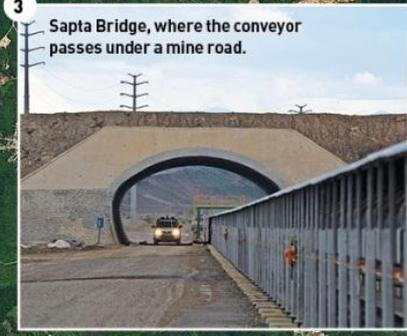




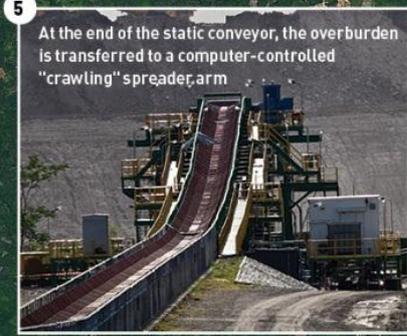
2 Indra Bridge, where the conveyor passes over a mine road.



1 The first of two overburden crushers at the start of the conveyor



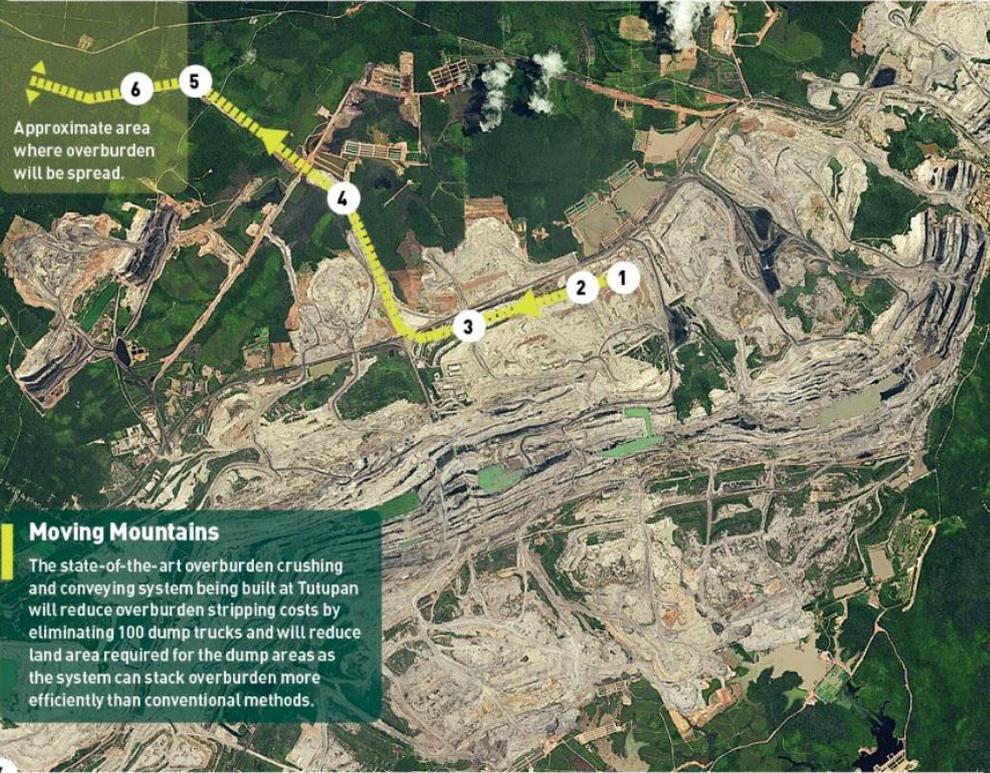
3 Sapta Bridge, where the conveyor passes under a mine road.



5 At the end of the static conveyor, the overburden is transferred to a computer-controlled "crawling" spreader arm



6 The spreader makes arcs on giant tracks and spreads overburden evenly in layers.



Approximate area where overburden will be spread.

**Moving Mountains**  
 The state-of-the-art overburden crushing and conveying system being built at Tutupan will reduce overburden stripping costs by eliminating 100 dump trucks and will reduce land area required for the dump areas as the system can stack overburden more efficiently than conventional methods.



4 The longest section of the 7.7km fixed conveyor section. The conveyor is covered for most of its length.

# Quarterly Activities Report

## First Quarter of 2013

*For the Three Months Ending March 31<sup>st</sup>, 2013*

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**Picture Above: Illustration of the OPCC**

A system with a capacity to transport up to 34 million bank cubic meters of overburden each year — allowing the elimination of about 100 overburden dump trucks — at a projected saving of US\$1.00 to US\$1.20 per bank cubic meter.

Jakarta, April 29<sup>th</sup> 2013

Dear Capital Market Participants,

Welcome to Adaro Energy's Quarterly Activities Report for the first quarter of 2013. We regularly issue the quarterly activities report one month after the end of each quarter. The report focuses on our operations, business development, exploration and other activities. We will release our first quarter financial statements and notes and the accompanying press release separately.

