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Quarterly Activities Report

For the Three Months Ending December 31st, 2009 (and September 30th, 2009)

PT Adaro Energy Tbk (IDX: ADRO)

Introduction

The report will focus on the activities of the company and its subsidiaries during the preceding quarter. The report will not address specific financial results, which will be released separately. Please email cameron.tough@ptadaro.com and let us know should you require any additional information.

Note: as Adaro Energy did not lodge a 3Q09 Quarterly Activities Report, due to the bond-related “blackout period”, this report contains certain information related to 3Q09.

Highlights

- Adaro Energy’s production volume increased 5.5% to 40.6 Mt in FY09.
- Adaro Energy’s sales volume increased 0.8% to 41.4 Mt in FY09.
- Demand for Envirocoal showed steady recovery from the low in 1H09, signaling a robust outlook for the year ahead especially from key growth markets.
- The key focuses for 2010 are on executing infrastructure projects to support growth, cost efficiency plans as well as developing the Wara coal deposit.
- In 4Q09, Adaro Energy and Sandvik Asia Limited sign an Equipment Supply Contract for the 37.8km Overland Conveyor (OLC)
- In 4Q09, Adaro Energy appoints PT Tripatra Engineers and Constructors as the Engineering, Procurement and Construction contractor for the OLC
- Adaro entered into a fuel hedging agreement to cover over 80% of Adaro’s fuel requirements for 2010 at a rate similar to the average rate paid in 2009.
- Very good access to capital as evidenced by the US\$800mn 10-year bonds and US\$500mn standby facility, resulting in a strong capital structure with ample liquidity.

Production and Sales Volumes

Adaro Energy's production volumes increased 5.5% to 40.6Mt in FY09 despite weakness in the global economy and the subsequent decrease in demand for coal in the first half of 2009. As markets recovered in the second half of 2009, the focus shifted to increasing production to fulfill market demand and to compensate for the weaker volume of 1H09.

Adaro Energy – 4Q09 Unaudited Consolidated Volumes

	Units	4Q09	4Q08	% Change
Production	Mt	12.13	9.76	24.3%
Sales *)	Mt	12.45	10.16	22.6%

	Units	FY09	FY08	% Change
Production	Mt	40.6	38.5	5.5%
Sales *)	Mt	41.4	41.1	0.8%

*) Includes the third party coal sales sold by Coaltrade of 0.34 Mt in FY09 (0.12Mt in 4Q09)

Adaro finished the year strongly and despite the start of the wet season, operated at an average of 4Mt per month. The focus on ramping up production resulted in a 24% increase to 12.1 Mt compared to 2008 and a 16% increase compared to 3Q09. Combined with an additional trading volumes of 0.1Mt by Adaro Energy's subsidiary Coaltrade and sales from inventory, Adaro Energy's sales volumes increased 23% to 12.5Mt compared to the same quarter of 2008 and increased 12% compared to 3Q09.

Adaro Energy – 3Q09 Unaudited Consolidated Volumes

	Units	3Q09	3Q08	% Change
Production	Mt	10.48	10.48	0%
Sales *)	Mt	11.15	10.86	2.60%

	Units	9M09	9M08	% Change
Production	Mt	28.47	28.75	-0.97%
Sales *)	Mt	28.98	30.94	-6.33%

*) Include the third party coal sales sold by Coaltrade of 0.23 Mt in 9M09 (0.13Mt in 3Q09)

First half production was approximately 18Mt, due to weak economic conditions and lower demand for coal. However, demand began to pick up in 3Q09, which in combination with seasonally good dry weather, enabled Adaro to increase production 17% to 10.5Mt compared to 2Q09. Combined with an additional trading volume of 0.1Mt through Coaltrade and sales from inventory, Adaro Energy's sales increased 3% compared to 3Q08 and 23% compared to 2Q09, to 11.1Mt in 3Q09.

