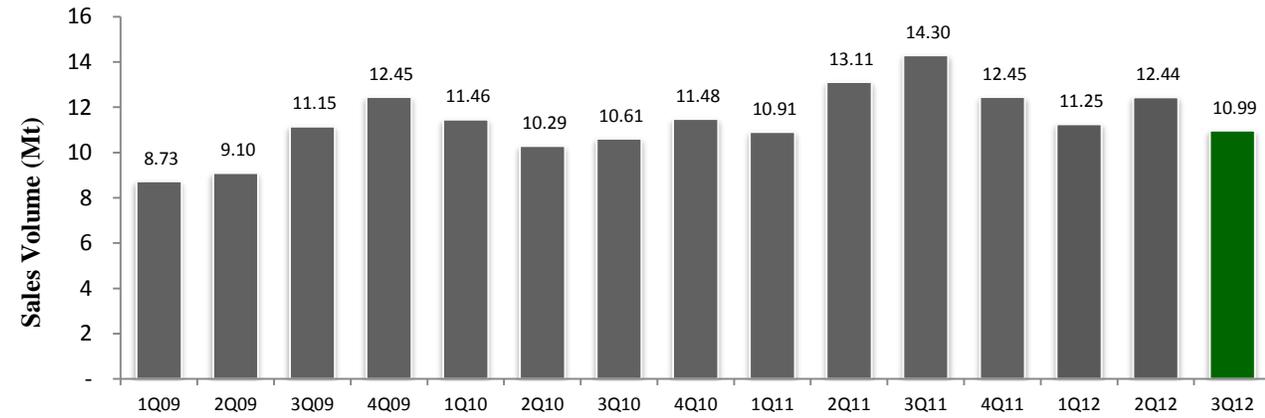
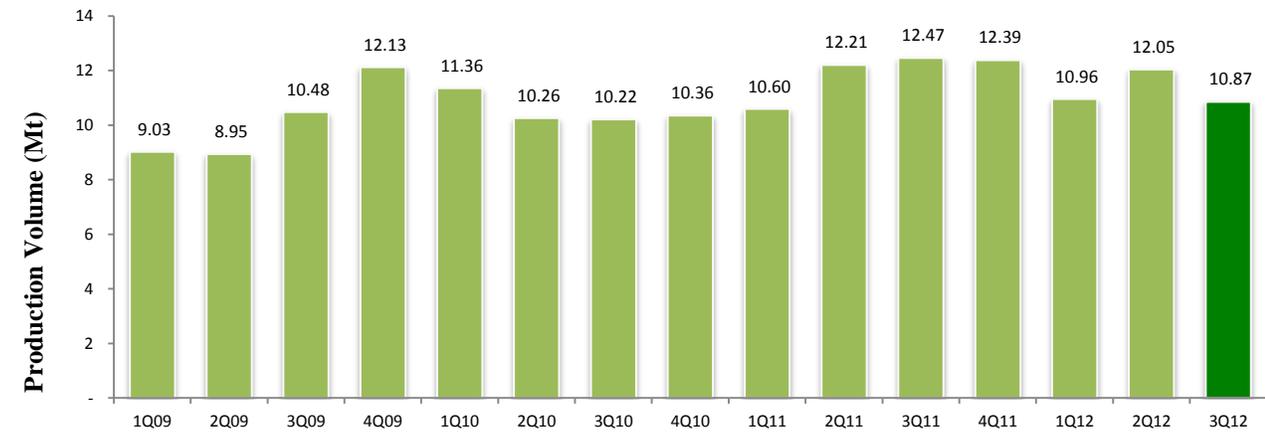
Please do not hesitate to contact us should you have any questions or require additional information.

Yours truthfully,



Cameron Tough
Head of Investor Relations
PT Adaro Energy, Tbk.

HISTORICAL QUARTERLY PERFORMANCE



In Memorial of Mr. Andre Mamuaya



We announce with deep regret that Mr Andre Mamuaya, Director, Corporate Affairs of PT Adaro Energy Tbk passed away on August 21st 2012. The late Mr Mamuaya also served as the President Director of Adaro Power and was involved with the establishment of Adaro Power. He had provided steadfast support and leadership to Adaro Energy and had contributed greatly to the development of the company since our shareholders took over Adaro through leverage buyout in 2005. We would like to express our sincere appreciation for his valuable contribution to Adaro over the years and extend our profound condolences to the family of the late Mr Mamuaya. Mr. Mamuaya was also the President Director of PT Jasapower Indonesia, PT Adaro Logistics, PT Adaro Mining Technologies and Orchard Maritime Logistics, and Director at PT Alam Tri Abadi, PT Adaro Indonesia, PT Mustika Indah Permai, PT Adaro Strategic Investments, PT Dianlia Setyamukti and PT Persada Capital Investama. He was the President Commissioner of PT Bhimasena Power Indonesia – a consortium of JPower-Adaro-Itochu, PT Indonesia Multi-Purpose Terminal and Commissioner of PT Saptaindra Sejati, PT Makmur Sejahtera Wisesa, PT Harapan Bahtera Internusa, PT Pandu Alam Persada, PT Adaro Persada Mandiri and PT Tri Nur Cakrawala.

As at the date of this announcement, the board of directors of Adaro Energy comprises of Mr Garibaldi Thohir, Mr Christian Ariano Rachmat, Mr Sandiaga Uno, Mr Chia Ah Hoo, Mr David Tendian and Mr Indra Aman.