## Highlights of the quarter:

- Demand on low heat value coal started to pick up in 1Q13 supported by increased demand from China and India. Sales of our E4000 coal to the export market were 16% higher y-o-y (*page 4*).
- Adaro's Corporate Social Responsibility programs gained recognition at two prestigious CSR events, the Indonesia MDG Award and Global CSR Summit Award (*page 10 – 11*).
- Our mine-mouth power plant completed a commissioning test for its first unit and was able to reach 100% load capacity of 30MW. Commissioning of the second unit is expected in June 2013 (*page 12*).
- Construction of our OPCC (out of pit overburden crusher and conveyor) system continued to progress. At the end of 1Q13, the project was 99% complete. We look forward to start commissioning the OPCC in May 2013 (*page 12*).
- As part of our strategy to increase reserves and diversify asset, locations and licenses, we acquired 75% of the Balangan coal project for an enterprise value of US\$30.4 million. Balangan has estimated JORC compliant coal resources of 172 million tonnes and is strategically located 11 km southeast of Adaro Indonesia (*page 14 – 15*).
- Mr Julius Aslan was appointed as Human Resources, General Affair & Information Technology Director of Adaro Energy (*page 15*).
- Our Annual General Meeting of Shareholders agreed to distribute a cash dividend of US\$117.07 million for FY2012, a 30.38% pay-out ratio. Adaro Energy aims to pay a cash dividend every year (*page 16*).

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

Yours faithfully,



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

## Operations on Track

We are on track to reach our 2013 production target of 50 to 53 million tonnes (Mt). Our guidance was shaped by what our customers had indicated they need in 2013, thus we believe that it is reasonable and achievable. Production volume during 1Q13 was 4% higher year-on-year (y-o-y) compared to 1Q12. We contracted all of our tonnage for this year and have concluded the majority of pricing negotiation.

Due to the continuation of the rainy season, production in the first quarter is typically less than 25% of the full year target. We produced 0.9 Mt from Paringin in 1Q13, similar to the total tonnage that we produced from Paringin in 2012, and up 291% and 309% from 4Q12 and 1Q12, respectively. We are on track to achieve production target of 6 Mt from Paringin this year, around six times higher than in 2012. Wara also saw 7% production growth y-o-y compared to the same quarter in 2012.

At the beginning of 2013, we have introduced a new product called the Envirocoal 4700 (E4700). E4700 is a stand-alone, unblended product from the northern area of Tutupan pit, with a production target of 8 Mt this year. Sales of E4700 in the first quarter reached 0.94 Mt.

Our total sales volume reached 11.23 million tonnes in 1Q13, relatively flat y-o-y. During the quarter, we continued to serve the domestic market and sold more than 22% to customers in Indonesia. In line with our strategy to improve efficiency and better cost control at our operations, we reduced our average planned strip ratio from 6.4x in 2012 to 5.75x in 2013. Lowering the average planned strip ratio this year is not going to harm our long term mine plan, as it is still higher than the life of mine strip ratio plan. Strong overburden removal in 2012 was one of the reasons we are able to lower the average planned strip ratio for 2013. As a result, volume of overburden removal during the first quarter was down 10% y-o-y to 62.25 Mbcm.

Furthermore, we are on track to soon start commercial operations of our infrastructure projects: an out of pit overburden crusher and conveyor (OPCC) system and a 2x30MW mine-mouth power plant, which will further improve efficiency and reduce costs.

	Units	Actual	Quarter on Quarter		Year on Year	
		1Q13	4Q12	% Change	1Q12	% Change
<b>Production Volume</b>	<b>Mt</b>	<b>11.42</b>	<b>13.31</b>	<b>-14%</b>	<b>10.96</b>	<b>4%</b>
Tutupan	Mt	8.75	10.48	-17%	9.09	-4%
Paringin	Mt	0.90	0.23	291%	0.22	309%
Wara	Mt	1.77	2.61	-32%	1.66	7%
<b>Sales Volume</b>	<b>Mt</b>	<b>11.23</b>	<b>13.94</b>	<b>-19%</b>	<b>11.25</b>	<b>-0.2%</b>
E5000 (Tutupan and Paringin)	Mt	8.24	10.15	-19%	9.04	-9%
E4700 (Tutupan)	Mt	0.94	-	100%	-	100%
E4000 (Wara)*	Mt	2.05	3.79	-46%	1.82	13%
Coaltrade's third party sales	Mt	-	-	-	0.39	-100%
<b>Overburden removal</b>	<b>Mbcm</b>	<b>62.25</b>	<b>76.9</b>	<b>-19%</b>	<b>69.54</b>	<b>-10%</b>

\*2012 figures for E4000 include E4500

## Market Overview: Strong Demand for Indonesian Low Rank Coal

In the first quarter of 2013, demand for higher calorific value (CV) coal remained muted due to the low domestic coal price in China, which partially closed the arbitrage for some coals from Indonesia and high-ash Australian coal. In spite of this, Adaro made excellent progress in developing the market for its mid-CV product, E4700. The company has managed to build, in a short time, a wide customer base for this new product, with the focus of developing a market for this type of coal. So far this grade has been sold in China, India, Korea, Taiwan and Thailand.