Operations

Adaro Indonesia

	Units	FY09	FY08	% Change
Overburden	Mbcm	208.50	159.31	30.9%
Coal Transported	Mt	40.59	38.48	5.5%
Coal Sold	Mt	41.08	39.80	3.2%
Strip Ratio (planned)	Bcm/t	5.00	4.25	20.7%

	Units	4Q09	4Q08	% Change	3Q09	3Q08	% Change
Overburden	Mbcm	54.81	39.55	37.5%	58.2	46.3	25.70%
Coal Transported	Mt	12.13	9.76	24.3%	10.48	10.48	-0.05%
Coal Sold	Mt	12.33	10.06	22.6%	11.01	10.86	0.60%
Coal Inventory	Mt	0.28	0.21	30.7%	0.42	0.32	29.90%
Strip Ratio	Bcm/t	5.00	4.25	5.6%	5.5	4.6	17.70%

Mining and Hauling (Contractors)

In 2009, PT Pamapersada Nusantara (“PAMA”), owned by PT United Tractors Tbk, was responsible for 43% of Adaro Indonesia’s coal production volumes. PT Bukit Makmur Mandiri Utama (“BUMA”) and PT Rahman Abdijaya (“RAJ”) were responsible for 19% and 12% respectively. Adaro Energy’s subsidiary PT Saptaindra Sejati (“SIS”) was responsible for 26% of total coal production.

Overburden Removal

4Q09

All contractors performed at or above their targeted plan in the fourth quarter despite the start of the wet season. In October, November and December, the average removal per day was 667 kbcm, 567 kbcm and 514 kbcm respectively. SIS meanwhile continued their good performance by achieving 119% of their plan in October, 132% of their plan in November and 123% of their plan in December.

3Q09

Weather conditions during the third quarter were dry and provided ideal conditions for the mining operations. In July, August and September, the average overburden removal per day was 639 kbcm, 694 kbcm and 685 kbcm respectively. A new daily overburden record of 743 kbcm was set on July 20, 2009. Total overburden removal in September reached 154 Mbcm, 28% higher than last year.

The high overburden removal rate during the quarter increased the pit coal inventory to around 1 Mt, 30% over the level of the previous quarter.

Coal Mining

All contractors performed well against their plans in 3Q09 and 4Q09 to meet Adaro's production volume target. Adaro Energy remains confident of this improving trend for the year ahead with the increased in-pit inventory levels and the proven performance of the contractors to achieve targets.

Logistics, Hauling, Barging and Ship Loading

Period	Units	Floating Cranes	Self Geared	IBT	Barges*)	Total
4Q09	Mt	7.05	1.53	0.89	2.86	12.33
3Q09	Mt	5.73	1.49	0.97	2.82	11.01

*) *Substantially all domestic sales*

4Q09

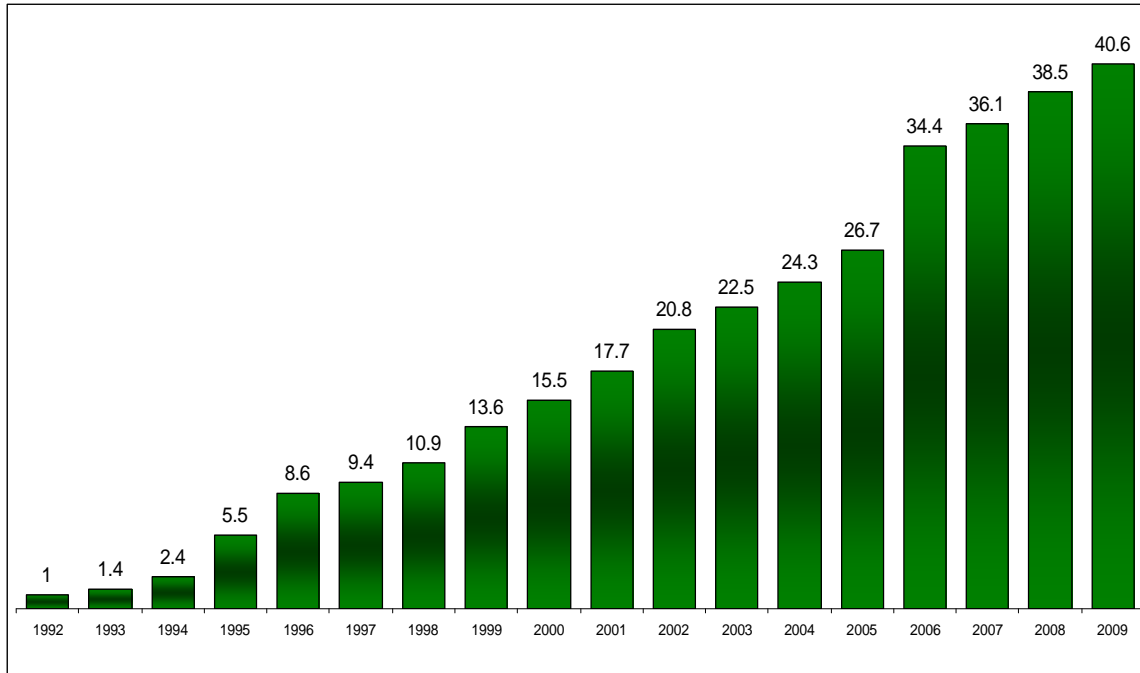
During this quarter, the performance of all barging contractors continued to improve through reduction of cycle time and increased tonnage. The average demurrage cost per vessel however increased slightly compared to the previous quarters due to the start of the wet season.