FOCUS ON OPERATIONAL EXCELLENCE, CASH PRESERVATION AND RISK REDUCTION

The excess coal supply, the slower growth of the Chinese economy as well other macroeconomic concerns continued to dominate market sentiment during 3Q12. Despite the challenging market conditions, we believe the fundamentals of the coal markets remain intact and the sector will provide attractive returns long-term. It is times like these when our business model and the thesis upon which it is designed are tested. We believe, as we have seen before, that the demand for sub-bituminous coal will continue to grow in the medium term to fuel growing economies in the Asia-Pacific region. It is not unusual for coal prices to cool, which is part of the normal commodity cycle. While we will be able to cut costs and spending and continue to earn attractive margins and profits, short-term or peripheral miners will be discouraged from entering the sector. We will not lose focus on our core business as we continue to deliver operational excellence, preserve our cash flow and reduce risks. We will put on-hold non-priority investments, increase productivity from existing heavy equipment, improve operating efficiency, reduce cycle time and reduce leverage. All our efforts will continue to focus on creating maximum sustainable long-term value from Indonesian coal.

We anticipate to hit the bottom end of our revised 2012 production guidance of 48 to 51 million tonnes. During 3Q12, our production volume decreased 13% year-over-year (y-o-y) to 10.87 million tonnes as some of our customers did not invoke their options to buy additional coal at the

contracted price. Consequently, our sales volume also decreased 23% y-o-y to 10.99 million tonnes. Due to more competition and less demand for the low rank coal, as well as our policy to prioritize profit margin, the production volume of E4000 (Wara) decreased 38% q-o-q and 7% y-o-y to 1.29 million tonnes. However, we expect production volume of E4000 (Wara) will pick up as we have completed sales with delivery scheduled in 4Q12. Meanwhile, production volume of E5000 decreased slightly q-o-q and y-o-y due to less competition for this sub-bituminous medium heat value coal. All of our sales volume for 2012 has been contracted and priced based on fixed price and index-linked contracts. We continued to prioritize customer service and none of our coal shipments have been deferred.

Our mining activities continued to operate well, boosted by our contractors' good performance, drier than normal weather conditions for this period of the year and lower than planned hauling distance. During 3Q12, our overburden removal activity was higher than planned and recorded a 15% increase y-o-y to a record 97.34 million bank cubic meter (Mbcm). We are on track to achieve our overburden removal target of 321.15 Mbcm for this year.

		<i>Actual</i>	<i>Quarter on Quarter</i>		<i>Year on Year</i>	
	Units	3Q12	2Q12	% Change	3Q11	% Change
Production volume	Mt	10.87	12.05	-10%	12.47	-13%
E5000 (Tutupan)	Mt	9.33	9.72	-4%	10.79	-14%
E5000 (Paringin)	Mt	0.24	0.25	-4%	0.29	-17%
E4000 (Wara)	Mt	1.29	2.07	-38%	1.39	-7%
Sales volume	Mt	10.99	12.44	-12%	14.30	-23%
E5000 (Tutupan + Paringin)	Mt	8.84	9.68	-9%	11.13	-21%
E4500	Mt	0.56	0.51	8%	0.00	100%
E4000 (Wara)	Mt	1.25	1.77	-29%	1.48	-16%
Overburden removal	Mbcm	97.75	87.29	12%	84.33	16%
Blended Planned Strip Ratio	Bcm/t	6.40	6.40	-	5.90	8%

9M12 vs. 9M11				
	Units	9M12	9M11	% Change
Production volume	Mt	33.87	35.28	-4%
E 5000 (Tutupan)	Mt	28.14	30.51	-8%
E 5000 (Paringin)	Mt	0.71	0.82	-13%
E 4000 (Wara)	Mt	5.02	3.95	27%
Sales volume	Mt	34.68	38.33	-10%
E 5000 (Tutupan + Paringin)	Mt	27.55	30.86	-11%
E 4500	Mt	1.24	0.00	100%
E 4000 (Wara)	Mt	4.67	4.07	15%
Coaltrade's third party sales	Mt	1.21	3.39	-64%
Overburden removal	Mbcm	254.58	225.04	13%

In order to preserve our cash, we revised down our capital expenditures from US\$650-US\$700 million to US\$400-US\$500 million. The largest reduction in spend is for heavy equipment as our current fleet provides us with adequate capacity to achieve our production targets. Meanwhile, we continue with our projects to improve efficiency and cost control reduction such as the overburden crushing and conveying system (OPCC) which is expected to bring cost savings of US\$1.0-1.2/bcm for the overburden the system will handle. Our 2x30MW mine-mouth power plant will power the OPCC, our pit dewatering infrastructure and the administration buildings. Where we convert from diesel power to our mine mouth power plant we expect electricity charges for that section of the operation to decline by 50%. We plan to start commercial operations of the 2x30 MW mine-mouth power plant in late 2012 and the OPCC in early 2013.

Market Analysis

Supply

The price of coal indices such as Global Coal Newcastle, API4 (FOB Richards Bay), API 2 (CIF Europe), Australian off-spec (outside of normal specifications) and the Indonesian Coal Index (5000 and 4200 GAR) declined during 3Q12 due to the continuing over supply. The challenging price environment caused a slight tightening in the supply market as marginal tonnes were pushed out of the market. As the Global Coal Newcastle index declined towards US\$80/tonne, most of the high cost Australian and Indonesian producers struggled as they had to cut back their production targets and put on hold their expansion projects.

The exports from Indonesia continued to grow, albeit at slower pace, as some companies reduced their production. The strong export growth from the US at the beginning of the year, with Europe as the main destination, slowed due to the weak market conditions.

Demand

The demand for coal continued to grow, especially from emerging Asian economies spearheaded by China and India. The thermal coal import growth from China was remarkable during the first half of the year as Chinese domestic prices held up better than Newcastle prices, providing an arbitrage for Indonesian coal. This caused the thermal coal imports of China to more than double compared to the same period last year and drove the average stockpile levels up to over 30 days in the fourth week of May.

China continued its strong imports in the third quarter of 2012, while the stockpile level declined to 23 days as of the end of September. Given the Chinese government has not signaled any intention to stimulate the economy in the near term, the year to date electricity growth in August was only 4% up compared with the same period of last year to 3.2 billion MWh¹ with the majority of the growth taken by hydro power generation, which surged due to an unusually wet season.