Strong demand for low rank coal from China and India supported Indonesian coal exports during the quarter. China, unable to find replacement for this type of coal in the market, continued to place orders for Indonesian low rank coal. This is evidenced by the 16% increase in export volume y-o-y for our E4000 coal. E4000 continued to build orders for the rest of the year and we are on track to achieve the production target of 8 Mt.

## Our Operating Subsidiaries

### Adaro Indonesia (AI)

#### Mining, Hauling and Overburden Removal

The core of our operations, Adaro Indonesia (AI), operates from three pits in a 36,000 ha concession in South Kalimantan. AI employs five mining contractors including our subsidiary, PT Saptaindra Sejati (SIS), to perform overburden removal, coal mining and coal hauling activities. SIS continued to support AI's mining operations during the quarter, with 9% increase y-o-y for mining and hauling activities. The following table shows the

breakdown of overburden removal and mining and hauling activities among our mining contractors.

Contractors	1Q13	
	Overburden Removal	Mining and Hauling
PAMA	44%	37%
SIS	34%	35%
BUMA	13%	13%
RA	8%	13%
RMI	1%	2%

AI continued to implement efficiency and cost reduction initiatives including improving road conditions around the pit, reducing average coal hauling cycle time and requiring contractors to reduce fuel usage by a target of 2% each year. To decrease cycle time along our hauling road, AI is conducting a due diligence on constructing a coal trailer terminal at the Kelanis River Terminal to reduce coal haulage truck queues and for coal blending purposes.

#### Strip Ratio

Through 1Q13, the actual strip ratio at AI was 5.45x, 14% lower y-o-y and 6% lower q-o-q than 1Q12 and 4Q12, respectively. The actual strip ratio in 1Q13 was also lower than the planned strip ratio of 5.75x. AI's contractors removed 62.25 Mbcm during the quarter, with an average of 718,240 bcm of overburden per day. The overburden removal volume of 62.25 Mbcm did not account for 9 Mbcm pending volume from 2012.

#### Inventory

At the end of 1Q13, AI had a total inventory of 0.89 Mt at Kelanis, compared to 0.77 Mt inventory at the end of 1Q12 at Kelanis. Adaro Energy's vertically integrated business model allows us to control inventory levels at each part of the coal supply chain.

#### Sales Volume

During 1Q13, AI sold more than 22% of its product, mostly E5000, to domestic customers. We sold 0.94 Mt of our new product, E4700, in the quarter to customers in China, India, Korea, Taiwan and Thailand. We continued to build orders for E4700 for the rest of the year. Almost all the tonnage of E4000 sold during the quarter went to the export market, to customers in India, China and Thailand.

	Units	Actual	Quarter on Quarter		Year on Year	
		1Q13	4Q12	% Change	1Q12	% Change
<b>Sales Volume</b>	<b>Mt</b>	<b>11.23</b>	<b>13.94</b>	<b>-19%</b>	<b>10.86</b>	<b>3%</b>
<b>E5000 (Tutupan and Paringin)</b>	<b>Mt</b>	<b>8.24</b>	<b>10.15</b>	<b>-18%</b>	<b>9.04</b>	<b>-9%</b>
Domestic	Mt	2.28	2.58	-12%	2.50	-9%
Export	Mt	5.97	7.57	-21%	6.54	-9%
<b>E4700 (Tutupan)</b>	<b>Mt</b>	<b>0.94</b>	<b>-</b>	<b>100%</b>	<b>-</b>	<b>100%</b>
Domestic	Mt	0.24	-	100%	-	100%
Export	Mt	0.7	-	100%	-	100%
<b>E4000 (Wara)*</b>	<b>Mt</b>	<b>2.05</b>	<b>3.79</b>	<b>-46%</b>	<b>1.82</b>	<b>13%</b>
Domestic	Mt	0	0.27	-100%	0.05	-100%
Export	Mt	2.05	3.52	-42%	1.77	16%

\*2012 figures for E4000 include E4500

AI's product, Envirocoal has been well-known as the cleanest coal available in the global seaborne thermal coal market. AI primarily sold two products of Envirocoal: E5000 and E4000. Starting 2013, AI sells three different Envirocoal products, after adding E4700 into its product portfolio. As a part of our marketing strategy to expand the customer base, AI now sells Envirocoal to 53 customers in 15 countries worldwide. AI maintains geographical diversification to reduce risk. All of AI's products are sold to the end-users, mostly blue-chip power utilities.