3Q09

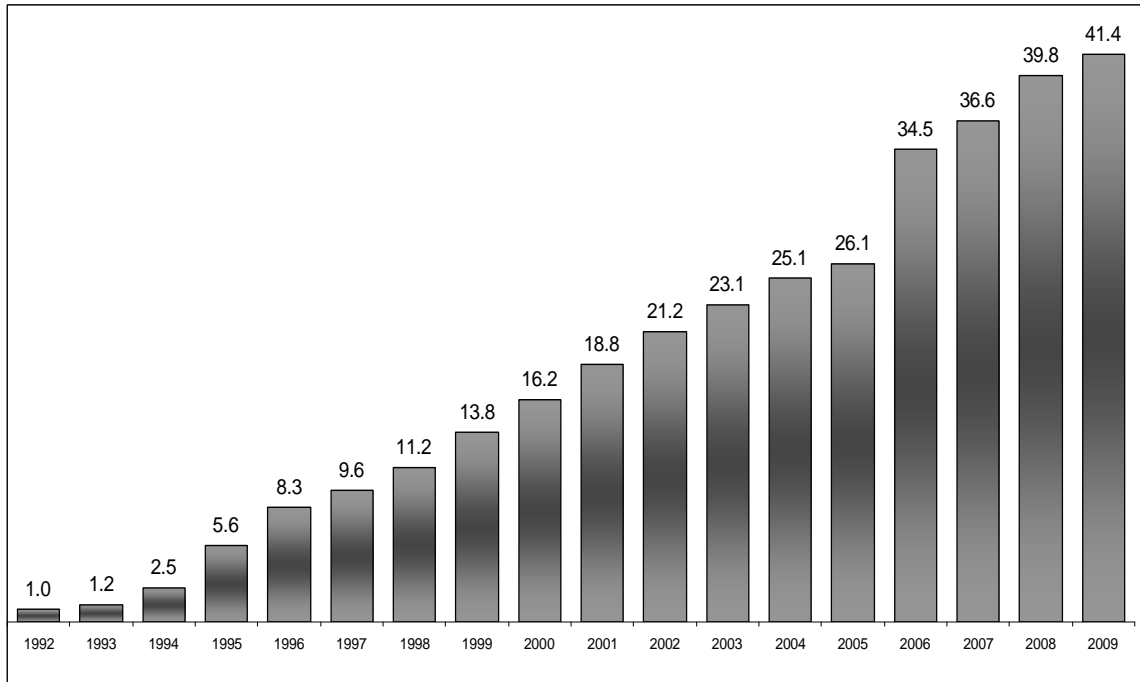
The average loading cycle of 100 hours (4.2 days) at Taboneo performed by two of Adaro's barging contractors in September was a new record. This was an exceptional performance considering limited visibility caused by smoke from forest fires, which are common during very long dry seasons such as this year. Studies for further improvements were conducted to continue lowering the cycle time. Although weather still played a key role, the fact that Adaro Energy reduced demurrage cost to the end of 9M09 to none, reflects a major improvement in the management of the coal supply chain.

Adaro Energy – Historical Production and Sales Volumes

Historical Production Volumes (Mt)



Historical Sales Volume (Mt)



Subsidiary Performance:

Orchard Maritime Logistics Ltd (OML) – Barging and Shiploading

	Units	FY09	FY08	% Change
Total Coal Transported	Mt	10.37	9.51	9.0%
Adaro	Mt	8.63	7.60	13.6%
Others	Mt	1.73	1.91	-9.2%
Total Coal Loaded	Mt	11.40	10.60	7.6%
Adaro	Mt	11.28	10.60	6.5%
Others	Mt	0.12	-	

OML's performance for the year mirrored the Group's coal sales trend that experienced a slight increase from last year. Total coal transported increased 9% YoY and coal loaded also increased 7.6% YoY.