The coal demand from India was encouraging due to IPP growth in India. The power generation from coal and lignite increased by 12% y-o-y while hydro decreased by 9% y-o-y and gas

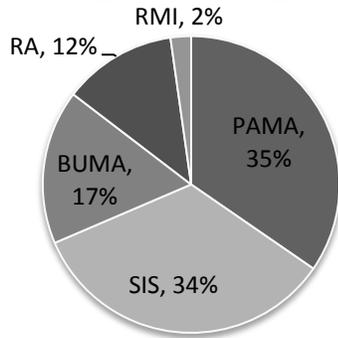
1. [CCR Weekly Supplement \(8 October 2012\)](#). Author: [China Coal Resource](#).
2. Salva Report (http://www.salvareport.com/customer_portal/downloads.php?subscription=IU&bd=15/01/11)

decreased by 17% y-o-y². Indian coal import figures of ~10 million tonnes in August was a new record.

Japanese imports also increased ~6 million tonnes y-o-y due to electricity generation growth and the shutdown of nuclear power plants.

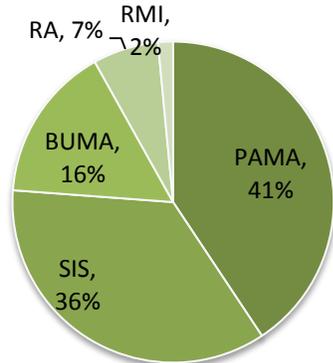
adaro **COAL MINING: PT Adaro Indonesia (AI)**

Mining and Hauling



During 3Q12, our contractors’ mining and hauling performance was lower than the planned with a daily average of 0.12 million tonnes due to the challenging market conditions. Our contractors are pushing hard to hit the bottom end of 48 to 51 million tonnes for the rest of the year.

Overburden Removal



The overburden removal activity done by our contractors was higher than planned, supported by the normal dry weather conditions and they produced at a daily average of 1.12 mbcm. We are on track to achieve our overburden removal target of 321.15 mbcm in 2012, so long as our contractors continue to remove overburden at the pace they have so far achieved this year, an average of 0.94 mbcm per day, from the end of 3Q12 for the rest of this year.

We continued to work at improving efficiency and reducing costs at our mine such as improving road conditions around the pit, reducing average coal hauling cycle time and requiring our contractors to reduce fuel usage by a target of 2% each year.

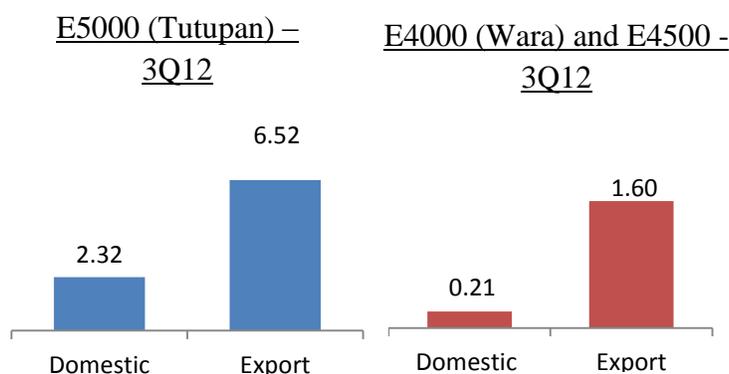
Stripping Ratio

During 3Q12, AI’s actual blended stripping ratio of 8.95x was higher than the planned blended stripping ratio of 6.4x. Our contractors’ good performance, drier than normal weather conditions for this period of the year and lower than planned hauling distance contributed to the good overburden stripping volumes. The effective stripping ratio increased as the contractors in high stripping ratio areas were ahead of plan and the contractors in low stripping ratio were behind plan. As at the end of 3Q12, we achieved 100% of the plan for overburden stripping with a daily average of 944,880 bcm.

Inventory

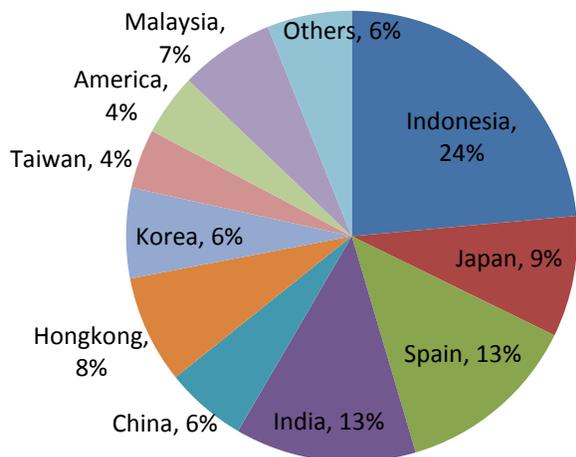
At the end of September 2012, AI had a total Run of Mine (ROM) inventory at the mine of 1.8 million tonnes and Kelanis inventory of 0.4 million tonnes. Our vertically integrated business model allows us to control inventory levels at each part of coal supply chain to ensure we have efficient operations.

Sales Volume



In 3Q12, we continued to prioritize the domestic market and we sold more E5000 (Tutupan) to the domestic IPPs. We sold 0.6 million tonnes of E4500, which is a blend between E5000 (Tutupan) and E4000 (Wara), to two customers in Korea and Indonesia. We have sold E4000 (Wara) to seven countries so far this year to India, China, Thailand, Hong Kong, South Korea, Spain and Indonesia.

Geographical Breakdown of Customers (9M12)



We sell our Envirocoal to 49 customers in 17 countries, primarily to blue-chip power utilities and some cement producers. We want to maintain geographical diversification to reduce risk. We continue to prioritize the domestic market to meet our Domestic Market Obligation (DMO). Our coal sales to China decreased compared to last year due to the oversupply of coal to that country. We sold more coal to India so far this year due to increased demand from their IPPs. Sales to Spain remained strong as coal fired power plants were more competitive than gas.