### Barging and Ship Loading

During 1Q13, barging and ship loading increased 2% y-o-y, but fell 24% q-o-q. High demand for Adaro's coal during the period resulted in average vessel waiting time of 2.04 days, 2.32 days and 1.57 days respectively in January, February and March.

	Units	Actual	Quarter on Quarter		Year on Year	
		1Q13	4Q12	% Change	1Q12	% Change
Floating Cranes	Mt	7.10	9.40	-24%	6.95	2%
Self Loading	Mt	1.09	1.32	-17%	1.10	-1%
IBT	Mt	0.95	0.73	30%	0.29	228%
Direct Barging	Mt	2.09	2.49	-16%	2.52	-17%
<b>Total</b>	<b>Mt</b>	<b>11.23</b>	<b>13.94</b>	<b>-19%</b>	<b>10.86</b>	<b>3%</b>

PT Maritim Barito Perkasa (MBP), our barging and ship loading subsidiary, continued its good performance and handled 51% of barging activities and 52% of ship loading activities in the quarter. Of our ship loading activities, 63.2% was done through floating cranes at Taboneo anchorage. MBP's good performance has resulted in a y-o-y increase on barging volume as well as ship loading activities by 47% and 21%, respectively.

Barging Contractors	1Q13 Performance
MBP	51%
PSJ	24%
MBSS	14%
MDM	11%

### Rainfall and Pit Dewatering

We had a total of 698mm of rainfall and 57 rain days during the quarter, which was slightly below the five-year quarterly average of 910.6mm. Total rain days over the quarter were 57 days, slightly higher than the five-year quarterly average of 56.2 days.

Rainfall volume at Tutupan mine					
	Units	1Q13	1Q12	% Change	5-yr average 1Q
Jan	mm	207	194	7%	328.2
Feb	mm	224	250	-10%	235
Mar	mm	267	379	-30%	347.4
<b>Total</b>	<b>mm</b>	<b>698</b>	<b>823</b>	<b>-15%</b>	<b>910.6</b>

Number of rain days at Tutupan mine					
	Units	1Q13	1Q12	% Change	5-yr average 1Q
Jan	days	21	16	31%	20.2
Feb	days	18	17	6%	16.4
Mar	days	18	24	-25%	19.6
<b>Total</b>	<b>days</b>	<b>57</b>	<b>57</b>	<b>0%</b>	<b>56.2</b>

### **Saptaindra Sejati (SIS)**

Our mining and contracting subsidiary, SIS, is one of the five mining contractors we employ at AI. AI is SIS's largest customer, accounting for 61% and 67% of SIS total overburden removal and coal getting volume during 1Q13, respectively. Lower overburden removal y-o-y and q-o-q was a result of SIS' decision not to extend contracts with two customers, new pit development at AI, and request from customers to reduce stripping ratio. SIS will be the mining contractor that Adaro Energy uses for newly acquired Balangan coal project in South Kalimantan.

PT Saptaindra Sejati						
		Actual	Quarter on Quarter		Year on Year	
	Units	1Q13	4Q12	% Change	1Q12	% Change
<b>Overburden Removal</b>	<b>Mbcm</b>	<b>36.17</b>	<b>45.56</b>	<b>-21%</b>	<b>41.80</b>	<b>-13%</b>
Adaro	Mbcm	21.98	27.88	-21%	24.61	-11%
Others	Mbcm	14.19	17.68	-20%	17.19	-17%
<b>Coal Getting</b>	<b>Mt</b>	<b>6.00</b>	<b>7.08</b>	<b>-15%</b>	<b>5.29</b>	<b>13%</b>
Adaro	Mt	4.04	4.69	-14%	3.51	15%
Others	Mt	1.96	2.39	-18%	1.78	10%

### Maritim Barito Perkasa (MBP)

PT MBP is a key barging and ship loading contractor for AI. During the first quarter of 2013, coal volume from AI accounted for 94% and 100% of MBP's total coal barged and coal loaded to ships, respectively. Y-o-y increase over 1Q12 was due to the higher availability of floating crane and MBP receiving additional volume from AI's third party contractor when the third party contractor's term expired in 2012.

MBP is expecting deliveries of one floating transfer unit, five 15,000 dwt barges, six tugs, and one fuel oil tank barge on the second quarter of 2013, with a total investment of US\$63.6 million.