Coaltrade Services International Pte Ltd – International Coal Marketing

Due to the economic slow down in 2009, most of Coaltrade's marketing efforts were spent on assisting the marketing of Adaro's Envirocoal. For 2009, total third party coal sales sold by Coaltrade reached 0.34Mt. Total third party coal sales of 0.12Mt in 4Q09 was a slight decline compared to 0.13Mt in 3Q09.

While Coaltrade was mostly focused on marketing Adaro's Envirocoal in FY09, they are now putting more resources into 3rd party coal trading.

PT Indonesia Bulk Terminal (IBT) – Coal Logistics and Port Services

	Units	Actual	Plan	% Change
Total Coal Shipped	Mt	4.64	5.62	-17.6%
Adaro/Coaltrade	Mt	3.25	3.70	-12.1%
Third party	Mt	1.38	1.92	-28.1%
No of vessels loaded		72	90	-20.0%

IBT's performance in FY09 was below the plan due to the weakening global economy. Sales to both the US and Europe softened as a result of reduced electricity demand and low gas prices. Gas was readily available at low prices resulting in gas fired power plants being dispatched ahead of coal fired plants. The fact that no shipments were made in July to the US and Europe, the first time since 1995, exemplified the impact of the downturn of the economy on the Western side of the world to the lower traffic at Coaltrade and third party services at IBT's terminal. However, as the coal market gradually recovered, the traffic growth through IBT's terminal strongly recovered and is expected to continue to pick up pace in 2010.

As Adaro Indonesia moves more of its transshipment activities to the open anchorage at Taboneo, IBT is focusing on third party coal handling and fuel services.

Efforts were also made to increase market awareness about IBT's logistics services and the benefits of its terminal by advertising in various publications and exhibiting at international conferences.

Saptaindra Sejati (SIS) – Mining Contracting

	Units	FY09	FY08	% Change
Overburden Removal	'000 bcm	114,987	85,799	34.0%
Coal Getting	Mt	16.4	11.4	44.5%

	Units	4Q09	4Q08	% Change	3Q09	3Q08	% Change
Overburden Removal	'000 bcm	28,770	21,539	33.6%	27,289	24,256	12.50%
Coal Getting	Mt	4.9	3.0	66.1%	3.8	3.4	10.94%

SIS's performance in FY09 was exceptional in terms of both overburden removal and coal getting despite the lower production volume in 1H09 due to lower sales demand. Due to the recovery in the second half of 2009, over burden removal and coal getting increased in 3Q09 and increased even more so 4Q09. Overburden removal of 115kbcm was 34% higher than 2008 while coal getting of 16.4 Mt was 45% higher than 2008.

Safety and Environment

Lost Time due to Injury

	FY09		YoY	
	Actual	Plan	FY09	FY08
LTI	23	9	23	14
LTIFR	0.65	0.5	0.65	0.49

There were 2 LTI (Loss Time Injuries) on the site during 4Q09 and 3 LTI during 3Q09 none of which were serious or fatal accidents. LTIFR (Lost Time Injury Frequency Rate) is measured as the number of lost time claims per million hours worked. In FY09, Adaro's LTIFR of 0.65 was slightly higher than the 0.49 achieved in FY08. The management continues to invest in safety programs and projects to continue to reduce the LTIFR.

Land Disturbed and Land Rehabilitated

	FY09	FY08	Project to Date
Rehabilitation (ha)	293	403	1,740
Land Disturbed - Mine (ha)	459	224	1,876
Land Disturbed - Other (ha)	687	206	3,373
Net Land Disturbed (ha)	853	27	3,509

	1Q09	2Q09	3Q09	4Q09
Rehabilitation (ha)	34	40	138	81
Land Disturbed - Mine (ha)	158	192	41	68
Land Disturbed - Other (ha)	16	166	336	168
Net Land Disturbed (ha)	140	318	240	155

Adaro rehabilitated 293 hectares in FY09 with total rehabilitation to date of 1,740 hectares. The 138 hectares of land rehabilitated in 3Q09 was the most achieved during a single quarter in FY09.