During 3Q12, both coal transported and coal sold, dropped 10% and 11%, respectively. Our strategy of holding steadfast our margin and not overly discounting our coal resulted in lower coal transported and coal sold during the quarter. We are hopeful to hit the bottom end of our 2012 revised production guidance of 48 to 51 million tonnes. We decided to increase the blended planned stripping ratio from 5.9x in 2011 to 6.4x in 2012 to support long-term, safe and reliable coal production growth.

		<i>Actual</i>	<i>Quarter on Quarter</i>		<i>Year on Year</i>	
	Units	3Q12	2Q12	% Change	3Q11	% Change
Coal Transported	Mt	10.87	12.05	-10%	12.47	-13%
Coal Sold	Mt	10.65	11.96	-11%	12.61	-16%
Blended Planned Strip Ratio	Bcm/t	6.4	6.4	0%	5.9	8%

<i>9M12 vs. 9M11</i>				
	Units	9M12	9M11	% Change
Coal Transported	Mt	33.87	35.28	-4%
Coal Sold	Mt	33.47	34.94	-4%
Blended Planned Strip Ratio	Bcm/t	6.4	5.9	8%

Barging and Shiploading

In 3Q12, the total volume of barging and shiploading declined q-o-q and y-o-y due to lower volume and fewer vessels loaded. Most of our shiploading activities were done through floating cranes at the Taboneo anchorage, which contributed 57% of our total tonnage during the quarter. We use direct barging to most of our domestic customers, which accounted for 22% of our total tonnage, followed by 16% loaded by self geared vessels at Taboneo and 5% through our IBT terminal.

		<i>Actual</i>	<i>Quarter on Quarter</i>		<i>Year on Year</i>	
	Units	3Q12	2Q12	% Change	3Q11	% Change
Floating Cranes	Mt	6.15	7.50	-18%	7.86	-22%
Self Geared	Mt	1.74	1.15	51%	1.45	20%
IBT	Mt	0.58	0.73	-21%	0.65	-11%
Direct Barging	Mt	2.42	2.50	-3%	2.61	-7%
Total	Mt	10.88	11.88	-8%	12.57	-13%

<i>9M12 vs. 9M11</i>				
	Units	9M12	9M11	% Change
Floating Cranes	Mt	20.60	21.51	-4%
Self Geared	Mt	3.94	3.91	1%
IBT	Mt	1.68	1.66	1%
Direct Barging	Mt	7.47	7.81	-4%
Total	Mt	33.68	34.89	-3%

Vessel Waiting Times

The average waiting times per vessel in July, August and September was 0.45, 0.11 and 0.14 days respectively, which were much lower compared to the same period of last year in July, August and September of 1.4, 1.2, and 1.1 days, respectively. The lower average waiting time

was due to the over supply of coal in the market, which caused fewer backlogs of vessels at the Taboneo anchorage.

Rainfall and Pit Dewatering

During 3Q12, we had drier than normal weather conditions at our AI mining area, as there was a lower than average volume of rainfall, especially in September, as well as a lower than average number of rain days. The low rainfall during September created the conditions for AI to achieve 116% of the plan for overburden removal and 104% of the plan for coal mining. AI removed 36.7 Mbcm of overburden and extracted 3.8 million tonnes of coal during that month.

<i>Volume of Rainfall at the Tutupan Mining Area</i>						
	Units	3Q12	3Q11	% Change	5-yr average 3Q	% Change
Jul	mm	184	70	163%	138	33%
Aug	mm	171	102	68%	114	50%
Sep	mm	25	167	-85%	146	-83%
Total	mm	380	339	12%	398	-5%

<i>Number of Rain days at the Tutupan Mining Area</i>						
	Units	3Q12	3Q11	% Change	5-yr average 3Q	% Change
Jul	days	13	8	63%	12	8%
Aug	days	8	9	-11%	9	-11%
Sep	days	7	9	-22%	10	-30%
Total	days	28	26	8%	31	-10%



Our coal mining and hauling contractor, SIS, hauled the E5000 coal from Tutupan mine to Kelanis. The very low rainfall during September allowed our coal mining activity to achieve 104% of the plan.



COAL MINING CONTRACTOR: PT Saptaindra Sejati (SIS)

PT SIS is one of the leading mining contractors in Indonesia providing services for contract mining and civil, infrastructure and logistical support. In 3Q12, AI continued to be SIS's largest customer accounting for 65% of total overburden removal and 64% of total coal getting. The increase in total overburden was above the planned overburden stripping at AI's mining operations, due to the dry weather. Meanwhile, the decreased total coal getting was mainly due to difficult market conditions caused by the supply surplus of coal. SIS invested US\$26.27 million in capital expenditure for heavy equipment and other infrastructure spending during 3Q12.

	Units	Actual	Quarter on Quarter		Year on Year	
		3Q12	2Q12	% Change	3Q11	% Change
Overburden Removal	Mbcm	53.00	53.53	-1%	47.34	12%
Adaro	Mbcm	34.89	32.02	9%	27.99	25%
Others	Mbcm	18.11	21.51	-15%	19.35	-6%
Coal Getting	Mt	5.77	6.40	-12%	6.17	-7%
Adaro	Mt	3.71	4.08	-11%	4.12	-10%
Others	Mt	2.06	2.32	-12%	2.04	0%

9M12 vs. 9M11					
	Units	9M12	9M11	% Change	
Overburden Removal	Mbcm	148.33	123.93	20%	
Adaro	Mbcm	91.51	70.79	29%	
Others	Mbcm	55.82	53.13	7%	
Coal Getting	Mt	17.46	16.64	5%	
Adaro	Mt	11.29	11.00	4%	
Others	Mt	6.17	5.65	9%	



BARGING AND SHIPLOADING CONTRACTOR: PT Maritim Barito Perkasa (MBP)

PT MBP is a key barging contractor to Adaro Indonesia (AI), providing a modern fleet of tugs, barges and self-propelled barges carrying coal from Kelanis to the Taboneo anchorage and the IBT terminal for shiploading and for direct barging for our domestic customers. MBP invested US\$4.8 million to purchase two units of 3,200 horse power (bhp) towing tugs during 3Q12 to increase its capacity. In 3Q12, the increase in total coal barged was mainly attributed to the increased coal volume from AI as MBP took over volume from a third party barging contractor when that contractor's term expired. In order to support additional volumes from AI, MBP

chartered 11 sets of tug boats and barges dedicated to support AI. Meanwhile, the decrease of total coal loaded was due to lower volumes from AI and fewer vessels loaded.