Maritim Barito Perkasa						
		Actual	Quarter on Quarter		Year on Year	
	Units	1Q13	4Q12	% Change	1Q12	% Change
<b>Total Coal Barged</b>	<b>Mt</b>	<b>5.99</b>	<b>7.32</b>	<b>-18%</b>	<b>3.92</b>	53%
Adaro	Mt	5.66	6.92	-18%	3.85	47%
Others	Mt	0.33	0.40	-18%	0.07	371%
<b>Total Coal Loaded</b>	<b>Mt</b>	<b>3.69</b>	<b>4.90</b>	<b>-25%</b>	<b>3.06</b>	21%
Adaro	Mt	3.69	4.90	-25%	3.06	21%
Others	Mt	-	-	-	-	-

### PT Indonesia Bulk Terminal (IBT)

PT IBT operates the South Pulau Laut Coal Terminal, which has an annual capacity of 12 million tonnes. In the first quarter of 2013, 95% of IBT coal volume came from AI, an increase of 30% and 164% compared to 4Q12 and 1Q12, respectively. During the period, occasional bad weather with high swells affected ship loading activities at Taboneo, and some tonnages from AI were diverted from Taboneo to IBT.

<b>PT Indonesia Bulk Terminal</b>						
		<b>Actual</b>	<b>Quarter on Quarter</b>		<b>Year on Year</b>	
	<b>Units</b>	<b>1Q13</b>	<b>4Q12</b>	<b>% Change</b>	<b>1Q12</b>	<b>% Change</b>
<b>Total Coal Loaded</b>	<b>Mt</b>	<b>1.00</b>	<b>0.73</b>	<b>37%</b>	<b>1.02</b>	<b>-2%</b>
Adaro	Mt	0.95	0.73	30%	0.36	164%
Third party	Mt	0.05	-	100%	0.66	-93%
No of vessels loaded		14	10	40%	16	-13%

### **Coaltrade Services International Pte Ltd (Coaltrade)**

Coaltrade is a coal trading agent for AI export sales in specific countries. In 1Q13, Coaltrade's total sales volume decreased 29% q-o-q and 5% y-o-y, due to no third party sales during the quarter. All coal sold by Coaltrade during the quarter came from AI.

<b>Coaltrade Services International Pte Ltd</b>						
		<b>Actual</b>	<b>Quarter on Quarter</b>		<b>Year on Year</b>	
	<b>Units</b>	<b>1Q13</b>	<b>4Q12</b>	<b>% Change</b>	<b>1Q12</b>	<b>% Change</b>
<b>Total coal sales</b>	<b>Mt</b>	<b>1.08</b>	<b>1.53</b>	<b>-29%</b>	<b>1.14</b>	<b>-5%</b>
Coal purchased from Adaro	Mt	1.08	1.53	-29%	0.75	44%
Others	Mt	-	-		0.39	-100%

## Exploration Activities

During 1Q13, we spent US\$628,489, a 5% increase y-o-y over 1Q12, for exploration activities which were focused on further drilling to gather geological and mine drainage data. We drilled a total of 94 holes with total depth of 15,055.05 meters and total logging depth of 11,986.9 meters.

	Units	1Q13	1Q12	% Change
Exploration expense	US\$	628,489	597,575	5%

## Quality, Health, Safety and Environment (QHSE)

### *Occupational Health and Safety*

The safety, health and wellbeing of our employees and contractors are our number one priority and fundamental to the way we carry out our activities. Our lost time injury frequency rate (LTIFR) for the quarter was 0.19, with total man-hours worked of 15,862,050 hours. Our 1Q13 LTIFR figure is a 42% improvement from 1Q12, and 57% improvement from 4Q12. During 1Q13 we experienced two lost time injuries (LTI) and one fatality at the mine. A full investigation and follow up actions have been implemented as well as relevant work instructions have been revised to control similar risk in the future.

We completed and formally launched a new QHSE management system for Coal Processing and Barge Loading operation at Kelanis port. This integrated system has a comprehensive framework that outlines and standardizes roles and responsibilities and work processes, while integrating adequate controls to mitigate health, safety and environment risks, and is expected to further improve QHSE performance at Kelanis based on international standards ISO 9001, ISO 14001 and OHSAS 18001.

	1Q13		1Q12	
	Actual	Plan	Actual	Plan
LTI	3	14	5	12
LTIFR	0.19	0.25	0.33	0.3

### *Environment*

We planted more than 59,000 trees at the reclamation areas at Tutupan and Paringin. Our water treatment facility distributed 70,652 m<sup>3</sup> of clean water for community as well as internal use

	1Q13	Project to Date
Reclamation (ha)	20	1,168
Land Disturbed - Mine (ha)	64	3,157
Land Disturbed - Other (ha)	88	7,129
Net Land Disturbed (ha)	132	9,118

## Community Development

Our community development programs encompass economic, education, health services, sociocultural activities and environment. Together with our subsidiaries, during 1Q13, we invested approximately US\$1.20 million to support, among others, the construction of community sport halls and multifunction buildings and to supply high quality rubber seeds to rubber farmers mentored by Adaro. During 1Q13, together with our partners, we commissioned the “switch on” program. Through this program, we funded hearing aid implants for 13 children with congenital hearing loss.