Adaro received the PROPER Green award from the Ministry of the Environment for environmental rehabilitation and social programs excellence. This is the second consecutive year that Adaro has received this award. PROPER is an internationally recognized environmental social rating program designed to complement environmental law to enhance the efficiency and effectiveness of environmental rehabilitation.

Project Development

Tutupan to Kelanis Transportation System - Overland Conveyor (OLC)

Overview:

The OLC project is key to support Adaro Energy's business strategy of improving its coal supply chain efficiency from pit to port. The OLC will provide an alternative mode of transportation and is expected to reduce operating costs by US\$2-3 per tonne compared to the use of trucking. The distance of the OLC will be 37.8km, which covers approximately half the distance of the existing 75km hauling road. The OLC system will include a crushing plant, stacking system and barge loaders, with a total estimated investment of around US\$240 million. The project will be financed entirely by the proceeds of Adaro's US\$800mn 10-year bonds issued in October 2009.

4Q09 Activities and Update:

On December 29th, 2009, Adaro signed contracts with Sandvik Asia Limited for the Equipment Supply Contract and PT. Tripatra Engineers and Constructors as the Engineering, Procurement and Construction (EPC) contractor for the OLC. The tender process began in May 2009 when four competitive offers from international and competent designers were evaluated. This process was followed by preliminary tender prices submitted in June 2009. It is expected the construction of the project will start soon with estimated completion and subsequent commissioning in early 2012.

The work on land compensation continues with the expected completion in the next quarter. The assessment of building the OLC over the last 30 km section to Kelanis was also started.

Technical:

The OLC will be a conventional design, six-flight conveyor, with each flight ranging from 2.4 km to 9.9 km in length and includes six transfer stations. The total length of the OLC is 37.8 km. The conveyor is expected to run at a speed of 7.2 meters per second, which translates into a total capacity of 6,000 tonnes of coal per hour. The OLC will be built close to the surface and is designed to run continuously, excluding some down time for maintenance. Adaro expects to employ up to 500 people as on-site operators, which include engineers, security and maintenance workers, warehouse keepers and other administrative staff.

The OLC will be powered by Adaro Energy's own 2x30 megawatt (MW) mine-mouth power plant.

PT Makmur Sejahtera Wisesa (MSW) – Mine Mouth Power Plant

Overview:

To power the OLC, provide power for the mining operations, and 2MW of free power for the local community, Adaro Energy will build a 2x30 MW mine mouth power plant. The mine operations currently use approximately 20MW of power, mostly from diesel

generators, for operations such as pit dewatering.

The total estimated project costs are estimated at up to US\$160 million, including interest during construction, EPC, switchyard, insurance, contingency, water supply and other associated costs.

In 2008, MSW selected PT. Punj Lloyd Indonesia and Punj Lloyd Pte Ltd Singapore as the Engineering, Procurement and Construction (EPC) contractors. Siemens Industrial Turbomachinery S.R.O, Czech Republic was selected to provide the steam turbine generators.

4Q09 Activities and Update:

During 4Q09, preparatory work continued at the site of the power plant. To the end of 2009, Adaro had spent US\$ 34 million, mainly to equipment suppliers.

IBT-Shell Fuel Facilities Agreement

On September 1, 2009, Adaro Energy through its subsidiary, IBT, signed a fuel facilities agreement with PT Shell Indonesia. This agreement includes the construction of the fuel storage terminal at IBT's facility. For Adaro, this project will serve to support traffic growth at IBT's port and increase income as a result of the liquid bulk jetty operations.

Under the BOOT agreement, Shell is responsible for building a fuel storage terminal with a minimum capacity of sixty thousand (60,000) tonnes over the land owned by IBT in Pulau Laut, South Kalimantan. Upon completion, Shell will own, maintain, and operate the Fuel Storage Facility until it is transferred to IBT in 2022, or earlier if agreed to by both parties. IBT is responsible for constructing other shared facilities within IBT's Terminal, which will be used by Shell and are required for the loading and unloading of oil products from the Fuel Storage Facility to vessels or barges.

The total cost of the project is estimated at around US\$40 million. The financing of the fuel storage facility will be borne by Shell, while the financing for the other shared facilities will be borne by IBT.

By the end of 2009, the construction work on the fuel tank storage facilities had been completed and the electrical work had started. The fuel jetty project is on-going.