	Units	Actual	Quarter on Quarter		Year on Year	
		3Q12	2Q12	% Change	3Q11	% Change
Total Coal Barged	Mt	6.57	4.67	40%	4.54	45%
Adaro	Mt	6.23	4.47	39%	4.25	47%
Others	Mt	0.34	0.20	72%	0.29	19%
Total Coal Loaded	Mt	3.48	4.17	-17%	4.22	-18%
Adaro	Mt	3.48	4.17	-17%	4.22	-18%
Others	Mt	0.00	0.00	-	0.00	-

9M12 vs. 9M11				
	Units	9M12	9M11	% Change
Total Coal Barged	Mt	15.16	11.60	31%
Adaro	Mt	14.55	10.38	40%
Others	Mt	0.61	1.22	-50%
Total Coal Loaded	Mt	10.71	9.75	10%
Adaro	Mt	10.71	9.68	11%
Others	Mt	0.00	0.07	-100%



COAL TERMINAL: PT Indonesia Bulk Terminal (IBT)

PT IBT operates the South Pulau Laut coal terminal which is one of only two terminals in Indonesia authorized to provide common user coal handling and shiploading services to the coal industry. In 3Q12, the decrease in total throughput tonnage was mainly due to an excess of coal supply in the market which caused a lower coal price. As a result, IBT's third party coal loaded came down quite significantly as its third party customers preferred to load the coal through the less expensive Taboneo anchorage compared to barging the coal from the Barito River to the IBT terminal, given the lower coal price environment.

	Units	Actual	Quarter on Quarter		Year on Year	
		3Q12	2Q12	% Change	3Q11	% Change
Total Coal Loaded	Mt	0.65	1.40	-54%	1.42	-52%
Adaro/Coaltrade	Mt	0.58	0.74	-22%	0.66	-12%
Third party	Mt	0.07	0.66	-90%	0.76	-91%
No of vessels loaded		9	20	-55%	21	-57%

9M12 vs. 9M11				
	Units	9M12	9M11	% Change
Total Coal Loaded	Mt	3.08	3.46	-10%
Adaro/Coaltrade	Mt	1.68	1.66	1%
Third party	Mt	1.40	1.80	-22%
No of vessels loaded		45	51	-12%



COAL MARKETING: Coaltrade Services International Pte Ltd (Coaltrade)

Coaltrade is based in Singapore and acts as a coal trader agent to AI for export sales in specific countries. In 3Q12, Coaltrade total coal sales decreased y-o-y due to challenging market conditions. In order to meet its sales commitment to its customers and promote AI's coal, Coaltrade purchased more coal from AI than from third parties.

	Units	Actual			Year on Year	
		3Q12	2Q12	% Change	3Q11	% Change
Total coal sales	Mt	1.22	0.94	30%	1.96	-38%
Coal purchased from Adaro	Mt	0.88	0.46	92%	0.26	239%
Others	Mt	0.34	0.48	-29%	1.70	-80%

9M12 vs. 9M11				
	Units	9M12	9M11	% Change
Total coal sales	Mt	3.30	4.33	-24%
Coal purchased from Adaro	Mt	2.09	0.93	125%
Others	Mt	1.21	3.39	-64%

EXPLORATION ACTIVITIES

In 3Q12, AI spent US\$741,152 on exploration activities, which included detailed drilling to obtain geological and geohydrology data and for acid mine drainage (AMD) and geotechnical tests. We drilled a total of 123 holes with a total depth of 22,826 meters and total logging depth of 13,922 meters. The activities included:

- Dewatering drilling to maintain slope stability and install ground water monitoring systems, vibrating wire piezometers and to identify ground water levels at Tutupan pit.
- Core drilling to analyze AMD potential at the Tutupan pit.
- Open hole exploration drilling to identify the depth of coal seams and coal seam distribution in the North Tutupan and South Tutupan areas.
- Open hole exploration drilling at Northwest Paringin (50° angle) and North Tutupan (90° angle) to identify the thickness of the coal seams for our mine planning and for coal reserve estimation.

Operating expense	Units	3Q12		YTD	
		Actual	Budget	Actual	Budget
Exploration spending	US\$	741,152	665,415	2,321,246	2,249,471

HEALTH, SAFETY, ENVIRONMENT AND COMMUNITY DEVELOPMENT

Occupational Health and Safety

The safety, health, and wellbeing of our employees and contractors is our number one priority and fundamental to the way we carry out our activities. During 3Q12, there were zero fatalities at our operations. Our Lost-time Injury Frequency Rate (LTIFR), defined as the number of lost-time injuries per million hours worked, improved to 0.19 in 3Q12, compared to 2Q12 of 0.31 due to Safety Accountability program which we launched early this year. Although our injury rates showed a steady progress we still had three Lost-time Injuries (LTI) in 3Q12. A Lost-time Injury is defined as an occurrence that resulted in time lost from work of one day/shift or more. On a year-to-date basis, as at the end of September 2012, we had a total of 11 LTIs and an LTIFR of 0.23, a total headcount of 23,898 and total man-hours worked of 47,337,975 hours.

Acknowledging that improving our safety performance is not just the right thing to do, but also essential in running low-cost and low-risk operations. We continuously invest in the well-being and safety of our employees and contractors. As at the end of September 2012, we had conducted seven safety trainings sessions, attended by 267 people. Our target LTIFR for 2012 is 0.3.

During the quarter, we started the first phase of our Health Safety and Environment (HSE) database integration.