In the first quarter, we were awarded with Indonesia MDG Award for the category of private company – HIV AIDS and infectious diseases eradication program. The award was presented by State Minister for Women Empowerment and Children Protection Linda Amalia Sari, at Conrad Hotel, Bali and received by Adaro Energy’s GM of Corporate Social Responsibility, Okty Damayanti. Witnessing the award presentation was the President of the Republic of Indonesia Susilo Bambang Yudhoyono.

The award committee had declared earlier that the award represents the government’s appreciation for the program development attained in 2012, and is given to institutions deemed to have conducted effective programs qualified to be developed and replicated in the national level.

Adaro’s program to combat narcotic drugs and HIV AIDS is implemented by its foundation, Yayasan Adaro Bangun Negeri, established in 2010 to undertake the group’s sustainable CSR programs in the six districts within Adaro’s operational area. The program conducts counselling activities involving more effective approaches accepted by the target audience in the society, and has been successful in developing peer educators from various community groups like students, community leaders, religious leaders, high-risk groups, and pregnant women. Supported by Adaro’s training and counselling, they have now built the capability to carry out independent counselling, continuously expanding their scope to reach a wider audience.

On April 19, 2013, our subsidiary Adaro Indonesia received the Bronze Award for Environmental Excellence at the Global CSR Summit, Asia’s most prestigious awards programme for Corporate Social Responsibility. The award was received by GM of Corporate Social Responsibility, Okty Damayanti, at a ceremony held in Davao City, the Philippines. Adaro Indonesia’s CSR program to provide clean water to communities surrounding the mining area was acknowledged for its long term benefit for the communities and is a showcase of the company’s leadership in CSR.

## Project Development

### **Out of pit overburden crusher and conveyor (OPCC)**

The amount of overburden removed from our open pit mine has grown to more than 300 Mbcm per year. Handling and disposing of such volumes of overburden has become more expensive and is a major challenge. The decision was made in 2010 to start mechanizing the overburden removal by installing a series of crushing and conveying systems that will transport overburden and spread it on outlying dumping areas that are not accessible for overburden trucks.

The OPCC plays a big role in our story of efficiency and productivity improvement, as well as ensuring that we can continue reliability of supply to our customers. The OPCC will help combat rising overburden hauling costs and reduce our dependency on diesel fuel. The project was 99% complete in 1Q13 and is on track to commence operations in May 2013. The system is expected to transport up to 34 Mbcm of overburden per annum at a savings of US\$1 to US\$1.20 per bcm. During 1Q13, we invested US\$9.83 million, bringing total investment to US\$215.45 million.

### **2x30MW mine-mouth power plant**

Our subsidiary, PT Makmur Sejahtera Wisesa (MSW), is constructing a 2x30MW mine-mouth power plant located in Tanjung, South Kalimantan. At the end of 1Q13, the power plant was 96% complete. MSW completed synchronization for its first unit in March. Power supply stability from MSW was also tested during the time. Following the synchronization test, the first unit of MSW power plant was able to reach 100% load, and produced electricity output at full capacity of 30MW. We expect to start commissioning the second unit in early June 2013.

We invested US\$6 million throughout the quarter, bringing total investment to US\$162 million. When fully operational, the power plant will consume about 400,000 tonnes of E4000 coal per year. With a net power output guaranteed at 52.5MW, MSW is set to assist AI operations by providing affordable and reliable source of electricity. Excess power will be sold to PLN to help support the requirements of the grid system in South Kalimantan.

### **Capacity expansion at Kelanis Terminal**

In 2011 we started expansion of the Kelanis river terminal, to increase capacity from 55 million tonnes to 70 million tonnes per year, a 27% increase. The project was 85% complete by the end of 1Q13 and we spent US\$1.75 million during the period, which brought total spending to US\$44.28 million.

## **Business Development**

### **Development on South Sumatra Assets**

In 2011, we acquired two greenfield coal concessions and a logistics company in South Sumatra. The two coal concessions are PT Mustika Indah Permai (MIP), which we own 75% and PT Bukit Enim Energi (BEE) which we own 61.04%. We own 35% of PT Servo Meda Sejahtera (SMS), a logistic company which has a dedicated coal hauling road and barge loading port.

The current development plan is to concentrate on mining readiness for our South Sumatra's coal concessions and to start production when the time is right. At MIP, in 1Q13, we continued with purchasing land and evaluated development and marketing options for Ultima, the brand name of MIP's coal. During the same period, we continued to obtain the necessary permits for BEE. Additional exploration work on BEE will be carried out in 2013 by our subsidiary, PT Adaro Eksplorasi Indonesia (AEI), to provide supplementary data for the preparation of a JORC report on the area's resources and reserves.