Corporate Development and Other News

Good Access to Capital to Support Expansion

On October 22, 2009, Adaro raised US\$800 million with the issuance of 10 year bonds that paid a 7.75% yield. The purpose of this bond issuance is to strengthen Adaro's financial structure to support the growth plan and build infrastructure to increase cost efficiency. The use of proceeds from the bond will be for infrastructure expansion plans, which include the overland conveyor (US\$240 million) and 2x30MW mine-mouth power plant (US\$160 million), the purchase of barges and tugs by OML of around US\$200 million (including the refinancing of US\$160 million of OML's existing debt) and other purchases of mining equipment for Adaro Indonesia of around US\$100 million. The remaining proceeds will be used for general corporate purposes.

In addition to this, Adaro also secured a US\$500 million Amortizing Revolving Credit Facility as a stand-by facility to ensure sufficient liquidity, which is currently undrawn.

Fuel Supply Agreement with Shell

In December 2009, Adaro signed a Fuel Supply Agreement with Shell. Under this agreement, Shell will supply fuel to Adaro with a minimum throughput of 360Mn liters per year until 2022. The pricing of the fuel will be determined by market prices.

The signing of the FSA will strengthen control of the coal supply chain by enhancing fuel supply security and improve efficiency through the reduction of costs.

Barging Unit Restructured to Comply with the Cabotage Law

In order to comply with the Minister of Transportation's Regulation No. KM 71 Year 2005 on November 18, 2005 regarding the Transportation of Goods between Domestic Seaports, in late October 2009, the majority of the assets of Adaro Energy's subsidiary OML, which is a Singaporean limited liability company, had been restructured to PT Maritim Barito Perkasa ("MBP") and PT Harapan Bahtera Internusa ("HBI"). MBP and HBI are national shipping carriers bearing domestic licenses, which were acquired for a nominal sum in the second half of 2009 by Adaro Energy.

New shipping regulations stipulate the transportation of goods by a vessel along the coast of domestic seaports must be carried out by domestic shipping carrier bearing an Indonesian flag (ie, the "cabotage" law). The new structure will put Adaro Energy in compliance with the regulations.

Fuel Hedging

Adaro entered into fuel hedging agreement with its relationship lending bank in late November 2009 that will be effective in January 2010 for the duration of one year. Under this hedging agreement, Adaro will pay for fuel at a fixed rate. The agreement will cover over 80% of Adaro's fuel requirements for 2010 at a rate similar to the average rate paid in 2009.

Adaro Bangun Negeri

To further integrate with the community and create more sustainable community development programs, Adaro Energy founded Adaro Bangun Negeri foundation in April 2009. In December 2009, Adaro appointed a Director, reporting directly to the Board of Directors, to supervise its daily operations. This foundation will receive continuous support from Adaro Energy to develop the economic, social, educational and health conditions of the surrounding communities during and after Adaro Energy's operations.

Donations to the Victims of the Earthquake in Padang

A major earthquake occurred in Padang on September 9, 2009. An estimated 250,000 families were affected by this earthquake through partial or total loss of their homes and livelihoods. Adaro's rescue team was deployed from Kalimantan to Padang to help with evacuation. Adaro also sent a medical team that consisted of 3 doctors and 5 nurses to help those in need.

Relative Return of Adaro Energy (ADRO: IDX)

Adaro Energy's stock performed well during FY09 increasing 238%. In 3Q09 the stock increased 20% and added another 23% in 4Q09. Adaro Energy's stock outperformed most major indices.

Comparative relative growth in %

	3Q09	4Q09	FY09
JAKMINE index	21	-0.1	133
FTSE 350 mining index	22	30	93
JCI index	21	3	81
LQ45 index	21	3	76
Hangseng index	16	8	50
NASDAQ	15	11	40
S&P 500	15	9	23

Analysts Monitoring Adaro Energy in 3Q09 and 4Q09

1	Goldman Sachs	Tiah
2	Macquarie	Worthington
3	Citi	Sjamsudin
4	Bahana Securities	Chopra
5	CLSA Asia Pasific Markets	Solihin
6	CIMB GK	Rahmundita
7	BofAML	Suryo
8	PT Etrading Securities	Chandra Kasih
9	NISP Sekuritas	Hananto
10	Optima Kharya Capital Securities	Budiman
11	UBS	Bokkenheuser
12	Kresna Graha Sekurindo Tbk PT	Zulkarnaen
13	Credit Suisse	Ali
14	ABN Amro	Hasjim
15	Morgan Stanley	Tan
16	Sucorinvest Central Gani	Tanggela
17	DBS Vickers	Winoto