	9M12		9M11
	Actual	Plan	Actual
LTI	11	11.25	15
LTIFR	0.23	0.3	0.44

Environment

To ensure our environmental impact is minimised, we carry out a comprehensive environmental management plan to meet international standards as well as comply with Indonesian government regulations. During 3Q12 we rehabilitated 41 hectares, resulting in total rehabilitation to date of 1,316 hectares. Throughout 3Q12, our water treatment facility distributed 82,758 m³ of clean water for the community as well as for our internal use. All through the quarter, we continued with our research and development activities in environmental management, cooperating with universities and research institutions. One of the activities is the development of a model reclamation forest at the Adaro Indonesia ex-mining areas. In 3Q12, we cultivated 252,182 tree seeds in our nursery to be planted in the reclamation area.

	3Q12	Project to Date
Rehabilitation (ha)	41	1,316
Land Disturbed - Mine (ha)	85	2,961
Land Disturbed - Other (ha)	399	6,828
Net Land Disturbed	443	8,473

Community Development

Adaro Energy budgeted US\$14 million for community development programs this year, a 40% increase from US\$10 million in 2011. Our community development programs encompass economic, education, health services, and sociocultural activities. During 3Q12, through Adaro Indonesia and SIS, we invested US\$1.9 million, which brought total investment in 2012 in community development to US\$3.2 million. As at the end of September 2012, we had distributed 120 cattle and 30,000 poultry, provided scholarships for students, doctors and midwives, carried out development programs for local villages, built sanitation and hygiene facilities in local villages and delivered mechanical trainings to locals.

PROJECT DEVELOPMENT



1

Overburden Out of Pit Crushing and Conveying System (OPCC)

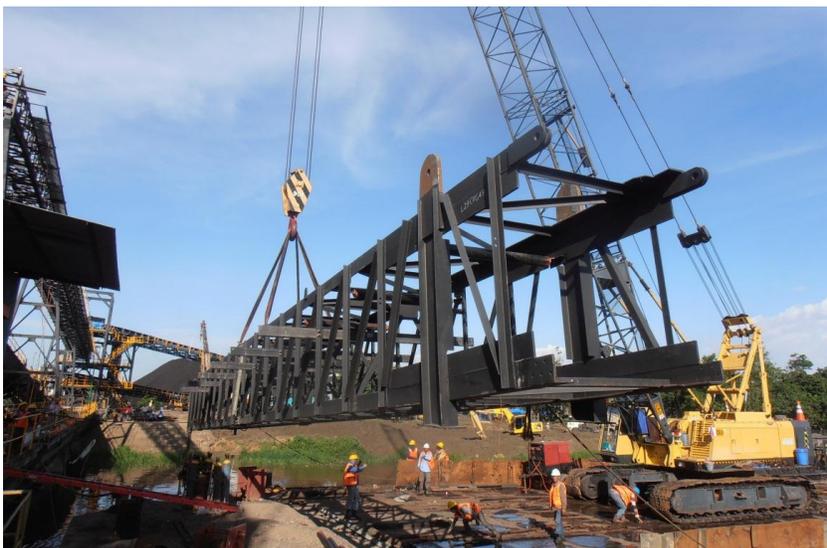
The project was 84% complete at the end of September 2012. The construction work of the powerline and electric power supply continued to make progress.



2

2x30 MW Mine-mouth Power Plant

The view of the nearly ready water system on our power plant, which was 94% complete at the end of September 2012. We aim to have the first unit in commercial operation by the end of this year and second unit by the first quarter of next year.



3

Capacity Expansion at Kelanis River Terminal

The installation of a gantry in a new conveyor system. We invested US\$7.2 million during 3Q12, which brought total investment for the capacity expansion to US\$39.8 million.

1 Overburden Out of Pit Crushing and Conveying System (OPCC)

The OPCC system will help offset the projected increase in overburden haulage costs using trucks at the Tutupan mine and reduce our dependency on oil. We estimate this system will be commissioned in early 2013 to transport up to 34 million bank cubic meters (Mbcm) of overburden each year, or the equivalent from 100 overburden dump trucks, at a savings of US\$1-1.20 per bcm. The system will consist of two 7,000 tonnes per hour (tph) crushing stations and a 12,000 tph 7.7 kilometer conveyor system, which includes a 2.4 kilometer transportable conveyor along with a mobile stacking and spreading conveyor. The project was 84% complete at the end of September 2012 as the construction work of the powerline and the power supply continued along with civil and foundation works. The construction work for the workshop building started. One of the contractors conducted further studies to assess the capacity of the MSW's 2x30 mine-mouth power plant, future infrastructure and electric mine equipment. We invested US\$37.95 million during 3Q12 mostly for design, material and construction, which brought total investment to US\$188.3 million. We plan to start commissioning the OPCC system in early 2013.

2 2x30 MW Mine-mouth Power Plant

The power plant will be operated by our wholly owned subsidiary PT Makmur Sejahtera Wisesa (MSW). The plant will help reduce our dependency on oil as it will be fuelled by approximately 300,000 tonnes of our E4000 (Wara) coal each year. The plant is expected to operate at 80% availability factor to power the OPCC and support Adaro Indonesia's mining operations by providing reliable inexpensive electrical power. The plant was 94% complete at the end of September 2012. During 3Q12, the pre-commissioning activities for the first unit had begun with the aim to have first light-up by the end of October 2012 and the first power out (1st synchro) by the end of November 2012 with commercial operations by the year end. The second unit is expected to be completed by the first quarter of next year. We invested US\$7.4 million during 3Q12, which was mostly to pay for construction work, bringing the total investment to date to US\$147.8 million.