Due to the heavy rainfall at South Sumatra at the beginning of the year, we experienced flooding in several parts of the SMS' hauling road. There was minor damage along the SMS's hauling road and all activities were halted. Since the latter part of 1Q13, we have been focused on repairing and resurfacing the road.

### **IndoMet Coal Project with BHP Billiton**

During the quarter, the IndoMet Coal Project (IMC), a joint venture between BHP Billiton and Adaro Energy, continued the development of its seven Coal Contracts of Work (CCoW) in Kalimantan. The IndoMet Coal Project is on track to begin mining from the Haju mine in the third quarter of 2013. The Haju mine is within the concession area held by PT Lahai Coal in Central Kalimantan. Construction of minesite accommodations, port-site accommodations, administrative offices and an industrial area, is underway.

### **PT Bhakti Energi Persada (BEP)**

Throughout 1Q13, we continued with getting required permits, acquiring land, securing social and community support, and completing engineering and geological studies. The current development plan is to concentrate on mining readiness for BEP, such as preparing the land, permits, engineering and to start production when the time is right. Adaro Energy has full control of the management, operations and funding of BEP.

BEP carries on purchasing necessary land for infrastructure and for preparing the mine for further development. BEP has reached agreements to compensate 1,770 ha of land from the plantation area of PT Dharma Satya Nusantara (DSN) and its subsidiaries, located adjacent to BEP's concession. DSN currently owns and manages its operating subsidiaries in the palm oil and wood products industries.

## **Power Generation**

Moving further downstream into power is a strategic decision we made to approach growth without taking unnecessary risk. In addition, power generation will be able to provide good returns, reliable cash flows, and create a substantial base demand for our coal.

PT Bhimasena Power Indonesia, a joint venture formed in 2011 by a consortium comprising our subsidiary, PT Adaro Power (34%), Japan's Electric Power Development Co (J-Power) (34%) and Itochu Corporation (32%), will be the first project in Indonesia to use the public-private partnership (PPP) model when it develops a US\$4 billion coal-fired power plant in Batang district, Central Java. In October 2011, Bhimasena signed a power purchase agreement with PLN with a 25-year term from the start of commercial operations, targeted for early 2017. Bhimasena is on track to reach financial closure by the end of 2013. During the first quarter of 2013, Bhimasena continued to purchase land and processing necessary permits.

In March 2012, a consortium of Adaro Power and Korea East West Power received letter of intent to undertake an independent power producer (IPP) project to construct a 2x100MW coal-fired power plant in South Kalimantan. The consortium had previously been announced as the sole qualified bidder for the project. We hope to sign the power purchase agreement with PLN in 1H13, and do financial closure within one year following the signing.

## **Corporate Action**

### **Acquisition of 75% of Balangan Coal Project**

We are pleased to announce our wholly owned subsidiary, PT Alam Tri Abadi (ATA) has signed a share purchase agreement to acquire 75% of the three companies that form the Balangan coal project (Balangan) – PT Paramitha Cipta Sarana (PCS), PT Semesta Centramas (SCM), and PT Laskar Semesta Alam (LSA) – from PT Terminal Batubara Indah, PT Industri Terminal Batubara and PT Harapan Insani Millenia, respectively, for Rp3.9 billion (approximately US\$405,311). The enterprise value of the Balangan transaction is US\$30.4 million. The remaining 25% belongs to local businessmen.

The Balangan coal project is strategically located 11 km southeast of Adaro Indonesia's concession in South Kalimantan.

The strategic underpinning of this acquisition is to increase our reserves base and to diversify our assets, locations and licenses. Balangan owns coal licenses (known in Indonesia as an IUP) in the Balangan district, South Kalimantan, covering an area of 7,500 ha. Both PCS and SCM have operation and production licenses for 20 years granted in 2009, while LSA has exploration licenses granted in 2008.

At the end of 2012, Balangan had estimated JORC-compliant coal resources of 172.3 million

tonnes. It is part of the same geological basin as our current operations at Adaro Indonesia., and the coal characteristics are similar to Adaro Indonesia's Envirocoal.

IUP	Coal Resources Millions of tonnes	Total Moisture (wt%) A.R.	Ash (wt%) A.R.	Volatile matter (wt%) A.R.	Fixed carbon (wt%) A.R.	Total sulfur (wt%) A.R.	Calorific Value (kcal/kg) A.R.
SCM	61.5	32.6	2.2	34.0	31.2	0.08	4,370
LSA	89.6	31.3	1.8	34.8	32.1	0.08	4,490
PCS	21.2	32.1	1.7	33.6	32.6	0.06	4,400
<b>Total</b>	<b>172.3</b>	<b>31.9</b>	<b>1.9</b>	<b>34.4</b>	<b>31.8</b>	<b>0.08</b>	<b>4,436</b>

Source.- Balangan JORC Report by Golder Associates 2012.