Brief Description

Adaro Energy is currently Indonesia's second largest thermal coal producer, operates the largest single-site coal mine in Indonesia, and is a significant supplier to the global seaborne thermal coal market with a present capacity of approximately 48Mt per year. The Company has approximately 3.5 billion tonnes of coal reserves and resources and is integrated from exploration through to marketing. The Company's subsidiary, PT Adaro Indonesia commenced mining in 1992 from a coal resource area in the Tanjung district of Indonesia's South Kalimantan province. Adaro operates under a first generation Coal Cooperation Agreement, or "CCA", with the Government of Indonesia, which is valid until 2022 with rights to extend by mutual consent.

Board of Commissioners:

- 1 Edwin Soeryadjaya – President Commissioner
- 2 Theodore Permadi Rachmat – Vice President Commissioner
- 3 Ir. Subianto – Commissioner
- 4 Lim Soon Huat - Commissioner
- 5 Palgunadi Tatit Setyawan – Independent Commissioner

Audit Committee:

- 1 Ir. Palgunadi Tatit Setyawan (Chairman)
- 2 Dr. Ir. Irwandy Arif, MSc (Member)
- 3 Mamat Ma'mun, SE (Member)

Board of Directors:

- 1 Garibaldi Thohir – President Director
- 2 Christian Ariano Rachmat – Vice President Director
- 3 Sandiaga S. Uno – General Director
- 4 Andre J. Mamuaya – Director of Corporate Affairs/Corporate Secretary
- 5 David Tendian – Finance Director
- 6 Chia Ah Hoo – Operations Director
- 7 Alastair Grant – Marketing Director

Key Adaro Energy Subsidiaries (100% owned by Adaro Energy, unless otherwise indicated):

- 1 PT Adaro Indonesia ("AI"): coal mining
- 2 PT Saptaindra Sejati ("SIS"): mining contractor (96.48%)
- 3 PT Makmur Sejahtera Wisesa ("MSW"): mine mouth power plant (99.92%)
- 4 Orchard Maritime Logistics Pte Ltd ("OML"): barging and shiploading serving customers outside Indonesia (95%)
PT Maritime Barito Perkasa ("MBP"): serving Adaro Indonesia
PT Harapan Bahtera Internusa ("HBI"): serving non Adaro-domestic
- 5 PT Sarana Daya Mandiri ("SDM"): dredging of Barito river mouth (51.2%)
- 6 PT Indonesia Bulk Terminal ("IBT"): coal terminal operation, port facilities
- 7 Coaltrade Services International Pte Ltd ("Coaltrade" trading and marketing

Adaro Energy's Capacity Growth Now and Then

Key infrastructure	2005*)	2009	2014
Coal haulage – trucks	30 Mt	60 Mt	60 Mt
Overland conveyor	-	-	40 Mt
Transshipment capacity – Taboneo	15 Mt	30 Mt	55 Mt
Direct barging to domestic customers	8 Mt	13 Mt	25 Mt
Barging to transshipment / IBT	19 Mt	32 Mt	55 Mt
River capacity	60 Mt	200 Mt	200 Mt
Coal loading – IBT	12 Mt	12 Mt	12 Mt

*) 2005: Adaro's LBO

Summary of Adaro Energy

Production/Sales	48 Mt capacity 40.6 Mt production in 2009 (38.5 Mt in 2008) 10 Years CAGR of 11.6%
Envirocoal	Sub bituminous, moderate CV, high moisture coal, ultra-low sulfur, ash and NoX emissions
Customers	Substantially all blue-chip power utilities
Pricing	Annual price negotiation and some that is index-linked
Cost	Low to middle production costs compared to peers
Resources – JORC Compliant	3.5 billion tonnes
Location	Tanjung district, South Kalimantan
License of Adaro Indonesia	First Generation CCA valid until 2022
Operations	The largest single site coal mine in the southern hemisphere, vertically integrated from pit to port
Pit to Port Subsidiaries (contracting, barging, shiploading, dredging, port services, marketing)	Each subsidiary is or will become an independent profit center and contribute value beyond the efficient high quality services they provide Adaro
Growth Strategy	Increase resources, expand production, increase focus on Asia and to further integrate and improve operations