3 Capacity Expansion at Kelanis River Terminal

The US\$55 million capacity expansion project at Kelanis River Terminal will increase annual terminal throughput capacity from approximately 55 million tonnes to more than 70 million tonnes by early 2013. We used two local contractors for this project. The scope of the project includes installation of an additional three-stage crushing facility, which will increase in-loading capacity to 10,500 tonnes per hour (tph), upgrade our barge-loading system to increase capacity to 14,000 tph and upgrade the Kelanis terminal's electrical power capacity to 25 megawatts (MW). In addition to the capacity expansion project, we will also install an operations and control building, replace coal sampling equipment to enhance quality control and add a coal

reclaim bulldozer fleet. The project was 66% complete at the end of September 2012. During 3Q12, the contractors continued mechanical, civil and structural work for all the seven hoppers followed by the installation of the electrical works. They completed the work of one of the barge loaders, all conveyors for hopper 6 and 7, the fuel tank facility, the motor control centre room and transformers installation. The mechanical work of the power station is nearly complete. We invested US\$7.2 million during 3Q12, which brought total investment to US\$39.8 million.

4 Investing in Larger Sized Heavy Equipment to Support Our Long-term Growth

We began purchasing larger sized equipment last year to maximize productivity, improve efficiency and minimize accident risk. During 3Q12, we invested US\$32 million to purchase 200 tonne class and 150 tonne class Hitachi and Komatsu trucks as well as hydraulic excavators and graders, which brought total investment to US\$112 million for 2012. We expect our heavy equipment spending to be reduced in the future and in 1H12, we revised down our capital expenditure guidance from US\$650-US\$700 million to US\$400-US\$500 million as our current heavy equipment fleet provides us adequate production capacity.



1 Development Progress from Our South Sumatra Investments

PT Mustika Indah Permai (MIP)

On March 22nd 2012, we announced the Joint Ore Reserves Committee (JORC) Compliant Coal Resources and Reserves for MIP with total estimated resources of 286.4 million tonnes and reserves of 272.6 million tonnes. During 3Q12, we continued with pre-stripping activities at the MIP minesite and stockpile and water control facilities were built. Land purchasing progressed and coal crushing was started to build stockpile bases. We continued to build orders to sell Ultima, which is the brand name of MIP's low pollutant, low heat value coal, to end users in Indonesia, China, India, Taiwan, Thailand, The Philippines and Vietnam. PT MIP is 75% owned by Adaro Energy through PT Alam Tri Abadi (ATA).

PT Bukit Enim Energi (BEE)

During 3Q12, the development alternatives were studied with the aim to produce a work program and budget for approval by all the shareholders. Base line environment and social programs started. PT BEE is 61.04% owned by Adaro Energy through ATA, 20% owned by PT Pamapersada Nusantara, 13.92% owned by PT Triputra Utama Selaras and 5.04% owned by PT Bumi Alam Sejahtera.

PT Servo Meda Sejahtera (SMS)

During 3Q12, SMS completed land clearing and cut and fill as well as continued gravelling and bridge building along the 116 kilometer haul road. The construction of the haul road was 91% complete by the end of the quarter with only gravelling work left to be finished. The construction of the permanent bridges was 85% complete as at the end of September 2012. SMS completed the work at the Muara Lematang port on the Musi river and in September 2012 began commercial operations with haulage along the road. By the end of the quarter, 42,859 tonnes of coal had been handled through the port. PT SMS is 35% owned by Adaro Energy through ATA.

Our investment in MIP, BEE and SMS is part of our strategy in South Sumatra to replicate the proven success of Adaro Indonesia's business model in South Kalimantan to create long-term, sustainable value from Indonesian coal.

2 IndoMet Coal (IMC) Project

IndoMet Coal, a joint venture between BHP Billiton and Adaro Energy, is continuing the development of its seven Coal Contracts of Work CCoW's in Kalimantan, Indonesia.

IndoMet Coal has temporarily suspended drilling activity for its Juloi CCoW, located in Murung Raya District – Central Kalimantan Province, while an extension of the Pinjam Pakai exploration drilling permit is obtained from the Indonesian Government. The project is committed to operating in full compliance with regulatory requirements.

The exploration program and the re-mobilisation of contractors will occur when the appropriate permits are received.

IndoMet Coal continues to assess development options across all of its seven CCoWs and is currently constructing access roads and developing port facilities.

3 PT Bhakti Energi Persada (BEP)

On May 28th 2012, we entered into Convertible Loan and Share Subscription Agreement with the option to provide a loan to BEP for up to US\$500 million which is convertible into equity of up to 51% in BEP for a period up to three years (Option One), and Option Agreement which we are granted to acquire BEP shares from the controlling shareholders of BEP by offering newly issued shares of Adaro Energy (Option Two).

During 3Q12, we continued to work towards getting the required permits from the government, acquiring land, securing social and community support, and completing engineering and geological studies. These programs are required to be finished before significant capital expenditure are made.

Adaro Energy has the full control of the management, operations and all the funding of BEP from the date of signing of two options above.

4 2X1000MW Central Java Power Plant Project (CJPP)

Electric Power Development Co Ltd (J-Power), Itochu Corporation and PT Adaro Power established PT Bhimasena Power Indonesia in July 2011. On October 6th, 2011, BPI and Indonesia's state-owned electricity company PLN signed a 25 year Power Purchase Agreement,

which includes the construction of a 2,000 MW coal-fired power plant in the province of Central Java. As per the announcement on October 6, 2011, BPI expected to achieve financial closure by the end of this year.

Due to not uncommon challenges related to land acquisitions, it is unfortunate that the CJPP will be delayed. However, it will not be lengthy nor harm the project or its sponsors. The challenges are not insurmountable and we will deliver this key project as soon as possible, to bring significant benefit to all stakeholders and to help build the nation. Most parties agree Indonesia cannot achieve its potential without increasing the country's power generation capacity and we intend to help Indonesia achieve its full potential.

This project is one of the largest infrastructure projects in Indonesia at the moment. Therefore the multiple parties involved must examine all aspects of this project very carefully to ensure all aspects have been fully and carefully considered before we begin implementation. We would rather be methodical and careful rather than go too quickly and make mistakes. We will however work to achieve commercial operations as soon as possible, so as to bring significant benefits to all stakeholders and to help build the nation.