Notes.-All JORC Resource categories are combined.

The project is at the early stage of development and further drilling is required before we make any large capital expenditures. Our initial capex plan to get the project up and running is approximately US\$15 million, mainly to build the connecting road to Adaro Indonesia, and this does not include heavy equipment. Our subsidiary, SIS, is the contractor at Balangan, and has done some pre-stripping and early construction work.

We are familiar with the social and physical operating environment and are confident with the geological model. Due to the attractive mining conditions we have the ability to fast track low capex infrastructure development.

We are hopeful that we can begin production from Balangan later this year. We hope in the future that Balangan could ramp up to 8 million tonnes per year, and bring great value to the local government and community. Balangan will help us achieve our main goal of creating long-term value from Indonesian coal.

## News Flow

### Appointment of Mr Julius Aslan as Adaro Energy's Human Resources, General Affairs & Information Technology Director

Mr Julius Aslan was appointed as Adaro Energy's HRGA & IT Director as of April 19, 2013. The announcement was made during Adaro Energy's annual general meeting of shareholders. Mr Aslan holds a degree in Electrical Engineering from the National Institute of Science and Technology, Jakarta. He has more than two decades of experience, most of which was in senior human resources position. Mr Aslan started his career as Management Trainee in PT Astra International and became the company's Chief Corporate Human Resources in 2001. He has held the position as Human Resources Director for PT Bank Permata (2004), PT Astra Agro Lestari (2006) and PT Astra Honda Motor (2007). He later became the Marketing Director for PT Astra Honda Motor in 2009.

## Adaro Energy to Distribute 30.38% of Net Income as Dividend

Our Annual General Meeting of Shareholders decided to use US\$117.07 million or 30.38% of the company's 2012 net income for final cash dividend payment which includes the interim cash dividend amounting to US\$76.77 million paid on June 12th, 2012 and January 15th, 2013. The remaining US\$40.30 million will be distributed as cash dividend. The schedule of cash dividend payment can be found below.

Dividend Payment Schedule Announcement at IDX	25-Apr-13
Dividend Payment Schedule Announcement at Newspapers (Republika and Indonesia Finance Today)	26-Apr-13
Recording Date	3-Jun-13
Conversion rate announcement through IDX e-reporting	3-Jun-13
Cum Dividend for regular and negotiable market	29-May-13
Ex-Dividend for regular and negotiable market	30-May-13
Cum Dividend for cash market	3-Jun-13
Ex-Dividend for cash market	4-Jun-13
Dividend Distribution Date	12-Jun-13

## Shareholders Information

As at March 31, 2013, Adaro Energy's market capitalization was US\$4.3 billion, and we remained as one of the largest mining company listed in the Indonesian Stock Exchange. Our share price ranged within Rp1,260 per share to Rp1,700 per share during the quarter, with an average share price of Rp1,580 per share. Our average trading volume during the quarter was US\$5,284,411. At the end of March 2013, we had analyst consensus of 3.42 (on a scale of 5) as a result of 9 buy, 13 hold and 4 sell.

The top twenty public shareholders of Adaro Energy at the end of March 2013 were:

No	Shareholders Name	%
1	Jamsostek	3.09
2	GIC	2.65
3	KEPCO	1.20
4	Brown Brothers Harriman Boston S/A Vangrd EMG MKTS STK INFD	0.92
5	Adcorp Holdings	0.81
6	Newton Asian Income Fund	0.63
7	Credit Suisse AG Singapore Trust A/C Clients - 2023904000	0.58
8	Employees Provident Fund	0.57
9	Saudi Arabian Monetary Agency	0.54
10	Taspen	0.54
11	Jennison Natural Resources Fund	0.48
12	PT Prudential Life Assurance - Ref	0.47
13	JPMCB JPMBSA RE:JPMIB-UNT HMN INV LTD-9813060 PLG-2157805024	0.47
14	Abu Dhabi Investment Authority	0.47
15	SSB 0BIH S/A ISHARES MSCI Emerging Markets Index Fund - 2144609616	0.42
16	UBS AG Singapore Non -Treaty Omnibus Account - 2091144090	0.42
17	JP Morgan Chase Bank NA RE Non -Treaty Clients - 2157804006	0.39
18	SSB 1BA9 ACF MSCI Equity Index Fund B-INDONESIA - 2144609619	0.32
19	Deutsche Bank AG (Private Banking) Singapore A/C. 214601-4000	0.31
20	Credit Suisse AG Singapore Trust Account Client 131988 United Harmony Investments Limited	0.31

## Corporate Overview

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 47.2 million tonnes in 2012. The coal characteristics are sub-bituminous, medium heat value and ultra-low pollutant coal, with total resources of up to 12.3 billion tonnes and total reserves of 1.1 billion tonnes (JORC Compliant 2012). 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.

### PT Adaro Energy