AWARDS AND RECOGNITIONS

AI won Asia's Best Borrower 2012 Award from FinanceAsia

On October 17th 2012, AI's US\$800 million 10-year bond was voted as the best non-investment grade corporate bond in Asia by FinanceAsia. AI also won the best borrower in Indonesia, for the third consecutive year. The results was tabulated from the votes of 863 qualified investors across Asia Pacific, Australia, US and UK.



Aditama Award 2012 for Environmental Management Excellence

AI received the Aditama (gold) award 2012 for environmental management excellence in the coal sector. The award is given to the best performing companies for environmental management excellence in the coal, mineral and geothermal sector. AI received this award for the third consecutive year.



AE's President Director and Chief Executive Officer, Mr. Garibaldi Thohir, accepts the Aditama (gold) award from Minister of Energy and Mineral Resources, Mr. Jero Wacik.

AI Won Nine Awards at the Indonesian CSR Awards 2012

AI won nine awards (three Platinum, three Gold, one Silver and two individual categories) in recognition of our CSR and environmental programs from the Coordinating Minister for People's Welfare. The Platinum awards were given for AI's high-yield rubber plantations

development program, microfinance program to provide micro, small and medium enterprises with easy access to financing, as well as empowerment of poor households program. The Gold awards were given for maternal and infant health care programs, a clean water program and a waste recycling program, while the silver award was given for women's savings and loans institution program. In addition, AI's CSR manager and CSR officer received individual category award.



AI's GM Operations, Priyadi, accepts CSR Award 2012 from Secretary for Coordinating Minister for People's Welfare, Indroyono Soesilo

Mr. Garibaldi Thohir Received the Jewels of Muslim World Award 2012

AE's President Director and Chief Executive Officer, Mr. Garibaldi Thohir, received the Jewel of Muslim World award 2012 from OIC (Organization Islamic Cooperation). This international award is given to outstanding individuals who give significant contribution and bring positive impact for the economic development of Muslim countries. The award was presented by the Minister of Industry, MS Hidayat, to nine outstanding individuals from around the world.

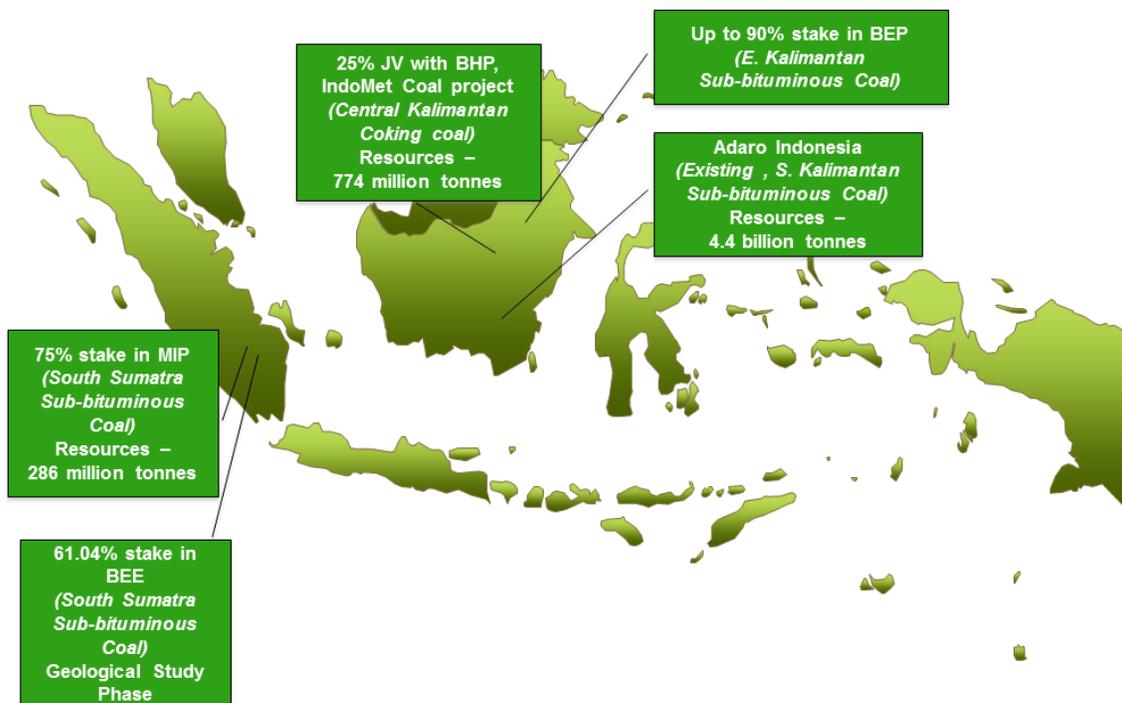


AE's President Director and Chief Executive Officer, Mr. Garibaldi Thohir, holding the Jewel of Muslim award 2012 from OIC

Notes to Editor

Adaro Energy is a fully integrated coal mining and energy company from exploration through to power. It is 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 production volume of 47.7 million tonnes in 2011. The coal characteristics are sub-bituminous, medium heat value and ultra-low pollutant coal, with total resources of 4.6 billion tonnes and total reserves of 1.1 billion tonnes (JORC Compliant 2011). Because of its environmental characteristics, Adaro's coal is trademarked as "Envirocoal" and has proven global acceptance among blue-chip power utilities. The Company's vision is to be a leading Indonesian mining and energy group.

Map of the Group Operations



Our Shareholders

Our supportive key shareholders together hold 63.69% of Adaro Energy, of which 43.91% is directly owned by PT Adaro Strategic Investment (ASI), as of 9M12. On July 23rd 2009, ASI was created to consolidate the ownership of the five key shareholders, namely Rachmat family, the Thohir family, the Subianto family, Mr. Edwin Soeryadjaya and Mr. Sandiaga Salahuddin Uno, as well as to strengthen the commitment of these key shareholders to Adaro Energy.

